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

2023
ANNUAL REPORT

AAC Technologies is a leading provider of sensory experience solutions with the goal of building the future of interactive sensory technologies. Through continuous innovation and our global footprint, we have established long-term strategic partnerships with global smart device clients. We have strong capabilities in Acoustics, Optics, Electromagnetic Drives, Sensors and Semiconductors, as well as Precision Manufacturing based on decades of industry experience. AAC Technologies' mission is to create a better sensory experience for the world, and our vision is to become a global leader in sensory technology with a broad solution portfolio. We keep innovating sensory technologies to create new interactive experiences. In the future, we will focus our efforts on smartphones, intelligent vehicles, virtual reality, augmented reality and smart homes to help create a new era of sensory experience.

www.aactechnologies.com

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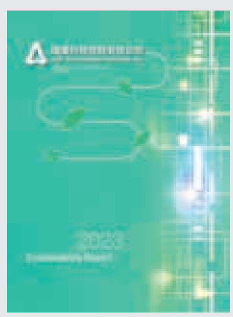
The Company has since 2013 issued a stand-alone Sustainability Report every year. The annual Sustainability Report discloses the details of sustainability performance, initiatives and its progress on environmental, social and governance issues for the year. Please visit the website www.aactechnologies.com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



Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Ms. Wu Ingrid Chun Yuan

Independent Non-executive Directors

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

AUDIT AND RISK COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Mr. Pan Benjamin Zhengmin
Mr. Mok Joe Kuen Richard

JOINT COMPANY SECRETARIES

Mr. Ho Siu Tak Jonathan
Ms. Guan Muyi

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Herbert Smith Freehills
JunHe

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1605–7, YF Life 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 determined to offer advanced, proprietary technologies, driving growth through innovation and smart manufacturing capabilities, to achieve diversified development in the fields of smart phones, intelligent vehicles, AR/VR, industry and semiconductors. We focus on effective management, talent development and social responsibilities to ensure sustainable and high-quality growth.

Core Development Strategies

STRATEGY

The Group always aims to "lead innovation and enhance user experiences". Focusing on high entry barrier technology and high value-added precision manufacturing business, and establishing the leading edge in each segment, we have achieved sustainable development capability.

"Two-pronged" approach: Advanced R&D + Precision Manufacturing

Holistic Solution Platform

Core Development Strategies

Acoustics	Optics	Electromagnetic Drives/ Precision Mechanics	Sensors and Semiconductors

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 leadership as its competitive strategy. With investment in R&D accounting for 7.7% of revenue in 2023, the Group has set up 18 R&D centers all over the world, with 3,961 R&D talents, and, by 31 December 2023, obtained 5,938 patents, as well as an addition of 2,298 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 level of international leading enterprises.

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: optics, WLG hybrid lens, acoustics, haptics, precision mechanics 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 the capability for continuous upgrades and further improvements. Hence, our production lines can be modified flexibly for supporting new requirements of the four business segments. We ensure a quick response to new requirements of production processes for new products, so that new techniques can be implemented. Such enhanced versatility of equipment will significantly reduce investment costs of specific production lines of specific segments.

Financial Highlights

Revenue
(RMB million)

20,419

-1.0% YoY

EBITDA
(RMB million)

4,183

-1.6% YoY

Earnings Per Share
(RMB)

0.63

-8.3% YoY

Free Cash Flow
(RMB million)

3,805

+51.0% YoY

CAPEX/EBITDA

33.0%

-10.5ppts YoY

Per Capita Output
(RMB)

682,410

-8.0% YoY

Net Asset
(RMB million)

22,371

+0.8% YoY

Net Gearing Ratio

5.1%

-1.1ppts YoY

ROE

3.4%

-0.4ppts YoY

Financial Highlights

Summary of Past 5-Year Operating Financial Data

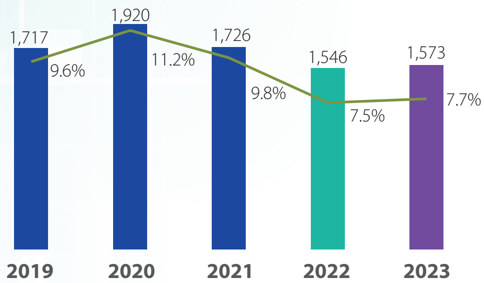
	Year ended 31 December					2023 vs 2022
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	**2023** **RMB'000**	YoY Increase /(Decrease)
Revenue	17,883,757	17,140,219	17,666,967	20,625,092	**20,419,072**	(1.0%)
Depreciation and Amortisation	2,176,306	2,477,529	2,702,161	2,986,999	**2,968,817**	(0.6%)
Finance costs	248,210	352,558	415,465	403,084	**390,824**	(3.0%)
Net profit attributable to owners of the Company	2,222,375	1,506,707	1,316,279	821,305	**740,370**	(9.9%)
EBITDA	4,976,938	4,477,686	4,530,502	4,250,762	**4,182,502**	(1.6%)
CAPEX	(3,032,874)	(5,087,990)	(3,548,248)	(1,847,510)	**(1,378,458)**	(25.4%)
Taxation paid	(370,068)	(261,953)	(216,633)	(303,514)	**(246,098)**	(18.9%)
Changes in working capital	(727,941)	(527,278)	(2,123,494)	420,039	**1,247,167**	196.9%
Free cash flow	846,055	(1,399,535)	(1,357,873)	2,519,777	**3,805,113**	
Gross margin	28.6%	24.7%	24.7%	18.3%	**16.9%**	(1.4ppts)
R&D expenses to Revenue	9.6%	11.2%	9.8%	7.5%	**7.7%**	0.2ppts
ROA	6.9%	4.1%	3.3%	2.0%	**1.9%**	(0.1ppts)
ROE	11.6%	7.4%	6.1%	3.8%	**3.4%**	(0.4ppts)
Per capita output (Revenue/Employees)	454	508	470	742	**682**	(8.0%)
Net gearing ratio	10.5%	2.2%	8.9%	6.2%	**5.1%**	(1.1ppts)
Current ratio	1.92	1.80	1.86	1.89	**1.63**	(26.0ppts)
CAPEX/EBITDA	60.9%	113.6%	78.3%	43.5%	**33.0%**	(10.5ppts)

Global Presence

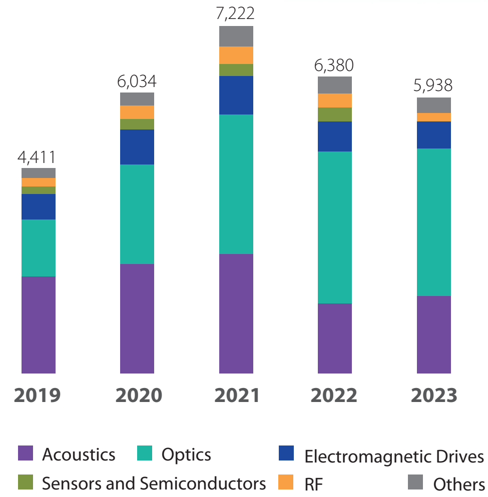
R&D

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

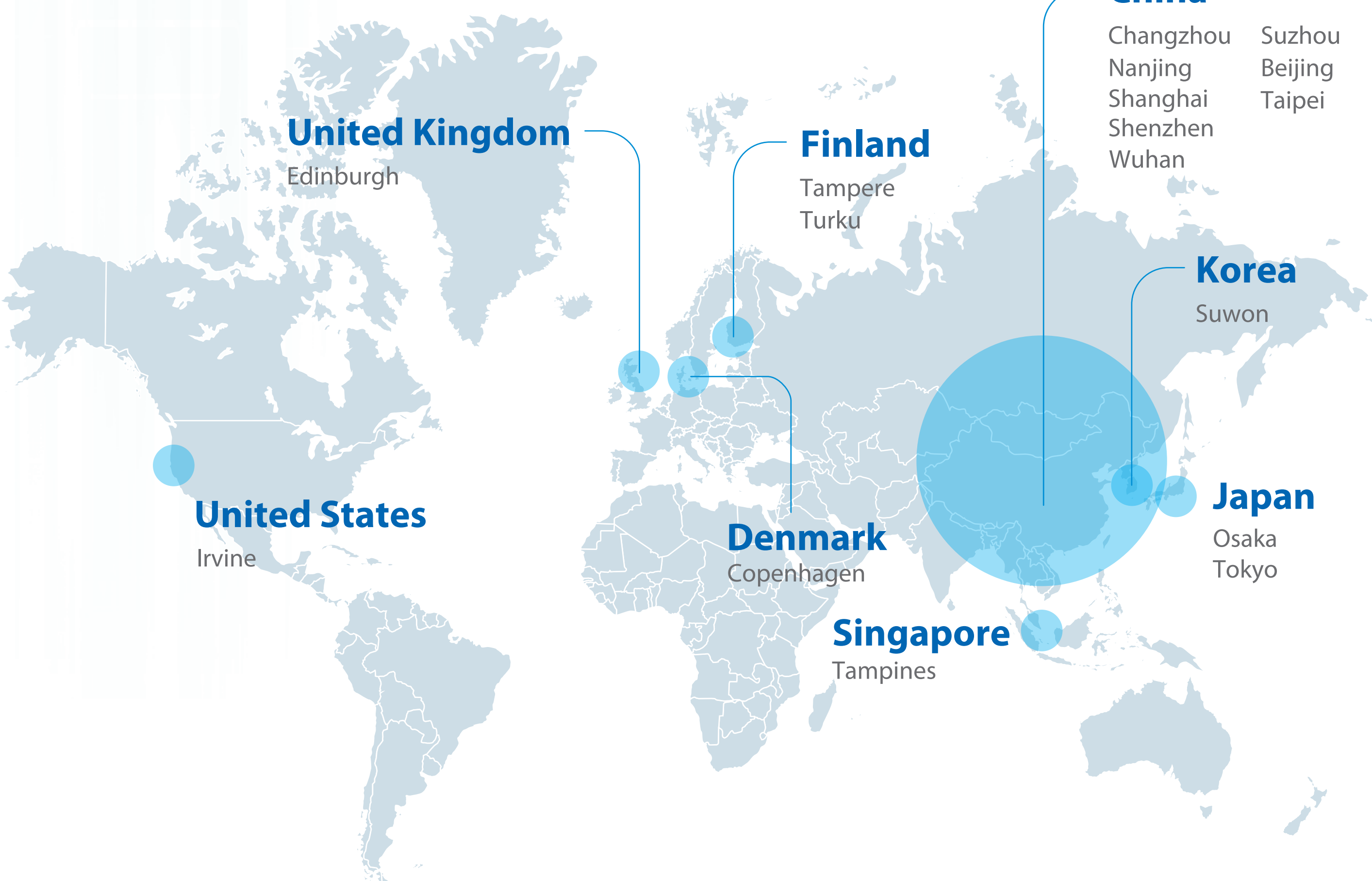
(RMB million or %)



Patents by Segments



R&D Centers

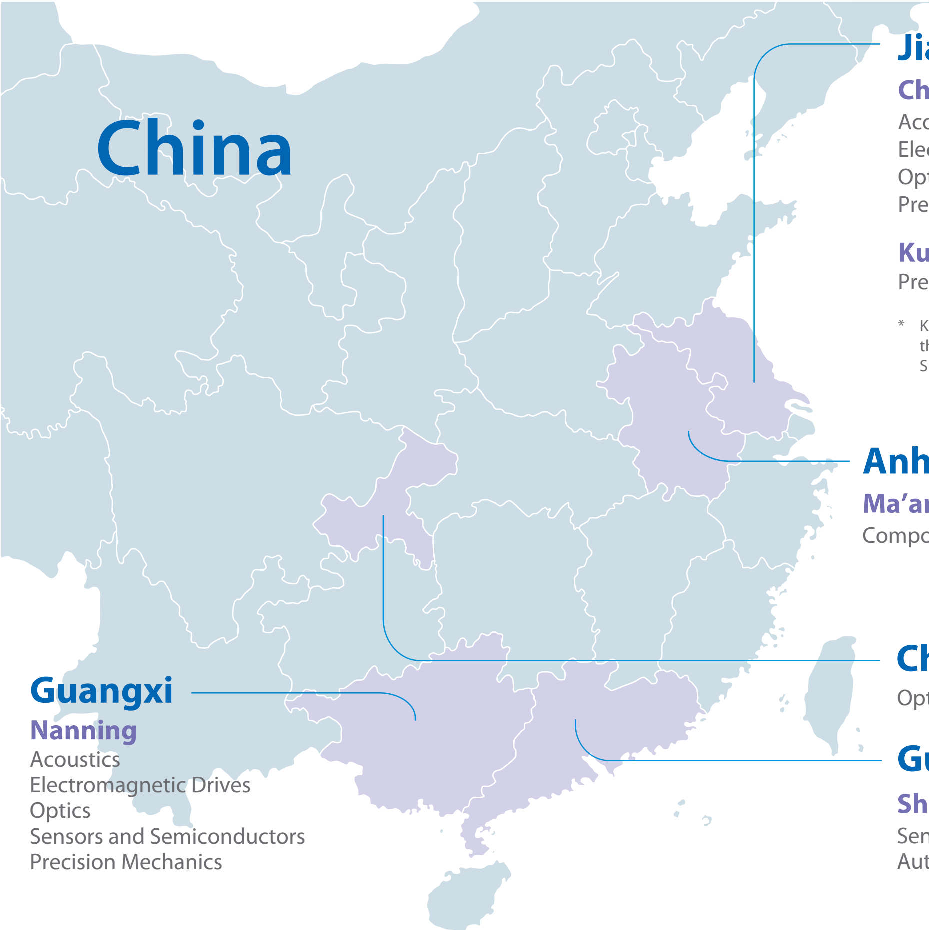


R&D Centers	R&D Engineers and Technicians	Patents	Patent Applications
18	3,961	5,938	2,298
		Overseas: 2,478	Overseas: 1,048

Global Presence

Diversified Manufacturing Bases

China



Jiangsu

Changzhou
Acoustics
Electromagnetic Drives
Optics
Precision Mechanics

Kunshan*
Precision Mechanics

* Kunshan is under the jurisdiction of Suzhou.

Shuyang
Components
Precision Mechanics

Suzhou
Precision Mechanics
Optics

Yangzhou
Precision Mechanics

Anhui

Ma'anshan
Components

Chongqing

Optics

Guangxi

Nanning
Acoustics
Electromagnetic Drives
Optics
Sensors and Semiconductors
Precision Mechanics

Guangdong

Shenzhen (Longgang)
Sensors and Semiconductors
Automation Equipment

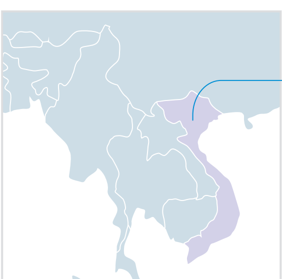
Czech

Kozomín
Optical Mold

Malaysia

Johor
Sensors and Semiconductors

Vietnam

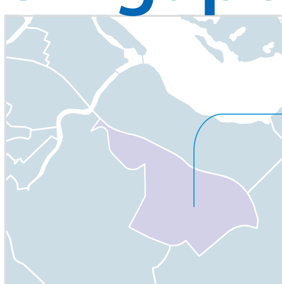


Bac Ninh
Acoustics

Vinh Phuc (under development)
Ba Thien IP Industrial Park

Bac Giang (under development)
Hoa Phu Industrial Park

Singapore



Tampines (under development)
Tampines Wafer Fab Industrial Estate

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

Milestones

2015
Acquired WiSpry, US for RF MEMS technology

2016
Launch of stereo sound solutions

2017
Launch of SLS platform

Mass production of plastic lenses

2018
Shipped SLS acoustic products

2019
Top 3 global supplier of plastic lenses for smartphones

2020
Mass production of WLG hybrid lenses ready

2021
Established a new business unit for operation of Automotive Business

2022
Launched proprietary Combo and Opera Coaxial solutions

Mass-production and shipment of total automotive acoustics solutions

2023
Contracted to acquire Acoustics Solutions International B.V.

CEO Statement

2023 marked a year of challenges and opportunities. Consumer demand became more cautious under the backdrop of global economic cycle and slowdown of product innovation in the first half of the year ("1H 2023"). The Group continued to focus on innovation and expansion of new application scenarios. Meanwhile, the Group continued to improve operational efficiency and focused on cash flow management. As of 31 December 2023, the Group's net operating cash inflow reached a record five-year high of RMB4.63 billion, with free cash flow at RMB3.81 billion, hitting a historical record high given stringent management of capital expenditure ("CAPEX"). Cash on balance sheet stood at RMB6.82 billion. The healthy cash flow establishes a solid foundation for future market positioning. With the recovery of the macro backdrop and industry in the second half of 2023 ("2H 2023"), the Group regained growth momentum in both revenue and profits.

The Group's forward-looking strategic development has achieved breakthroughs in several business segments. In the smartphone sector, multiple business segments have made good progress: both acoustic and electromagnetic products have expanded their shares in the mid-to-high-end market through performance improvement and cost optimization, of which new platforms together with new technologies have driven a rebound in the average selling price ("ASP") of acoustic products; in optics, 6P lenses' share of shipments has experienced rapid growth, and the capacity of wafer-level glass ("WLG") lenses has been enhanced steadily due to the improvement in the production yield with cumulative shipments of hybrid lenses reaching approximately 8 million units by the end of 2023; the revenue of the precision mechanics business grew by more than 30% year-on-year ("YoY"), with the expansion of hinges and heat dissipation business becoming new growth drivers; high-performance microphones powered by artificial intelligence ("AI") technologies have begun to show growth momentums. The Group focuses on the deployment of slim, high-performance, and innovative products as well as vertical integration, so as to expand its market coverage and enhance its growth potential.

In the intelligent vehicle sector, the Group will build on the successful acquisition of Premium Sound Solutions ("PSS") to integrate the existing products, services and solutions, and strengthen ecosystem cooperation with PSS. By integrating PSS's rich product portfolio, global manufacturing operations as well as its solid existing supply chain relationships with global original equipment manufacturers ("OEMs"), the Group is set to provide a broad set of innovative high-quality audio system solutions to elevate the infotainment and sensory experience for users. The Group will accelerate its penetration into the global automotive industry and expand its operation capabilities effectively across all key business areas on a global scale, to better assist customers' future development plans.

"Sensing the world, perceiving the future". In 2024, standing at a new starting point of development, we will continue to forge ahead with a cohesive force. The Group will continue to develop internal and external capabilities. On one hand, the Group will strengthen cooperation with business partners and create more value for customers. On the other hand, the Group will promote lean management by continuous cost reduction and improvement in overall operational efficiency. Through dedication to technological innovation across various verticals, including acoustics, optics, electromagnetics, and precision mechanics, the Group will combine its excellence in hardware and software capabilities to provide global partners with customised solutions in specific application scenarios, and continue to deliver a superior sensory experience in consumer electronics, automotive, augmented reality ("AR")/virtual reality ("VR"), and other AI-related fields.

On behalf of the Group's management team, I would like to express our gratitude to our partners and Shareholders for their trust, patience, and support. I would also like to thank all our employees for their hard work and continuing creativity. The Group will continue to drive the high-quality development of the overall industry and deliver stable long-term returns to Shareholders.

Pan Benjamin Zhengmin
Chief Executive Officer

21 March 2024

Business and Market Review

In 2023, the global economy still faced with several headwinds including softer consumer demand. According to the report of International Data Corporation ("IDC"), global smartphone shipment volume in 2023 decreased by 3.2% YoY to 1.17 billion units. However, the demand for mid-to-high-end smartphones led a recovery trend in 2H 2023. For 2H 2023, the Group's revenue was RMB11.20 billion, remaining flat YoY. The gross profit margin was 19.2%, up 1.4 percentage points ("ppts") YoY and 5.1 ppts half-year-on-half-year ("HoH"), which indicated a recovery trend. The HoH increase in gross margin was mainly due to the increase in demand for mid-to-high-end models and the traditional peak season for consumer electronics. Net profit was RMB590 million, up 25.2% YoY. In 2023, the Group recorded a revenue of RMB20.42 billion, slightly down 1.0% YoY, with significant increases in precision mechanics and optics businesses revenues. The gross profit margin was 16.9%, down 1.4 ppts YoY mainly due to the lackluster consumer electronics industry demand. With the slow trend in specification upgrade in 1H 2023, net profit was RMB740 million, a decrease of 9.9% YoY.

During the reporting period, the Group remained prudent in financial management and stringently managed capital expenditure and operational expenses. The operating cash inflows were RMB4.63 billion, up 6.0% YoY, and CAPEX amounted to RMB1.38 billion, down 25.4% YoY. Free cash flow was RMB3.81 billion, the highest level since the Group's listing. Cash on book (including short-term fixed deposits) was RMB6.82 billion. The net gearing ratio was 5.1%. The inventory turnover days decreased from 109 days as of 31 December 2022 to 80 days as of 31 December 2023. We believe a sound financial position is crucial to the Group's sustainable development and provides a solid foundation for the Group's future innovation.

After a careful review of the Group's financial liquidity and business development requirements, the Board of Directors proposed to declare a final dividend of HK$0.10 per Share for FY 2023 (FY 2022: HK$0.12 per Share), implying a total annual dividend amounting to HK$0.10 per Share for FY 2023 (FY 2022: HK$0.12 per Share) which represents a 15% payout ratio, the same as that of FY 2022. The Group will remain prudent in financial management and strong in cash flow for business development, to create long-term value for Shareholders.

Performance and Development of Business Segments

Acoustics Business

For 2H 2023, the Group's acoustic business revenue was RMB4.18 billion, down 11.5% YoY and up 25.7% HoH. The gross margin was 30.7%, up 1.8 ppts YoY and 5.2 ppts HoH, which was mainly driven by the trend of specification upgrades in downstream customers. In 2023, the Group's acoustic business revenue was RMB7.50 billion, down 15.4% YoY, mainly due to the slower-than-expected recovery of global smartphone market demand in 1H 2023. Despite the demand recovery in 2H 2023, the annual shipment of acoustic products still declined YoY. The gross margin was 28.4%, a slight increase of 0.3 ppts YoY.

In 2023, the Group continued to strengthen close cooperation with customers through strong project experience, leading technology, and efficient operational and manufacturing capabilities to actively support customers' technological innovation roadmap. We expect the market share of the acoustics business to increase steadily in 2024. The Group has been continuously developing leading smartphone acoustics technologies: the master-level super linear speakers ("SLS") have been receiving positive feedbacks from customers for its "small cavity + ultra-thin" design and combination of non-linear control ("NLC") and directional algorithms. The shipment volume of master-level SLS products exceeded 10 million units in 2023, achieving leapfrog growth; the high-quality solution Opera has gained great interest from customers due to its incredibly augmented soundstage for the same speaker size. The Group has built up an integrated solution for smartphone acoustics, including high-performance linear speakers, multi-speaker arrays, and proprietary algorithms. Looking forward, the Group will focus on innovative solutions with slim hardware design and high performance, delivering immersive auditory experiences for customers in more diverse application scenarios through a broader product portfolio.

In the automotive business, the Group has been continuously delivering car speaker products. The Group sped up the pace of penetrating the auto customer market and partnered with several recently released new energy vehicle models, launching innovative speaker products that are recognised for their miniaturization, lightweight, high performance, and high adaptability. These products have quickly been adopted in cars. In addition, several amplifier products have been successfully developed and gradually stepped into mass production and delivery. Going forward, the Group will support our customers in improving the precision and comfort of intelligent interactions and creating a cockpit space with superior aesthetics and experience.

Optics Business

In 2H 2023, the Group's optics business recorded revenue of RMB1.86 billion, up 36.0% YoY and 4.8% HoH, benefitting from the continuous improvement of product mix and the easing intensity of industry competition. The gross margin was -9.2%, up 20.5 ppts YoY and 7.8 ppts HoH, which was mainly due to the smooth progress of product upgrades in plastic lens and optics module businesses and the increase in market share in the mid-to-high-end models. In 2023, the Group's optics business revenue was RMB3.63 billion, up 12.7% YoY. The gross profit margin was -13.0%, remaining flat YoY.

In 2023, the Group placed great emphasis on optimizing the product mix of plastic lenses and the shipment volume of high-specification lenses such as 5P and above rose by roughly 48% YoY to more than 350 million units, accounting for approximately 70% of the total plastic lenses shipment, of which 6P lenses accounted for approximately 14%, representing an increase of 5 ppts YoY. The Group has made breakthroughs in the high-end and flagship projects of many customers. Optical image stabilizer ("OIS") modules started mass production and shipment, continuously providing customers with a differentiated imaging experience. Additionally, high-value optical transmission projects are expected to start shipping in 2024. The production efficiency of non-spherical glass lenses for smartphones has been significantly improved, laying a solid foundation for expanding customer base. The shipment volume of WLG hybrid lenses exceeded 3 million units, representing a YoY growth of about 22%. Besides the stable delivery to the smartphone sector, the hybrid lenses are also in continuous shipment and steady delivery in non-smartphone sectors including automotive cameras, action cameras, drones, etc. The Group will continue to enhance vertical integration capabilities, optimize optics modules and voice coil motor ("VCM") business to achieve market share gain in mid-to-high-end optics products, and will actively optimize internal management and operational efficiency, balancing certainty and growth to achieve high-quality development.

Performance and Development of Business Segments

Electromagnetic Drives and Precision Mechanics Business

In 2H 2023, the consolidated segment's revenue increased by 6.5% YoY and 27.8% HoH to RMB4.63 billion as more high-end, flagship, and foldable smartphones adopted the Group's haptics and metal casing products, and the segment experienced an increase in shipment volume of innovative products such as metal hinges and vapor chambers ("VC"). The gross margin was 20.7%, slightly down by 1.3 ppts YoY but up by 1.4 ppts HoH. In 2023, the consolidated segment's revenue rose by 13.3% YoY to RMB8.25 billion. The gross margin stood relatively stable at 20.1%, slightly down by 1.2 ppts YoY, mainly due to the increase in the revenue proportion of the precision mechanics business.

Electromagnetic Drives Business

The Group's x-axis haptics motors achieved an annual growth of 13.3% in shipment volume against the backdrop of a slow recovering global smartphone market especially in 1H 2023, with an expansion of its market share in flagship models. This was mostly attributed to its edges in start-stop speed, vibration frequency, and conversion efficiency. The Group also established a biomimetic tactile laboratory to strengthen the integration of motor hardware, drive chips, and software algorithms across the entire supply chain. We work closely with downstream customers and provide them with one-stop hardware tuning, software integration, tactile feedback design, and consulting services through our RichTap® tactile solution. In addition to a leading position in the smartphone field, the Group's haptics products have been continuously increasing penetration across smartwatches, tablets, intelligent automobiles, game consoles, and VR/AR devices. The Group places a high priority on the long-term value of motor modules.

Precision Mechanics Business

In 2023, the revenue of smartphone metal casing grew by 34.3% YoY, with both the shipment volume and ASP of metal casing showing double-digit growth. This segment has maintained a leading market share in high-end and flagship models of major customers. The Group has continued efforts in expanding high-value business such as metal hinges which were mass-produced for the first time in 2H 2023 and delivered nearly 700,000 units for the entire year. These hinge products feature new materials, innovative processes, and revolutionary structures, achieving an ultra-thin and robust folding experience. Benefitting from the Group's leading capabilities in simulation design, technology development, and automated production, the revenue from heat dissipation products rose by more than 100% YoY. The Group is able to offer a slim product design while significantly enhancing the smartphone's heat dissipation performance. Amid the trend of continuous upgrades in smartphone chip specifications and more scenarios where end consumers use high-power applications, such as gaming, there is an elevated demand from downstream handset manufacturers for more advanced specifications in heat dissipation components, which is expected to bring broader market opportunities to the Group.

Sensor and Semiconductor Business

In 2H 2023, the sensor and semiconductor ("SSE") business revenue was RMB531 million, representing a YoY decrease of 31.7% and an HoH increase of 7.5%, benefitting from the marginal recovery of smartphone market demand and the Group's further penetration in Android market. The gross margin was 15.7%, up by 5.3 ppts YoY and 4.4 ppts HoH, respectively, mainly due to changes in product mix. In 2023, the SSE business recorded a revenue of RMB1.03 billion, representing a YoY decrease of 18.4%, mainly due to the weak demand for consumer electronics in 1H 2023. The gross margin increased by 2.0 ppts YoY to 13.6%, mainly influenced by changes in product mix.

The Group currently operates three micro-electro-mechanical systems ("MEMS") product manufacturing bases in Nanning, Shenzhen, and Malaysia, aiming to create a well-coordinated global presence to flexibly allocate production resources to meet the needs of different customers. In terms of products and technology, the Group continued to promote its proprietary high-performance MEMS microphones, and the shipment proportion of Android mid-to-high-end products grew by approximately 17 ppts YoY to more than 50%, leading the industry to upgrade towards mid and higher-end products. In IoT, the Group launched the innovative MEMS speaker product SOPRANO, which supported true wireless stereo ("TWS") device manufacturers to achieve high-definition audio reproduction in limited space. With the wave of AI which drives increasing demand for intelligent voice interaction, the SSE business will foresee an expansion in more development opportunities.

Performance and Development of Business Segments

Prospects

The Group has on 9 February 2024 completed the first tranche of the acquisition of Acoustic Solutions International B.V. such that PSS became an 80% owned subsidiary of the Group, and effective from then, its financial results will be consolidated.

This acquisition is a strategic move to accelerate the Group's diversification into the automotive industry and to enhance its acoustic capabilities. Not only broadens the Group's product portfolio, it represents a significant transformation in business development. The synergies from both PSS and the Group's existing businesses will further enhance the Group's market positioning. The Group will rely on its technology and resource advantages, combined with PSS's rich product portfolio, global manufacturing operations, and solid supply chain relationships with global OEMs, to provide innovative high-quality audio system solutions to enhance automotive infotainment and sensory experience. By accelerating its penetration into the global automotive industry and, at the same time, expanding its operation capabilities effectively across all key business areas worldwide, the Group will be able to contribute to our customers' ambitions in business development.

The Group has been focusing on efforts in the extended reality ("XR") field and aims to become a major technology provider for the upcoming entertainment interaction revolution. The Group's XR acoustic solutions have been delivered to numerous top global XR companies which highly recognise the products due to their ultra-thin size, leak-proof acoustic design, and near-field algorithms. The motor-related business is also progressing well with customers. The Group's partnership with Dispelix to develop a new generation of single-layer full-colour optical waveguide lenses has laid a foundation for the Group's further development plan in AR optics. Additionally, the successful mass production of the 3P Pancake will enhance the Group's capability in the VR space. The Group will leverage its one-stop integrated solution for AR/VR and work with top industry partners worldwide to form its industry-leading service capabilities covering the areas of acoustics, optics, and haptics.

The Group will continue to maintain its leading market position in the smartphone industry, and explore more opportunities in mid-to-high-end models including emerging categories such as foldable devices, while aiming for better returns through continuous technological upgrades and operational efficiency improvements. Meanwhile, thriving technological advancements such as AI and XR call for higher-grade product design and manufacturing capabilities. The Group will leverage its technological know-how and provide customers with superior sensory solutions across multiple application scenarios.

Financial Review

Revenue

In 2023, the Group's revenue decreased YoY by 1.0% to RMB20.42 billion. Owing to factors discussed under "BUSINESS AND MARKET REVIEW" above, revenue from the acoustics and sensor and semiconductor business decreased by RMB1,369 million and RMB231 million respectively, while revenue from electromagnetic drives and precision mechanics and optics business increased by RMB967 million and RMB410 million respectively.

Gross Profit and Gross Profit Margin

In 2023, gross profit was RMB3.45 billion, representing a decrease by 8.6% from the gross profit of RMB3.78 billion in 2022. The drop in gross profit was mainly contributed by market competition in acoustics and optics business and the decline was partly offset by the improved gross profit of electromagnetic drives and precision mechanics business.

Gross profit margin decreased to 16.9% in 2023 as compared with 18.3% in 2022. The decline in gross profit margin was mainly contributed by the decreased sales from acoustics business with higher gross profit margin.

Other Income and Other Expenses

The net other income and other expenses increased by RMB229 million. This was mainly contributed by the increase in interest income of RMB154 million and the decrease in restructuring costs of RMB125 million. The increment was offset by the decrease in government grants of RMB56 million.

Administrative Expenses

Administrative expenses in 2023 were RMB978 million, 5.6% lower compared with RMB1,036 million in 2022. The decrease was mainly contributed by the decrease in share incentive schemes expenses.

Distribution and Selling Expenses

Distribution and selling expenses in 2023 were RMB443 million, 1.0% lower compared with RMB448 million in 2022. The decrease was mainly contributed by the decrease in delivery and shipping expenses.

Research and Development Expenses

Research and Development ("R&D") expenses in 2023 were RMB1,573 million, increased by 1.8% compared with RMB1,546 million in 2022. The increase was mainly contributed by increase in R&D related to the new vehicle and AR/VR business, in line with the Group's plan for a significant growth in production and shipments in the future.

Finance Costs

Finance costs in 2023 were RMB391 million, 3.0% lower compared with RMB403 million in 2022. Such decrease was mainly due to the decrease in interest on contingent settlement provision accompanied with the repurchase of approximately 7.1670% of the equity interest in AAC Optics (Changzhou) Co., Ltd. ("AAC Optics") in September 2023.

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 2023 amounted to RMB252 million, representing an increase of 9.0% from RMB231 million in 2022. The increase was mainly due to RMB28 million of deferred tax charge in 2023 while RMB16 million of deferred tax credit in 2022 relating to tax losses and other temporary difference.

Profit attributable to the Owners of the Company

Reported profit attributable to the owners of the Company for 2023 was RMB740 million, a decline of 9.9% compared with RMB821 million in 2022. The decline was mainly due to the decline of gross profit which was partly offset by the increase in net other income and exchange gain incurred during the year and the decrease in operating costs and finance costs.

Earnings before Interest, Taxes, Depreciation and Amortization

As compared with last year, the EBITDA for 2023 decreased by 1.6% to RMB4,183 million compared with RMB4,251 million in 2022.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has always emphasized financial discipline and continues to maintain a strong liquidity position. Cash flows from (used in) our operating, investing and financing activities, are as below:

	For the year ended 31 December	
	2023	2022
	RMB million	RMB million
Net cash from operating activities	**4,632.5**	4,372.0
Net cash used in investing activities	**(1,511.8)**	(2,349.3)
Net cash used in financing activities	**(3,170.6)**	(1,438.7)

Operating Activities

Cash inflows from operating activities were 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 RMB4,632.5 million for 2023 (2022: RMB4,372.0 million).

i. Trade Receivables and Payables

As at 31 December 2023, turnover days of trade receivables increased by 8 days to 86 days as compared to 31 December 2022. Trade receivables increased by RMB1.08 billion to RMB5.36 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 RMB5,197.8 million (31 December 2022: RMB4,098.4 million), RMB150.0 million (31 December 2022: RMB169.8 million) and RMB14.3 million (31 December 2022: RMB10.5 million) respectively. The Company has received subsequent settlement totaling RMB3,084.1 million up to 29 February 2024, representing 57.5% 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 2 days to 79 days as compared to 31 December 2022. Trade payables increased by RMB0.82 billion to RMB4.06 billion. Aging of trade payables based on invoice dates between 0–90 days, 91–180 days and over 180 days were RMB3,366.3 million (31 December 2022: RMB2,576.8 million), RMB674.0 million (31 December 2022: RMB654.9 million) and RMB20.4 million (31 December 2022: RMB11.2 million) respectively.

ii. Inventory Turnover

As at 31 December 2023, the inventories have decreased by RMB1.41 billion compared to 31 December 2022. The inventory turnover days decreased to 80 days as at 31 December 2023 from 109 days for 31 December 2022.

Investing Activities

Net cash used in investing activities in 2023 amounted to RMB1,511.8 million (2022: RMB2,349.3 million). It mainly represented the cash used in CAPEX of RMB1,363.9 million (2022: RMB1,768.0 million), addition of intangible assets of RMB176.0 million (2022: 156.8 million) and acquisition of financial assets at FVTPL and equity instruments at FVTOCI of RMB250.3 million (2022: RMB273.4 million), offset by the cash inflows arising from the interest received of RMB191.7 million (2022: RMB39.9 million) as well as the withdrawal of short-term fixed deposits of RMB341.3 million (2022: Nil).

CAPEX included 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 2023 and 2022, total CAPEX incurred were RMB1,378.5 million and RMB1,847.5 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 outflow from financing activities of approximately RMB3,170.6 million for 2023 (2022: RMB1,438.7 million), which was due to major outflows from repayment of bank loans of RMB5,200.7 million (2022: RMB3,021.2 million), return of capital contributions from non-controlling interests of a subsidiary of RMB1,449.0 million (2022: RMB139.6 million), shares repurchased of RMB353.8 million (2022: RMB127.9 million), payment for repurchase of unsecured notes of RMB443.8 million (2022: RMB949.7 million) and dividends paid of RMB130.3 million (2022: Nil), and major inflows was due to bank loans raised of RMB4,824.6 million (2022: RMB3,243.2 million).

Cash and Cash Equivalents and Short Term Fixed Deposits

As at 31 December 2023, the unencumbered cash and cash equivalents and short term fixed deposits of the Group amounted to RMB6,824.5 million (31 December 2022: RMB7,155.0 million), of which 65.2% (31 December 2022: 55.7%) was denominated in US dollar, 30.5% (31 December 2022: 39.8%) in RMB, 1.7% (31 December 2022: 0.2%) in Singapore dollar, 0.6% (31 December 2022: 2.5%) in Hong Kong dollar, 0.5% (31 December 2022: 0.5%) in Vietnamese Dong, 0.5% (31 December 2022: 0.5%) in Euros, 0.2% (31 December 2022: 0.2%) in Malaysian Ringgit and 0.8% (31 December 2022: 0.6%) in other currencies.

Gearing Ratio and Indebtedness

As at 31 December 2023, the Group's gearing ratio, defined as total loans and unsecured notes divided by total assets, was 22.6% (31 December 2022: 23.9%). Netting off cash and cash equivalents and short term fixed deposits, net gearing ratio was 5.1% (31 December 2022: 6.2%).

As at 31 December 2023, the unsecured notes of the Group were RMB5,619.7 million (31 December 2022: RMB6,087.8 million), the short-term bank loans and long-term bank loans of the Group amounted to RMB1,463.9 million (31 December 2022: RMB1,832.6 million) and RMB1,726.0 million (31 December 2022: RMB1,727.2 million) respectively.

Charges on Group Assets

Apart from pledged bank deposits amounting to RMB15.1 million as at 31 December 2023 (31 December 2022: RMB0.2 million) and restricted bank deposits amounting to RMB6.2 million as at 31 December 2023 (31 December 2022: Nil), no other group assets were charged to any financial institutions.

Contingent liabilities

Details of contingent liabilities are included in note 47 to the Consolidated Financial Statements.

OFF-BALANCE SHEET TRANSACTIONS

As at 31 December 2023, the Group had not entered into any material off-balance sheet transactions.

EVENTS AFTER THE REPORTING PERIOD

For details of the events after the reporting period, please refer to note 48 to the Consolidated Financial Statements.

Key Risk Factors

The Company has structured risk management and internal control systems for the management of strategic, market, operational, financial and compliance risks. In our pursuit of technology innovation, the Company is committed to building sustainable risk management and operational information systems. We have been focusing on systematic review and upgrading our risk and control measures in chosen business processes, benchmarking against international best practices. Such systems are designed to manage the risk of failure to achieve business objectives, and can provide reasonable assurance against material misstatement or loss. Certain key risk factors affecting the Group are outlined below. The list of these factors is non-exhaustive, and there may be other risks and uncertainties 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. 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 Pertaining to the Smartphones Market

A substantial part of the Group's revenue is derived from the smartphone sector of the consumer electronics market. There are uncertainties due to the potential slow-down in global economy and the ensuing dampened consumer sentiment and weaker demand. A decline in global economic conditions, in particular in China and other geographic regions, may affect our operating results and financial performance. To tackle this, the Company is continuously widening its product and technologies platforms to extend its reach to different end applications, so as to diversify the sources of revenue and profit to reduce its dependency on any single segment.

Reliance on a Number of Key Customers

The Group's five largest customers, which accounted for 80.8% of the Group's total revenue for 2023, are all related to the 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. Nevertheless, the Group has focused on technology innovation to continuously enhance user experience meeting customers' specification upgrade needs. We have 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 established strong relationships with these major customers; all of them have been our customers for over 3 years. The credit terms granted to them are in the range of 45- to 90-day periods and are generally in line with those granted to other customers.

Risks of Supply Chain and Production Disruption due to Unforeseeable Events

Geopolitical events between different nations may impose unpredictable impacts to the global markets and the Company, such as disruption to the global supply of commodities including base metals and driving up the commodities' prices. The continuous increase in the prices of raw materials might lead to margin compression. Furthermore, geopolitical uncertainties may directly or indirectly impact the Group's customers, which in turn may disrupt supply chain and impact end-consumer demand.

In view of the uncertain market outlook, the Group will actively monitor the market and allocate resources flexibly to meet customers' changing demand. To mitigate the potential impacts from geopolitical events, the Group will actively manage the procurement channels, operation and production.

The COVID-19 pandemic broke out globally in 2020, which has adversely impacted the global economy. As the world gradually returns to normal after the pandemic, the disruption of the pandemic to the Company's operation is expected to gradually diminish.

Key Risk Factors

Operational and Obsolescence Risks

The Group's operation is subject to a number of risk factors specific to designing and providing 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 may have various levels of negative impact on the results of operations. Additionally, production, data security and quality issues may happen despite internal systems and policies set up for their prevention, which may lead to financial loss, litigation, or damage in reputation.

We believe that the Company has a seasoned process to ensure design specifications and quality requirements are met and possesses multiple overlapping core design and production competencies. This will put the Company 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 Company constantly reviews competition and market trends. The Company is committed to striving for innovation and maintaining a competitive position with a wide lead in knowledge. The Company has reinvested significant resources on research and development to build broad sustainable technology roadmaps and intellectual property portfolios.

The Company 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 Company will continue to improve internal process capability, including live surveillance management of production stations and evaluation of "big data" systems in our operation, and set up a solid base for continual improvement in product reliability.

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 and matching the maturity profiles of financial assets and liabilities.

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. The Group focuses on mitigating the liquidity and interest rate risks, with an appropriate mix of RMB/USD borrowings that are constantly reviewed and adjusted. The Group's USD deposits served as a natural hedge to the risk of interest rate volatilities to some extent. The Group also maintains an appropriate mix of fixed/floating rate debts, an even debt repayment profile and a diversified source of funding, including the issuance of long term five-year and ten-year unsecured notes.

The Group's financial assets include cash and cash equivalents, short term fixed deposit, 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 exposures including transaction and translation exposures, and is exposed to exchange rate risks that could impact financial reporting results. The Group's reporting currency is RMB and our sales to overseas customers are predominantly denominated in USD.

It is the Group's consistent policy to centralize foreign exchange management to monitor total foreign currency exposure, to net off affiliate positions, and, if necessary, to consolidate hedging transactions with banks. The cash inflow to the Group in denomination 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. Hence, in our operating business model, the Group's revenue is mostly matched to the currencies of the outlay. 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.

On-going Global Trade Frictions

Prolonged trade frictions might lead to a slowdown of the global consumer electronic market and a decline in the orders by the key customers of the Group, which could have a material adverse effect on the Group's business, results of operations and financial conditions. Furthermore, other related laws and regulations including export controls, economic sanctions and similar regulations may include restrictions and prohibitions on the sale or supply of certain products and on the transfer of parts, components, and related technical information and know-how to certain countries, regions, governments, persons and entities.

The Group is committed to complying with applicable laws and regulations related to export controls and economic sanctions. As at the date of this annual report, the Group's results of operations have not been materially affected by the expansion of relevant laws and regulations such as export control and economic sanctions, or the new rules or measures adopted to counteract them. Nevertheless, depending on future developments in the global trade tensions, there is no assurance that such regulations, rules, or measures will not have an adverse impact on the Group's business and operations.

The Group has implemented the trade control compliance management system and has set up a trade compliance committee for overall management of the Group's trade compliance activities initiatives. A Trade Compliance Department has also been established to coordinate with and support other departments on trade compliance matters. The Group's dedication to R&D to develop proprietary innovative technologies, and the Group's strategy in integrating R&D all over the world with our diversified manufacturing bases should help to continue to provide the best solutions to customers and mitigate some of the adverse business impact of the trade frictions.

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 annual report; 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.

EXECUTIVE DIRECTORS

Mr. Pan Benjamin Zhengmin ("Mr. Pan")

Aged 55, ED and 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 NED and a substantial Shareholder of the Company; and the father of Mr. Kelvin Pan, the Executive Vice President and 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 Hong Kong Listing Rules) of the Company.

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 SFO are respectively set out in the "DIRECTORS AND SERVICE CONTRACTS" section and "DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SHARES AND UNDERLYING SHARES AND DEBENTURES" section of the Directors' Report on pages 33 to 35 of this annual report.

Mr. Mok Joe Kuen Richard ("Mr. Mok")

Aged 60, ED and MD
Appointed to the Board: April 2005 as INED
Redesignated: 5 October 2009 as ED

Mr. Mok, with CEO and Executive Vice President, is responsible for overall business operation, and in particular, jointly with CEO, on sustainability, internal audit and risk management of the Group. He has over 20 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 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 Hong Kong Listing Rules) of the Company.

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" section and "DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SHARES AND UNDERLYING SHARES AND DEBENTURES" section of the Directors' Report on pages 33 to 35 of this annual report.

NON-EXECUTIVE DIRECTOR

Ms. Wu Ingrid Chun Yuan

Aged 53, NED
Appointed to the Board: 4 December 2003

Ms. Wu co-founded the Group in 1993. As a NED 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, an executive Director, CEO and a substantial Shareholder of the Company; and the mother of Mr. Kelvin Pan, the Executive Vice President and 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 Hong Kong Listing Rules) of the Company.

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" section and "DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SHARES AND UNDERLYING SHARES AND DEBENTURES" section of the Directors' Report on pages 33 to 35 of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Hongjiang ("Mr. Zhang")

Aged 63, INED, Chairman of the Board
Appointed to the Board: 1 January 2019
Chairman of Nomination Committee
Member of Audit and Risk Committee and Remuneration Committee

Mr. Zhang is currently an independent director of Zepp Health Corporation (formerly known as Huami Corp, listed in the US), and an independent non-executive director of XPeng Inc. (listed in the US and Hong Kong). He is a venture partner of Source Code Capital and a Senior Advisor to The Carlyle Group's Asian private equity platform.

Previously, Mr. Zhang was an independent director of Digital China Group Co., Ltd. (神州數碼集團股份有限公司) (listed in Shenzhen) and an independent non-executive director of BabyTree Group (listed in Hong Kong), and 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. He also served as the chief technology officer at Microsoft Asia R&D Group and assistant managing director of Microsoft Research Asia, and chairman of Beijing Academy of Artificial Intelligence. He was appointed as one of the first 10 Microsoft Distinguished Scientists in 2010.

Mr. Zhang is a foreign member of US National Academy of Engineering, a Fellow of IEEE and 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 award.

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

The term of appointment of Mr. Zhang is set out in the "DIRECTORS AND SERVICE CONTRACTS" section of the Directors' Report on page 33 of this annual report.

Mr. Kwok Lam Kwong Larry ("Mr. Kwok"), SBS, JP

Aged 68, INED
Appointed to the Board: 1 February 2018
Chairman of Audit and Risk Committee
Member of Remuneration 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 (all listed in Hong Kong) and China Oilfield Services Limited (listed in Hong Kong and Shanghai), and a non-executive director of First Shanghai Investments Limited (listed in Hong Kong). He is also an independent non-executive director of CMB Wing Lung Bank Limited, a private company in Hong Kong, and honorary treasurer of Heep Hong Society, a charitable institution in Hong Kong. Mr. Kwok is a practicing solicitor in Hong Kong, and is a partner of Kwok Yih & Chan ("KYC"), Solicitors. Prior to founding KYC, he worked in a number of international law firms, including Baker & McKenzie, Simmons & Simmons (Partner), Andersen Legal (Managing Partner, Greater China), Mallesons Stephen Jaques (Managing Partner, Greater China) and King & Wood Mallesons (Managing Partner, Asia Strategy & Markets). Mr. Kwok graduated from the University of Sydney, Australia with double degrees in accounting/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. He is a solicitor qualified in Hong Kong, Australia, England and Wales and Singapore. He is also qualified as a Chartered Accountant in England and Wales and a CPA in Hong Kong and Australia.

Mr. Kwok has served regularly on Government boards and committees. Previously, he was Chairman of the Transport Advisory Committee, Chairman of the Independent Police Complaints Council, Convenor of the Disciplinary Appeals Committee of the Hong Kong Stock Exchange, Chairman of the Traffic Accident Victims Assistance Advisory Committee, Chairman of the Appeal Board of the Criminal & Law Enforcement Injuries Compensation Boards, Vice-Chairman of the Consumer Council and Deputy Chairman of the Appeal Board under the Consumer Goods Safety Ordinance. Currently, he is Chairman of the Buildings Appeal Tribunal Panel and an arbitrator of the Shenzhen Court of International Arbitration.

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

The term of appointment of Mr. Kwok is set out in the "DIRECTORS AND SERVICE CONTRACTS" section of the Directors' Report on page 33 of this annual report.

Mr. Peng Zhiyuan ("Mr. Peng")

Aged 51, INED
Appointed to the Board: 1 January 2019
Chairman of Remuneration Committee
Member of Audit and Risk Committee and Nomination Committee

Mr. Peng has over 20 years of experience in corporate finance and management. He has served as senior management in various multi-national institutions over the past 20 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), 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 University of Virginia Health Foundation, and the board of directors for CAV Angels, a non-profit early stage angel investment network affiliated with University of Virginia community. He also served on the board of trustees for University of Virginia Darden School Foundation, and Virginia Foundation for Independent Colleges. Mr. Peng holds a Master of Business Administration from University of Virginia's Darden Business School, and 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 Hong Kong Listing Rules) of the Company.

The term of appointment of Mr. Peng is set out in the "DIRECTORS AND SERVICE CONTRACTS" section of the Directors' Report on page 33 of this annual report.

CHANGES IN DIRECTORS' INFORMATION DISCLOSED UNDER RULE 13.51B(1) OF THE HONG KONG LISTING RULES

Change(s) in Directors' information since the date of the 2023 interim report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules, are set out below:

1. Mr. Kwok Lam Kwong Larry has been appointed as a director of Association of Hong Kong Capital Market Practitioners Limited, a non-profit making professional association in Hong Kong with effect from 3 October 2023.

SENIOR MANAGEMENT

Mr. Pan Kaitai Kelvin ("Mr. Kelvin Pan")

Aged 32, Executive Vice President and Chief Innovation Officer
Date of Appointment: 1 January 2021

Mr. Kelvin Pan joined the Company in March 2014 and currently serves as the Executive Vice President (effective from 1 January 2021) and Chief Innovation Officer (effective from 24 August 2019) of AAC Technologies.

In 2016, Mr. Kelvin Pan started AAC Technologies' first digital transformation when he served as the Vice President of IT and R&D department, during which he led major reforms in corporate product roadmaps, new technology introductions, and system solutions product lines.

Since 2016, Mr. Kelvin Pan has spearheaded the Research Institute's efforts to analyze technical challenges and future product development directions across various sectors. He has driven additional R&D efforts in both fundamental and applied technologies, facilitating high-level technical collaborations between the institute and leading universities around the world. Notable collaborations include Tsinghua University, Huazhong University of Science and Technology, Nanjing University, Institutes of the German Fraunhofer Society, Purdue University in the United States, Kyoto University and Osaka University in Japan, Aalto University and the CSC – IT Center for Science in Finland, amongst others. These collaborations have significantly enhanced the Group's theoretical and simulation capabilities in device design and applications. As a result, the Group has raised its technical standards to new heights and elevated R&D's technical abilities in process simulation and big data analysis, new material development and application, and industrial equipment development, as well as incubated a deep pool of core technical talent to develop new innovations.

In 2018, Mr. Kelvin Pan collaborated with McKinsey & Co and personally led the strategic corporate transformation of the Company. This included developing the Android haptics motors business from scratch to a multi-million-dollar business, continuously building up the system product capabilities, and leading his team to promote AAC Technologies' automotive audio system to market.

Since 2021, Mr. Kelvin Pan serves as the Executive Vice President and Chief Innovation Officer of the Group, and is responsible for the Company's overall business operation, while leading the Company's strategic planning and execution, and new business planning. In 2022, Mr. Kelvin Pan led the completion of the Company's corporate transformation, which resulted in a remarkable increase in annual revenue amidst a difficult external market environment, and drove expansion into new business markets such as automotive intelligent cockpit device solutions and AR/VR device products, successfully achieving mass production. Meanwhile, Mr. Kelvin Pan was committed to promoting a vertically integrated value chain business model, and providing sensory experience solutions integrated with hardware, chips and algorithms.

In 2023, Mr. Kelvin Pan led the strategic efforts for the Group to acquire Premium Sound Solutions (PSS), a key milestone in supporting the growth of the automotive audio segment. Mr. Kelvin Pan has been elected Chairman of the Board of PSS, providing executive leadership across all the business activities and operations, along with leading the integration efforts within the enlarged AAC Group.

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, the NED of the Company, both of them are the substantial Shareholders of the Company.

Ms. Guo Dan ("Ms. Guo")

Aged 41, Chief Financial Officer
Date of Appointment: 2 November 2020

Ms. Guo joined the Company in March 2020 and has been appointed as the Chief Financial Officer of the Company with effect from 2 November 2020. Ms. Guo is responsible in leading the Group's global finance team to formulate and execute financial strategies to deliver the Group's strategic growth targets and drive long term value to Shareholders.

Ms. Guo has over thirteen years of investment banking experience at Goldman Sachs (Asia) L.L.C., where she served as Executive Director, and has extensive experience in leading capital raising, investment banking and risk management deals. She is active in supporting non-profit sectors across various initiatives including diversity and equal opportunities etc. She currently serves as a Board member of HandsOn Hong Kong (HOHK), a non-profit organization promoting volunteerism and providing broad-based support to over one hundred NGOs in Hong Kong.

Ms. Guo holds a Master of Science degree from the University of Oxford after completion of undergraduate and postgraduate studies at the University. She also holds a Master of Business Administration (MBA) degree, jointly issued by Kellogg School of Management, Northwestern University and the Hong Kong University of Science and Technology.

Mr. David Plekenpol ("Mr. Plekenpol")

Aged 64, 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. 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 over 30 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.

JOINT COMPANY SECRETARIES

Mr. Ho Siu Tak Jonathan ("Mr. Ho")

Aged 51, Group Legal Director, Joint Company Secretary
Date of Appointment: 25 March 2020

Mr. Ho joined the Company in April 2018. He is the Group Legal Director and Joint Company Secretary of the Company. He was a Hong Kong qualified solicitor with more than 20 years' post qualification experience. 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. Before joining the Company, Mr. Ho worked in various Hong Kong blue chip listed companies as senior role.

Ms. Guan Muyi ("Ms. Guan")

Aged 42, Legal and Compliance Director, Joint Company Secretary
Date of Appointment: 1 January 2023

Ms. Guan joined the Company in October 2020. She is the Legal and Compliance Director and Joint Company Secretary of the Company. Ms. Guan has over 15 years of experience in handling legal regulatory compliance and corporate governance matters. She was awarded with a degree in Master of Laws from the City University of Hong Kong, majoring in international business law, and a degree in Bachelor of Laws from Guangdong University of Finance and Economics. Ms. Guan holds 中國法律職業資格 (PRC Law Practitioner Qualification), and is a member of each of The Chartered Governance Institute and The Hong Kong Chartered Governance Institute. Before joining the Company, Ms. Guan worked at Baker & McKenzie and various Hong Kong main board listed companies.

Directors' Report

The Directors of the Company present their annual report and the audited consolidated financial statements for the year ended 31 December 2023, which were approved by the Board of Directors on 21 March 2024.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 44 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 13 to 16 of this annual report. Also, the financial risk management objectives and policies of the Group can be found in note 39 to the consolidated financial statements. Details of principal risks and uncertainties affecting the Company are provided in Key Risk Factors on pages 20 to 22 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 pages 170 to 171 of this annual report. Analysis using financial key performance indicators (KPIs) are provided in the Financial Highlights on pages 6 to 7 and Financial Review on pages 17 to 19 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 50 to 85. The sustainability report for 2023 is available on the Company's website on the same date as the publication of this annual report.

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 pages 90 to 91.

After a careful review of the Group's financial liquidity and business development requirements, the Board of Directors proposed to declare a final dividend of HK$0.10 per Share for FY 2023 (FY 2022: HK$0.12 per Share), implying a total annual dividend amounting to HK$0.10 per Share for FY 2023 (FY 2022: HK$0.12 per Share) which represents a 15% payout ratio, the same as that of FY 2022. The Group will remain prudent in financial management and strong in cash flow for business development, to create long-term value for Shareholders.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 14 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 RMB1,410,894,000 (2022: RMB1,102,177,000). Under Section 34 of the Companies Act of the Cayman Islands, the share premium of the Company is available for distribution or paying dividends to Shareholders subject to the provisions of its Memorandum and the 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.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 34 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

Mr. Pan Benjamin Zhengmin (CEO)
Mr. Mok Joe Kuen Richard (MD)

Non-executive Director

Ms. Wu Ingrid Chun Yuan

Independent Non-executive Directors

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

Appointment and Re-election of the Directors of the Company

In accordance with Article 84 of the Articles, Ms. Wu and Mr. Peng will retire by rotation at the forthcoming AGM of the Company. Ms. Wu and Mr. Peng being eligible, offer themselves for re-election at the forthcoming AGM of the Company.

Directors' Service Contract

Mr. Kwok will enter into a letter of appointment with the Company for a term from the date of 2024 AGM to be held on 23 May 2024 until the conclusion of the AGM of the Company to be held in 2026, 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 applicable law.

Each of Mr. Zhang, Mr. Peng, Ms. Wu, Mr. Pan and Mr. Mok has entered into a letter of appointment with the Company for a term from the date of 2023 AGM held on 11 May 2023 until the conclusion of the AGM of the Company to be held in 2025, 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 applicable law.

No Director of the Company proposed for re-election at the forthcoming AGM has a service contract with any member of the Group 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 INEDs an annual confirmation of their independence pursuant to Rule 3.13 of the Hong Kong Listing Rules, and considers that the INEDs are independent.

Biographical details of the Directors of the Company and senior management of the Group as at the date of this annual report are set out on pages 23 to 30.

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

As at 31 December 2023, 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 Hong Kong 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 the Shares of the Company:

		Number of Ordinary Shares					
Name of Directors	Capacity	Personal interests	Corporate interests	Spouse interests	Other interests	Total number of Shares	Percentage of the Company's Issued Shares as at 31 December 2023[1]
Mr. Pan Benjamin Zhengmin ("Mr. Pan") [2]	Beneficial owner/interest of spouse/ interest of controlled corporation/ founder of a discretionary trust	70,262,162	51,439,440	263,420,525	112,795,525	497,917,652	41.54%
Ms. Wu Ingrid Chun Yuan ("Ms. Wu") [3]	Interest of spouse/interest of controlled corporation/founder of a discretionary trust	–	263,420,525	122,952,005	111,545,122	497,917,652	41.54%
Mr. Mok Joe Kuen Richard ("Mr. Mok") [4]	Beneficial owner/beneficiary of a trust (other than a discretionary trust)	213,065	–	–	66,130	279,195	0.02%

Notes:

(1) Percentage was computed based on the 1,198,500,000 issued Shares as at 31 December 2023.

(2) Mr. Pan beneficially owns 70,262,162 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) 263,420,525 Shares representing the aggregate of (a) 134,828,594 Shares which are beneficially owned by Sapphire Hill Holdings Limited and (b) 128,591,931 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 263,420,525 Shares; and

   (iii) 112,795,525 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; (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 have no discretion over distributions or investments in these trusts until distribution is made to them; and (c) 1,250,403 Shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendant, as beneficiaries of the Pan 2020 Exempt Trust dated 3 December 2020. One child of Mr. Pan and Ms. Wu is under the age of 18 and has no discretion over distributions or investments in the trust until distribution is made to him.

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

(i) 263,420,525 Shares representing the aggregate of (a) 134,828,594 Shares which are beneficially owned by Sapphire Hill Holdings Limited; and (b) 128,591,931 Shares which are beneficially owned by K&G International Limited. These two companies are wholly-owned by Ms. Wu;

(ii) 122,952,005 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; (b) 70,262,162 Shares which are beneficially owned by Mr. Pan; and (c) 1,250,403 Shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendant, as beneficiaries of the Pan 2020 Exempt Trust dated 3 December 2020, and as Mr. Pan is her spouse, she is deemed to be interested in such 122,952,005 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.

(4) On 24 March 2022, Mr. Mok was granted 99,195 awarded Shares pursuant to the 2016 Share Award Scheme, of which 33,065 awarded Shares were vested on 24 March 2023. Subsequently on 24 March 2024, 33,065 awarded Shares were vested to Mr. Mok pursuant to the 2016 Share Sward Scheme.

Interests in the debentures of the Company:

Name of Directors	Capacity/Nature of interest	Principal amount of Notes [1] held (US$)
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 ("2024 Notes"), to be matured in 2024 to third party professional investors, and, the 2024 Notes are listed on the Hong Kong Stock Exchange (stock code: 40075). The 2024 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. Subsequently, the Company successfully completed the purchase of US$111,182,000 of the 2024 Notes, thereby reducing the outstanding aggregate principal amounts of the 2024 Notes to US$276,818,000.

(2) Mr. Pan is deemed or taken to be interested in this amount of the 2024 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 the 2024 Notes.

(3) Ms. Wu is deemed or taken to be interested in this amount of the 2024 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 2023, 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 abstain from voting in the meetings.

Please refer to the section headed "MAJOR CUSTOMERS AND SUPPLIERS" on page 48 of this annual report for any Directors' interest in any of the five largest customers or suppliers.

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 Hong Kong Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MATERIAL ACQUISITIONS AND DISPOSALS

Acquisition of Acoustics Solutions International B.V.

On 10 August 2023, AAC Technologies (Belgium) BV ("AAC Belgium") and AAC Technologies Pte. Ltd. (as the guarantor of AAC Belgium's obligations), both of which are wholly-owned subsidiaries of the Company, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") pursuant to which AAC Belgium agreed to purchase all of the issued shares in Acoustics Solutions International B.V. (the "Target") from Acoustics Solutions Holding B.V. and Stichting Administratiekantoor Acoustics Solutions International (collectively, the "Sellers") in two tranches, with the First Tranche Shares and the Second Tranche Shares comprising 80% and 20%, respectively, of the issued shares in the capital of the Target (the "PSS Acquisition").

The First Tranche Purchase Price comprises the sum of: (i) US$320,000,000 (representing an equity value of US$400,000,000 for 100% of the Sale Shares) plus (ii) interest on the Initial Purchase Price calculated on a daily basis at the rate of 6.75% per annum from the First Tranche Effective Date (being 1 April 2023) to the date of First Tranche Completion less (iii) the Price Adjusting Leakage (if any). The Second Tranche Purchase Price will comprise the sum of: (i) an agreed multiple of the Target EBITDA plus (ii) the Target Adjusted Net Financial Debt (Cash) multiplied by 20% (being the percentage of the issued share capital of the Target which the Second Tranche Shares represent) plus (iii) interest on the Second Tranche Purchase Price calculated on a daily basis at the rate of 6.75% per annum from the Second Tranche Effective Date (being 1 April 2025) (or the Postponed Second Tranche Effective Date, being 1 April 2026 or 1 April 2027) to the date of Second Tranche Completion. The purchase price amount of US$204,613,000, together with interest thereon, is the maximum price AAC Belgium will pay for the Second Tranche Shares.

As the highest applicable percentage ratio in respect of the PSS Acquisition exceeds 25% but is less than 100%, the PSS Acquisition constitutes a major transaction of the Company under Chapter 14 of the Hong Kong Listing Rules. Accordingly, the PSS Acquisition is subject to the reporting, announcement and shareholders' approval requirement under Chapter 14 of the Hong Kong Listing Rules.

The PSS Acquisition was approved by the Shareholders at its extraordinary general meeting convened on 6 February 2024.

The First Tranche Completion of the PSS Acquisition took place on 9 February 2024 in accordance with the terms of the Sale and Purchase Agreement. Immediately upon the First Tranche Completion, the Target became an indirect, 80%-owned subsidiary of the Company with its financial results consolidated with that of the Company.

Second Tranche Completion will take place within five business days of the date on which the Second Tranche Purchase Price has been determined and has become final and binding on the Sellers and AAC Belgium in accordance with the Shareholders' Agreement. If the Second Tranche Effective Date is not postponed, Second Tranche Completion is expected to take place in or around mid 2025 and if the Second Tranche Effective Date is postponed to 1 April 2026 or 1 April 2027, Second Tranche Completion is expected to take place in or around mid 2026 or mid 2027 (as the case may be).

The Group commenced its business in automotive in 2021 and the PSS Acquisition is a strategic move designed to expedite the Group's diversification and enhancement of its audio solution portfolio in the automotive industry. The PSS Acquisition is not merely an addition to the Group's offerings but a significant transformation that will synergise with the Group's current strengths and enhance its position in the dynamic mobility market. With the benefit of the First Tranche Completion, the Group will integrate its existing capabilities with the Target Group's rich products portfolio, global manufacturing operations as well as solid established supply relationships with global original equipment manufacturers, and is set to deliver a broad set of innovative, both branded and unbranded, system solutions that will elevate the infotainment and sensory experience for users, marking a leap forward in the Group's offerings.

For more details of the background, the terms of the Sale and Purchase Agreement, the Shareholders' Agreement, the reasons for, and benefit of, the PSS Acquisition, the information of the Target Group and the Sellers, financial effects of the PSS Acquisition, accountants' report on the Target Group, management discussion and analysis of the Target Group, unaudited pro forma financial information of the Enlarged Group, please refer to the announcements of the Company dated 10 August 2023, 30 November 2023, 6 February 2024, 9 February 2024 and the circular dated 18 January 2024. Unless otherwise defined, the capitalised terms referred in this section shall have the same meanings as those defined in the circular of the Company dated 18 January 2024.

Repurchase of Optics Shares

On 14 and 15 September 2023, AAC Technology Information Consultancy (Changzhou) Co., Ltd. (瑞聲科技信息諮詢(常州)有限公司) ("AAC TIC"), an indirect wholly-owned subsidiary of the Company, AAC Optics and each of the 22 strategic investors of AAC Optics ("22 Selling Investors") entered into separate share transfer agreements, pursuant to which AAC TIC agreed to purchase, and each of the 22 Selling Investors agreed to sell to AAC TIC, their entire equity interest in AAC Optics (the "Repurchase of Optics Shares"). The 22 Selling Investors in aggregate held approximately 7.1670% of the equity interest in AAC Optics, and the aggregate Consideration under the share transfer agreements was approximately RMB1,449 million.

As one or more of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules in respect of the Repurchase of Optics Shares in aggregate are above 5% and all applicable percentage ratios are less than 25%, the Repurchase of Optics Shares constituted a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

Completion of the Repurchase of Optics Shares took place on 15 September 2023. Immediately upon completion of the Repurchase of Optics Shares, the 22 Selling Investors ceased to hold any issued shares of AAC Optics, and AAC Optics is held (i) as to approximately 88.2620% indirectly by the Company; (ii) 2% by the share incentive platforms of AAC Optics; and (iii) approximately 9.7380% by the 5 remaining strategic investors of AAC Optics in aggregate. For more details of the background, the terms of the share transfer agreements and reasons for and benefits of the share transfer agreements, please refer to the announcement of the Company dated 15 September 2023.

Save for those disclosed in this annual report, there were no other significant investments held, nor were there other material acquisitions or disposals of subsidiaries during 2023. Apart from those disclosed in this annual report, there were no material investments or additions of capital assets authorised by the Board at the date of this annual report.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During 2023, the Group had entered into the connected transactions and continuing connected transactions with certain connected persons of the Company reported in this section. They constituted non-exempt connected transactions and continuing connected transactions subject only to the announcement, reporting and annual review requirement under Chapter 14A of the Hong Kong Listing Rules.

2023 Master Lease Agreements

In order to continue to secure ongoing and future office and production premises as required, the Group entered into certain master lease agreements ("2023 Master Lease Agreements") with the respective lessors for the renewing lease of offices and production facilities necessary for the business activities of the Group on 16 December 2022. A summary of the transactions is as follows:

Date of agreement	Lessee Group	Lessor Group	Property	Total Leased Floor Area (Approximately sq.m)	Term	Usage	Expected Annual Rents Payable RMB'000*	2023 Actual Rents Paid RMB'000*
16.12.2022	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 Buildings, Nanshan, Shenzhen, PRC.	11,631	1.1.2023 – 31.12.2025	Offices	2023 – 15,640 2024 – 15,764 2025 – 16,682	15,640
16.12.2022	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.	10,385 (including ancillary areas)	1.1.2023 – 31.12.2025	Factory and warehouse	2023 – 1,777 2024 – 1,777 2025 – 1,777	1,776
16.12.2022	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.	5,685 (including ancillary area)	1.1.2023 – 30.6.2023	Factory and offices	2023 – 791	527
16.12.2022	The Group	越南紅光塑業有限公司 (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	1.1.2023 – 31.12.2025	Warehouse	2023 – US$160,600 2024 – US$160,600 2025 – US$160,600 (excluding estimated water and electricity costs)	1,133 (US$160,512)

* Unless otherwise stated.

2023 Master Purchase Agreements

The Group entered into certain master purchase agreements ("2023 Master Purchase Agreements") with respective suppliers in order to assure the continuous supply of production materials to cope with the Group's expected production needs on similar terms on 16 December 2022. A summary of the transactions is as follows:

Date of agreement	Purchaser Group	Supplier Group	Materials for purchase	Term	Annual Caps RMB'000	2023 Actual RMB'000
16.12.2022	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) 越南紅光塑業有限公司 (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	1.1.2023 – 31.12.2025	2023 – 140,000 2024 – 140,000 2025 – 140,000	35,132
16.12.2022	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 and domes	1.1.2023 – 31.12.2025	2023 – 90,000 2024 – 90,000 2025 – 90,000	33,515

Pursuant to the 2023 Master Lease Agreements and 2023 Master Purchase Agreements, relevant members of the Group entered into separated leasing agreements and purchase orders with respect to each of the connected transactions and 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 2023 Master Purchase Agreements were 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. For more details of the background, historical figures, purchase pricing mechanism, IT procurement system, basis of evaluation and assessment of, reasons for and benefits of entering into the 2023 Master Lease Agreements and 2023 Master Purchase Agreements, and the information of the counterparties, please refer to the announcement of the Company dated 16 December 2022.

The Connected Relationships under the 2023 Master Lease Agreements and 2023 Master Purchase Agreements

The relevant parties to the above connected transactions and continuing connected transaction with the Group and a description of their connected relationships with the Group as at 31 December 2023 are as follows:

The connected party	The person in relation with connected party
Changzhou LFY	A company owned as to 50% by each of Mr. Pan Zhonglai, Mr. Pan's father and Ms. Xie Yufang, Mr. Pan's mother
Changzhou Lingdi	A company owned as to 51% by Ms. Ye Huamei, Ms. Wu's mother and 49% by Ms. Wu Yayuan, Ms. Wu's sister
Changzhou Yousheng	A company owned as to 30% by Ms. Xie Yufang and 70% by Ms. Pan Lijun, Mr. Pan's sister as to 70%
HVPC	A company indirectly wholly-owned by Ms. Ye Huamei
Jiangsu Yuanyu	A company indirectly owned as to 50% by each of Mr. Pan Zhonglai and Ms. Xie Yufang
Shenzhen Yuanyu	A company wholly-owned by Ms. Ye Huamei

Loan Agreement

In order to facilitate the repurchase of interests in the share incentive platforms from exiting participants of the Subsidiary Share Incentive Scheme by Tianjin Chengrui, the general partner of each of the share incentive platforms, AAC Optics, a non-wholly-owned subsidiary of the Company, entered into the revolving loan agreement (the "Loan Agreement") with Tianjin Chengrui on 1 December 2023, pursuant to which AAC Optics agreed to provide a revolving loan (the "Loan") to Tianjin Chengrui for a period of three years with a principal amount not exceeding RMB74,000,000, subject to the maximum outstanding balance, including principal and accrued interest, not exceeding RMB83,000,000 at any time during the period of the Loan Agreement, which constitutes the annual caps for each financial year during the period of the Loan Agreement.

The interest rate under the Loan Agreement is the loan prime rate (LPR) for loans with a maturity of one year announced by the National Interbank Funding Center under the authority of the People's Bank of China, which is 3.45% as at the date of the Loan Agreement, prevailing on the date of each drawdown and arrived at after arm's length negotiation between AAC Optics and Tianjin Chengrui. Interest shall accrue from the date of payment by AAC Optics to the designated bank account of Tianjin Chengrui for each drawdown and shall be calculated based on the actual number of days that the Loan remains outstanding, on the basis of 360 days per annum. Tianjin Chengrui may repay the outstanding balance, including principal and accrued interest, from time to time during the period of the Loan Agreement. Upon expiry of the period of the Loan, Tianjin Chengrui shall repay the outstanding principal amount together with all accrued interest in full in one lump sum. The Loan is unsecured.

Tianjin Chengrui is the general partner of each of the share incentive platforms under the Subsidiary Share Incentive Scheme. The Loan is provided by the Group to Tianjin Chengrui to repurchase interests in the Share Incentive Platforms from exiting participants of the Subsidiary Share Incentive Scheme, including participants who ceased to be employees of AAC Optics and its subsidiaries (collectively, the "AAC Optics Group") , in accordance with the relevant terms of the Subsidiary Share Incentive Scheme. After such repurchase of interests, Tianjin Chengrui will hold the repurchased interests as reserve for future awards to eligible employees of the AAC Optics Group and relevant personnel, and thus be used for continued operation of the Subsidiary Share Incentive Scheme.

The Company considers that the provision of the loan by the Group will assist the smooth implementation and maintenance of the operation of the Subsidiary Share Incentive Scheme, and in turn further the objectives of the Subsidiary Share Incentive Scheme, including using the Share Incentive Platforms as vehicles to provide the selected employees of AAC Optics Group and relevant personnel a means to have equity in AAC Optics and recognising and further encouraging the dedication of management staff at all levels and core personnel of AAC Optics Group.

A summary of the transactions is as follows:

Date of Agreement	Lender	Borrower	Term	Annual Caps[(1)] RMB'000	2023 Actual[(2)] RMB'000
1.12.2023	AAC Optics (Changzhou) Co., Ltd. (辰瑞光學(常州)股份有限公司), formerly named as 誠瑞光學(常州)股份有限公司 ("AAC Optics")	Tianjin Chengrui Technology Co., Ltd. (天津成瑞科技有限公司) ("Tianjin Chengrui")	1.12.2023-30.11.2026	83,000	19,191

Notes:

(1) being the maximum outstanding balance of the Loan during the period of the Loan Agreement

(2) including principal amount of RMB19,134,000 and incurred interest of RMB57,000

Tianjin Chengrui is wholly-owned by Mr. Pan Kaitai, a director of AAC Optics and the son of Mr. Pan Benjamin Zhengmin, an ED, the CEO and a controlling Shareholder of the Company, and Ms. Wu Ingrid Chun Yuan, a NED and a controlling Shareholder of the Company. As such, Tianjin Chengrui is a connected person under Chapter 14A of the Hong Kong Listing Rules and the transactions contemplated under the Loan Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. For more details of the background, the terms of the Loan Agreement, the reasons for and benefits of entering into the same, and the information of the counterparties, please refer to the announcement of the Company dated 1 December 2023.

Internal Audit Review

The Group's internal audit has reviewed the connected transactions and continuing connected transactions for the year ended 31 December 2023, and the internal control systems. The Group's internal audit 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 connected transactions and 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 connected transactions and continuing connected transactions in 2023 were conducted in accordance with the terms of the 2023 Master Lease Agreements, the 2023 Master Purchase Agreements and the Loan Agreement, and in compliance with the internal control systems. The internal audit found that the internal control procedures put in place by the Company were adequate and effective, and reported the same to the Company's INEDs in their annual review and confirmation.

Confirmation from the Directors and the Auditors

The INEDs had reviewed the connected transactions and continuing connected transactions in 2023 and the findings and reports provided by the Group's internal audit, and are satisfied that the pricing mechanism and internal control systems in place were sufficient and effective. The INEDs confirmed that the transactions were entered into by the Group (a) except the Loan Agreement, in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the agreements governing them on terms that 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 connected transactions and continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "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 Hong Kong Listing Rules regarding the connected transactions and continuing connected transactions for the year ended 31 December 2023.

Other than as disclosed above, no transaction, arrangement or contract 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.

RELATED PARTY TRANSACTIONS

The significant related party transactions entered into by the Group during the year are set out in note 43 to the consolidated financial statements and include transactions that constitute connected transactions and continuing connected transactions for which the disclosure requirements under the Hong Kong Listing Rules have been complied with.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2023, 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, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, 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 2023[1]
JPMorgan Chase & Co.[2]	Interest of controlled corporation/ Person have security interest in Shares/ Investment Manager/Trustee/Approved Lending Agent	133,378,882 (L) 12,041,951 (S) 7,799,243 (P)	2,370,854 (L) 4,387,494 (S)	11.32% 1.37% 0.65%

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

Notes:

(1) Percentage was computed based on the 1,198,500,000 issued Shares as at 31 December 2023.

(2) JPMorgan Chase & Co., through its various controlled corporations ("JPMorgan Group"), is indirectly interested in (i) an aggregate of 133,378,882 Shares and listed derivative interests of 60,000 Shares with cash settled, unlisted derivative interests of 1,445,854 Shares with physically settled and unlisted derivative interests of 865,000 Shares with cash settled in long position; and (ii) an aggregate of 12,041,951 Shares and listed derivative interests of 1,244,000 Shares with physically settled, listed derivative interests of 172,000 Shares with cash settled, unlisted derivative interests of 221,399 Shares with physically settled, and unlisted derivative interests of 2,750,095 Shares with cash settled in short position. Among Shares held by JPMorgan Group in long position, 111,545,122 Shares were held by it as a trustee, which 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 7,799,243 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.

(3) Please refer to the section headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SHARES AND UNDERLYING SHARES AND DEBENTURES" for the interests held by Mr. Pan, Ms. Wu and their associates, who are also substantial Shareholders of the Company.

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 2023 by the Remuneration Committee are stated on pages 66 to 68 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 throughout the financial year and such insurance cover remained in force as at the date of this report.

SHARE AWARD SCHEMES & SUBSIDIARY SHARE INCENTIVE SCHEME

2016 Share Award Scheme

As announced by the Company on 23 March 2016, the Board resolved to adopt a share award scheme (the "2016 Share Award Scheme") in which the Employees (other than the Excluded Employees) may be selected by the Board to participate. The purpose of the 2016 Share Award Scheme is to permit the Company to grant awards to the Selected Employees as incentives for their contributions to the Group and to attract suitable personnel for further development of the Group. Subject to any early termination as may be determined by the Board pursuant to the scheme rules of the 2016 Share Award Scheme (the "2016 Scheme Rules"), the 2016 Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on 23 March 2016.

In this section, Employee(s) refers to any employee (including without limitation any ED but excluding any NED or INED) of any member of the Group; Excluded Employee(s) refers to any Employee who is resident in a place where the award of the awarded Shares and/or the vesting and transfer of the awarded Shares pursuant to the terms of the 2016 Share Award Scheme is not permitted under the laws or regulations of such place or where in the view of the Board or the 2016 Scheme Trustee (as the case may be), compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such Employee; Selected Employee(s) refers to Employee(s) selected by the Board pursuant to the 2016 Scheme Rules for participation in the 2016 Share Award Scheme.

Subject to the provisions of the 2016 Scheme Rules, the Board may, from time to time, exercise its absolute discretion in selecting any Employee (other than any Excluded Employee) for participation in the 2016 Share Award Scheme as a Selected Employee, and grant such number of awarded Shares to any Selected Employee at no consideration. The 2016 Scheme Rules do not provide for any amount which will be payable on acceptance of the award or period within which payments must be made.

The maximum number of Shares that may be awarded under the 2016 Share Award Scheme during its term is limited to 1.65% (i.e. 19,775,250 Shares as at 21 March 2024) 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 under the 2016 Share Award Scheme during its term shall not exceed 0.5% (i.e. 5,992,500 Shares as at 21 March 2024) of the issued share capital of the Company from time to time. Pursuant to the 2016 Share Award Scheme, Shares will be subscribed for at a subscription price as determined by the Board, or purchased on the Hong Kong Stock Exchange, by the 2016 Scheme Trustee at the cost of the Company and will be held by the 2016 Scheme Trustee on trust for Selected Employee(s) under the 2016 Share Award Scheme before vesting.

Since the date of adoption of the 2016 Share Award Scheme and up to 31 December 2023, no new Shares have been issued to the 2016 Scheme Trustee pursuant to the 2016 Scheme Rules and trust deed of the 2016 Share Award Scheme. In January, March and April 2023, the 2016 Scheme Trustee of the 2016 Share Award Scheme purchased 3,276,000, 1,385,000 and 4,883,000 Shares, respectively, on the Hong Kong Stock Exchange for the purpose of the 2016 Share Award Scheme, funded by the Company's internal resources. The total number of Shares available for issue to, or purchase by, the 2016 Scheme Trustee under the 2016 Share Award Scheme are 250 Shares, representing approximately 0.00002% of the issued share capital of the Company as at 21 March 2024.

Since the date of adoption of the 2016 Share Award Scheme and up to 31 December 2023, a total of 10,230,593 awarded Shares were granted to 340 employees at nil consideration, in which 2,722,799 and 2,627,518 awarded Shares had been vested to employees on 24 March 2023 and 24 March 2024, respectively. The awarded Shares shall be vested in the grantees at nil consideration subject to the terms of the 2016 Share Award Scheme and the vesting conditions as set out in the respective grant notice to each grantees (including a period of continued service within the Group after the grant of the award and performance targets which must be attained).

No awarded Shares were granted under the 2016 Share Award Scheme during the year ended 31 December 2023. The number of Shares that may be issued in respect of the awarded Shares granted under the 2016 Share Award Scheme during the year ended 31 December 2023 divided by the weighted average number of Shares in issue for the year ended 31 December 2023 was nil.

As at 31 December 2023, the 2016 Scheme Trustee held a total of 17,210,645 unvested Shares under the 2016 Share Award Scheme, and the remaining Shares which could be further awarded under the 2016 Share Award Scheme were 11,462,239 Shares.

Details of the awarded Shares and a summary of the movements under the 2016 Share Award Scheme during the year were set out as follows:

				Number of awarded Shares						
Grantees	Date of grant	Vesting period	Closing price of Shares immediately before the date of grant HK$	Unvested as at 1 January 2023	Granted during the year	Cancelled during the year	Lapsed during the year	Vested during the year	Unvested as at 31 December 2023	Weighted average closing price immediately before the date of vest HK$
Director of the Company										
Mok Joe Kuen Richard	24 March 2022	24 March 2023 – 24 March 2025 *(Note (2))*	18.46	99,195	–	–	–	33,065	66,130	17.34
Five highest paid individuals in aggregate	24 March 2022	24 March 2023 – 24 March 2025 *(Note (2))*	18.46	990,745	–	–	–	330,248	660,497	17.34
Other Grantees in aggregate	24 March 2022	24 March 2023 –24 March 2025 *(Note (2))*	18.46	8,501,450	–	418,858	859,521	2,359,486	4,863,585	17.34
Total:				9,591,390	–	418,858	859,521	2,722,799	5,590,212	

Notes:

(1) The maximum number of Shares that may be awarded under the 2016 Share Award Scheme during its term is 1.65% of the issued share capital of the Company from time to time. As at 1 January 2023, the awarded Shares available for grant under the 2016 Share Award Scheme were 10,262,235 Shares. As at 31 December 2023, the remaining Shares which could be further awarded under the 2016 Share Award Scheme were 11,462,239 Shares.

(2) On 24 March 2022, 10,230,593 awarded Shares were granted to 340 employees. The awarded Shares shall be vested in the Grantees subject to the terms of the 2016 Share Award Scheme and the vesting conditions as set out in the respective Grant Notice to each Grantees (including a period of continued service within the Group after the grant of the award and performance targets which must be attained).

Such performance targets are applicable at an organization level and an individual level. Performance targets at the organization level comprise a mixture of key financial performance indicators in respect of the relevant organization (such as the Group, business units or production lines) to which the relevant grantee is attached. Performance targets at the individual level are linked to a comprehensive appraisal of each individual grantee's performance and contribution to the Group. As disclosed in the Company's announcement dated 23 March 2016, the Board may at its absolute discretion decide performance target(s) which must be attained from time to time. After due consideration and assessment, the Board has decided to adopt the aforementioned performance targets based on and in accordance with the 2016 Scheme Rules.

In order to provide enhanced incentive to the employees of the Group and to boost staff morale, the general vesting conditions as set out in the 2016 Scheme Rules, being the two performances as recorded in the audited consolidated statement of profit or loss and other comprehensive income of the Company in any financial year after the date of the grant of the relevant award: (i) the amount of the annual revenue shall have reached not less than RMB30,000,000,000, and (ii) the margin of recurring profit before taxation (reported profit after tax adjusted for non-recurring and exceptional items) shall not be less than the average of the same of the previous three years, namely 2013, 2014 and 2015), had been waived by the Board based on and in accordance with the 2016 Scheme Rules.

For further information regarding the fair value of the awarded Shares at the date of grant, the accounting standard and policy adopted, and the methodology and assumption used, please refer to note 36 to the consolidated financial statements.

2023 Share Award Scheme

As announced by the Company on 17 April 2023, the Board resolved to adopt a share award scheme (the "2023 Share Award Scheme") in which the Employees (other than the Excluded Employees) may be selected by the Board to participate. The purposes of the 2023 Share Award Scheme are: (i) to achieve the long-term business objectives of the Group; (ii) to implement the Group's long-term business strategy; (iii) to enhance the value of the Group; (iv) to advance the growth and achieve sustainable development of the Group; and (v) to enable the Employees to share the success in the growth of the Group. Subject to any early termination as may be determined by the Board pursuant to the scheme rules of the 2023 Share Award Scheme (the "2023 Scheme Rules"), the 2023 Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on 17 April 2023.

In this section, Employee(s) refers to any employee (including without limitation any ED but excluding any NED or INED) of any member of the Group; Excluded Employee(s) refers to any Employee who is resident in a place where the award of the awarded Shares and/or the vesting and transfer of the awarded Shares pursuant to the terms of the 2023 Share Award Scheme is not permitted under the laws or regulations of such place or where in the view of the Board or the 2023 Scheme Trustee (as the case may be), compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such Employee; Selected Employee(s) refers to Employee(s) selected by the Board pursuant to the 2023 Scheme Rules for participation in the 2023 Share Award Scheme.

Subject to the provisions of the 2023 Scheme Rules, the Board may, from time to time, exercise its absolute discretion in selecting any Employee (other than any Excluded Employee) for participation in the 2023 Share Award Scheme as a Selected Employee, and grant such number of awarded Shares to any Selected Employee at no consideration. The 2023 Scheme Rules do not provide for any amount which will be payable on acceptance of the award or period within which payments must be made.

The maximum number of Shares that may be awarded under the 2023 Share Award Scheme during its term is limited to 45,000,000 Shares, representing approximately 3.75% of the issued share capital of the Company as at 21 March 2024. The maximum number of awarded Shares that may be granted to any one Selected Employee under the 2023 Share Award Scheme during its term shall not exceed 0.5% (i.e. 5,992,500 Shares as at 21 March 2024) of the issued share capital of the Company from time to time. Pursuant to the 2023 Share Award Scheme, Shares will be purchased on the Hong Kong Stock Exchange, by the 2023 Scheme Trustee at the cost of the Company and will be held by the 2023 Scheme Trustee on trust for Selected Employee(s) under the 2023 Share Award Scheme before vesting. Save for the above, there is no material difference between the terms of the 2016 Share Award Scheme and the 2023 Share Award Scheme.

In April, May, September and October 2023, the 2023 Scheme Trustee purchased 600,000, 5,352,500, 3,100,000 and 66,500 Shares, respectively, on the Hong Kong Stock Exchange for the purpose of the 2023 Share Award Scheme, funded by the Company's internal resources. As at 31 December 2023, the 2023 Scheme Trustee held a total of 9,119,000 Shares under the 2023 Share Award Scheme.

Since the date of adoption of the 2023 Share Award Scheme and up to 31 December 2023, no awarded Shares had been granted to Selected Employee(s) under the 2023 Share Award Scheme.

Subsidiary Share Incentive Scheme

In addition to the above Share Award Schemes, AAC Optics, a subsidiary of the Company, operates a subsidiary share incentive scheme (the "Subsidiary Share Incentive Scheme"). The purpose of the Subsidiary Share Incentive Scheme is to provide the selected employees of AAC Optics and relevant personnel a market oriented incentive scheme and attract top talents. AAC Optics intends to incentivise and reward them for their commitment and dedication to its business expansion. Please refer to note 36 to the consolidated financial statements for details.

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.

DONATIONS

For the year ended 31 December 2023, the Group made donations equivalent to approximately RMB 1,140,000 to various communities for community welfare, poverty alleviation and supporting student aid.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Share Repurchase

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 11 May 2023, 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 which 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.

During the year ended 31 December 2023, the Company had repurchased, under the Repurchase Mandate, a total of 2,544,500 Shares, representing approximately 0.21% of the issued 1,198,500,000 Shares as at 31 December 2023. The aggregate consideration of HK$42.77 million for the repurchase was paid out from the Company's retained profits. All repurchased Shares have been cancelled as at the date of this 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 share repurchases are as follows:

Month	Total number of the Shares repurchased each month	Purchase price paid per Share Highest HK$	Lowest HK$	Aggregate consideration[1] HK$'000
January 2023	2,544,500	18.02	16.40	42,766

Note:

(1) Including brokerage, transaction levy, stamp duty and transaction cost of HK$123,000.

Bond Purchase

The Company issued: (i) US$388,000,000 3.00 per cent. notes due 2024 (2024 Notes, stock code: 40075) in 2019; (ii) US$300,000,000 2.625 per cent. notes due 2026 (2026 Notes, stock code: 40699) in 2021; and (iii) US$350,000,000 3.750 per cent. notes due 2031 (2031 Notes, stock code: 40700) in 2021, to professional investors. As at 1 January 2023, the outstanding aggregate principal amounts of the 2024 Notes, the 2026 Notes and the 2031 Notes were US$276,818,000, US$252,604,000 and US$350,000,000, respectively.

In January 2023, the Company had purchased from open market US$1,000,000 of the 2026 Notes and US$1,000,000 of the 2031 Notes, with aggregate amount of US$1,623,000 paid by the Company; in June 2023, the Company had purchased from open market US$11,000,000 of the 2026 Notes and US$33,927,000 of the 2031 Notes, with aggregate amount of US$33,914,000 paid by the Company; in September 2023, the Company had purchased from open market US$9,350,000 of the 2026 Notes and US$22,950,000 of the 2031 Notes with aggregate amount of US$24,317,000 paid by the Company; and in October 2023, the Company had purchased from open market US$1,100,000 of the 2026 Notes and US$2,000,000 of the 2031 Notes, with aggregate amount of US$2,411,000 paid by the Company, thereby reducing the outstanding aggregate principal amounts of the 2026 Notes and the 2031 Notes to US$230,154,000 and US$290,123,000, respectively.

Save as disclosed above, during the year ended 31 December 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

HUMAN RESOURCES

As at 31 December 2023, the Group employed 29,922 permanent employees, an 8% increase from 27,798 employees as at 31 December 2022. The increase in total workforce was the result of the expansion of precision mechanics product line in Mainland China, as well as the commencement of operations of a new production facility in Vietnam. The Group's human capital efficiency continued to improve with advanced production methodologies and automation that allowed reduction in employee numbers in other product lines as well as functional departments.

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 based on benchmarking results, and fairly rewards its employees based on individual performance. 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 schemes.

As required by the relevant regulations, the Group has been participating in the social insurance schemes operated by the relevant local government authorities in the PRC, and in the mandatory pension fund as well as social insurance schemes for its employees in the Czech Republic, Denmark, Finland, Hong Kong, India, Japan, Malaysia, Singapore, South Korea, Taiwan, the United Kingdom, the United States 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 worldwide.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 80.8% of the Group's total revenue from sales while the revenue from sales attributable to the Group's largest customer was approximately 36.4% of the Group's total revenue from sales.

During the year, the aggregate purchases attributable to the Group's five largest suppliers were 27.1% of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 8.2% of the Group's total purchases.

As at 31 December 2023, Ms. Wu, a NED 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%. To the knowledge of the Directors of the Company, Ms. Wu has never been a director, nor involved in management, of these customers or 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, 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 Hong Kong 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

Based on 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 2023 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. 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.

Zhang Hongjiang
Chairman

21 March 2024

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, which is at the centre of our corporate governance structure, has regularly reviewed and refined principles, policies and practices on the conduct with an aim to support the 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 as well as internal control systems. Based on regular reviews of the Company's actual performance against the CG Code in Appendix C1 to the Hong Kong Listing Rules, the Board is satisfied that throughout the financial year ended 31 December 2023, the Company has complied with all the Code Provision(s).

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, Executive Management and Corporate Culture
II. Governance Structure and Board Committees
III. Corporate Governance Code
IV. Legal and Regulatory Compliance
V. Joint Company Secretaries
VI. Internal Audit, Risk Management and Internal Control
VII. External Statutory Audit
VIII. Sustainability Governance
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, EXECUTIVE MANAGEMENT AND CORPORATE CULTURE

The overall stewardship of the Company's operations is vested in the Board. Our Chairman, an INED of the Company, is to lead the Board to take central responsibilities to formulate, approve, evaluate and regulate the overall purpose, values, strategic directions and policies of the Company and ensure they are aligned with the Company's culture. 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 Board ensures that corporate culture is developed and reflected consistently in the operating practices of the Group, workplace policies and practices as well as relations with stakeholders, through active collaboration, effective engagement and regular training at all levels. The core values in the Group's corporate culture include customer experience, winning the talent, innovation focused, agile collaboration and professionalism, and they are encompassed in a range of measures and tools over time, including workforce engagement, employee retention and training, stringent financial reporting, effective and accessible Whistleblowing Policy and Anti-Fraud and Anti-Bribery Policy, legal and regulatory compliance (including compliance with the Code of Conduct and other Group policies), as well as staff safety, wellbeing and support. Our mission and development strategies in achieving our mission are set out in the inside cover and the sections headed "Core Development Strategies" and "CEO Statement" on pages 3 to 5 and 12 of this annual report. Details of our sustainability strategy, governance and implementation are set out on pages 75 to 76 and pages 82 to 85 of this annual report.

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, assisted by the Executive Vice President, for managing the Group's business. During the year, management runs the day-to-day operation following the related financial limits for a schedule of matters designated to 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 CEO and the Executive Vice President, management is responsible for the daily operations of the Group. Key updates on business operations, financial results and strategic matters are provided to the Board on a timely basis.

Corporate Governance Report

GOVERNANCE STRUCTURE & BOARD COMMITTEES

Composition of Board and Committees as at 21 March 2024 (the date of this report)

Board of Directors	
Zhang Hongjiang	(INED & Chairman of the Board)
Kwok Lam Kwong Larry	(INED)
Peng Zhiyuan	(INED)
Wu Ingrid Chun Yuan	(NED)
Pan Benjamin Zhengmin	(ED & CEO)
Mok Joe Kuen Richard	(ED & MD)

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
Members	**Members**	**Members**
Kwok Lam Kwong Larry (Chairman)	Zhang Hongjiang (Chairman)	Peng Zhiyuan (Chairman)
Peng Zhiyuan	Kwok Lam Kwong Larry	Zhang Hongjiang
Zhang Hongjiang	Peng Zhiyuan	Kwok Lam Kwong Larry

* 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 Group's relationships with stakeholders.

Corporate Governance, Risk Management & Sustainability

- The Board will approve amendments to corporate governance 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, interim and annual financial statements and results announcements, recommend reappointment of external auditor and declare interim and final dividends (if any).

Effectiveness of Board Committees

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

Corporate Governance Report

Board Committees & Executive Management 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 INEDs and comprising all INEDs, are illustrated in the following governance structure:

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

EXECUTIVE DIRECTORS & EXECUTIVE VICE PRESIDENT

- 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 reviews on production planning
- Conducts products and key accounts analysis
- Implements sales & products strategy for business units
- Estimates products sales status and forecast

AUDIT AND RISK COMMITTEE

- 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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

- Sets remuneration policy and structure for EDs, NEDs (including INEDs) 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

Operations

Internal Audit Team/ External Auditor

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 Hong Kong 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 EDs, the Executive Vice President, 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 and reviewing significant investment opportunities.

Board and Committees Evaluation

Separate INED meeting

The Chairman of the Board held meetings with INEDs without the presence of other Directors and management during 2023 to evaluate the performance of the executive Directors and the effectiveness of the Board on 23 March 2023 and 24 August 2023.

Evaluation

In addition, we undertake a performance evaluation of our Board and Committees internally on a yearly basis. In March 2023 and March 2024, 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 2022 and 2023 respectively, through completion of questionnaires.

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

Ms. Wu, the NED, is not considered as independent, as she is the spouse of CEO, Mr. Pan, together with CEO and their family trusts, has a substantial interest (holding approximately 41.54% interest in the Company as at 31 December 2023). Her knowledge and investment experience in 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 Shareholders and the Company are not aligned, the Board prioritizes the Company's interests over that of any Shareholder. When the 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 three INEDs, two executive Directors, and one NED. We separate the roles of CEO and the Chairman of the Board since the first date of listing. Currently, CEO is Mr. Pan and the Chairman of the Board is Mr. Zhang. 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 INEDs has been published on 31 August 2022 on the websites of the Hong Kong Stock Exchange and the Company, and under the section headed "Biographies of Directors, Senior Management and Company Secretaries" of this annual report on pages 23 to 31. Terms of appointment for all NEDs (including INEDs) were set out in the Directors' Report on page 33.

The independence of INEDs, and its implementation and effectiveness, are reviewed by the Nomination Committee on an annual basis to ensure independent views and inputs are available in the Board. The Company has received, from each of the INEDs, an annual written confirmation of his independence pursuant to Rule 3.13 of the Hong Kong Listing Rules. Based on the assessment conducted by the Nomination Committee, it is considered that all of the INEDs 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 with conflict of interest will or will be asked to abstain from voting in the meetings.

Identified related party transactions are disclosed in Directors' Report from pages 38 to 41. Also, as disclosed on page 48, as at 31 December 2023, Ms. Wu, the NED 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, or their close associates had an interest in any of the five largest customers or suppliers of the Group.

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 to ensure effective participation. Board minutes are kept by the Joint Company Secretaries 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 2023

- reporting from Audit and Risk Committee and other Committees
- 2022 annual results and report
- 2022 final dividend
- evaluation of Board performance for the year 2022
- audit matters for the year 2022
- re-appointment of external auditor for the year 2023
- connected transactions/continuing connected transactions
- directors' and officers' liability insurance
- sustainability report for the year 2022
- risk management & internal controls
- corporate governance compliance
- AGM matters of 2023
- retirement and re-election of Directors
- business operation and legal updates
- appointment of joint company secretary
- change to bi-annual financial results reporting
- reviewing terms of reference of the Audit and Risk Committee

April – June 2023

- review of 2016 Share Award Scheme
- adoption of 2023 Share Award Scheme
- risk management & internal controls
- connected transactions/continuing connected transactions
- business operation and legal updates
- review of the Company's corporate governance policies

July - September 2023

- acquisition of Acoustics Solutions International B.V.
- reporting from Audit and Risk Committee and other Committees
- 2023 interim results and report, including sustainability section of the 2023 interim report
- interim dividend for the first half of 2023
- audit matters for the first half of 2023
- risk management & internal controls
- connected transactions/continuing connected transactions
- business operation and legal updates

October - December 2023

- budget for the forthcoming year
- risk management & internal controls
- connected transactions/continuing connected transactions regarding procurement and property leases
- business operation and legal updates
- repurchase of shares of a subsidiary
- continuing connected transactions regarding provision of loan

January - March 2024

- reporting from Audit and Risk Committee and other Committees
- 2023 annual results and report
- 2023 final dividend
- evaluation of Board performance for the year 2023
- audit matters for the year 2023
- re-appointment of external auditor for the year 2024
- connected transactions/continuing connected transactions
- directors' and officers' liability insurance
- sustainability report for the year 2023
- risk management & internal controls
- corporate governance compliance
- AGM matters of 2024
- retirement and re-election of Directors
- business operation and legal updates

Work done by the Board in 2023 and to date

During the year 2023 and up to the date of this annual report, the Board performed, considered and/or resolved the following matters:

Policies

- reviewed the Company's corporate governance policies including Corporate Disclosure Policy and Shareholders Communication Policy

Stakeholders

- reviewed, recommended and declared dividend payments
- reviewed investor relations program and strategies
- approved and published our annual sustainability reports for the years of 2022 and 2023

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 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)
- submitted resolution at the AGM for re-appointment of external auditor
- considered the acquisition of Acoustics Solutions International B.V.

Corporate Governance

- performed the duties of corporate governance functions under Code Provision A.2.1, which are included in the Board's terms of reference
- reviewed the segregation of duties between Chairman & CEO
- reviewed and evaluated the 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 Audit and Risk Committee, and Company's corporate governance policies
- reviewed and approved the recommendations made by the Audit and Risk Committee, Nomination Committee and Remuneration Committee
- considered retirement and re-election of Directors
- 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 2023, the Board convened a total of six Board meetings and one 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, except the NED, attended the Company's 2023 AGM in person or by electronic means.

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	6	2	1	1	1
Executive Directors					
Pan Benjamin Zhengmin (CEO)	6	N/A	N/A	N/A	1
Mok Joe Kuen Richard (MD)	6	2	1	1	1
Non-executive Director					
Wu Ingrid Chun Yuan	5	N/A	N/A	N/A	0
Independent Non-executive Directors					
Zhang Hongjiang (Chairman of the Board)	6	2	1	1	1
Kwok Lam Kwong Larry	5	2	0	0	1
Peng Zhiyuan	6	2	1	1	1

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

Note 2: The Nomination Committee considered and reviewed the independence of INEDs for financial year 2022.

Directors' Time and Directorship Commitments

All NEDs (including INEDs) are engaged by formal letters of appointment with a term of not more than three 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 2023, none of our INEDs, individually, held seven or more listed public companies directorship. The maximum listed companies directorship held by one INED is six (including the Company). Our executive Directors do not hold directorship in other listed 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 the Directors who will stand for re-election at the 2024 AGM, their directorship held in listed public companies in the past three years will be set out in the relevant circular. Directors' biographies are on pages 23 to 28 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 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 regarding important business matters. Financial plans, including budgets and forecasts, are regularly discussed at Board meetings.

During the year ended 31 December 2023, the Company provided Directors reading materials, briefings and updates on business, operation, 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. The details of all Directors' participation in continuous professional development during the financial year ended 31 December 2023 are set out as follows:

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				
Zhang Hongjiang (Chairman of the Board)	✓	✓	✓	✓
Kwok Lam Kwong Larry	✓	✓	✓	✓
Peng Zhiyuan	✓	✓	✓	✓
Non-executive Director				
Wu Ingrid Chun Yuan	✓	✓	✓	✓
Executive Directors				
Pan Benjamin Zhengmin (CEO)	✓	✓	✓	✓
Mok Joe Kuen Richard (MD)	✓	✓	✓	✓

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.

In March 2023, the Board, in response to the change to bi-annual financial results reporting of the Company, reviewed and updated the terms of reference of the Audit and Risk Committee. The latest terms of reference of the Audit and Risk Committee are available on the websites of the Hong Kong Stock Exchange and the Company.

Regular Review and Connected Transactions

The Audit and Risk Committee is involved in the review of the financial results and the related announcements. It meets at least twice a year and whenever required, and meets the external auditor in the absence of management at least twice 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 transactions, continuing connected transactions and potential conflicts of interest that may arise, and, the related monitoring compliance with the applicable rules and regulations. The Audit and Risk 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 INEDs shall be formed.

As such, the Audit and Risk Committee will review and ensure the effectiveness of the internal control systems related to connected transactions regularly. The identification and monitoring of the connected persons are proactively managed by senior management of the supporting services, procurement and finance departments. The implementation and renewal of this system are vouched by internal audit and external auditor. Major terms of the transactions with connected persons are contracted on a formal basis. The commercially 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.

Audit and Risk Committee Activities

January - March 2023

- annual results and report for the year 2022
- basis of final dividend for the year 2022
- evaluation of Audit and Risk Committee performance for the year 2022
- audit review matters from Auditor
- external auditor's audit plan and scope for the year 2022
- re-appointment of Auditors for the year 2023
- external auditor's plan and fees for the year 2023
- connected transactions/continuing connected transactions
- internal audit report
- risk management & internal controls
- corporate governance compliance
- sustainability report for the year 2022
- accounting policy and practices as well as any accounting estimation
- change to bi-annual financial results reporting

July - September 2023

- 2023 interim results and report
- basis of interim dividend for the first half of 2023
- audit review matters from Auditor
- connected transactions/continuing connected transactions
- internal audit report
- risk management & internal controls
- accounting policy and practices as well as any account estimation
- Committee's terms of reference and the Company's corporate governance policies

January - March 2024

- annual results and report for the year 2023
- basis of final dividend for the year 2023
- evaluation of Audit and Risk Committee performance for the year 2023
- audit review matters from Auditor
- external auditor's audit plan and scope for the year 2023
- re-appointment of Auditors for the year 2024
- external auditor's plan and fees for the year 2024
- connected transactions/continuing connected transactions
- internal audit report
- risk management & internal controls
- corporate governance compliance
- sustainability report for the year 2023
- accounting policy and practices as well as any accounting estimation

During the financial year ended 31 December 2023, the Audit and Risk Committee held two meetings. To reinforce the Company's ERM focus, high-risk areas (if any) 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 14 March 2024, the Audit and Risk Committee reviewed this annual report, including the Corporate Governance Report, the Directors' Report and the Group's financial statements for the year ended 31 December 2023 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 2023 and internal audit plan for 2024.

Work done by the Audit and Risk Committee in 2023 and to date

During the year 2023 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 2022 and 2023 annual reports including the Corporate Governance Reports, the Directors Reports and the Group's financial statements for the years ended 31 December 2022 and 2023 and the annual results announcements, with recommendations to the Board for approval
- the 2023 interim report including the Group's interim financial statements for the six months ended 30 June 2023 and the interim results announcement, with a recommendation to the Board for approval
- reports on new investments of the Group
- compliance by the Company with the Code Provisions throughout the year ended 31 December 2022 and throughout the six months ended 30 June 2023
- the Company's compliance with the Hong Kong Listing Rules, the Companies Act of the Cayman Islands, the CO and the 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 2022 and 2023, 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 2022 and external auditor's scope, plan and fees for the year ended 31 December 2023 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 2023, subject to final approval by Shareholders (approved on 11 May 2023)
- 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 2023 and 2024 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 regular reports from Internal Audit and alignment with ERM
- the IT and cyber risks referencing COBIT (Control Objectives for Information and Related Technology)
- 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 concern were addressed
- the review of the terms of reference and the Company's corporate governance policies

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 is comprised of one female Director and five male Directors. The senior management as set forth on pages 29 to 30 of this annual report consists of one female and two males. Our ultimate goal is to achieve gender parity on the Board and senior management leadership.

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	Wu Ingrid Chun Yuan	Zhang Hongjiang	Kwok Lam Kwong Larry	Peng Zhiyuan
Gender		**Male**	**Male**	**Female**	**Male**	**Male**	**Male**
Age		**55**	**60**	**53**	**63**	**68**	**51**
Academic Background		Graduated from the Jiangsu Province Wujin Teacher School	Bachelor of Economics	Graduated from Changzhou School of Public Health	Ph.D in Electrical Engineering Bachelor of Science	Master of Laws Bachelor of Economics/ Accounting	Master of Business and Administration Bachelor of Engineering and Finance
Length of service		20 years	18 years	20 years	5 years	6 years	5 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.

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 the chief officers. The Nomination 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

- Approves the appointment.
- Appointment made through a formal letter.
- For a term of not more than three years.

Newly appointed Directors:

- Subject to re-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 2023

- review of the structure, size and composition of the Board and its committees and Board Diversity Policy
- evaluation of Nomination Committee performance for the year 2022
- assessment of independence of the INEDs
- review of the time commitment of Directors for performance of their responsibilities
- review of the training and continued professional development of the Directors
- recommendation to the Board on re-election of retiring Directors
- review of the succession planning of the Board and the chief officers
- review and endorsement of the chief officers appointed

January - March 2024

- review of the structure, size and composition of the Board and its committees and Board Diversity Policy
- evaluation of Nomination Committee performance for the year 2023
- assessment of independence of the INEDs
- review of the time commitment of Directors for performance of their responsibilities
- review of the training and continued professional development of the Directors
- recommendation to the Board on re-election of retiring Directors
- review of the succession planning of the Board and the chief officers
- review and endorsement of the chief officers appointed

Work done by the Nomination Committee in 2023 and to date

During the year 2023 and up to the date of this annual report, the Nomination Committee performed, considered and/or resolved 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 Hong Kong 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 NEDs (including INEDs), which are set out in the "DIRECTORS AND SERVICE CONTRACTS" section of the "Directors' Report" on page 33 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 B.2.2, which all Directors (including EDs, NED and INEDs) are subject to retirement by rotation at least once every three years
- reviewed the composition of the Board Committees. The Nomination Committee is of the view that the balance of the 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, Senior Management and Company Secretaries" on pages 23 to 31 of this annual report. Except for the family relationship between Mr. Pan and Ms. Wu, as disclosed in Directors' biographical information on pages 23, 25 and 29 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 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 NEDs (including INEDs) 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 2023

- 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 2022
- review of the remuneration of the existing NEDs (including INEDs)
- review of the Group performance for 2022 and Group targets for 2023
- review of senior executive remuneration, including annual incentive payments for 2022 and 2023 and annual pay review for 2023, and making recommendation to the Board

January - March 2024

- 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 2023
- review of the remuneration of the existing NEDs (including INEDs)
- review of the Group performance for 2023 and Group targets for 2024
- review of senior executive remuneration, including annual incentive payments for 2023 and 2024 and annual pay review for 2024, and making recommendation to the Board

Work done by the Remuneration Committee in 2023 and to date

During the year 2023 and up to the date of this annual report, the Remuneration Committee performed, considered and/or resolved the following matters:

Terms of Reference

- reviewed its terms of reference

Remuneration, Performance and Share Schemes

- reviewed the remuneration package of EDs, NEDs (including INEDs) and senior executives and their incentive payments and assessed their performance for the years of 2022 and 2023
- reviewed the Group performance for 2022 and 2023 and Group targets for 2023 and 2024
- reviewed the Group's 2016 Share Award Scheme, discussed the proposed long-term incentive programme for employees, and recommended the proposed long-term incentive programme to the Board for approval

Directors & Senior Management' Remuneration

The Remuneration Committee has adopted Code Provision E.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 D2 to the Hong Kong Listing Rules are set out in note 10 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 fixed 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 financial year ended 31 December 2023:

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 2023 is set out below:

Remuneration bands	Number of individuals
HK$3,000,001 – HK$4,000,000	1
HK$7,000,001 - HK$8,000,000	1
HK$8,000,001 - HK$9,000,000	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 Schemes

The Company on 23 March 2016 adopted the 2016 Share Award Scheme constituted by a Trust Deed between the Company and the 2016 Scheme Trustee, in which employees, including Directors, may be selected by the Board to participate. Pursuant to the 2016 Share Award Scheme, Shares of the Company will be subscribed for at a subscription price as determined by the Board, or purchased on the Hong Kong Stock Exchange, by the 2016 Scheme Trustee.

The Company on 17 April 2023 adopted the 2023 Share Award Scheme constituted by a Trust Deed between the Company and the 2023 Scheme Trustee, in which employees, including Directors, may be selected by the Board to participate. Pursuant to the 2023 Share Award Scheme, Shares of the Company will be purchased on the Hong Kong Stock Exchange by the 2023 Scheme Trustee.

Please refer to the section headed "SHARE AWARD SCHEMES & SUBSIDIARY SHARE INCENTIVE SCHEME" on pages 43 to 46 of this annual report for details.

CORPORATE GOVERNANCE CODE

The Company has continued to fully comply with requirements of the Code Provisions for the financial year ended 31 December 2023. The Board has ensured that the Chairman of the Board and the chairman of each Committees of the Board attend 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 Shareholders' feedback from the Company's investor relations reports from time to time.

The table below illustrates how and in what way the Company has already adopted certain Recommended Best Practices of the CG Code:

Recommended Best Practices	**Adopted by the Company**
Regular Board Evaluation	The Board conducts an annual evaluation of its and the Committees' performance.
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.
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 correlated to corporate and individual performance since his appointment.
No equity-based remuneration (e.g. share options or grants) with performance-related elements to independent non-executive directors	No equity-based remuneration with performance-related elements were granted to INEDs.
Disclosure of important information to shareholders in the corporate governance report	Details of Shareholders by type and aggregate shareholding are included in the Corporate Governance Report and important Shareholders' dates in the coming financial year are indicated under "Investors Information" section.

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 Hong Kong Listing Rules and disclosure requirements under the Hong Kong Securities and Futures Ordinance, the Companies Act of the Cayman Islands as well as the 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 as mentioned in Appendix C3 to the Hong Kong 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 2023. Furthermore, 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.

JOINT COMPANY SECRETARIES

All Directors have access to the advice and the professional services of the Joint Company Secretaries, Mr. Ho Siu Tak Jonathan ("Mr. Ho") and Ms. Guan Muyi ("Ms. Guan"). Mr. Ho is the Group Legal Director and has been appointed as Company Secretary with effect from 25 March 2020, and Ms. Guan is the Legal and Compliance Director of the Company and has been appointed as Joint Company Secretary with effect from 1 January 2023. In addition to company secretarial matters of the Company, the Joint Company Secretaries are responsible for ensuring that Board procedures are followed and for facilitating communications among Directors. During the year ended 31 December 2023, each of the Joint Company Secretaries of the Company have attended no less than 15 hours of relevant professional training to update their skills and knowledge.

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 on an ongoing basis. 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	**Risk Review, Communication & Confirmation to the Board** • Conducts regular 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 Identification, management & report of risks at operation level	**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.
	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 system, and has been referencing certain critical aspects of organizational governance, business ethics, fraud and financial reporting established by COSO. 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 regularly, and modified as appropriate, by the Audit and Risk Committee. With reference to COBIT 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 ISO 27001. 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 2023, the Company's internal controls over the Company's financial and non-financial reporting 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 reporting. Meanwhile, the internal audit plan will continue to be based on a risk-based approach aligned with organizational objectives and, to some extent, stakeholder priorities.

Within the Group, there is a clearly-defined management structure with specified authority limits and segregated responsibilities to achieve business control objectives and safeguard of assets. Guidelines and approval limits for operating (including research and development) and capital 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 system 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 20 to 22 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 and Inside Information" 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 2023, the Company has procured and allocated sufficient 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. ERA – to identify and prioritize the Company's key business risks;

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

3. Environmental, social and governance ("ESG") risk management is part of the sustainability governance, and more details are covered on pages 82 to 85 of Sustainability section.

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 71 to 73.

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 2023, 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 88 to 89 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 2023 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 Hong Kong 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. 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 Hong Kong 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 2023, the services provided to the Company by Deloitte, and the respective fees paid are set out below:

Types of service	2023 HK$'000
Annual audit – Group audit	3,129
Annual audit – Overseas	1,534
Interim review	1,018
Assurance services	838
Total services relating to taxation	18
Total fees	6,537

The representative of Deloitte has attended the AGM of the Company in 2023 as usual 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.

SUSTAINABILITY GOVERNANCE

The Board is responsible for overseeing ESG risk management and implementing the Group's sustainability strategy in order to ensure that the Group could respond effectively to ever-changing market developments and stakeholders' expectations. Effective sustainable development requires responsive and collective sustainability and business strategies that could embrace the evolving nature of sustainability challenges as well as opportunities. ARC and the Board have reviewed the key developments in sustainability in March 2023 and March 2024, and specifically in March 2023, the Group's engagement of an independent major international accountancy firm as the Group's sustainability consultant.

The Board and the Sustainability Working Group ("SWG") will continue to work closely to ensure that the Group's sustainability strategies are implemented on a timely basis. The Group's sustainability strategy for 2024 was reviewed by the ARC, and going forward, the Group's sustainability strategies would be review on a periodical basis to ensure they are relevant to identified ESG risks and opportunities. The SWG headed by a member of the Board includes senior management and executives from various departments, convenes regularly to oversee the review of the Group's sustainability strategies and key concerns, handles associated risks and opportunities and elevates the efficiency of ongoing initiatives. The SWG will proactively review and update the identified material ESG topics and their materiality, performance and targets to ensure they align with the Group's long-term business targets and global ESG laws, regulations and recommendations.

The full "eleventh stand-alone annual" 2023 Sustainability Report covering operational, talent management, environmental impacts, community and other sustainability governance topics is published on the Company's website www.aactechnologies.com. The approach to compiling the 2023 Sustainability Report was based on an ESG materiality assessment conducted by the Group's sustainability consultant in the year 2022, of which, its results of the named 9 topics were reviewed and validated by the SWG and presented to, and, approved by the Board on 23 March 2023. To ensure the identified material topics continue to be of relevance to the Group, the next materiality assessment will be carried out in the year 2024, i.e. on a biennial basis.

As mentioned in the Corporate Governance Report, the full Sustainability Report for the year 2022, the Group's sustainability progress update in the Group's Interim Report for the first-half to 30 June 2023 and the full Sustainability Report for the year 2023, were reviewed by ARC and approved by the Board, respectively, in March 2023, August 2023 and March 2024.

Code of Conduct, Whistleblowing Policy and Anti-Fraud and Anti-Bribery Policy

The Group Ethics Committee, spearheaded by the Chief Executive Officer, ensures the business ethics are adopted across the Group. The Company outlines the anti-corruption, fraud, conflicts of interest, anti-discrimination, anti-competition, and confidentiality initiatives in the "Code of Conduct" and "Code of Business Conduct and Ethics". These guidelines provide principles for all employees to act with integrity, impartiality and honesty. "Redline Control System" outlines the potential measures to address any employee violations of the Company's conduct policies and mitigate incidents that may disrupt the Company's normal operations due to human-related factors.

To prevent unethical business conduct, the Company provides anti-corruption training to all employees. The Company does not tolerate any form of bribery, whether direct or indirect, by, or of, its directors, officers, employees, agents or consultants or any persons or companies acting for it or on its behalf. The Company has a clear "Anti-Fraud and Anti-Bribery policy" that supports anti-corruption laws and regulations, and to promote an anti-fraud and anti-bribery culture within the Company.

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 introduces "the Whistleblowing Policy" to facilitate reporting suspected fraudulent activity without fear of reprisals and ensure the whistleblower reports taken seriously. Such policy, approved by the Board, is a key constituent of Code of Ethics, where employees are encouraged to raise concerns in confidence about misconduct, malpractice of matters related to the Company. The Board delegates the Audit and Risk Committee to monitor and review the "Whistleblowing Policy" and to report any severe incidents investigated by the Internal Audit Department.

SHAREHOLDERS ENGAGEMENT AND VALUE

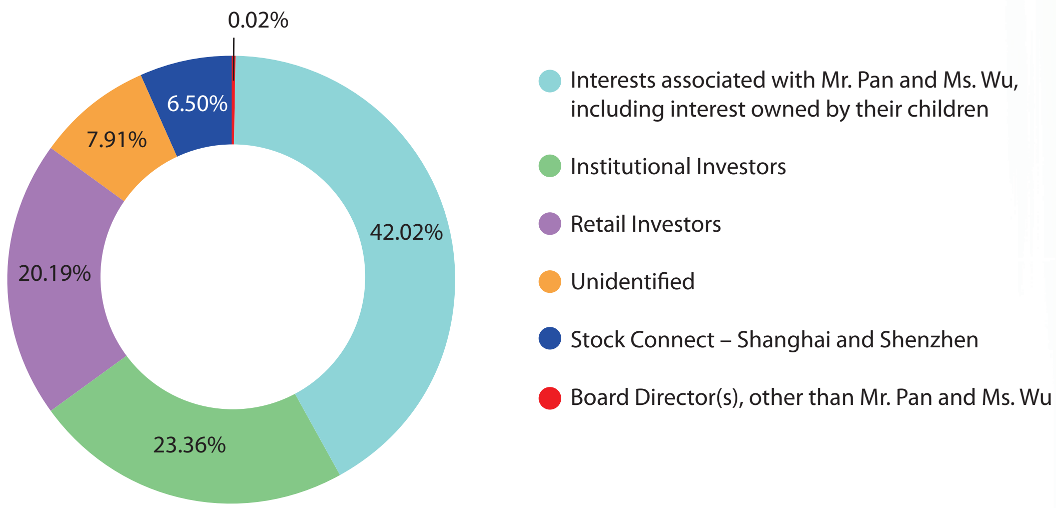
Shareholders

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 123 direct registered Shareholders as at 31 December 2023. 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 2023, amounted to 77.90 million Shares, or representing 6.50% 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 2023 and revealed the shareholding structure as follows:

(I) Shareholders by Category:

(per Shareholder Analysis as at 31 December 2023, rounded to nearest 0.01%)



(II) Shareholders by Domicile:

	% of Total Issued Shares
Hong Kong	64.56
North America	10.16
China	6.64
United Kingdom	5.30
Europe (ex-United Kingdom)	2.50
Singapore	1.17
Rest of World	9.67
Total	100.00

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 1,198,500,000 Shares in issue as at 31 December 2023.

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 Board has reviewed and updated our Corporate Disclosure Policy to ensure that the continuous disclosure standards and procedures are in compliance with the requirements of the Hong Kong 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 when necessary. 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 implementation and effectiveness of the Company's Shareholders Communication Policy has been reviewed during the year and the Shareholders Communication Policy has been updated and uploaded to the Company's website on 11 May 2023. 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/disclosures through the Hong Kong 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.

General meetings are 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 reports, from time to time, 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.

The Company's investor relations team strictly controls its participation of Shareholders'/investors' activities, telephone conferences, and media activities during the "Quiet Periods" in order to avoid potential selective disclosure of Inside Information or its perception of doing so. The Corporate Disclosure Policy, Shareholders Communication Policy and "Quiet Periods" policy are all posted on the Company's website.

During 2023, the Company held a series of activities in relation to its interim and annual results announcements, including panel discussions with Shareholders and the investment community via webcast/teleconferencing and participation in different conferences, forums and virtual non-deal roadshows in Hong Kong and other parts of the world organized by different brokers. This helps the Company to 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 2023 AGM held on 11 May 2023, a resolution was proposed by the Chairman in respect of each separate issue itemized on the agendas. Procedures for conducting a poll were explained by the Chairman at the meeting. The chairman of the Board and members of Board Committees were joined by video conference or in person, 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 Hong Kong Stock Exchange and the Company in accordance with the Hong Kong Listing Rules on the same date.

The Company announced on 23 March 2023 that it would cease to voluntarily announce and publish quarterly unaudited consolidated financial results of the Company for the first three-month and nine-month periods of each financial year going forward. It is considered that changing to bi-annual financial results reporting will enable the management to concentrate more on operations and development of the Company's principal business, reducing time, efforts, costs and administrative burden of the Company associated with the publication of quarterly financial results. A bi-annual financial results reporting would facilitate investors to consider a more appropriate timeline on performance, strategic deployment and development trend of the Company and that the interests of the Shareholders of the Company will not be compromised.

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 and/or by electronic means as may be determined by the Board. Each general meeting, other than an AGM, shall be called an 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 Joint Company Secretaries, 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 21 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' notice in writing if the proposal constitutes an ordinary resolution of the Company; and

- Not less than 21 clear 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 2023, there was no amendment made to the Company's constitutional documents. An up-to-date consolidated version of the Memorandum and Articles is available on the websites of the Hong Kong Stock Exchange and the Company.

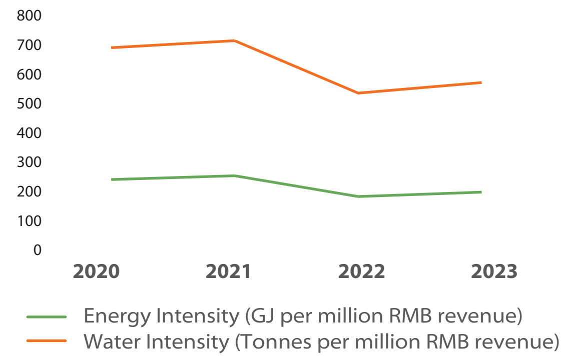
Sustainability

KEY HIGHLIGHTS OF 2023

On the basis of higher output of the precision mechanics business, for the financial year ended 31 December 2023, the Group's greenhouse gas emission intensity and water consumption intensity increased 8.2% and 6.9% respectively compared in 2022. However, the environmental efforts over the past few years prevail and lead to a decreasing tread on both indicators.

Key Highlights of 2023		
Generated 33.4 million kWh of renewable energy (Increased by 66.7%)	Total number of occupational health checkup 7,399 (Increased by 55.2%)	Number of suppliers 590 (Increased by 16.6%)
Greenhouse gas emission intensity (Increased by 8.2%)	Selected into "Top 100 Global Innovators 2023" Clarivate™	Water consumption intensity (Increased by 6.9%)

Environmental Key Indicators by years



OPERATIONAL EXCELLENCE

Customer

This year we received various awards from our prominent customers for successful delivery solutions. The Group received the automotive industry award in China for our car seat vibration and haptic technology. Measured by innovation indicators, the Group was selected by a leading international intellectual property company in its "Top 100 Global Innovators of 2023". The Group also entered into strategic collaborations with global technology partners to further catalyse relentless innovation and technological advancement.

The Group's Quality and Operations Committee was also established in this year, led by our senior management, to enhance the Group's quality management and lean operation structure. The committee is responsible for identifying, investigating and responding to major quality-related issues. The committee is to build stronger leadership and drive operational success by recognising exceptional departmental and personnel achievements in quality and lean operations.

Suppliers

In 2023, we established the Group's Supply Chain Committee which is comprised of our senior management to monitor the overall process of supplier assessment, selection and evaluation. The committee is also responsible for building cost models, developing the roadmap and accelerating the overall execution of the Group's policies in supplier management procedures.

All of our suppliers are in compliance with our Code of Conduct and CSR Commitment to fulfill our standards in labour and human rights, health and safety, chemical management, environmental protection and anti-corruption with reference to a number of international principles such as the Electronic Industry Code of Conduct, Ethical Trading Initiative, and the Social Accountability 8000 International Standard. Our suppliers are encouraged to regulate and monitor their suppliers (our second-tier suppliers) according to the Code.

All mineral materials used in production are 100% conflict-free. Such requirement is in compliance with Regulation EU 2017/821 that imposes supply chain due diligence obligations on union importers of tin, tantalum, tungsten, ores and gold originating from conflict-affected and high-risk areas.

Sustainability

TALENT MANAGEMENT

Talent Management Committee was established in this year to lead the Group's formulation and empowerment of HR functions, training of talents and implementation of Group's cadre evaluation and supervision system.

For talent acquisition, the Group organized recruitment activities at top ranked universities in China including a training camp for fresh graduates in our Changzhou base. For internal training and development, the Group continued with online courses, with 80% of which focused on professional and technical training. The Group initiated 'AAC Excellent Instructors' program to build an in-house trainer team and offer various expertise within the company. Green Belt Training sessions across different departments were implemented so that participants can be endorsed with Six Sigma certification. This year, the Long Service Award was set up to recognize employees who have completed over 15-25 years of dedicated service in the Group.

MANAGING ENVIRONMENTAL IMPACTS

To align with China's goal of attaining carbon neutrality and reducing the impact on the environment, the Group implemented comprehensive action plans and environmental management systems. The utilization of renewable energy sources were expanded, an increase of over 67% compared to 2022.

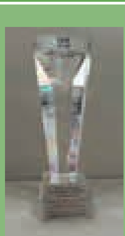
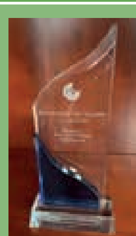
The Group adheres to environmental laws and regulations in jurisdictions where the Group operates. All production sites were certified under ISO 14001 certification for environmental management systems. Qualified independent consultants were engaged to perform an audit to ensure that all compliance issues including internal controls and related procedures had been properly complied with.

Although this year, an increase of energy consumption, greenhouse gas emission and water consumption were found owing to the significant growth of precision mechanics business, the Group is in the process of reviewing its existing environmental targets, which include targets for carbon emissions, energy consumption, waste diversion, and water consumption. In order to combat climate change and move towards a low-carbon operation, the Group will continue to monitor its sustainability performance and take the appropriate actions.

Sustainability

ESG ACCOMPLISHMENT AND ACCOLADES

Our commitment to reporting and enhancing its ESG performance can be seen through the recognition from various international and local ESG institutions. The Group was selected as a member of the FTSE4Good Index and was given an "A" MSCI ESG Rating and a "Low ESG Risk" by Sustainalytics. In addition, the Company received the Best Corporate Governance and ESG Awards 2023 granted by Hong Kong Institute of Certified Public Accountants, Commendation Awards in Best GRI Report at Hong Kong ESG Reporting Awards (HERA) 2023, Best Achievement (Supplier) by Compal Smart Device Chongqing Co. Ltd and New Economy Corporate – Leadership Awards by Standard Chartered Bank with Hong Kong Economic Journal.

ESG Awards			
			
Best Corporate Governance and ESG Awards 2023 Hong Kong Institute of Certified Public Accountants	**Commendation Awards in Best GRI Report** Hong Kong ESG Reporting Awards (HERA) 2023	**Best Achievement Supplier** Compal Smart Device Chongqing Co. Ltd	**New Economy Corporate – Leadership Awards** Standard Chartered with Hong Kong Economic Journal

ESG Ratings			
18.8 Low risk Sustainalytics	**A** MSCI ESG Ratings 2023	**Climate Change– C** **Water Security – C** CDP Carbon Disclosure Project	**3.0** FTSE4Good

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 90 to 169, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss 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 material accounting policy information and other explanatory information.

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 2023, 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 matter	How our audit addressed the key audit matters
Estimated allowance for inventories	
We identified the estimated allowance for certain inventories (the "Relevant Inventories", which is excluding those inventories under customers' orders that with a short turnover period and supported by pre-determined price) as a key audit matter due to the use of judgement and estimates by the management in estimating the allowance of inventories. The management determines the allowance for inventories with reference to the aging analysis and the estimated net realisable value for obsolete and/or slow-moving inventory items identified that are no longer suitable for use in operation at the end of each reporting period (refer to notes 4 and 23 to the consolidated financial statements). As at 31 December 2023, the carrying amount of the Relevant Inventories, net of allowance, was RMB2,642,339,000. During the year, the Group recognised reversal of allowance for the Relevant Inventories, net, of RMB1,810,000 included in cost of goods sold. Details of the Group's inventories are set out in note 23 to the consolidated financial statements.	Our procedures in relation to estimated allowance for the Relevant Inventories included: • Obtaining an understanding on management process and control in identifying obsolete and/or slow-moving inventories items and how management estimates the allowance of obsolete and slow-moving inventory items; • Obtaining the inventory aging analysis and testing the accuracy by 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, where the estimated net realisable value is lower than the cost, with reference to historical sales record, ageing analysis and latest/subsequent selling and purchase prices of the inventories; and • Testing subsequent sales/usage of inventories and/or subsequent purchase of materials 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 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 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 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Conclude on the appropriateness of the directors' 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.

- 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, actions taken to eliminate threats or safeguards applied.

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 Chung Chin Cheung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Revenue	5	**20,419,072**	20,625,092
Cost of goods sold		**(16,967,406)**	(16,850,062)
Gross profit		**3,451,666**	3,775,030
Other income	7	**590,618**	487,269
Other expenses	7	**–**	(125,222)
Other gains and losses	8	**151,883**	163,013
Share of results of an associate		**(265)**	(1,170)
Distribution and selling expenses		**(443,066)**	(447,731)
Administrative expenses		**(978,066)**	(1,035,565)
Research and development costs		**(1,573,435)**	(1,546,338)
Exchange gain (loss)		**14,350**	(5,523)
Finance costs	6	**(390,824)**	(403,084)
Profit before taxation	9	**822,861**	860,679
Taxation	11	**(252,254)**	(231,496)
Profit for the year		**570,607**	629,183
Loss for the year attributable to non-controlling interests		**(169,763)**	(192,122)
Profit for the year attributable to owners of the Company		**740,370**	821,305
Earnings per share			
– Basic	13	**RMB0.63**	RMB0.69
– Diluted	13	**RMB0.60**	RMB0.66

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
Profit for the year	**570,607**	629,183
Other comprehensive (expense) income:		
Item that will not be subsequently reclassified to profit or loss:		
Fair value changes on equity instruments at fair value through other comprehensive income ("FVTOCI")	**(9,886)**	(573,169)
Items that may be subsequently reclassified to profit or loss:		
Fair value changes on derivative financial instruments	**11,782**	3,705
Loss (gain) reclassified to profit or loss on hedged items	**1,906**	(21,324)
Exchange differences arising on translation of foreign operations	**38,193**	(312,930)
Total comprehensive income (expense) for the year	**612,602**	(274,535)
Total comprehensive income (expense) attributable to:		
Owners of the Company	**780,075**	(78,332)
Non-controlling interests	**(167,473)**	(196,203)
	612,602	(274,535)

Consolidated Statement of Financial Position

At 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	14	**18,070,355**	19,301,682
Right-of-use assets	15	**1,798,372**	1,959,117
Goodwill	16	**275,365**	275,365
Deposits made for acquisition of property, plant and equipment		**162,589**	231,906
Escrow deposit for acquisition of a subsidiary	48	**283,308**	–
Investment properties	17	**127,576**	10,078
Interest in an associate	18	**3,033**	3,299
Equity instruments at FVTOCI	19	**457,011**	467,057
Financial assets at fair value through profit and loss ("FVTPL")	20	**413,301**	186,303
Intangible assets	21	**588,623**	563,954
Deferred tax assets	33	**204,242**	228,401
		22,383,775	23,227,162
Current assets			
Inventories	23	**2,992,360**	4,401,418
Trade and other receivables	24	**6,653,431**	5,531,160
Amounts due from related companies	25	**9,892**	8,259
Taxation recoverable		**22,639**	20,069
Derivative financial instruments	22	**2,869**	–
Pledged bank deposits	26	**15,085**	200
Restricted bank deposits		**6,207**	–
Short term fixed deposits	26	**–**	341,265
Cash and cash equivalents	26	**6,824,525**	6,813,725
		16,527,008	17,116,096
Current liabilities			
Trade and other payables	27	**5,796,468**	4,958,743
Contract liabilities	27	**15,868**	30,435
Amounts due to related companies	25	**32,323**	23,182
Taxation payable		**100,542**	117,762
Bank loans	29	**1,463,885**	1,832,603
Unsecured notes	30	**1,957,575**	–
Government grants	32	**122,928**	138,007
Lease liabilities	28	**389,309**	292,087
Derivative financial instruments	22	**–**	8,326
Contingent settlement provision	31	**250,490**	1,653,461
		10,129,388	9,054,606
Net current assets		**6,397,620**	8,061,490
Total assets less current liabilities		**28,781,395**	31,288,652

Consolidated Statement of Financial Position

At 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Bank loans	29	**1,726,000**	1,727,200
Unsecured notes	30	**3,662,120**	6,087,845
Government grants	32	**508,806**	640,368
Lease liabilities	28	**380,886**	485,095
Deferred tax liabilities	33	**47,108**	42,847
Derivative financial instruments	22	**–**	7,706
Other payables	27	**85,206**	101,976
		6,410,126	9,093,037
Net assets		**22,371,269**	22,195,615
Capital and reserves			
Share capital	34	**97,321**	97,708
Reserves		**21,784,131**	21,558,537
Equity attributable to owners of the Company		**21,881,452**	21,656,245
Non-controlling interests		**489,817**	539,370
Total equity		**22,371,269**	22,195,615

The consolidated financial statements on pages 90 to 169 were approved and authorised for issue by the Board of Directors on 21 March 2024 and are signed on its behalf by:

PAN BENJAMIN ZHENGMIN	**MOK JOE KUEN RICHARD**
DIRECTOR	DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to owners of the Company													
	Share capital 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	Share-based payments reserve RMB'000	PRC statutory reserve RMB'000	Hedging reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2022	98,135	(211,211)	1,135	23,391	(190,471)	96,055	87,245	–	1,772,143	12,060	20,122,184	21,810,666	691,334	22,502,000
Exchange differences arising from translation of financial statements of foreign operations	–	–	–	–	(313,190)	–	–	–	–	–	–	(313,190)	260	(312,930)
Fair value changes on equity instruments at FVTOCI	–	–	–	–	–	(568,828)	–	–	–	–	–	(568,828)	(4,341)	(573,169)
Fair value changes on derivative financial instruments	–	–	–	–	–	–	–	–	–	3,705	–	3,705	–	3,705
Gain reclassified to profit or loss on hedged item	–	–	–	–	–	–	–	–	–	(21,324)	–	(21,324)	–	(21,324)
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	–	821,305	821,305	(192,122)	629,183
Total comprehensive (expense) income for the year	–	–	–	–	(313,190)	(568,828)	–	–	–	(17,619)	821,305	(78,332)	(196,203)	(274,535)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	68,651	–	–	–	68,651	–	68,651
Return of capital contributions from non-controlling interests of a subsidiary and settlement of contingent settlement provision (note 31)	–	–	–	–	–	–	–	–	–	–	17,789	17,789	–	17,789
Share-based payment reserves under the subsidiary share incentive scheme ("Subsidiary Scheme")	–	–	–	–	–	–	–	–	–	–	–	–	53,828	53,828
Purchase of shares under share award scheme (note 36)	–	(62,477)	–	–	–	–	–	–	–	–	–	(62,477)	–	(62,477)
Shares repurchased	–	(100,052)	–	–	–	–	–	–	–	–	–	(100,052)	–	(100,052)
Shares cancelled	(427)	65,448	–	–	–	–	–	–	–	–	(65,021)	–	–	–
Return capital to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(9,589)	(9,589)
Transfers	–	–	–	–	–	–	–	–	144,387	–	(144,387)	–	–	–
At 31 December 2022	**97,708**	**(308,292)**	**1,135**	**23,391**	**(503,661)**	**(472,773)**	**87,245**	**68,651**	**1,916,530**	**(5,559)**	**20,751,870**	**21,656,245**	**539,370**	**22,195,615**
Exchange differences arising from translation of financial statements of foreign operations	**–**	**–**	**–**	**–**	**35,930**	**–**	**–**	**–**	**–**	**–**	**–**	**35,930**	**2,263**	**38,193**
Fair value changes on equity instruments at FVTOCI	**–**	**–**	**–**	**–**	**–**	**(9,913)**	**–**	**–**	**–**	**–**	**–**	**(9,913)**	**27**	**(9,886)**
Fair value changes on derivative financial instruments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11,782**	**–**	**11,782**	**–**	**11,782**
Gain reclassified to profit or loss on hedged item	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,906**	**–**	**1,906**	**–**	**1,906**
Profit (loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**740,370**	**740,370**	**(169,763)**	**570,607**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**35,930**	**(9,913)**	**–**	**–**	**–**	**13,688**	**740,370**	**780,075**	**(167,473)**	**612,602**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**32,021**	**–**	**–**	**–**	**32,021**	**–**	**32,021**
Shares vested under share award scheme	**–**	**73,361**	**–**	**–**	**–**	**–**	**–**	**(39,956)**	**–**	**–**	**(33,405)**	**–**	**–**	**–**
Return of capital contributions from non-controlling interests of a subsidiary and settlement of contingent settlement provision (note 31)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(141,868)**	**(141,868)**	**141,868**	**–**
Share-based payment reserves under the subsidiary share incentive scheme	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,458**	**4,458**	**(23,948)**	**(19,490)**
Purchase of shares under share award scheme (note 36)	**–**	**(281,092)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(281,092)**	**–**	**(281,092)**
Shares repurchased	**–**	**(38,057)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(38,057)**	**–**	**(38,057)**
Shares cancelled	**(387)**	**72,661**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(72,274)**	**–**	**–**	**–**
Dividends declared and paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(130,330)**	**(130,330)**	**–**	**(130,330)**
Transfers	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**102,454**	**–**	**(102,454)**	**–**	**–**	**–**
At 31 December 2023	**97,321**	**(481,419)**	**1,135**	**23,391**	**(467,731)**	**(482,686)**	**87,245**	**60,716**	**2,018,984**	**8,129**	**21,016,367**	**21,881,452**	**489,817**	**22,371,269**

The People's Republic of China (the "PRC") statutory reserve are non-distributable and the transfer to these reserves is determined by the board of directors of subsidiaries established in the PRC in accordance with the Articles of Association of the subsidiaries. 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 PRC statutory reserve can be used to make up for previous year's losses or convert into additional capital of the PRC subsidiaries of the Company.

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 in prior years.

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 2023

	2023 RMB'000	2022 RMB'000
Operating activities		
Profit before taxation	**822,861**	860,679
Adjustments for:		
Interest income	**(207,819)**	(53,858)
Finance costs	**390,824**	403,084
Depreciation of property, plant and equipment	**2,626,221**	2,690,348
Depreciation of right-of-use assets	**189,168**	184,036
Amortisation of intangible assets	**149,318**	111,421
Depreciation of investment property	**4,110**	1,194
(Gain) loss on disposal/write-off of property, plant and equipment	**(8,601)**	75,926
Gain on termination/derecognition of right-of-use assets	**(847)**	(3,265)
Gain on repurchase of unsecured notes	**(138,433)**	(168,793)
Fair value loss on financial assets at FVTPL	**6,724**	–
Fair value gain on derivative financial instruments	**–**	(5,308)
Amortisation of government grants	**(213,023)**	(235,550)
Share-based payments expenses	**12,531**	122,479
Share of results of an associate	**265**	1,170
Reversal of impairment loss on trade receivables	**(23)**	(1,989)
(Reversal of) allowance for inventories, net	**(1,810)**	273,910
Operating cash flows before movements in working capital	**3,631,466**	4,255,484
Decrease in inventories	**1,416,753**	1,037,667
(Increase) decrease in trade and other receivables	**(995,411)**	530,315
Increase in amounts due from related companies	**(1,633)**	(2,658)
Increase (decrease) in trade and other payables	**832,884**	(1,143,001)
Increase (decrease) in amounts due to related companies	**9,141**	(10,395)
(Decrease) increase in contract liabilities	**(14,567)**	8,111
Cash generated from operations	**4,878,633**	4,675,523
Taxation paid	**(246,098)**	(303,514)
Net cash from operating activities	**4,632,535**	4,372,009

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Investing activities			
Acquisition of property, plant and equipment		**(1,140,574)**	(624,878)
Escrow deposit paid for acquisition of subsidiaries		**(287,244)**	–
Acquisition of financial assets at FVTPL		**(232,139)**	(131,490)
Deposits paid for acquisition of property, plant and equipment		**(223,335)**	(1,133,420)
Placement of short-term fixed deposits		**–**	(341,265)
Additions to intangible assets		**(175,964)**	(156,822)
Placement of pledged bank deposits		**(56,243)**	(200)
Withdrawal of pledged bank deposits		**41,358**	2,219
Placement of restricted bank deposits		**(6,207)**	–
Acquisition of equity instruments at FVTOCI		**(18,200)**	(141,952)
Capital return from equity instruments at FVTOCI		**18,666**	–
Payments for rental deposits		**(421)**	(568)
Refund of rental deposits		**297**	234
Withdrawal of short-term fixed deposits		**341,265**	–
Interest received		**191,729**	39,943
Government grants received relating to acquisitions of non-current assets		**22,437**	172,408
Proceeds from disposal of property, plant and equipment		**12,733**	5,825
Proceeds from derecognition of right-of-use assets		**–**	23,762
Net cash outflow on acquisition of a subsidiary	35	**–**	(53,377)
Payments for right-of-use assets		**–**	(9,679)
Net cash used in investing activities		**(1,511,842)**	(2,349,260)
Financing activities			
Repayments of bank loans		**(5,200,722)**	(3,021,215)
Bank loans raised		**4,824,641**	3,243,214
Return of capital contributions from non-controlling interests of a subsidiary and settlement of contingent settlement provision	31	**(1,448,990)**	(139,589)
Payment for repurchase of unsecured notes		**(443,844)**	(949,714)
Interest paid		**(310,771)**	(302,902)
Shares repurchased		**(353,753)**	(127,925)
Dividend paid		**(130,330)**	–
Repayment of lease liabilities		**(73,966)**	(123,830)
Net payments for the subsidiary share incentive scheme	36	**(25,032)**	(4,025)
Payment to derivative financial instruments		**(18,410)**	(28,019)
Receipt from derivative financial instruments		**10,585**	15,302
Net cash used in financing activities		**(3,170,592)**	(1,438,703)
Net (decrease) increase in cash and cash equivalents		**(49,899)**	584,046
Cash and cash equivalents at 1 January		**6,813,725**	6,051,372
Effect of foreign exchange rate changes		**60,699**	178,307
Represented by:			
Cash and cash equivalents at 31 December		**6,824,525**	6,813,725

1. GENERAL

AAC Technologies Holdings Inc. ("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 "Hong Kong 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 44.

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")

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

Except of the amendments to IFRSs mentioned below, the application of the other new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New and amendments to IFRSs that are mandatorily effective for the current year (continued)

Impacts on application of Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 "Income Taxes" so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group disclose the related deferred tax assets of RMB97,624,000 and deferred tax liabilities of RMB97,269,000 as at 1 January 2022 on a gross basis in note 33 but it has no impact on the retained earnings at the earliest period presented.

Impacts on application of Amendments to IAS 12 "International Tax Reform-Pillar Two model Rules"

The Group has applied the amendments for the first time in the current year. IAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("OECD") (the "Pillar Two legislation"). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on 1 January 2023.

The Group has applied the temporary exception immediately upon issue of these amendments and retrospectively, i.e. applying the exception from the date Pillar Two legislation is enacted or substantially enacted. The information about the Group's exposure to Pillar Two income taxes is set out in note 11.

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

New and amendments to IFRSs that are mandatorily effective for the current year (continued)

Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies"

The Group has applied the amendments for the first time in the current year. IAS 1 "Presentation of Financial Statements" is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 "Making Materiality Judgements" (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in note 3 to the consolidated financial statements.

Amendments to IFRSs in issue but not yet effective

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

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

The Directors of the Company anticipate that the application of all amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong 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 that 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.

3.2 Material accounting policy information

Basis of consolidation

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Basis of consolidation (continued)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant component of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity (retained profits) and attributed to owners of the Company.

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.

The revenue of the Group arising from sales of acoustics products, electromagnetic drives and precision mechanics, optics products, sensor and semiconductor products and other products is recognised at a point in time. Under the transfer-of-control approach in IFRS 15 "Revenue from Contracts with Customers" ("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.

Leases

Definition of a lease

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 on or after the date of initial application IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 "Leases" ("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.

The Group as a lessee

Right-of-use assets

The cost of right-of-use assets 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 restoring the underlying asset to the condition required by the terms and conditions of the lease.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets (continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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).

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

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 related to income 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. Such grants are presented under "other income".

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Share-based payments

Equity-settled share-based payment transactions

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

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For shares that vest immediately at the date of grant, the fair value of the shares granted is expensed immediately to profit or loss.

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to share capital/share premium.

Property, plant and equipment

Property, plant and equipment, other than freehold land and construction in progress, are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment 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 not depreciated and is measured at cost, less any recognised impairment loss.

Property, plant and equipment 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, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

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 presented for as "right-of-use assets" in the consolidated statement of financial position and is amortised over the lease term on a straight line basis.

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. 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Property, plant and equipment (continued)

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.

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

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.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

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 CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. 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.

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. Cost necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Financial instruments

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 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 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.

(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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(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 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" 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 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.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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 investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

Contingent settlement provision arising from a contract to repay capital from non-controlling interests

The gross financial liability arising from a contract to repay capital from non-controlling interests is recognised when contractual obligation (including potential obligation arising on the occurrence or non-occurrence of future events) to repurchase the shares in a subsidiary is established. The contingent settlement provision on the consolidated statement of financial position is initially recognised and measured at present value of the estimated capital repayment amount with the corresponding debit to equity. Subsequent to initial recognition, the adjustments arising from remeasurement of the present value of the such gross obligation under the contract to the non-controlling shareholders is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management has made the following estimations 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 estimations 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 for inventories

Management reviews the inventory aging analysis 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 including the historical sales record, ageing analysis and latest/subsequent selling and purchase prices of the inventories available at the time the estimates are made and 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 2023, the carrying amounts of inventories that involve key estimation uncertainty (representing the inventories of the Group as detailed in note 23 and excluding those inventories under customers' orders that with a short turnover period and supported by the pre-determined price) (the "Relevant Inventories") was RMB2,642,339,000 (2022: RMB3,803,447,000) and reversal of allowance for inventories of RMB1,810,000 (2022 net allowance: RMB273,910,000) was recognised in the profit or loss during the year ended 31 December 2023.

Deferred tax asset

As at 31 December 2023, a deferred tax asset of RMB134,708,000 (2022: RMB112,270,000) in relation to unused tax losses for certain operating subsidiaries has been recognised in the consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of RMB7,630,951,000 (2022: RMB5,206,118,000) for the remaining subsidiaries due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

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 key operating decision makers in order to allocate resources to the segment and to assess its performance.

Information reported to the key operating decision makers 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 "Operating Segments" are acoustics products, electromagnetic drives and precision mechanics, optics products, sensor and semiconductor products and other products, 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.

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

All sales contracts terms and the performance obligations of goods and services provided by the Group are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. REVENUE AND SEGMENT INFORMATION (continued)

Information regarding these segments is presented below.

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

	2023 RMB'000	2022 RMB'000
Operating and reportable segments		
Segment revenue – recognised at a point in time		
Acoustics products	7,498,965	8,868,384
Electromagnetic drives and precision mechanics	8,245,314	7,278,046
Optics products	3,626,935	3,217,294
Sensor and semiconductor products	1,025,076	1,256,404
Other products	22,782	4,964
Revenue	20,419,072	20,625,092
Segment results		
Acoustics products	2,130,145	2,492,387
Electromagnetic drives and precision mechanics	1,656,075	1,552,704
Optics products	(471,644)	(416,721)
Sensor and semiconductor products	139,251	146,106
Other products	(2,161)	554
Total profit for operating and reportable segments	3,451,666	3,775,030
Unallocated amounts:		
Other income	590,618	487,269
Other expenses	–	(125,222)
Other gains and losses	151,883	163,013
Share of results of an associate	(265)	(1,170)
Distribution and selling expenses	(443,066)	(447,731)
Administrative expenses	(978,066)	(1,035,565)
Research and development costs	(1,573,435)	(1,546,338)
Exchange gain (loss)	14,350	(5,523)
Finance costs	(390,824)	(403,084)
Profit before taxation	822,861	860,679

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment results represent the profit (loss) earned by each segment without allocation of other income, other expenses, other gains and losses, share of results of an associate, distribution and selling expenses, administration expenses, research and development costs, exchange gain (loss) and finance costs. This is the measure reported to the key operating decision makers for the purpose of resource allocation and performance assessment.

The key operating decision makers make decisions according to operating results of each segments. The Group analysed its assets and liabilities and other financial information at group level. Therefore, only segment revenue and segments results are presented. Amortisation and depreciation charges related to assets employed by different segments are presented to the key operating decision makers for review.

5. REVENUE AND SEGMENT INFORMATION (continued)

Amortisation and depreciation included in measure of segment results are as follows:

	2023 RMB'000	2022 RMB'000
Acoustics products	1,070,453	1,184,138
Electromagnetic drives and precision mechanics	700,821	644,951
Optics products	583,342	528,713
Sensor and semiconductor products	59,734	56,140
Other products	5,231	10,877
Amounts included in cost of inventories	2,419,581	2,424,819
Unallocated portion	549,236	562,180
	2,968,817	2,986,999

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 excluded financial instruments in foreign countries that exceeds 10% of the Group's total non-current assets.

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

	2023 RMB'000	2022 RMB'000
Greater China* (country of domicile)	10,313,354	8,696,523
Other foreign countries:		
Other Asian countries	1,205,073	1,437,549
America	8,852,858	10,489,800
Europe	47,787	1,220
	20,419,072	20,625,092

* Greater China comprises the Mainland China, Hong Kong Special Administrative Region 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 RMB15,137,352,000 (2022: RMB14,657,229,000). 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

	2023 RMB'000	2022 RMB'000
Interest on bank loans	102,892	80,072
Interest on unsecured notes	214,385	236,876
Interest on lease liabilities	26,910	25,289
Interest on contingent settlement provision	46,637	62,620
	390,824	404,857
Less: Finance costs capitalised in qualifying assets	–	(1,773)
	390,824	403,084

7. OTHER INCOME AND OTHER EXPENSES

Other income and other expenses mainly comprise of:

	2023 RMB'000	2022 RMB'000
(A) Other income		
Government grants (Note a)	329,554	385,264
Interest income	207,819	53,858
Rental income	10,972	9,525
(B) Other expenses		
Restructuring costs (Note b)	–	(125,222)

Notes:

(a) Included in the amount is RMB213,023,000 (2022: RMB235,550,000) representing the amortisation of government grants as detailed in note 32. In addition, during the year ended 31 December 2022, the Group recognised government grants of RMB1,842,000 (2023: Nil) in respect of Covid-19-related subsidies. 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 during the year of recognition with no unfulfilled conditions/contingencies.

(b) The Group launched the restructuring plan in 2022 to enhance cost efficiency and loss on disposal/write-off of property, plant and equipment of RMB61,573,000 and redundancy cost of RMB63,649,000 were recognised in profit or loss in 2022.

8. OTHER GAINS AND LOSSES

Other gains and losses mainly comprise of:

	2023 RMB'000	2022 RMB'000
Gain on repurchase of unsecured notes (note 30)	138,433	168,793
Gain (loss) on disposal/write-off of property, plant and equipment	8,601	(14,353)
Loss on fair value change of financial assets at FVTPL	(6,724)	–
Gain from changes in fair value of derivative financial instruments	–	5,308
Gain on termination of leases	847	429
Gain on derecognition of right-of-use assets	–	2,836

9. PROFIT BEFORE TAXATION

	2023 RMB'000	2022 RMB'000
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments (note 10)	11,200	15,790
Other staff's retirement benefits scheme contributions	582,858	624,047
Other staff costs	3,980,006	4,485,645
Total staff costs (Note a)	4,574,064	5,125,482
Depreciation of property, plant and equipment	2,626,221	2,690,348
Depreciation of right-of-use assets	214,295	212,896
Total depreciation (Note b)	2,840,516	2,903,244
Depreciation of right-of-use assets capitalised in qualifying assets	(25,127)	(28,860)
	2,815,389	2,874,384
(Reversal of) allowance for inventories net, included in cost of goods sold	(1,810)	273,910
Amortisation of intangible assets (Note c)	149,318	111,421
Auditor's remuneration	3,674	3,831
Cost of inventories recognised as expense	16,969,216	16,576,152
Cost of raw materials included in research and development costs	144,828	180,246
Depreciation of investment property	4,110	1,194
Reversal of impairment loss on trade receivables	(23)	(1,989)
Short-term and low value asset leases expense	53,069	41,293

9. PROFIT BEFORE TAXATION (continued)

Notes:

(a) Staff costs of RMB979,975,000 (2022: RMB958,359,000) had been included in research and development costs.

(b) Depreciation of RMB264,830,000 (2022: RMB249,022,000) had been included in research and development costs.

(c) Amortisation of intangible assets of RMB111,104,000 (2022: RMB73,675,000) had been capitalised in inventories while RMB26,834,000 (2022: RMB26,366,000) and RMB11,380,000 (2022: RMB11,380,000) had been included in research and development costs and administrative expenses, respectively.

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

The aggregate Directors' and chief executive's remuneration for the year ended 31 December 2023 amounts to RMB11,200,000 (2022: RMB15,790,000), disclosed pursuant to the applicable Listing Rules and CO, are as follows:

For the year ended 31 December 2023:

	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	4,559	2,329	6,888
Share-based payment	–	(377)	(377)
Performance related bonuses	–	1,527	1,527
Retirement benefits scheme contributions	–	16	16
Total Directors' emoluments	4,559	3,495	8,054

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

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

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

For the year ended 31 December 2023: (continued)

	Wu Ingrid Chun Yuan ("Ms. Wu") RMB'000	Total RMB'000
Non-executive Director		
Fees	410	410
Other emoluments:		
Salaries and other benefits	–	–
Performance related bonuses	–	–
Retirement benefits scheme contributions	–	–
Total Director's emolument	410	410

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

	Kwok Lam Kwong Larry RMB'000	Peng Zhiyuan RMB'000	Zhang Hongjiang RMB'000	Total RMB'000
Independent non-executive Directors				
Fees	812	672	1,252	2,736
Other emoluments:				
Salaries and other benefits	–	–	–	–
Performance related bonuses	–	–	–	–
Retirement benefits scheme contributions	–	–	–	–
Total Directors' emoluments	812	672	1,252	2,736

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

During the year ended 31 December 2023, an executive Director was granted share of the Group and Restricted Shares (as defined in note 36) in respect of his service to the Group under the 2016 Scheme (as defined in note 36) and Subsidiary Scheme (as defined in note 36) respectively and the Group reversal a total share-based payment expense of RMB377,000, and included in share-based payment above (2022: recognised RMB3,601,000, and included in share-based payment below).

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

For the year ended 31 December 2022:

	Mr. Pan RMB'000	Mok Joe Kuen Richard RMB'000	Total RMB'000
Executive Directors			
Fees	–	–	–
Other emoluments:			
Salaries and other benefits	4,536	2,218	6,754
Share-based payment	–	3,601	3,601
Performance related bonuses	–	1,917	1,917
Retirement benefits scheme contributions	–	16	16
Total Directors' emoluments	4,536	7,752	12,288

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

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

	Ms. Wu RMB'000	Total RMB'000
Non-executive Director		
Fees	420	420
Other emoluments:		
Salaries and other benefits	–	–
Performance related bonuses	–	–
Retirement benefits scheme contributions	–	–
Total Director's emolument	420	420

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

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

For the year ended 31 December 2022: (continued)

	Au Siu Cheung Albert RMB'000 (Note i)	Kwok Lam Kwong Larry RMB'000	Peng Zhiyuan RMB'000	Zhang Hongjiang RMB'000	Total RMB'000
Independent non-executive Directors					
Fees	531	695	689	1,167	3,082
Other emoluments:					
Salaries and other benefits	–	–	–	–	–
Performance related bonuses	–	–	–	–	–
Retirement benefits scheme contributions	–	–	–	–	–
Total Directors' emoluments	531	695	689	1,167	3,082

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

Note:

(i) Mr. Au Siu Cheung Albert resigned on 31 August 2022.

Employees' emoluments

The five highest paid individuals included one (2022: one) Director of the Company, details of whose emoluments are set out above. The emoluments of the remaining four (2022: four) highest paid individuals are as follows:

	2023 RMB'000	2022 RMB'000
Employees		
– basic salaries and allowances	**8,991**	9,836
– share-based payment	**4,650**	24,758
– performance related bonus	**12,073**	7,627
– retirement benefits scheme contributions	**650**	–
	26,364	42,221

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

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

Employees' emoluments (continued)

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

	Number of employees	
	2023	2022
HK$5,500,001 to HK$6,000,000	**1**	–
HK$7,500,001 to HK$8,000,000	**2**	–
HK$8,000,001 to HK$8,500,000	**1**	–
HK$9,000,001 to HK$9,500,000	**–**	1
HK$12,000,001 to HK$12,500,000	**–**	2
HK$15,000,001 to HK$15,500,000	**–**	1

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year. No emoluments were paid by the Group to the Directors of the Company and/or five highest paid individuals as an inducement to join or as compensation for loss of office.

11. TAXATION

	2023	2022
	RMB'000	RMB'000
The current tax charge (credit) comprises:		
PRC Enterprise Income Tax	**149,032**	206,117
Other jurisdictions	**79,564**	62,858
PRC and overseas withholding tax	**1,181**	151
Over provision of taxation in prior years	**(5,419)**	(21,747)
	224,358	247,379
Deferred tax (see note 33)	**27,896**	(15,883)
	252,254	231,496

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%, for both years, unless the group entities entitle to other preferential tax treatment granted by the relevant PRC tax authority.

The PRC dividend withholding tax is calculated at the applicable rate in accordance with the relevant laws and regulations in the PRC.

11. TAXATION (continued)

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 date ranging from 2023 to 2025 (2022: 2023 to 2024). 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 is effective from 1 January 2019 for 10-year period.

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 jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

OECD Pillar Two model rules

The Group is within the scope of OECD Pillar Two model rules. The Group has applied the temporary exception from accounting for deferred taxes arising from Pillar Two model rules, as provided in the amendments to IAS 12 issued in July 2023. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions the Group operates. The legislation will be effective for the Group's financial year beginning on 1 January 2024 for Czech Republic, Denmark, Finland, Japan, Korea, United Kingdom and Vietnam or 1 January 2025 for Malaysia.

The Group has performed a preliminary assessment of the Group's potential exposure to Pillar Two income taxes for the year ending on 31 December 2024. The assessment that is being carried out is based on the latest country-by-country reporting and the financial information for financial year 2022.

11. TAXATION (continued)

OECD Pillar Two model rules (continued)

Based on the assessment carried out so far, it is noted that the Pillar Two legislation has been enacted/substantially enacted for Czech Republic, Denmark, Finland, Japan, Korea, Malaysia, United Kingdom and Vietnam in which the Group has operations in. The Group may potentially avail of the transitional country-by-country reporting safe harbour rules to mitigate its exposure to Pillar Two income taxes for the abovementioned jurisdictions where the Group has operations in and where the Pillar Two legislation has been enacted or substantively enacted with the exception of Vietnam. Accordingly, the Group currently does not expect a material exposure to Pillar Two top up taxes in those jurisdictions. With respect to Vietnam, the Group has identified potential exposure to Pillar Two income taxes on profits earned by the constituent entities in Vietnam. However, exposure may also exist in other jurisdictions where the assessment is in progress.

Quantitative information to indicate potential exposure to Pillar Two income taxes is currently not known or reasonably estimable. The Group will continue to progress on the assessment and the accounting implications accordingly.

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

	2023 **RMB'000**	2022 RMB'000
Profit before taxation	**822,861**	860,679
Tax at the applicable income tax rate (Note a)	**205,715**	215,170
Tax effect of income not taxable for tax purpose	**(116,893)**	(76,212)
Tax effect of expenses not deductible for tax purpose	**43,455**	108,574
Tax effect of tax holiday and concession	**(99,147)**	(136,089)
Tax effect of tax losses not recognised	**440,694**	369,845
Tax effect on temporary differences for which no deferred income tax assets were recognised	**1,270**	1,690
Recognition of deductible temporary differences previously not recognised	**–**	(43,332)
Utilisation/recognition of tax losses previously not recognised	**(15,592)**	(17,087)
Effect of super deduction for research and development cost (Note b)	**(143,275)**	(129,090)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(62,242)**	(44,857)
Over provision in prior years	**(5,419)**	(21,747)
PRC and overseas withholding tax	**1,181**	151
Others	**2,507**	4,480
Tax charge for the year	**252,254**	231,496

Notes:

(a) The PRC EIT rate of 25% (2022: 25%) is the domestic tax rate in the jurisdiction where the operations of the Group are substantially based.

(b) In March 2021, the Ministry of Finance and the State Administration of Taxation released No. 13 announcement of 2021 named "Announcement on Further Improving the Policy on Pre-tax Deduction of Research and Development Expenses", according to which certain PRC subsidiaries engaged in manufacturing industry are entitled to an additional 100% tax deduction on eligible research and development expenses incurred by them for both years ended 31 December 2022 and 2023.

12. DIVIDENDS

	2023	2022
	RMB'000	RMB'000
Dividends recognised as distribution during the year:		
2022 final dividend of HK$0.12 (2021: Nil) per ordinary share	**130,330**	–

Subsequent to the end of the reporting period, a final dividend of HK$0.10 (2022: HK$0.12) per share has been proposed by the Directors and is subject to approval by the Shareholders in the forthcoming annual general meeting.

13. EARNINGS PER SHARE

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

	2023	2022
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic earnings per share	**740,370**	821,305
Effect of share of loss of subsidiaries (Note a)	**(29,790)**	(30,657)
Earnings for the purpose of diluted earnings per share	**710,580**	790,648

	2023	2022
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue during the period for the purpose of calculating basic earnings per share (Note b)	**1,177,973**	1,198,193
Effect of dilutive potential ordinary shares:		
Adjustment in relation to share awards granted by the Company	**5,008**	3,112
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,182,981**	1,201,305

Notes:

(a) Adjustment to the share of loss of subsidiaries based on dilution of the loss per share arising from the effect of contingent settlement provision.

(b) The weighted average number of ordinary shares has been calculated taking into account the shares repurchased by the Group or held by the Trustee (as defined in note 36) under share award scheme.

The computation of diluted earnings per share for both years ended 31 December 2023 and 2022 did not consider the effect arising from the unvested restricted shares granted by a subsidiary as set out in note 36 as the exercise would result in an increase in earnings per share.

14. 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 2022	38,723	2,910,762	2,104,360	2,366,185	74,534	21,992,581	3,621,237	33,108,382
Currency realignment	(914)	17,762	8,120	3,052	453	58,329	28,845	115,647
Additions	–	43,995	67,521	106,543	2,989	205,781	1,521,351	1,948,180
Acquired on acquisition of a subsidiary (note 35)	–	–	108	–	697	1,013	–	1,818
Transfer from right-of-use assets	–	–	–	–	–	66,857	–	66,857
Disposals/write-off	–	(3,305)	(36,165)	(1,859)	(7,001)	(315,164)	(2,101)	(365,595)
Transfers	–	242,696	26,857	429,038	–	1,210,393	(1,908,984)	–
At 31 December 2022	37,809	3,211,910	2,170,801	2,902,959	71,672	23,219,790	3,260,348	34,875,289
Currency realignment	(13)	5,069	1,928	5,930	68	34,411	5,170	52,563
Additions	–	855	29,725	78,822	1,301	154,979	1,207,220	1,472,902
Transfer to investment properties	–	(123,001)	–	–	–	–	–	(123,001)
Disposals/write-off	–	(425)	(16,738)	–	(7,578)	(41,815)	(2,251)	(68,807)
Transfers	–	209,247	30,320	55,247	2,297	665,116	(962,227)	–
At 31 December 2023	37,796	3,303,655	2,216,036	3,042,958	67,760	24,032,481	3,508,260	36,208,946
DEPRECIATION AND IMPAIRMENT								
At 1 January 2022	–	735,828	1,533,877	1,542,030	47,219	9,257,333	4,648	13,120,935
Currency realignment	–	4,916	5,308	3,153	301	32,490	–	46,168
Provided for the year	–	141,035	178,836	348,633	7,209	2,014,635	–	2,690,348
Eliminated on disposal/write-off	–	(3,305)	(33,228)	(1,860)	(6,134)	(238,049)	(1,268)	(283,844)
At 31 December 2022	–	878,474	1,684,793	1,891,956	48,595	11,066,409	3,380	15,573,607
Currency realignment	–	1,490	1,319	636	45	9,359	–	12,849
Provided for the year	–	153,213	141,053	331,268	5,385	1,995,302	–	2,626,221
Transfer to investment properties	–	(9,411)	–	–	–	–	–	(9,411)
Eliminated on disposal/write-off	–	(306)	(14,985)	–	(6,777)	(41,814)	(793)	(64,675)
At 31 December 2023	–	1,023,460	1,812,180	2,223,860	47,248	13,029,256	2,587	18,138,591
CARRYING VALUES								
At 31 December 2023	37,796	2,280,195	403,856	819,098	20,512	11,003,225	3,505,673	18,070,355
At 31 December 2022	37,809	2,333,436	486,008	1,011,003	23,077	12,153,381	3,256,968	19,301,682

The above items of property, plant and equipment, except for freehold land and construction in progress, after taking into account the residual values, are depreciated on a straight-line basis 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

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

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment assessment

Due to the loss from the optics products segment, the management of the Group conducted impairment assessment on certain property, plant and equipment, right-of-use assets and intangible assets with finite useful lives with carrying amounts of RMB5,382,981,000, RMB342,511,000 and RMB91,558,000 (2022: RMB5,824,319,000, RMB383,727,000 and RMB103,487,000) respectively related to the optics products segment. The Group estimates the recoverable amounts of the cash-generating units of optics product segment to which the assets belongs when it is not possible to estimate the recoverable amount individually, including allocation of corporate assets when reasonable and consistent basis can be established.

The recoverable amount of cash-generated unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the respective subsidiary covering the following 5 years with a pre-tax discount rate is 15.8% (2022: 11.7%) as at 31 December 2023. The cash flows beyond 5-year period are extrapolated using 2.5% (2022: 3%) growth rate for the relevant industry. Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on the cash-generating units' past performance and management expectations for the market development. The estimated cash flows and discount rate are subject to higher degree of estimation uncertainties in both years due to uncertainty on the volatility in financial markets, including potential disruptions of the Group's operations.

Based on the result of the assessment, management of the Group determined that the carrying amount of the relevant assets does not exceed the recoverable amount based on the value in use and believes that any reasonably possible change in any of these assumptions would not result in significant impairment loss, and concluded that no impairment loss has been recognised for the both years ended 31 December 2023 and 2022.

15. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000	Buildings RMB'000	Machineries RMB'000	Total RMB'000
As at 31 December 2023				
Carrying amount	**1,289,143**	**509,229**	**–**	**1,798,372**
As at 31 December 2022				
Carrying amount	1,337,031	622,086	–	1,959,117
For the year ended 31 December 2023				
Depreciation charge	**40,909**	**173,386**	**–**	**214,295**
Capitalised in construction in progress	**(25,127)**	**–**	**–**	**(25,127)**
	15,782	**173,386**	**–**	**189,168**
For the year ended 31 December 2022				
Depreciation charge	41,239	165,792	5,865	212,896
Capitalised in construction in progress	(25,128)	(3,732)	–	(28,860)
	16,111	162,060	5,865	184,036

15. RIGHT-OF-USE ASSETS (continued)

	2023 RMB'000	2022 RMB'000
Expense relating to short-term leases	52,262	40,588
Expense relating to leases of low-value assets, excluding short-term leases of low value assets	807	705
Total cash outflow for leases	149,042	198,318
Additions to right-of-use assets	62,408	219,148
Acquisition of a subsidiary	–	56

For both years, the Group leases various leasehold land and buildings 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.

As at 31 December 2023 and 2022, the Group has obtained the land use right certificates for all leasehold lands.

The Group regularly entered into short-term leases for certain building premises and machineries, etc. As at 31 December 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense is disclosed above.

During the year, the Group entered into new lease agreements for the use of leasehold land, buildings and machineries from 1.5 years to 6 years (2022: 2 years to 50 years). On the lease commencement, the Group recognised right-of-use asset of RMB62,408,000 and lease liabilities of RMB61,987,000 (2022: right-of-use assets of RMB209,469,000 and lease liabilities of RMB208,901,000). Except for the payment made on the acquisition of leasehold land of RMB9,679,000 during the year ended 31 December 2022, the recognition of the remaining newly added right-of-use assets constitutes non-cash transactions.

During the year ended 31 December 2023, leasehold land of RMB8,018,000 is transferred to investment properties (2022: Nil) upon the end of owner-occupation.

15. RIGHT-OF-USE ASSETS (continued)

During the year ended 31 December 2023, the Group early terminated certain leases which constitutes lease modification. As a result, the Group has derecognised right-of-use assets of RMB6,063,000 (2022: RMB8,815,000) and lease liabilities of RMB6,910,000 (2022: RMB9,244,000), and a gain of lease termination of RMB847,000 (2022: RMB429,000) was recognised in profit or loss. In addition, during the year ended 31 December 2022, the Group returned the leasehold land with the carrying amount of RMB20,926,000 to the government at a consideration of RMB23,762,000, and a gain on derecognition of right-of-use assets of RMB2,836,000 was recognised in profit or loss.

During the year ended 31 December 2022, the Group obtained the ownership of the leased machineries and the carrying amount of RMB66,857,000 was transferred to property, plant and equipment.

Restrictions or covenants on leases

As at 31 December 2023, lease liabilities of RMB736,325,000 are recognised with related right-of-use assets of RMB509,229,000 (2022: lease liabilities of RMB744,017,000 are recognised with related right-of-use assets of RMB622,086,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

16. 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:

	Kaleido Technology APS RMB'000	WiSpry, Inc. RMB'000	深圳市軒盈通電子有限公司 (Shenzhen Xuanyingtong electronics Co., Ltd.)* RMB'000	泰瑞美(昆山)精密科技有限公司 (TRM (Kunshan) Co. Ltd.)*/** RMB'000	泰瑞美精密製造(蘇州)有限公司 (TRM Precision Manufactory (Suzhou) Ltd.)*/*** RMB'000	Total RMB'000
COST AND CARRYING VALUES						
At 1 January 2022	8,705	77,414	78,231	55,996	–	220,346
Arising on acquisition of a subsidiary (note 35)	–	–	–	–	55,019	55,019
At 31 December 2022 and 2023	**8,705**	**77,414**	**78,231**	**55,996**	**55,019**	**275,365**

* The English translation is for identification purpose only.

** The name had been changed from Toyo Precision Appliance (Kunshan) Co. Ltd. on 3 August 2022.

*** The name had been changed from Suzhou Speed Communication Technology Limited ("Suzhou Speed") on 11 May 2022.

During the year ended 31 December 2023, the Directors of the Company determines that there is no impairment of the CGUs containing goodwill.

16. GOODWILL (continued)

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

The recoverable amount of each of the CGUs 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 12.00% to 21.80% (2022: 11.56% to 22.20%). The cash flows beyond the five-year period are extrapolated using a steady growth rate of 2.5% (2022: 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. Except for WiSpry, Inc., management believes that any reasonably possible change in any of these assumptions would not result in significant impairment loss. Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties in both years due to uncertainty on the volatility in financial markets, including potential disruptions of the Group's operations.

The recoverable amount of WiSpry, Inc. exceeds its carrying amount. If the budgeted sales growth rate decreased by 10% (2022: 12%), while other parameters remain constant, the recoverable amount would equal its carrying amount.

17. INVESTMENT PROPERTIES

	RMB'000
CARRYING VALUES	
At 1 January 2022	11,272
Depreciation during the year	(1,194)
At 31 December 2022	**10,078**
Transfer from property, plant and equipment	**113,590**
Transfer from right-of-use assets	**8,018**
Depreciation during the year	**(4,110)**
At 31 December 2023	**127,576**

18. INTEREST IN AN ASSOCIATE

	2023 RMB'000	2022 RMB'000
Cost of investment in an associate	**5,389**	5,389
Share of post-acquisition loss	**(2,361)**	(2,096)
Exchange adjustments	**5**	6
	3,033	3,299

18. INTEREST IN AN ASSOCIATE (continued)

Details of the Group's associate at the end of the reporting period are as follows:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2023	2022	**2023**	2022	
A. H. Motorlab ("A.H. Motor")	Japan	Japan	**49.998%**	49.998%	**49.998%**	49.998%	Design and development, prototyping and evaluation of various motors and inverters

The Group holds 49.998% of the issued share capital of A.H. Motor. By considering that the Group has no sufficiently dominant voting rights to direct relevant activities unilaterally, the Directors of the Company consider that the Group only has significant influence over A.H. Motor only and therefore it is classified as an associate of the Group.

19. EQUITY INSTRUMENTS AT FVTOCI

	2023 RMB'000	2022 RMB'000
Unlisted shares	**427,528**	424,798
Listed shares	**29,483**	42,259
	457,011	467,057

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 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

The unlisted equity investments represent the Group's equity interest in private entities. The equity instruments comprise of equity interests in companies which engaged in:

(i) producing semiconductor components in integrated circuits and development of intellectual properties;
(ii) research, development and manufacturing of sensor and semiconductor business;
(iii) solid state Light Detection And Ranging ("LiDAR") sensor for automotive series use; and
(iv) research, development, manufacturing and marketing of electronic equipment in the field of high-end audio.

During the year ended 31 December 2023, the Group invested in private entities engaged in producing semiconductor components in integrated circuits at the aggregate considerations of RMB18,200,000. In addition, the Group received return on capital from a private entity engaged in research, development and manufacturing of sensor and semiconductor business amounted to United States dollars ("US$") 2,761,000 (equivalent to approximately RMB18,666,000).

During the year ended 31 December 2022, the Group acquired certain equity interests in several private entities engaged in (i) producing semiconductor components in integrated circuits at the aggregate consideration of RMB38,500,000 and (ii) research, development, manufacturing and marketing of electronic equipment in the field of high-end audio at a consideration of Euro15,000,000 (equivalent to approximately RMB103,452,000).

19. EQUITY INSTRUMENTS AT FVTOCI (continued)

Listed shares

The amount represents the Group's investment in a company listed in Japan. As at 31 December 2023, the fair value of the investment determined by reference to the quoted market bid prices available was RMB29,483,000 (2022: RMB42,259,000).

20. FINANCIAL ASSET AT FVTPL

	2023 **RMB'000**	2022 RMB'000
Convertible loans	**43,711**	39,012
Unlisted shares/funds	**369,590**	147,291
	413,301	186,303

The financial assets at FVTPL represent the Group's investment in:

(i) a private equity fund primarily investing in industry-leading technology companies, mainly in Germany, German speaking countries and regions, the Nordic countries and the Greater China, as well as other technologically-advanced regions with strong growth potential ("Fund A");
(ii) a private equity fund primarily investing in private entities in sensor and semiconductor business ("Fund B");
(iii) a preferred shares investment in a private entity in sensor and semiconductor business;
(iv) a preferred shares investment in a private entity in automotive business; and
(v) a private entity in augmented reality displays manufacturing business.

During the year ended 31 December 2023, the Group invested in private entities engaged in (i) automotive business at a consideration of RMB100,000,000 and (ii) sensor and semiconductor business at a consideration of US$4,500,000 (equivalent to approximately RMB32,087,000).

In addition, the Group (i) made addition contribution of US$13,212,000 (equivalent to approximately RMB94,537,000) and GBP614,000 (equivalent to approximately RMB5,515,000) to the private equity funds mentioned above during the year ended 31 December 2023.

During the year ended 31 December 2022, the Group (i) made contribution of US$12,454,000 (equivalent to approximately RMB85,980,000) to Fund A, including the addition of US$419,000 (equivalent to approximately RMB2,674,000) that was called upon by the fund before the year ended 31 December 2021, (ii) subscribed a convertible loan amounted to Euro5,000,000 (equivalent to approximately RMB37,594,000) issued by a private entity in Finland, and (iii) entered into a subscription agreement with Fund B pursuant to which the Group agreed to make a capital commitment of GBP5,000,000 to Fund B and the Group made payment of GBP938,000 (equivalent to approximately RMB7,916,000).

As the convertible loan contains derivative feature for the holder to convert the outstanding amount into equity interest of the issuer, it is accounted for as financial assets at FVTPL.

The above investments are classified as financial assets at FVTPL and presented under non-current assets as they are not held for trading, instead, they are held for long-term strategic purpose. As at 31 December 2023, the loss in fair value of the financial assets at FVTPL of RMB6,724,000 was recognised in profit or loss (2022: Nil).

21. INTANGIBLE ASSETS

	Patents RMB'000	Development expenditure RMB'000	Customer base RMB'000	Total RMB'000
COST				
At 1 January 2022	374,007	218,580	113,800	706,387
Currency realignment	19,872	11,724	–	31,596
Addition	116,680	156,474	–	273,154
At 31 December 2022	**510,559**	**386,778**	**113,800**	**1,011,137**
Currency realignment	**5,964**	**2,352**	**–**	**8,316**
Addition	**8,000**	**160,746**	**–**	**168,746**
At 31 December 2023	**524,523**	**549,876**	**113,800**	**1,188,199**
AMORTISATION AND IMPAIRMENT				
At 1 January 2022	190,905	90,472	41,252	322,629
Currency realignment	7,279	5,854	–	13,133
Provided for the year	26,366	73,675	11,380	111,421
At 31 December 2022	**224,550**	**170,001**	**52,632**	**447,183**
Currency realignment	**1,775**	**1,300**	**–**	**3,075**
Provided for the year	**26,834**	**111,104**	**11,380**	**149,318**
At 31 December 2023	**253,159**	**282,405**	**64,012**	**599,576**
CARRYING VALUE				
At 31 December 2023	**271,364**	**267,471**	**49,788**	**588,623**
At 31 December 2022	286,009	216,777	61,168	563,954

Patents represent the Group's patents on designs of small and sophisticated module structures and patent for production of optics and acoustic products. The payment of the patent acquired in 2022 amounting to RMB109,073,000 was deferred and recorded as other payables, with details set out in note 27. Development expenditure represents the Group's development cost in acoustics technology, sensor and semiconductor business 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 2018.

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Patents	3 – 20 years
Development expenditure	2 – 10 years
Customer base	10 years

22. DERIVATIVE FINANCIAL INSTRUMENTS

	Current		Non-current	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
Derivatives financial assets				
Cross currency swap contract	**2,869**	–	**–**	–
	2,869	–	**–**	–
Derivatives financial liabilities				
Cross currency swap contract	**–**	8,326	**–**	7,706
	–	8,326	**–**	7,706

The Group entered into a cross currency swap contract with total notional amount of US$50,000,000 (2022: US$50,000,000) with a commercial bank to minimise the exposure to fluctuations in foreign currency exchange rates of US$ denominated unsecured notes, with details set out in note 30. The critical terms of the cross currency swap contract and the corresponding US$ denominated unsecured notes were closely aligned and the management considers that the cross currency swap contract is highly effective hedging instrument and qualified as cash flow hedge. Fair value change on this hedging instrument in cash flow hedge of gain of RMB13,688,000 for the year ended 31 December 2023 (2022: loss of RMB17,619,000) has been recognised in other comprehensive income and accumulated in the hedging reserve. Loss of RMB1,906,000 (2022: gain of RMB21,324,000) on cash flow hedge was reclassified to profit or loss.

The major terms of the outstanding derivative contracts under cash-flow hedges at the end of reporting period are as follows:

	Range	Forward	Interest rate		Exchange frequency	
Notional amount	of maturity	contract rate	Receive	Pay	Receive	Pay
At 31 December 2023						
Cross currency swap contract						
US$50,000,000	**27 November 2024**	**US$1 to RMB6.7345**	**3.00%**	**5.38%**	**Semi-annually**	**Semi-annually**
At 31 December 2022						
Cross currency swap contract						
US$50,000,000	27 November 2024	US$1 to RMB6.7345	3.00%	5.38%	Semi-annually	Semi–annually

The above derivatives are measured at fair value. The classification of the measurement of the above derivatives at 31 December 2023 and 2022 is Level 2 under the fair value hierarchy (details set out in note 40).

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

The Group has entered cross currency swap contract that are covered by the International Swaps and Derivatives Association Master Agreements ("ISDA Agreements") signed with various banks. These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right to set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts. No further disclosure is provided as the amounts involved in master netting arrangements are not significant.

23. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	**606,964**	828,740
Work in progress	**835,388**	1,145,784
Finished goods	**1,550,008**	2,426,894
	2,992,360	4,401,418

The Group has written off allowance for inventories of RMB154,336,000 (2022: RMB149,266,000) in the current year.

During the year, reversal for inventories of approximately RMB1,810,000 (2022: allowance of approximately RMB273,910,000) has been recognised on the Relevant Inventories that are subject to key estimation uncertainty as detailed in note 4, and included in cost of goods sold.

24. TRADE AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	**5,292,857**	4,089,490
Bank acceptance and commercial bills	**69,194**	189,168
	5,362,051	4,278,658
Prepayments	**295,336**	314,409
Value-added tax recoverable	**642,320**	666,099
Other receivables	**349,369**	263,471
Loan and interest receivables*	**4,355**	8,523
	6,653,431	5,531,160

* Loans of RMB4,347,000 (2022: RMB8,359,000) made to certain suppliers of the Group, which are unsecured, and carry interest rates at 1% (2022: 1% to 4.35%) per annum. The amounts are repayable in 1 year.

As at 1 January 2022, trade receivables from contracts with customers amounted to RMB4,497,320,000.

The following is an analysis of trade receivables and bank acceptance and commercial bills net of allowance for credit losses presented based on the invoice dates or notes issued dates at the end of the reporting period, which approximate the respective revenue recognition dates.

	2023 RMB'000	2022 RMB'000
Age		
0 – 90 days	**5,197,770**	4,098,361
91 – 180 days	**149,996**	169,795
Over 180 days	**14,285**	10,502
	5,362,051	4,278,658

24. TRADE AND OTHER RECEIVABLES (continued)

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 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB52,955,000 (2022: RMB191,749,000) which are past due as at the reporting date. Included in the past due balances, RMB20,002,000 has been past due 90 days or more (2022: RMB11,126,000).

Details of impairment assessment of trade and other receivables for the year ended 31 December 2023 and 2022 are set out in note 39.

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:

	2023 **RMB'000**	2022 RMB'000
US$	**233,652**	195,325

25. 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 companies	**2023** **RMB'000**	2022 RMB'000
四川茵地樂科技有限公司 (Sichuan Yindile Technology Co., Ltd.)*	**6,467**	5,051
四川茵地樂材料科技集團有限公司 (Sichuan Yindile Materials & Technology Group Co., Ltd.)*	**934**	720
迅成(深圳)管理有限公司 (Xuncheng (Shenzhen) Management Co., Ltd.)*	**386**	–
常州遠宇精密模具製造有限公司 (Changzhou Yuanyu Precise Model Manufacturing Co., Ltd.)*	**52**	52
深圳市之光實業發展有限公司 (Shenzhen Zhiguang Industrial Development Co., Ltd.)*	**1,430**	1,842
常州市友晟電子有限公司 (Changzhou Yousheng Electronics Co., Ltd.)*	**–**	14
瑞知(深圳)科技有限責任公司 (Ruizhi (Shenzhen) Technology Co., Ltd.)*	**623**	580
	9,892	8,259

* The English translation is for identification purpose only.

Amounts were trade-related, unsecured and interest-free. The average credit period for trade-related transaction is normally within 30 days to 90 days.

25. AMOUNTS DUE FROM (TO) RELATED COMPANIES (continued)

Amounts due to related companies

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

Name of related companies	2023 RMB'000	2022 RMB'000
常州市凌迪電子科技有限公司 (Changzhou Lingdi Electronic Technology Co., Ltd.)*	21,050	16,164
常州市武進湖塘何家紅光沖件廠 (Wujin Hutang Hejia Hongguang Stamping Factory)*	19	19
常州市友晟電子有限公司 (Changzhou Yousheng Electronics Co., Ltd.)*	9,468	5,486
越南紅光塑業有限公司 (Hongguang Viet Nam Plastic Co., Ltd.)*	1,786	1,365
常州市來方圓电子有限公司 (Changzhou LFY Electronics Co., Ltd.)*	–	148
	32,323	23,182

* The English translation is for identification purpose only.

Amounts were trade-related, unsecured and interest-free. The average credit period for trade-related transaction is normally within 30 days to 90 days.

26. CASH AND CASH EQUIVALENTS, SHORT TERM FIXED DEPOSITS AND PLEDGED BANK DEPOSITS

Cash and cash equivalents include demand deposits and short term deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0.00% to 5.51% (2022: 0.00% to 4.70%).

Deposits amounting to RMB15,085,000 (2022: RMB200,000) with carrying fixed interest rate from 0.00% to 5.30% (2022: fixed interest rate: 0.00%) have been pledged to banks granted to the Group and therefore classified as current assets.

At 31 December 2022, short-term fixed deposits carry interest range from 4.83% to 5.18% per annum. Short-term fixed deposits have original maturity over three months but less than one year and therefore classified as current assets.

26. CASH AND CASH EQUIVALENTS, SHORT TERM FIXED DEPOSITS AND PLEDGED BANK DEPOSITS (continued)

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

	2023	2022
	RMB'000	RMB'000
US$	**1,167,252**	1,655,504
HK$	**25,679**	166,355
Japanese Yen	**6,106**	5,681
Euro	**32,380**	31,789
Other currencies	**18,487**	15,097

Details of impairment assessment of cash and cash equivalents, short term fixed deposits and pledged bank deposits are set out in note 39.

27. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

Trade and other payables

	2023	2022
	RMB'000	RMB'000
Trade payables	**3,054,954**	2,131,255
Notes payables – guaranteed	**1,005,818**	1,111,657
	4,060,772	3,242,912
Payroll and welfare payables	**423,731**	444,049
Payables for acquisition of property, plant and equipment and intangible assets	**794,541**	782,206
Other payables and accruals	**540,649**	504,436
Payables related to Restricted Shares (as defined in note 36) granted to employees	**61,981**	87,116
	5,881,674	5,060,719
Less: Other payables due for settlement after 12 months shown under non-current liabilities	**(85,206)**	(101,976)
Amounts shown under current liabilities	**5,796,468**	4,958,743

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

27. 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 or the note issued date, is as follows:

	2023 RMB'000	2022 RMB'000
Age		
0 – 90 days	3,366,334	2,576,830
91 – 180 days	674,020	654,872
Over 180 days	20,418	11,210
	4,060,772	3,242,912

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:

	2023 RMB'000	2022 RMB'000
US$	754,529	645,563
Japanese Yen	24,642	3,037
Euro	26,831	19,938

Contract liabilities

	2023 RMB'000	2022 RMB'000
Contract liabilities on sales of miniaturised components	15,868	30,435

As at 1 January 2022, contract liabilities amounted to RMB22,324,000. The contract liabilities at the beginning of the year are recognised as revenue during the 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.

28. LEASE LIABILITIES

	2023 RMB'000	2022 RMB'000
Lease liabilities payable:		
Within one year	389,309	292,087
Within a period of more than one year but not more than two years	83,155	123,251
Within a period of more than two years but not more than five years	209,216	191,280
Within a period of more than five years	88,515	170,564
	770,195	777,182
Less: Amount due for settlement with 12 months shown under current liabilities	(389,309)	(292,087)
Amount due for settlement after 12 months shown under non-current liabilities	380,886	485,095

The lease agreements did not contain any contingent rent for lessee.

No extension options are included in all lease agreements entered by the Group. The weighted average incremental borrowing rates applied to lease liabilities is 4.36% (2022: 4.26%). These lease liabilities were measured at the present value of the lease payments that are not yet paid.

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	EURO RMB'000	Singapore Dollar ("SGD") RMB'000	US$ RMB'000
As at 31 December 2023	97,989	–	2,155
As at 31 December 2022	98,922	22	–

29. BANK LOANS

	2023 RMB'000	2022 RMB'000
Bank loans	**3,189,885**	3,559,803
Less: Amount due within one year included in current liabilities	**(1,463,885)**	(1,832,603)
Amount due after one year	**1,726,000**	1,727,200
The carrying amounts of the above bank loans are repayable*:		
Within one year	**1,463,885**	1,832,603
Within a period of more than one year but not exceeding two years	**1,600,000**	1,727,200
Within a period of more than two years but not exceeding five years	**126,000**	–
	3,189,885	3,559,803

* The amounts are based on scheduled repayment dates set out in the loan agreements.

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

	2023 RMB'000	2022 RMB'000
RMB	**1,098,600**	54,000

The exposure of the Group's borrowings are as follows:

	2023 RMB'000	2022 RMB'000
Fixed-rate borrowings	**3,189,885**	2,969,523
Variable-rate borrowings	**–**	590,280
	3,189,885	3,559,803

As at 31 December 2022, the Group's variable loans mainly carried interest at LIBOR and other relevant interbank offered rates plus a certain basis point adjustment and these loans were fully repaid during the year ended 31 December 2023 and there was no impact from the interest rate benchmark reform. The variable-rate bank loans carried interest rate ranging from 2.55% to 4.90% per annum in 31 December 2022.

The fixed-rate bank loans carry interest rate ranging from 2.30% to 3.35% per annum (31 December 2022: 1.75% to 3.80% per annum). The Company issued guarantees to respective banks to secure these borrowings.

30. UNSECURED NOTES

Unsecured notes issued in 2019

In 2019, the Group issued unsecured notes of US$388,000,000 due on 27 November 2024 at a fixed coupon rate of 3.000% per annum ("2024 Notes"), payable semi-annually in arrears. The unsecured note is listed on the Hong Kong Stock Exchange. The effective interest rate of the 2024 Notes is 3.15% per annum.

As at 31 December 2023, the principal amounts of the outstanding unsecured notes include 2024 Notes of US$276,818,000 (2022: US$276,818,000) with the carrying amount of RMB1,957,575,000 (2022: RMB1,921,798,000). The amount is repayable in 2024 and shown under current liabilities as at 31 December 2023 (2022: non-current liabilities).

Unsecured notes issued in 2021

In 2021, the Group issued unsecured notes of US$300,000,000 due on 2 June 2026 at a fixed coupon rate of 2.625% per annum ("2026 Notes") and US$350,000,000 due on 2 June 2031 at fixed coupon rate of 3.750% per annum ("2031 Notes"). The unsecured notes are listed on the Hong Kong Stock Exchange. The effective interest rates of the 2026 Notes and 2031 Notes are 2.7023% and 3.8656% respectively.

As at 31 December 2023, the principal amounts of the outstanding unsecured notes include 2026 Notes of US$230,154,000 (2022: US$252,604,000) with the carrying amount of RMB1,626,590,000 (2022: RMB1,753,985,000) and 2031 Notes of US$290,123,000 (2022: US$350,000,000) with the carrying amount of RMB2,035,530,000 (2022: RMB2,412,062,000). The amount is repayable in 2026 and 2031 shown under non-current liabilities as at 31 December 2023 (2022: non-current liabilities).

During the year ended 31 December 2023, the Group repurchased the 2026 Notes with the principal amount of US$22,450,000 and carrying amount of RMB159,636,000 at a consideration of US$19,464,000 (equivalent to RMB138,741,000) and 2031 Notes with the principal amount of US$59,877,000 and carrying amount of RMB422,641,000 at a consideration of US$42,801,000 (equivalent to RMB305,103,000) from open market and the notes are cancelled accordingly upon the repurchase. As a result of the derecognition of the unsecured notes repurchased, a gain on derecognition of the financial liabilities of RMB138,433,000 was recognised in the profit or loss. The repurchase of its outstanding 2026 Notes and 2031 Notes is for the purpose of optimising its debt structure and proactive management of its liabilities.

During the year ended 31 December 2022, the Group completed the tender offer to repurchase the 2024 Notes with the principal amount of US$111,182,000 and carrying amount of RMB786,538,000, at a consideration of US$97,840,000 (equivalent to RMB694,646,000) and 2026 Notes with the principal amount of US$47,396,000 and carrying amount of RMB335,416,000, at a consideration of US$35,926,000 (equivalent to RMB255,068,000) and the notes are cancelled accordingly upon the repurchase. As a result of the derecognition of the unsecured notes repurchased, a gain on derecognition of the financial liabilities of RMB168,793,000 was recognised in the profit or loss. The tender offer of its outstanding 2024 Notes and 2026 Notes was for the purpose of optimising its debt structure and proactive management of its liabilities. Further details of the tender offer to repurchase the unsecured notes were set out in the Company's announcements dated 28 September 2022.

31. CAPITAL CONTRIBUTIONS FROM NON-CONTROLLING INTERESTS OF A SUBSIDIARY AND CONTINGENT SETTLEMENT PROVISION

As announced on 22 July 2020, AAC Optics (Changzhou) Co., Ltd. ("AAC Optics"), a company incorporated in the PRC, and its immediate holding companies, AAC Technologies Limited ("AAC HK") and AAC Technology Information Consultancy (Changzhou) Co., Ltd. ("AAC TIC") entered into capital increase agreements successively with four independent strategic investors ("First Round Strategic Investors"), who have agreed to make a capital increase of RMB1,150,000,000 in aggregate to AAC Optics. As a result of the introduction of this First Round Strategic Investors, the Group's interest in AAC Optics Group was diluted from 100% to 90.42%. The proportional share of the carrying amount of the net assets of AAC Optics Group of RMB658,654,000 has been transferred to non-controlling interests.

On 9 October 2020, it was further announced that AAC Optics, AAC HK, AAC TIC and the First Round Strategic Investors entered into a shareholders agreement with 18 new independent strategic investors ("Second Round Strategic Investors") for Second Round Strategic Investors to subscribe newly issued shares of AAC Optics to make a capital increase of RMB1,658,000,000 in AAC Optics ("2020 Shareholders Agreement"). As a result of the completed introduction of this Second Round Strategic Investors, the Group's interest in AAC Optics Group was further diluted to 82.02%.

In accordance with the shareholders agreement described in the announcement on 9 October 2020, on occurrence or non-occurrence of future events including the separate listing condition, the Second Round Strategic Investors are entitled to require the Group for capital repayment plus a premium. A contingent settlement provision has been recognised against equity as the Group has a contractual obligation to deliver cash and presented under non-current liabilities as the conditions set to have a three-year period.

According to the Company's announcement dated 1 February 2021 on the update on the progress of the proposed spin-off and separate listing of AAC Optics on a stock exchange in the PRC, the sponsor of the proposed spin-off and separate listing of AAC Optics submitted an application to the Jiangsu Province Regulatory Bureau of the China Securities Regulatory Commission ("CSRC") for the commencement of the pre-listing tutoring process on 1 February 2021. Subsequently, the Jiangsu Province Regulatory Bureau of the CSRC had also acknowledged receipt of such application through its tutoring regulatory information system.

Given that AAC Optics was in preparation for the proposed spin-off and separate listing, in order to comply with the regulatory requirements and market practices for listing in the PRC, as already announced on 31 October 2021, the shareholders of AAC Optics entered into a termination agreement to terminate the 2020 Shareholders Agreement ("Termination Agreement") and a supplemental agreement to the Termination Agreement, pursuant to which certain rights were granted to the First Round Strategic Investors and Second Round Strategic Investors ("Existing Strategic Investors"), to the effect that certain shareholder rights originally granted to the Existing Strategic Investors under the 2020 Shareholders Agreement were amended. Since the right granted to the Second Round Strategic Investors to require the Group for capital repayment plus a premium under the occurrence or non-occurrence of future events remain unchanged, the Company continued to recognise the contractual obligation as a contingent settlement provision as at 31 December 2021.

31. CAPITAL CONTRIBUTIONS FROM NON-CONTROLLING INTERESTS OF A SUBSIDIARY AND CONTINGENT SETTLEMENT PROVISION (continued)

According to the share transfer agreement dated 10 May 2022, AAC HK agreed to purchase 48,289,693 shares of AAC Optics, which represents approximately 0.7133% of the total number of shares issued by AAC Optics, from an independent strategic investor (the "Seller") at a consideration of RMB130,000,000 which is equal to the principal amount of the capital from the Seller in 2020. The gross obligation of RMB130,000,000 was derecognised against the equity upon the return of the capital contribution from that strategic investor. This transaction resulted in changes in the Group's interest in AAC Optics from 80.38% to 81.10%. In addition, the Seller also entered into share transfer agreements with other strategic investors to transfer in aggregate 0.8232% interest in AAC Optics. As a result of these transactions, the contingent settlement provisions amounted to RMB147,789,000, which represents the consideration paid by AAC HK and the forfeiture of interests that the Seller was originally entitled to, were derecognised. The difference between the amounts of the contingent settlement provisions derecognised and the consideration paid amounting to RMB17,789,000 was credited directly in equity and attributed to owners of the Company in 2022.

According to the Company's announcement dated 16 December 2022, the Company decided to delay the timetable for the proposed spin-off and separate listing, and, the Shanghai Stock Exchange accepted the application initiated by AAC Optics to withdraw the application documents in relation to the proposed spin-off and separate listing. The Company considered that the proposed spin-off and separate listing, if it proceeds, will be commercially beneficial to the Company and AAC Optics, and the Company intends to continue to pursue the proposed spin-off and separate listing when, amongst others, market conditions improve.

According to the Company's announcement dated 15 September 2023, AAC TIC, an indirectly wholly owned subsidiary of the Company, AAC Optics and certain Second Round Strategic Investors ("2023 Selling Investors") entered into separate share transfer agreements, and the 2023 Selling Investors agreed to sell their entire equity interest in AAC Optics to AAC TIC. The 2023 Selling Investors in aggregate held approximately 7.1670% of the equity interest in AAC Optics, and the aggregate consideration under the share transfer agreements was approximately RMB1,448,990,000. Completion under each of the share transfer agreements was take place immediately upon AAC TIC having paid the consideration in full in September 2023 to each of the 2023 Selling Investors pursuant to the share transfer agreements. As a result of these transactions, the contingent settlement provision amounted to RMB1,448,990,000, which represents the considerations paid by AAC TIC, were derecognised. The amount by which the non-controlling interests are adjusted, amounting to RMB141,868,000, was credited directly in equity and attributed to owners of the Company in 2023.

After completion of the share transfer agreements, AAC Optics is held (i) as to approximately 88.2620% indirectly by the Company; (ii) 2% by the share incentive platforms of AAC Optics, of which 0.1649% of the shares are vested but still held under the platforms; and (iii) approximately 9.7380% by the 5 remaining strategic investors in aggregate.

32. GOVERNMENT GRANTS

During the year, the Group received government grants of RMB22,437,000 (2022: RMB172,408,000) in aggregate from various PRC government authorities as an incentive for leasing factories, constructing electronic plants and acquiring machineries. As the grants related to assets, the amount received is to be amortised and released to profit or loss on a systematic basis over the useful lives of the related assets.

During the year, RMB213,023,000 (2022: RMB235,550,000) of the grants have been released to profit or loss.

33. DEFERRED TAX ASSETS/LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023 RMB'000	2022 RMB'000
Deferred tax assets	**204,242**	228,401
Deferred tax liabilities	**(47,108)**	(42,847)
	157,134	185,554

The followings are the major deferred tax assets and liabilities recognised by the Group and the movements thereon during the current and prior years:

Deferred tax assets/liabilities

	Tax losses RMB'000	Inventories RMB'000 (Note a)	Government grants RMB'000	Right-of-use assets RMB'000	Lease liabilities RMB'000	Depreciation/ amortisation RMB'000	Others RMB'000 (Note b)	Total RMB'000
At 1 January 2022 (audited)	99,301	38,717	71,312	–	–	(40,735)	1,715	170,310
Adjustments (note 2)	–	–	–	(97,269)	97,624	–	(355)	–
At 1 January 2022 (restated)	99,301	38,717	71,312	(97,269)	97,624	(40,735)	1,360	170,310
Credit (charge) to profit or loss	12,969	(1,022)	6,077	16,090	(16,132)	(1,160)	(939)	15,883
Acquisition of subsidiary (note 35)	–	–	–	–	–	–	232	232
Currency realignment	–	81	–	–	–	(952)	–	(871)
At 31 December 2022 (restated)	**112,270**	**37,776**	**77,389**	**(81,179)**	**81,492**	**(42,847)**	**653**	**185,554**
Credit (charge) to profit or loss	**22,438**	**(13,984)**	**(32,159)**	**4,256**	**(4,384)**	**(3,713)**	**(350)**	**(27,896)**
Currency realignment	**–**	**24**	**–**	**–**	**–**	**(548)**	**–**	**(524)**
At 31 December 2023	**134,708**	**23,816**	**45,230**	**(76,923)**	**77,108**	**(47,108)**	**303**	**157,134**

Notes:

(a) The deductible temporary difference arising from inventories would be reversed upon sales of inventories.

(b) The deferred tax arose from temporary difference between the carrying amounts of intangible assets, property, plant and equipment and their tax base.

33. DEFERRED TAX ASSETS/LIABILITIES (continued)

At the end of the reporting period, the Group has unused tax losses of approximately RMB8,282,264,000 (2022: RMB5,842,781,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB651,313,000 (2022: RMB636,663,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately RMB7,630,951,000 (2022: RMB5,206,118,000) due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward for up to 5 or 10 years to various years up to 2033 (2022: year 2032) from the year when the losses are incurred.

At 31 December 2023 and 2022, 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.

34. SHARE CAPITAL

	Number of shares	Amount US$'000
Shares of US$0.01 each		
Authorised:		
Ordinary shares at 1 January 2022, 31 December 2022 and 31 December 2023	5,000,000,000	50,000
Issued and fully paid:		
Ordinary shares at 1 January 2022	1,208,500,000	12,085
Shares repurchased and cancelled	(5,250,000)	(52)
Ordinary shares at 31 December 2022	**1,203,250,000**	**12,033**
Shares repurchased and cancelled	**(4,750,000)**	**(48)**
Ordinary shares at 31 December 2023	**1,198,500,000**	**11,985**

	RMB'000
At 1 January 2022	98,135
Shares repurchased and cancelled	(427)
At 31 December 2022	**97,708**
Shares repurchased and cancelled	**(387)**
At 31 December 2023	**97,321**

34. SHARE CAPITAL (continued)

During the year ended 31 December 2023, the Company repurchased its own ordinary shares through The Hong Kong Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of US$0.01 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration HK$'000
January	**2,544,500**	**18.02**	**16.40**	**42,766**

During the year ended 31 December 2022, the Company repurchased its own ordinary shares through The Hong Kong Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of US$0.01 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration HK$'000
September	3,750,000	12.72	11.90	46,544
December	3,705,500	17.90	16.76	64,316
Total	7,455,500			110,860

During the year ended 31 December 2023, the Company repurchased a total of 2,544,500 issued ordinary shares of the Company in the market for a consideration of HK$42,766,000 (equivalent to approximately RMB38,057,000). During the year ended 31 December 2023, 2,544,500 ordinary shares repurchased in current year and 2,205,500 ordinary shares repurchased in December 2022 were cancelled.

During the year ended 31 December 2022, the Company repurchased a total of 7,455,500 issued ordinary shares of the Company in the market for a consideration of HK$110,860,000 (equivalent to approximately RMB100,052,000) and the consideration for share repurchased in December 2022 amounting to RMB34,604,000 was included in other payables. Out of these repurchased shares, 5,250,000 ordinary shares were cancelled during the year ended 31 December 2022.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

35. ACQUISITION OF SUBSIDIARIES

Acquisition of Suzhou Speed

On 30 April 2022, a wholly-owned subsidiary of the Company entered into an agreement with an independent third party to acquire entire issued capital of Suzhou Speed (subsequently renamed as TRM Precision Manufactory (Suzhou) Ltd. on 11 May 2022), which principally engaged in the business of trading of electronics related accessories and components, at a cash consideration of RMB65,000,000. The acquisition was completed on 30 April 2022 and the acquisition accounted for as acquisition of business using the acquisition method.

Consideration transferred

	RMB'000
Cash	65,000

The acquisition-related costs were insignificant and excluded from the consideration transferred and recognised as an expense in 2022, within the "administrative expenses" line item in the consolidated statement of profit or loss.

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	1,818
Deferred tax assets	232
Right-of-use assets	56
Inventories	4,824
Trade and other receivables	25,877
Bank balances and cash	11,623
Trade and other payables	(34,235)
Tax payable	(214)
	9,981

The receivables acquired (which principally comprised trade receivables) with a fair value of RMB25,446,000 at the date of acquisition had gross contractual amounts of RMB25,446,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to nil.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	65,000
Less: recognised amounts of net assets acquired	(9,981)
Goodwill arising on acquisition	55,019

Goodwill arose on the acquisition of Suzhou Speed because the acquisition included the assembled workforce of Suzhou Speed and some potential contracts which are still under negotiation with prospective new customers as at the date of acquisition. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition was expected to be deductible for tax purpose.

35. ACQUISITION OF SUBSIDIARIES (continued)

Acquisition of Suzhou Speed (continued)

Net cash outflow on acquisition of Suzhou Speed

	RMB'000
Total consideration	65,000
Less: Cash and cash equivalents balances acquired	(11,623)
	53,377

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2022 was RMB8,086,000 attributable to the additional business generated by Suzhou Speed. Revenue for the year ended 31 December 2022 included RMB92,230,000 generated from Suzhou Speed.

Had the acquisition of Suzhou Speed been completed on 1 January 2022, revenue for the year ended 31 December 2022 of the Group would have been RMB20,664,960,000, and profit for the year ended 31 December 2022 attributable to owners of the Company would have been RMB825,872,000. The pro-forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor was it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Suzhou Speed been acquired at the beginning of the year ended 31 December 2022, the Directors of the Company calculated depreciation of property, plant and equipment and right-of-use-assets based on the recognised amounts of property, plant and equipment and right-of-use-assets at the date of the acquisition.

36. SHARE AWARD SCHEME

Share award scheme of the Company

2016 share award scheme of the Company

The Company on 23 March 2016 had adopted the AAC Share Award Scheme (the "2016 Scheme") constituted by a Trust Deed between the Company and Bank of Communications Trustee Limited (the "2016 Trustee"), in which employees may be selected by the Board of Directors to participate. Pursuant to the 2016 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 Hong Kong 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 may be 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 based payments reserve.

On 24 March 2022, the Company granted a total of 10,230,593 shares ("Awarded Shares") to 340 selected employees pursuant to the 2016 Scheme at nil consideration. The fair value of the shares granted pursuant to the 2016 Scheme were determined with reference to market value of the shares at the award date taking into account the exclusion of the expected dividends as the employees were not entitled to receive dividends paid during the vesting periods of the shares. The shares granted would be vested over a requisite service period of up to three years from the date of grant subject to the relevant key performance targets.

36. SHARE AWARD SCHEME (continued)

Share award scheme of the Company (continued)

2016 share award scheme of the Company (continued)

During the year ended 31 December 2023, the 2016 Trustee purchased an aggregate of 9,544,000 shares at prices ranging from HK$15.3 to HK$21.5 per share at a total consideration of HK$174,746,000 (equivalent to approximately RMB154,042,000) on Hong Kong Stock Exchange for the purpose of the 2016 Scheme (2022: the 2016 Trustee purchased an aggregate of 4,188,500 shares at prices ranging from HK$17.9 to HK$19.2 per share at a total consideration of HK$77,283,000 (equivalent to approximately RMB62,477,000)).

As at 31 December 2023, an aggregate of 17,210,645 shares (31 December 2022: 10,231,000 shares) of the Company had been purchased and held by the 2016 Trustee, in which 158,444 Awarded Shares are vested during the current year (2022: Nil) and were still held under the 2016 Trust. Since the date of adoption of the 2016 Scheme up to 31 December 2023, no new shares had been issued to the 2016 Trustee.

Movement of the shares vested and granted to selected employee(s) under the 2016 Scheme during the year ended 31 December 2023 and 2022 are as follows:

For the year ended 31 December 2023

		Number of shares			
Date of grant	**Vesting period**	**At 1 January 2023**	**Vested on 24 March 2023**	**Shares entitlement forfeited**	**At 31 December 2023**
24 March 2022	24 March 2022 to 24 March 2023	**3,193,933**	**(2,722,799)**	**(471,134)**	**–**
24 March 2022	24 March 2022 to 24 March 2024	**3,193,933**	**–**	**(403,017)**	**2,790,916**
24 March 2022	24 March 2022 to 24 March 2025	**3,203,524**	**–**	**(404,228)**	**2,799,296**
		9,591,390	**(2,722,799)**	**(1,278,379)**	**5,590,212**

For the year ended 31 December 2022

		Number of shares			
Date of grant	Vesting period	At 1 January 2022	Granted on 24 March 2022	Shares entitlement forfeited	At 31 December 2022
24 March 2022	24 March 2022 to 24 March 2023	–	3,406,787	(212,854)	3,193,933
24 March 2022	24 March 2022 to 24 March 2024	–	3,406,787	(212,854)	3,193,933
24 March 2022	24 March 2022 to 24 March 2025	–	3,417,019	(213,495)	3,203,524
		–	10,230,593	(639,203)	9,591,390

36. SHARE AWARD SCHEME (continued)

Share award scheme of the Company (continued)

2016 share award scheme of the Company (continued)

The terms and conditions of the grants are as follows:

	Number of shares	Vest condition	Date of grant	Vesting period	Market value per share HK$	Fair value of shares HK$
Shares awarded to selected employees	3,406,787	1 year from the date of grant	24 March 2022	24 March 2022 to 24 March 2023	17.64	60,095,731
	3,406,787	2 years from the date of grant	24 March 2022	24 March 2022 to 24 March 2024	17.64	60,095,731
	3,417,019	3 years from the date of grant	24 March 2022	24 March 2022 to 24 March 2025	17.64	60,276,199
	10,230,593					180,467,661

Movements of Awarded Share purchased are as follows:

	Number of shares purchased	Cost of purchase RMB'000
At 1 January 2022	6,042,500	211,211
Shares purchased from the market during the year	4,188,500	62,477
At 31 December 2022	**10,231,000**	**273,688**
Shares purchased from the market during the year	**9,544,000**	**154,042**
Awarded Shares vested	**(2,722,799)**	**(77,894)**
Awarded Shares vested and held by the 2016 Trustee	**158,444**	**4,533**
At 31 December 2023	**17,210,645**	**354,369**

During the year ended 31 December 2023, the Group recognised total expenses of RMB32,021,000 (2022: RMB68,651,000) in relation to the 2016 Scheme shares granted by the Company.

36. SHARE AWARD SCHEME (continued)

Share award scheme of the Company (continued)

2023 share award scheme of the Company

The Company has adopted a new share award scheme (the "2023 Scheme") pursuant to a resolution passed on 17 April 2023 which constituted by a Trust Deed between the Company and BOCI Trustee (Hong Kong) Limited (the "2023 Trustee"), in which employees may be selected by the Board of Directors to participate. Pursuant to the 2023 Scheme, shares of the Company will be purchased on the Hong Kong Stock Exchange, by the 2023 Trustee of the trusts declared in the trust deed.

On the grant of the share awards, the relevant number of shares may be transferred to the 2023 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-based payments reserve.

During the year ended 31 December 2023, the 2023 Trustee purchased an aggregate of 9,119,000 shares at prices ranging from HK$13.2 to HK$17.5 per share at a total consideration of HK$142,743,000 (equivalent to approximately RMB127,050,000) on the Hong Kong Stock Exchange for the purpose of the 2023 Scheme.

As at 31 December 2023, an aggregate of 9,119,000 shares of the Company had been purchased and held by the 2023 Trustee.

No share awards have been granted to any employees since adoption of the 2023 Scheme.

Subsidiary share incentive scheme ("Subsidiary Scheme")

AAC Optics, a subsidiary of the Company, entered into a capital increase agreement with three limited partnerships ("Platforms"), with the purpose to create share incentive platforms. The Subsidiary Scheme entitles selected employees of AAC Optics ("Eligible Scheme Participants") to subscribe the shares of AAC Optics, accounted for approximately 2.0% of the enlarged share capital or 135,377,918 shares of AAC Optics, corresponding to a consideration of RMB135,377,918 or at the subscription price of RMB1 per share of AAC Optics at the time of grant, which is payable at the same time. Under the Subsidiary Scheme, the Eligible Scheme Participants would settle the subscription price of shares by cash or by combination of cash and related approved loans from the Group or Platforms at market interest rate. During the year ended 31 December 2023, the net cash payment to the Eligible Scheme Participants under the Subsidiary Scheme is RMB25,032,000 (2022: RMB4,025,000).

Except for 11,163,857 shares which were granted and vested immediately in 2021, the remaining shares would be vested over a requisite service period of up to three-and-a-half year subject to the relevant key performance targets of AAC Optics during the vesting period ("Restricted Shares"). Upon the issue of new shares that are vested under the Subsidiary Scheme, the Group's interest in AAC Optics has been changed. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity (retained profits) and attributed to owners of the Company.

During the year ended 31 December 2022, the Group repurchased of 21,571,493 Restricted Shares at the subscription price of RMB1 per share of AAC Optics from and further grant of 12,524,147 Restricted Shares at the subscription price of RMB1 per share of AAC Optics to the Eligible Scheme Participants. The shares would be vested over a requisite service period from the date of grant in 2022 to the end of 2024 subject to the relevant key performance targets of AAC Optics during the vesting period.

36. SHARE AWARD SCHEME (continued)

Subsidiary share incentive scheme ("Subsidiary Scheme") (continued)

During the year ended 31 December 2023, the Group repurchased of 72,407,113 Restricted Shares, out of which 15,929,000 Restricted Shares amounted to RMB15,929,000 remain unpaid and is recorded as other payables, at the subscription price of RMB1 per share of AAC Optics and further grant 3,292,326 Restricted Shares at the subscription price of RMB1 per share of AAC Optics to the Eligible Scheme Participants. The granted shares would be vested over a requisite service period from the date of grant in 2023 to the end of 2026 subject to the relevant key performance targets of AAC Optics during the vesting period.

As at 31 December 2023, the net cash proceed of unvested portion of Restricted Shares, amounting to RMB46,052,000, is recorded as other payables as the shares are contingently returnable (31 December 2022: RMB87,116,000). In addition, as at 31 December 2023, for the consideration of repurchased share amounted to RMB15,929,000 is not yet repaid and is recorded as other payables.

A summary of activities of the Restricted Shares with vesting condition of the Subsidiary Scheme is presented as follows:

	Number of restricted shares	Fair value of share incentive at grant date RMB'000
Unvested as at 1 January 2022	124,214,061	208,957
Granted during the year	12,524,147	20,856
Repurchased during the year	(21,571,493)	(35,922)
Unvested as at 31 December 2022	**115,166,715**	**193,891**
Granted during the year	**3,292,326**	**5,543**
Repurchased during the year	**(72,407,113)**	**(121,902)**
Unvested as at 31 December 2023	**46,051,928**	**77,532**

As of 31 December 2023, there are 78,162,133 Restricted Shares arising from the repurchased during the year (31 December 2022: 9,047,346 Restricted Shares) held under the Platforms which are available to be granted to the eligible employees under the Subsidiary Scheme.

During the year ended 31 December 2023, the subsidiary reversed share-based payment expense of RMB19,490,000 (2022: recognised shared-based payment expense of RMB53,828,000) in relation to the shares granted by the subsidiary under Subsidiary Scheme and the amount is debited (2022: credited) to the non-controlling interests in the Group.

In the opinion of the Directors of the Company, the fair value of Restricted Shares granted during the year was based on discount cash flow (2022: based on the consideration of the latest transaction price of AAC Optics in 2022). At the end of each reporting period, the Group revises its estimates of the Restricted Shares that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to share-based payments reserve including in the non-controlling interests.

37. OPERATING LEASE ARRANGEMENTS

The Group as a lessor

The properties held for rental purposes have committed lessees for the next 15 years (2022: 1 year).

Undiscounted lease payments receivable on leases are as follows:

	2023 RMB'000	2022 RMB'000
Within one year	13,959	6,380
In the second year	15,216	–
In the third year	18,285	–
In the fourth year	18,822	–
In the fifth year	19,150	–
After five years	85,562	–
	170,994	6,380

38. CAPITAL COMMITMENTS

	2023 RMB'000	2022 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– acquisition of subsidiaries	3,058,143	–
– acquisition of property, plant and equipment	705,363	623,271
– capital contribution to a financial asset at FVTPL	256,982	335,810
	4,020,488	959,081

39. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2023 RMB'000	2022 RMB'000
Financial assets		
Derivative financial instruments	2,869	–
Equity instruments at FVTOCI	457,011	467,057
Financial asset at FVTPL	413,301	186,303
Financial assets at amortised cost	12,571,484	11,714,102
Financial liabilities		
Derivative financial instruments	–	16,032
Financial liabilities at amortised cost	14,745,122	16,139,720

39. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

The Group's major financial instruments include derivative financial instruments, equity instruments at FVTOCI, financial asset at FVTPL, trade and other receivables, amounts due from (to) related companies, pledged bank deposits, restricted bank deposits, short term fixed deposits and cash and cash equivalent, trade and other payables, unsecured notes, bank loans, contingent settlement provision and lease liabilities. 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 mainly includes:

	Assets		Liabilities	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
US$	**13,517,976**	13,071,320	**8,815,700**	14,015,637
Japanese Yen	**44,443**	48,944	**39,560**	9,561
Euro	**149,711**	232,784	**314,917**	327,029
HK$	**268,354**	166,938	**241,950**	37,220

The Group has entered into cross currency swap contract in relation to the US$ denominated unsecured notes amounting to RMB354,135,000 (equivalent to US$50,000,000) (2022: RMB348,230,000 (equivalent to US$50,000,000)). It is the Group's policy to negotiate the terms of the hedge derivatives, to the extent possible, to match or approximate the terms of the hedged items to maximise hedge effectiveness.

39. 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% (2022: 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 except for the effect on certain foreign currency denominated unsecured notes under an effective hedging relationship as the Group's net exposure to currency risk arising from the hedging relationship is insignificant and adjusts their translation at the year end for a 5% (2022: 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 positive/negative number (in bracket) below indicates an increase/decrease in profit for the year where the RMB strengthen 5% (2022: 5%) against the relevant currency and vice versa. For a 5% (2022: 5%) weakening of the RMB against the relevant currency, there would be an equal and opposite impact on the profit.

	Impact	
	2023	2022
	RMB'000	RMB'000
Increase (decrease) in profit for the year		
US$	**(176,335)**	35,412
Japanese Yen	**(183)**	(1,477)
Euro	**6,195**	3,534
HK$	**(990)**	(4,864)

No sensitivity analysis has been presented for derivatives that are designated as hedging instruments because the Group's net exposure to currency risk arising from the hedging relationship is considered to be insignificant.

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, unsecured notes and contingent settlement provision (details of which are set out in notes 26, 28, 29, 30 and 31, respectively). The bank deposits and the majority of the fixed-rate bank loans will mature within one or two years, 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 (details of which are set out in note 26). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market interest rate on bank balances. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

39. 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 balances at the end of the reporting period was the amount outstanding for the whole year. The sensitivity analysis has excluded certain bank balances which are not interest sensitive.

If interest rates had been 50 basis points (2022: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2023 would increase/decrease by RMB25,168,000 (2022: increase/decrease by RMB16,491,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

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

Other price risk

The Group is exposed to equity price risk on its investments in listed equity securities at 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 of equity securities with fair value measurement categorised within Level 1, the sensitivity rate of 10% is applied in current year.

As at 31 December 2023, if the prices of the respective equity instruments had been 10% higher/lower, the investment revaluation reserve as at 31 December 2023 would increase/decrease by RMB2,948,000 (2022: RMB4,226,000) for the Group as a result of the changes in fair value of equity instruments at FVTOCI.

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 2023 and 2022, 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.

39. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

As at 31 December 2023, the Group has concentration of credit risk on total trade and bills receivables as 67.85% (2022: 67.84%) 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 expected credit losses ("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 receivables with significant balances or credit-impaired balances and bill 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 determining the ECL for trade receivables with significant balances and bills receivables, the management considers the probability of default is negligible and loss given default is low based on the external credit rating of the customers and the bank issued bills, and accordingly, no loss allowance is made in the consolidated financial statement.

In determining the ECL for other receivables and loan to suppliers, 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 and loan to suppliers and insignificant.

In addition, the management is of the opinion that there has no default occurred for trade receivables balance as at 31 December 2023 and 2022 in which 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. Other than the trade receivables with significant balances with gross carrying amount of RMB4,213,766,000 (2022: RMB3,324,114,000) and bill receivables with gross carrying amount of RMB69,194,000 (2022: RMB189,168,000), the remaining balances of gross carrying amount of RMB1,082,793,000 (2022: RMB769,115,000) are grouped collectively based on shared credit risk characteristics by reference to past default experience and current past due exposure of the debtor. The management considers the historical default rate is low for these remaining balances which is not yet past due and accordingly, no loss allowances is made in the consolidated financial statements. The following table provides information about the exposure to credit risk and ECL for trade receivables which are past due and assessed collectively during the year.

39. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

For the year ended 31 December 2023

	Gross carrying amount RMB'000	Weighted average loss rate	Loss allowance RMB'000	Net carrying amount RMB'000
Trade receivables				
1 – 90 days past due	**33,167**	**0.65%**	**(214)**	**32,953**
91 – 180 days past due	**12,469**	**9.97%**	**(1,243)**	**11,226**
Over 180 days past due	**11,021**	**20.37%**	**(2,245)**	**8,776**
	56,657		**(3,702)**	**52,955**

For the year ended 31 December 2022

	Gross carrying amount RMB'000	Weighted average loss rate	Loss allowance RMB'000	Net carrying amount RMB'000
Trade receivables				
1 – 90 days past due	183,066	1.33%	(2,443)	180,623
91 – 180 days past due	11,609	9.51%	(1,104)	10,505
Over 180 days past due	813	23.68%	(192)	621
	195,488		(3,739)	191,749

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.

39. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The following table shows the movement in lifetime ECL that has been recognised for trade 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 2022	5,717	18,643	24,360
Changes due to trade receivables recognised as at 1 January 2022			
– Impairment losses reversed	(4,561)	–	(4,561)
– Impairment loss written off	–	(18,643)	(18,643)
New financial assets originated or purchased	2,572	–	2,572
Currency realignment	11	–	11
As at 31 December 2022 and 1 January 2023	**3,739**	**–**	**3,739**
Changes due to trade receivables recognised as at 1 January 2023			
– Impairment losses reversed	**(2,844)**	**–**	**(2,844)**
– Impairment loss written off	**(20)**	**–**	**(20)**
New financial assets originated or purchased	**2,821**	**–**	**2,821**
Currency realignment	**6**	**–**	**6**
As at 31 December 2023	**3,702**	**–**	**3,702**

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 2023 and 2022 and thus no impairment loss was recognised.

The management considers the bank balances, short-term fixed deposits, pledged bank deposits and restricted bank deposits that are deposited with the financial institutions with good credit rating to be low credit risk financial assets. The management considers the bank balances, short-term fixed deposits, pledged bank deposits and restricted bank deposits 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.

39. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk

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

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

	Weighted average interest rate	On demand RMB'000	Less than 1 year RMB'000	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 2023								
Non-derivative financial liabilities								
Non-interest bearing	–	694,438	4,883,755	–	–	–	5,578,193	5,578,193
Fixed interest rate	2.9%	–	1,511,972	1,712,571	188,252	–	3,412,795	3,296,744
Unsecured notes	3.3%	–	2,139,285	119,847	1,882,678	2,247,497	6,389,307	5,619,695
Contingent settlement provision	4.0%	–	259,370	–	–	–	259,370	250,490
		694,438	8,794,382	1,832,418	2,070,930	2,247,497	15,639,665	14,745,122
Lease liabilities	4.4%	–	409,632	99,162	235,452	99,933	844,179	770,195
At 31 December 2022								
Non-derivative financial liabilities								
Non-interest bearing	–	666,083	4,063,456	–	–	–	4,729,539	4,729,539
Variable interest rate	4.6%	–	600,023	–	–	–	600,023	590,280
Fixed interest rate	2.6%	–	1,260,469	1,828,703	88,716	–	3,177,888	3,078,595
Unsecured notes	3.3%	–	195,430	2,123,356	2,102,789	2,757,546	7,179,121	6,087,845
Contingent settlement provision	4.0%	–	1,701,860	–	–	–	1,701,860	1,653,461
		666,083	7,821,238	3,952,059	2,191,505	2,757,546	17,388,431	16,139,720
Lease liabilities	4.3%	–	317,159	142,652	225,807	187,031	872,649	777,182
Derivatives – gross settlement								
Cross currency swap contract								
– inflow		–	(10,109)	(345,023)	–	–	(355,132)	(310,652)
– outflow		–	18,317	355,143	–	–	373,460	326,684
		–	8,208	10,120	–	–	18,328	16,032

40. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The Directors of the Company have set up an investment committee, which is headed up by the Chief Innovation Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The investment committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Innovation Officer reports the investment committee's findings to the directors of the Company every quarter to explain the cause of fluctuations in the fair value.

(i) 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 each 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.

Financial assets/ liabilities	Fair value as at 2023 RMB'000	Fair value as at 2022 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity/relationship of unobservable inputs to fair value
Equity instruments at FVTOCI – Listed shares	29,483	42,259	Level 1	Quoted bid prices in an active market.	N/A	N/A
Equity instruments at FVTOCI – Unlisted equity investments	75,477	46,342	Level 3	Income approach. The discounted cash flow method was used to capture future economic benefits or the present value of the future expected cash flows 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 future cash flow, the higher the fair value, and vice versa.
Equity instruments at FVTOCI – Unlisted equity investments	318,829	233,115	Level 3	Market approach. The market approach was used to determine the valuation based on the recent transaction prices of underlying investments or 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.
					P/S multiples of selected comparable companies.	The higher the TTM P/S multiples, the higher the fair value.
Equity instruments at FVTOCI – Unlisted equity investments	33,222	145,341	Level 3	Recent transaction prices of underlying investments.	N/A	N/A
Total equity instruments for FVTOCI	457,011	467,057				

40. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

(i) Fair value of the Group's financial instruments that are measured at fair value on a recurring basis (continued)

Financial assets/ liabilities	Fair value as at 2023 RMB'000	Fair value as at 2022 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity/relationship of unobservable inputs to fair value
Financial assets at FVTPL	**21,248**	–	Level 3	Recent transaction prices of underlying investments	N/A	N/A
Financial assets at FVTPL	**348,342**	112,468	Level 3	Market approach. The market approach was used to determine the valuation based on the recent transaction prices of underlying investments or using TTM 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. TTM P/S multiples of selected comparable companies.	The higher the lack of marketability discount, the lower the fair value. The higher the TTM P/S multiples, the higher the fair value.
Financial assets at FVTPL	**–**	34,823	Level 3	Income approach. The discounted cash flow method was used to capture future economic benefits or the present value of the future expected cash flows 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. Forecasted future cash flows.	The higher the discount rate, the lower the fair value, and vice versa. The higher the forecast future cash flow, the higher the fair value, and vice versa.
Financial assets at FVTPL	**43,711**	39,012	Level 3	Binomial Option Pricing Model	Volatility	The higher the volatility, the higher the fair value, and vice versa
Total financial assets at FVTPL	**413,301**	186,303				
Cross currency swap contract	**2,869** **Assets (under hedge accounting)**	– Assets (under hedge accounting)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable yield curves at the end of the reporting period) and contracted exchange 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

40. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

(i) Fair value of the Group's financial instruments that are measured at fair value on a recurring basis (continued)

Financial assets/ liabilities	Fair value as at 2023 RMB'000	Fair value as at 2022 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity/relationship of unobservable inputs to fair value
Cross currency swap contract	– Liabilities (under hedge accounting)	16,032 Liabilities (under hedge accounting)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable yield curves at the end of the reporting period) and contracted exchange 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

(ii) Reconciliation of level 3 fair value measurements

	Equity instruments at FVTOCI RMB'000	Financial assets at FVTPL RMB'000
At 1 January 2022	787,079	–
Transfer from level 2 to level 3	13,474	50,349
Purchase made	141,952	128,816
Total losses:		
– in other comprehensive income	(569,851)	–
Currency realignment	52,144	7,138
At 31 December 2022	**424,798**	**186,303**
Capital return	**(18,666)**	**–**
Purchase made	**18,200**	**232,139**
Total gain (losses):		
– in other comprehensive income	**1,033**	**–**
– in profit and loss	**–**	**(6,724)**
Currency realignment	**2,163**	**1,583**
At 31 December 2023	**427,528**	**413,301**

Of the total gains or losses for the period included in profit or loss, RMB6,724,000 (2022: Nil) relates to financial assets at FVTPL at the end of the current reporting period. Fair value loss on financial assets at FVTPL are included in "other gains and losses".

Included in other comprehensive income is an amount of RMB1,033,000 gain (2022: RMB569,851,000 loss) relating to unlisted equity securities classified as equity instruments at FVTOCI held at the end of the current reporting period and is reported as changes of FVTOCI.

(iii) Fair value of the Group's financial instruments that are not measured at fair value on recurring basis

Except for listed unsecured notes in which there is fair value based on the quoted bid price in an active market, amounting to RMB4,889,467,000 (31 December 2022: RMB4,971,698,000), the management considers that the carrying amounts of the other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

41. 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.

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.

42. 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. Under the scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. 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.

43. 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 certain directors of the Company.

Nature of balances/transactions	**2023** **RMB'000**	2022 RMB'000
Purchase of raw materials	**68,647**	56,977
Services fee recharged	**753**	2,544
Property rentals received	**1,555**	1,555
Payment for lease liabilities	**19,388**	21,426
Interest on lease liabilities	**1,596**	660
Loan lending	**19,134**	16,303
Interest on loan lending	**946**	239
Leases liabilities	**28,904**	49,668

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 10.

Balances with related parties are disclosed in note 25.

44. PRINCIPAL SUBSIDIARIES

(a) General information of subsidiaries

Details of the Company's principal subsidiaries as at 31 December 2023 and 31 December 2022, are as follows:

Name of subsidiaries	**Country of establishment/ operations**	**Nominal value of issued and fully paid share/ registered capital**	**Principal activities**
Wholly-owned subsidiary in 2023 and 2022			
AAC Acoustic Technologies Inc*	British Virgin Islands	Registered capital – US$50,000	Investment holding
AAC Technologies Pte. Ltd.#	Singapore	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#	Hong Kong	Ordinary shares – HK$10,000	Sales of acoustic related products, investment, research and development

44. PRINCIPAL SUBSIDIARIES (continued)

(a) General information of subsidiaries (continued)

Name of subsidiaries	Country of establishment/ operations	Nominal value of issued and fully paid share/ registered capital	Principal activities
Wholly-owned subsidiary in 2023 and 2022 (continued)			
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 holding
瑞泰(江蘇)投資有限公司 Ruitai (Jiangsu) Investment Co., Ltd. (Note c)#	PRC	Registered capital – US$349,000,000	Investment holding
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
瑞聲光電科技(常州)有限公司 AAC Microtech (Changzhou) Co., Ltd. (Note f)#	PRC	Registered capital – US$337,800,000	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	Manufacture and sales of tooling and precision components, research and development
瑞聲開泰精密科技(常州)有限公司 AAC Kaitai Precision Technologies (Changzhou) Co., Ltd. (Note h)#	PRC	Registered capital – US$150,000,000	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 component 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$49,000,000	Manufacture and sales of precision components for acoustic products, research and development
瑞聲科技信息諮詢(常州)有限公司 AAC Technology Information Consultancy (Changzhou) Co., Ltd. (Note r)#	PRC	Registered capital – US$784,296,000 (2022: US$574,296,000)	Investment holding
瑞聲精密電子沭陽有限公司 AAC Precision Electronics Shuyang Co., Ltd. (Note l)#	PRC	Registered capital – US$143,980,000	Manufacture and sales of electronics related accessories and components, research and development

44. PRINCIPAL SUBSIDIARIES (continued)

(a) General information of subsidiaries (continued)

Name of subsidiaries	Country of establishment/ operations	Nominal value of issued and fully paid share/ registered capital	Principal activities
Wholly-owned subsidiary in 2023 and 2022 (continued)			
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	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	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
瑞聲科技 (南寧) 有限公司 AAC Technologies (Nanning) Co., Ltd. (Note s)#	PRC	Registered capital – US$30,000,000	Manufacture and sales of acoustic products, research and development
Non-wholly owned subsidiary in 2023 and 2022			
辰瑞光學(常州)股份有限公司 AAC Optics (Changzhou) Co., Ltd. (Notes e & u)	PRC	Registered capital – RMB6,768,896,000	Manufacture and sales of optics products, research and development
深圳市瑞成光學有限公司 Shenzhen Ruicheng Optics Co., Ltd. (Notes n & u)	PRC	Registered capital – RMB20,000,000	Sales of optics products
常州市瑞泰光電有限公司 Changzhou AAC Raytech Optronics Co., Ltd. (Notes t & u)	PRC	Registered capital – RMB100,000,000	Manufacture and sales of optics products, research and development

44. PRINCIPAL SUBSIDIARIES (continued)

(a) General information of subsidiaries (continued)

Notes:

(a) Wholly-owned foreign enterprise commencing from 20 September 2013 to 19 December 2052.
(b) Wholly-owned foreign enterprise for a term of 30 years commencing from 13 November 2012.
(c) Wholly-owned foreign enterprise for a term of 30 years commencing from 20 September 2016.
(d) Wholly-owned foreign enterprise for a term of 50 years commencing from 28 September 2003.
(e) Non-wholly owned PRC enterprise commencing from 31 December 2008.
(f) Wholly-owned foreign enterprise for a term of 50 years commencing from 13 April 2006.
(g) Wholly-owned foreign enterprise for a term of 20 years commencing from 8 May 2007.
(h) Wholly-owned foreign enterprise for a term of 20 years commencing from 29 July 2013.
(i) Wholly-owned foreign enterprise for a term of 30 years commencing from 28 January 2000.
(j) Wholly-owned foreign enterprise for a term of 20 years commencing from 11 April 2005.
(k) Wholly-owned foreign enterprise for a term of 20 years commencing from 8 November 2006.
(l) Wholly-owned foreign enterprise for a term of 20 years commencing from 13 June 2010.
(m) Wholly-owned foreign enterprise for a term of 20 years commencing from 24 September 2015.
(n) Non-wholly owned PRC enterprise commencing from 13 April 2020.
(o) Wholly-owned PRC enterprise commencing from 29 August 2013.
(p) Wholly-owned foreign enterprise for a term of 20 years commencing from 12 January 2004.
(q) Wholly-owned foreign enterprise for a term of 20 years commencing from 29 November 2017.
(r) Wholly-owned foreign enterprise for a term of 20 years commencing from 10 October 2019.
(s) Wholly-owned foreign enterprise for a term of 20 years commencing from 9 January 2020.
(t) Non-wholly owned PRC enterprise commencing from 3 December 2019.
(u) The subsidiaries are non-wholly owned enterprise from July 2020. During the year ended 31 December 2020, the Group's interests had been diluted from 100% to 82.02%. During the year ended 31 December 2021, the Group's interest is further diluted to 80.38% upon the issue of new share under the Subsidiary Scheme. During the year ended 31 December 2022, the Group's interest is increased to 81.10% upon the share repurchased as detailed in note 31. During the year ended 31 December 2023, the Group's interest is increased to 88.26% upon the share repurchased as detailed in note 31.

* Directly wholly-owned subsidiary
\# Indirectly 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

Name of subsidiary	Country of Establishment/ operations	Proportion of ownership interests and voting rights held by the Group		Loss attributable to non-controlling interests		Accumulated non-controlling interests	
		2023	2022	**2023 RMB'000**	2022 RMB'000	**2023 RMB'000**	2022 RMB'000
AAC Optics	PRC	**88.26%***	81.10%	**(169,763)**	(192,079)	**489,817**	539,370
Individually immaterial subsidiaries with non-controlling interests				**-**	(43)	**-**	-
				(169,763)	(192,122)	**489,817**	539,370

* The change in ownership interest in AAC Optics are disclosed in note 31.

45. 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	Payable related to Restricted Shares granted to employees RMB'000	Lease liabilities RMB'000	Dividend payable RMB'000	Interest payable RMB'000	Contingent settlement provision RMB'000	Total RMB'000
At 1 January 2022	6,573,182	3,232,389	92,923	694,470	2	22,470	1,738,830	12,354,266
Payment for repurchase of unsecured notes	(949,714)	–	–	–	–	–	–	(949,714)
Gain on repurchase of unsecured notes	(168,793)	–	–	–	–	–	–	(168,793)
Bank loans raised	–	3,243,214	–	–	–	–	–	3,243,214
Repayments of bank loans	–	(3,021,215)	–	–	–	–	–	(3,021,215)
Net payments for the Subsidiary Scheme	–	–	(4,025)	–	–	–	–	(4,025)
Receipt for derivative financial instrument	–	–	–	–	–	5,167	–	5,167
Payment to derivative financial instrument	–	–	–	–	–	(28,019)	–	(28,019)
Finance costs	11,955	3,250	–	25,289	–	301,743	62,620	404,857
Interest paid	–	–	–	(23,516)	–	(279,386)	–	(302,902)
Addition of lease liabilities	–	–	–	208,901	–	–	–	208,901
Termination of leases	–	–	–	(9,244)	–	–	–	(9,244)
Repayment of lease liabilities	–	–	–	(123,830)	–	–	–	(123,830)
Foreign exchange translation	621,215	102,165	(1,782)	5,112	–	–	(200)	726,510
Return of capital contributions from non-controlling interests of a subsidiary and settlement of contingent settlement provision	–	–	–	–	–	–	(147,789)	(147,789)
At 31 December 2022	6,087,845	3,559,803	87,116	777,182	2	21,975	1,653,461	12,187,384
Payment for repurchase of unsecured notes	(443,844)	–	–	–	–	–	–	(443,844)
Gain on repurchase of unsecured notes	(138,433)	–	–	–	–	–	–	(138,433)
Bank loans raised	–	4,824,641	–	–	–	–	–	4,824,641
Repayments of bank loans	–	(5,200,722)	–	–	–	–	–	(5,200,722)
Net payments for the Subsidiary Scheme	–	–	(25,032)	–	–	–	–	(25,032)
Payment to derivative financial instrument	–	–	–	–	–	(18,410)	–	(18,410)
Dividend declared	–	–	–	–	130,330	–	–	130,330
Dividend paid	–	–	–	–	(130,330)	–	–	(130,330)
Finance costs	11,714	1,084	–	26,910	–	304,479	46,637	390,824
Interest paid	–	–	–	(22,007)	–	(288,764)	–	(310,771)
Addition of lease liabilities	–	–	–	61,987	–	–	–	61,987
Termination of leases	–	–	–	(6,910)	–	–	–	(6,910)
Repayment of lease liabilities	–	–	–	(73,966)	–	–	–	(73,966)
Foreign exchange translation	102,413	5,079	(103)	6,999	–	–	(618)	113,770
Return of capital contributions from non-controlling interests of a subsidiary and settlement of contingent settlement provision	–	–	–	–	–	–	(1,448,990)	(1,448,990)
At 31 December 2023	5,619,695	3,189,885	61,981	770,195	2	19,280	250,490	9,911,528

Interest payable and dividend payable are included in other payables and accruals in note 27.

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTE	2023 RMB'000	2022 RMB'000
Non-current assets			
Interests in subsidiaries		**1,272,529**	1,240,508
Current assets			
Other receivables		**6,386**	3,888
Amounts due from subsidiaries		**6,820,071**	5,818,390
Cash and cash equivalents		**31,016**	278,358
		6,857,473	6,100,636
Current liabilities			
Other payables		**16,207**	52,556
Amounts due to subsidiaries		**985,475**	–
Unsecured notes	30	**1,957,575**	–
Government grants		**410**	448
		2,959,667	53,004
Net current assets		**3,897,806**	6,047,632
Total assets less current liabilities		**5,170,335**	7,288,140
Non-current liabilities			
Unsecured notes	30	**3,662,120**	6,087,845
Government grants		**–**	410
		3,662,120	6,088,255
Net assets		**1,508,215**	1,199,885
Capital and reserves			
Share capital	34	**97,321**	97,708
Reserves		**1,410,894**	1,102,177
		1,508,215	1,199,885

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Movement of reserves

	Treasury shares RMB'000	Special reserve RMB'000	Share-based payments reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2022	(211,211)	33,428	–	1,379,207	1,201,424
Loss and total comprehensive expense for the year	–	–	–	(5,796)	(5,796)
Recognition of equity-settled share-based payments	–	–	68,651	–	68,651
Purchase of shares under share award scheme	(62,477)	–	–	–	(62,477)
Shares repurchase	(100,052)	–	–	–	(100,052)
Shares cancelled	65,448	–	–	(65,021)	427
At 31 December 2022	**(308,292)**	**33,428**	**68,651**	**1,308,390**	**1,102,177**
Gain and total comprehensive income for the year	**–**	**–**	**–**	**725,788**	**725,788**
Shares vested under share award scheme	**73,361**	**–**	**(39,956)**	**(33,405)**	**–**
Recognition of equity-settled share-based payments	**–**	**–**	**32,021**	**–**	**32,021**
Purchase of shares under share award scheme	**(281,092)**	**–**	**–**	**–**	**(281,092)**
Shares repurchase	**(38,057)**	**–**	**–**	**–**	**(38,057)**
Shares cancelled	**72,661**	**–**	**–**	**(72,274)**	**387**
Dividend declared and paid	**–**	**–**	**–**	**(130,330)**	**(130,330)**
At 31 December 2023	**(481,419)**	**33,428**	**60,716**	**1,798,169**	**1,410,894**

47. CONTINGENT LIABILITY

During the period ended 31 December 2023 and 2022, certain subsidiaries of the Group are defendants in a number of litigation proceedings in respect of alleged infringement of certain invention patents and utility model patents. The Directors of the Company consider that no provision is required because the aforesaid legal proceedings are still at early evidence examination stage and based on the advice from the PRC legal advisers, there are valid grounds to defend. Further details of the litigations were set out in the Company's announcements dated 15 November 2022.

48. EVENT AFTER THE REPORTING PERIOD

On 10 August 2023, the Group entered into the sale and purchase agreement pursuant to which the Group agreed to purchase all of the issued shares in Acoustics Solutions International B.V. (the "Target") and its subsidiaries (collectively referred to as the "Target Group") from Acoustics Solutions Holding B.V. and Stichting Administratiekantoor Acoustics Solutions International (collectively, the "Sellers"). Pursuant to the sale and purchase agreement, the Group will purchase the sale shares from the Sellers in two tranches, with the first tranche shares (the "First Tranche Transaction") and the second tranche shares comprising 80% and 20%, respectively, of the issued shares in the capital of the Target.

The first tranche purchase price will comprise the sum of US$320,000,000 (the "Initial Purchase Price") (representing an equity value of US$400,000,000 for 100% of the sale shares) together with interest thereon from 1 April 2023 to the date of first tranche completion less the price adjusting leakage (if any), the second tranche purchase price will comprise the sum of: (i) an agreed multiple of the target earnings before interest, taxes, depreciation and amortisation (the "EBITDA") plus (ii) the target adjusted net financial debt (cash) multiplied by 20% together with interest thereon from the second tranche effective date (being 1 April 2025) (or the postponed second tranche effective date, being 1 April 2026 or 1 April 2027) to the date of second tranche completion. The Sellers or the Group have the right to postpone the second tranche effective date from 1 April 2025 by up to two times by one year each time, that is, to 1 April 2026 or 1 April 2027. If the postponement right is exercised by one of the parties and the other party disagrees with the postponement, the Group will purchase the second tranche shares at a fixed purchase price (the maximum purchase price is US$204,613,000) together with interest thereon. As at 31 December 2023, an escrow deposit of US$40,000,000 (equivalent to approximately RMB283,308,000) is placed into a third party account. The difference of the estimated consideration payable for the acquisition and the escrow deposit paid amounted to RMB3,058,143,000 are disclosed as the capital commitment as detailed in note 38.

As announced by the Company on 9 February 2024, the First Tranche Transaction is completed on 9 February 2024 and after considering the terms under the agreement for the sale and purchase dated 10 August 2023 and shareholders' agreement dated 10 August 2023, upon the completion of the First Tranche Transaction, the Directors of the Company considered that the Group has effectively acquired 100% interest in the Target Group with the Second Tranche Consideration as deferred consideration.

The Directors expect the acquisition would have a positive impact on the Group's revenue and earnings following the completion of the acquisition. However, the financial impact of the acquisition would depend on the future performance of the Target, and the actual financial position and performance of the Target as of the date of completion and hence, the estimate of the financial impact could not be made as of the date of approval of these consolidated financial statements.

The financial information of the Target and further details of the information related to the major transaction, including the background information of the Target Group and the terms of the sales and purchase agreement, are disclosed in the Company's announcements dated 10 August 2023, 30 November 2023, 6 February 2024, and 9 February 2024, and the Company's circular dated 18 January 2024.

5-Year Financial Summary

RESULTS	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	**2023** **RMB'000**
			Year ended 31 December		
Revenue	17,883,757	17,140,219	17,666,967	20,625,092	**20,419,072**
Reported profit before taxation	2,552,422	1,647,599	1,412,876	860,679	**822,861**
Taxation	(330,048)	(146,571)	(119,767)	(231,496)	**(252,254)**
Reported profit	2,222,374	1,501,028	1,293,109	629,183	**570,607**
Attributable to:					
Owners of the Company– reported	2,222,375	1,506,707	1,316,279	821,305	**740,370**
Non-controlling interests	(1)	(5,679)	(23,170)	(192,122)	**(169,763)**
	2,222,374	1,501,028	1,293,109	629,183	**570,607**
Reported Basic EPS	RMB1.84	RMB1.25	RMB1.09	RMB0.69	**RMB0.63**
Adjusted recurring Basic EPS	RMB1.82	RMB1.25	RMB1.09	RMB0.69	**RMB0.63**
Full year dividend	HK$0.40	HK$0.30	HK$0.20	HK$0.12	**HK$0.10**

Non-GAAP financial measure of non-recurring gains and/or losses:

Adjustment related to the Group's fair value change on financial asset investments and derivative financial instruments upon discontinued hedge relationship, as disclosed in the annual report of reception years:

	2019	2020	2021	2022	**2023**
i. Fair value change on derivative financial instruments upon discontinued hedge relationships	–	–	5,155	–	**–**
ii. (Deduct the fair value gains) add back the losses on financial assets at fair value through profit and loss	(19,234)	–	–	–	**6,724**
Non-GAAP measure of recurring profit before taxation, as adjusted	2,533,188	1,647,599	1,418,031	860,679	**829,585**
Non-GAAP measure of recurring profit attributable to owners of the Company, as adjusted	2,203,141	1,506,707	1,321,434	821,305	**747,094**
Non-GAAP measure of basic recurring EPS, as adjusted	RMB1.82	RMB1.25	RMB1.09	RMB0.69	**RMB0.63**

5-Year Financial Summary

ASSETS AND LIABILITIES	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
	As at 31 December				
Total assets	34,207,292	38,911,308	42,022,068	40,343,258	**38,910,783**
Total liabilities	(14,846,300)	(17,090,473)	(19,520,068)	(18,147,643)	**(16,539,514)**
Net assets	19,360,992	21,820,835	22,502,000	22,195,615	**22,371,269**
Attributable to:					
Owners of the Company	19,351,193	21,158,741	21,810,666	21,656,245	**21,881,452**
Non-controlling interests	9,799	662,094	691,334	539,370	**489,817**
	19,360,992	21,820,835	22,502,000	22,195,615	**22,371,269**

Investors Information

STOCK CODES

HKEx: 2018
Bloomberg: 2018: HK
Reuters: 2018.HK
ISIN: KYG2953R1149

2024 Note: 40075
2026 Note: 40699
2031 Note: 40700

MAJOR MARKET INDEXES

I. Hang Seng Indexes Company Limited Sub-indexes:
  – Composite MidCap Index
  – Composite Industry Index (Industrials)
  – SCHK China Technology Index

II. Hang Seng ESG Indexes:
  – Corporate Sustainability Benchmark Index

III. Constituent stock of the FTSE4Good Index

IV. MSCI China Index:
  – China ESG Universal Index
  – MSCI China ESG Leaders Index

MARKET CAPITALIZATION AND SHARE PRICE PERFORMANCE

As at 31 December 2023, the market capitalization of listed Shares of the Company was approximately HK$27.81 billion or US$3.56 billion based on the total number of 1,198,500,000 issued Shares of the Company and the closing price of HK$23.20 per Share.

The daily average number of traded Shares was approximately 6.14 million Shares over an approximate free float of 700.58 million Shares in 2023. The average closing price was HK$17.49 per Share, a decrease of 2.14% when compared with the average of 2022. The highest closing price was HK$24.00 per Share on 18, 19 December 2023 and the lowest was HK$13.00 per Share on 26 September 2023.

Based on 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 2023 and has continued to maintain the public float as at the date of this annual report.

KEY DATES FOR SHAREHOLDERS

20-23 May 2023	Book Closure Period for AGM
23 May 2024	2024 AGM
August 2024	2024 Interim Results Announcement

Any changes to these dates in 2024 will be published on the websites of the Stock Exchange and the Company.

FINANCIAL REPORTS

The Company's financial reports are published in English and Chinese language and are available on the Company's website at www.aactechnologies.com and on the designated website of Hong Kong Exchange and Clearing Limited at www.hkexnews.hk. If Shareholders have any difficulty in receiving or gaining access to the financial reports posted on the Company's website for any reason or wish to receive the financial reports in printed form, please write to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by email to aac.ecom@computershare.com.hk. The Company will promptly upon request send the printed version of the financial reports free of charge.

Investors Information

CONTACT INVESTOR RELATIONS

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Official IR Wechat Group:

Definition and Glossary

Abbreviations	Meanings
General	
2016 Share Award Scheme	The Employee's Share Award Scheme adopted by the Board on 23 March 2016
2016 Scheme Trustee	Bank of Communications Trustee Limited, an independent trustee appointed by the Company for managing the 2016 Share Award Scheme
2023 Share Award Scheme	The Employee's Share Award Scheme adopted by the Board on 17 April 2023
2023 Scheme Trustee	BOCI Trustee (Hong Kong) Limited, an independent trustee appointed by the Company for managing the 2023 Share Award Scheme
AAC/AAC Technologies/the Company	AAC Technologies Holdings Inc.
AAC Optics	AAC Optics (Changzhou) Co., Ltd. (辰瑞光學(常州)股份有限公司)
AAC Optics Group	AAC Optics and its subsidiaries
AAC TIC	AAC Technology Information Consultancy (Changzhou) Co., Ltd. (瑞聲科技信息諮詢(常州)有限公司)
ACM	Association for Computing Machinery
AGM	Annual General Meeting
ARC	Audit and Risk Committee
Articles	The articles of association of the Company
ASP(s)	Average selling price
Board	The Board of directors of the Company
Board Committees	Committees of the Board
CAPEX	Capital expenditure
CCASS	Central Clearing and Settlement System
CEO	Chief Executive Officer
CG Code	Corporate Governance Code
Code Provision(s)	Code Provisions of the CG Code
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	Novel Coronavirus
CSR	Corporate Social Responsibility
CSRC	The China Securities Regulatory Commission
Deloitte	Messrs. Deloitte Touche Tohmatsu
Director(s)	The director(s) of the Company
EBITDA	Profit (Earnings) before interest, tax, depreciation and amortization
ECL	Expected credit losses
ED	Executive Director
EGM	Extraordinary General Meeting
EIT Law	Law of the PRC on Enterprise Income Tax
EPS	Earnings per share

Definition and Glossary

Abbreviations	Meanings
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
FY 2022	Fiscal year of 2022
FY 2023	Fiscal year of 2023
GRI	Global Reporting Initiative
HKEx/Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
HKICPA	Hong Kong Institute of Certified Public Accountants
HKSAs	Hong Kong Standards on Auditing
HNTE	High-New Technology Enterprises
Hong Kong Companies Ordinance/CO	The Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Hong Kong Listing Rules/Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
HR	Human Resources
IAS	International Accounting Standards
IDC	International Data Corporation
IEEE	Institute of Electric and Electronic Engineers
IFRS(s)	International Financial Reporting Standards
INED(s)	Independent non-executive Director(s)
IR	Investor Relations
ISO 14001	The International Standard that specifies requirements for an effective environmental management system (EMS)
ISO 27001	The International Standard that sets out the specification for an information security management system (ISMS)
IT	Information Technology
Memorandum	Memorandum of Association of the Company
MD	Managing Director
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers under Appendix C3 to the Hong Kong Listing Rules
MSCI	Morgan Stanley Capital International
NC	Nomination Committee
NED	Non-executive Director
Ordinary Shares	Ordinary shares in the capital of the Company
P/S	Price-to-Sales
PSS	Premium Sound Solutions
RC	Remuneration Committee
ROA	Return on average total assets
ROE	Return on average equity

Definition and Glossary

Abbreviations	Meanings
R&D	Research & Development
Sellers	Acoustics Solutions Holding B.V. and Stichting Administratiekantoor Acoustics Solutions International
SFO	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
Shareholders	The shareholders of the Company
Shares	the ordinary share(s) of US$0.01 each in the share capital of the Company
Suzhou Speed	Suzhou Speed Communication Technology Limited (蘇州碩貝德通信科技有限公司), which was renamed as TRM Precision Manufactory (Suzhou) Ltd. (泰瑞美精密制造(蘇州)有限公司) on 11 May 2022
SWG	Sustainable Working Group
Target	Acoustics Solutions International B.V.
Target Group	Acoustics Solutions International B.V. and its subsidiaries
The Group	AAC Technologies Holdings Inc. and its subsidiaries
The Code	HKICPA's Code of Ethics for Professional Accountants
1H 2023	The first half of 2023
2H 2023	The second half of 2023
HoH	Half-year-on-half-year
YoY	Year-on-year
ppts	Percentage points
America/US	The United States of America
China/PRC	The People's Republic of China
Hong Kong	Hong Kong Special Administrative Region
HKD/HK$	Hong Kong dollars, the lawful currency of Hong Kong
RMB	Renminbi, the lawful currency of PRC
GBP	Great Britain pound, the lawful currency of Britain
SGD	Singapore dollars, the lawful currency of the Republic of Singapore
USD/US$	US Dollars, the lawful currency of United States
Industry	
AR	Augmented Reality
COBIT	Control Objectives for Information and related Technology
LDS	Laser Direct Structuring
LiDAR	Light detection and ranging
MEMS	Micro Electro-Mechanical Systems
OIS	Optical Image Stabilizer
RF	Radio Frequency
SLS	Super Linear Structure
TWS	True Wireless Stereo
VCM	Voice Coil Motor
VR	Virtual Reality
WLG	Wafer-level glass
XR	Extended Reality

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