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

2024
ANNUAL REPORT

AAC Technologies

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 sensational experiences, 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. 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

In the event of any inconsistency between the English version and the Chinese version of this annual report, the English version shall prevail.

This annual report is printed on environmentally friendly paper.

PRINTED WITH SOY INK

Contents

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

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Pan Benjamin Zhengmin (Chief Executive Officer)
Mr. Mok Joe Kuen Richard (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 (Committee Chairman)
Mr. Peng Zhiyuan
Mr. Zhang Hongjiang

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

SUSTAINABILITY COMMITTEE

Mr. Mok Joe Kuen Richard (Committee Chairman)
Mr. Kwok Lam Kwong Larry
Mr. Pan Kaitai Kelvin (Executive Vice President)
Mr. Peng Zhiyuan
Ms. Wu Ingrid Chun Yuan

AUTHORIZED REPRESENTATIVES

Mr. Pan Benjamin Zhengmin
Mr. Mok Joe Kuen Richard

JOINT COMPANY SECRETARIES

Ms. Guan Muyi
Mr. Ho Siu Tak Jonathan

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Herbert Smith Freehills
JunHe

PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

22 Tampines Industrial Crescent #03-01,
Singapore 528607

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2601, 26th Floor,
One Hennessy, 1 Hennessy Road,
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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

DBS Bank Limited
The Hongkong and Shanghai Corporation Limited
Bank of China Limited
Industrial and Commercial Bank of China Limited
Agriculture Bank of China Limited
China Construction Bank Limited
Bank of Communications Corporation
Ping An Bank Co., Ltd
Standard Chartered Bank
China Merchants Bank Co., Ltd

STOCK CODE

2018

WEBSITE

www.aactechnologies.com

FINANCIAL YEAR END

31 December

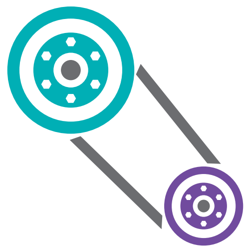
Core Development Strategies

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	Automotive 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 7.4% of revenue in 2024, the Group has set up 19 R&D centers all over the world, with 4,505 R&D talents, and, by 31 December 2024, obtained 5,112 patents, as well as an addition of 2,752 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 (including WLG technology and hybrid lens technology), acoustics, haptics, precision mechanics, MEMS and automotive acoustics systems 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 all 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)

27,328

+33.8% YoY

EBITDA
(RMB million)

5,553

+32.8% YoY

Earnings Per Share
(RMB)

1.53

+142.9% YoY

Free cash flow
(RMB million)

2,954

-22.4% YoY

CAPEX/EBITDA

42.0%

+9.0ppts YoY

Per capita output
(RMB)

733,193

+7.4% YoY

Net asset
(RMB million)

23,117

+3.3% YoY

Net gearing ratio

3.8%

-1.3ppts YoY

ROE

8.1%

+4.7ppts YoY

Financial Highlights

Summary of Past 5-Year Operating Financial Data

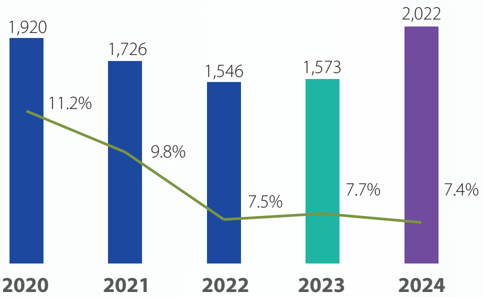
	Year ended 31 December					2024 vs 2023
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000	**2024 RMB'000**	YoY Increase /(Decrease)
Revenue	17,140,219	17,666,967	20,625,092	20,419,072	**27,328,304**	33.8%
Depreciation and Amortisation	2,477,529	2,702,161	2,986,999	2,968,817	**3,145,724**	6.0%
Finance costs	352,558	415,465	403,084	390,824	**417,160**	6.7%
Net profit attributable to owners of the Company	1,506,707	1,316,279	821,305	740,370	**1,797,230**	142.7%
EBITDA	4,477,686	4,530,502	4,250,762	4,182,502	**5,553,380**	32.8%
CAPEX	(5,087,990)	(3,548,248)	(1,847,510)	(1,378,458)	**(2,331,518)**	69.1%
Taxation paid	(261,953)	(216,633)	(303,514)	(246,098)	**(303,848)**	23.5%
Changes in working capital	(527,278)	(2,123,494)	420,039	1,247,167	**36,225**	(97.1%)
Free cash flow	(1,399,535)	(1,357,873)	2,519,777	3,805,113	**2,954,239**	
Gross margin	24.7%	24.7%	18.3%	16.9%	**22.1%**	5.2ppts
R&D expenses to Revenue	11.2%	9.8%	7.5%	7.7%	**7.4%**	(0.3ppts)
ROA	4.1%	3.3%	2.0%	1.9%	**4.2%**	2.3ppts
ROE	7.4%	6.1%	3.8%	3.4%	**8.1%**	4.7ppts
Per capita output (Revenue/Employees)	508	470	742	682	**733**	7.4%
Net gearing ratio	2.2%	8.9%	6.2%	5.1%	**3.8%**	(1.3ppts)
Current ratio	1.80	1.86	1.89	1.63	**1.45**	(18.0ppts)
CAPEX/EBITDA	113.6%	78.3%	43.5%	33.0%	**42.0%**	9.0ppts

Global Presence

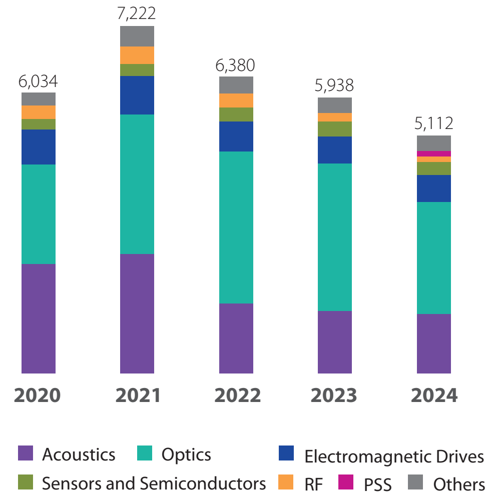
R&D

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

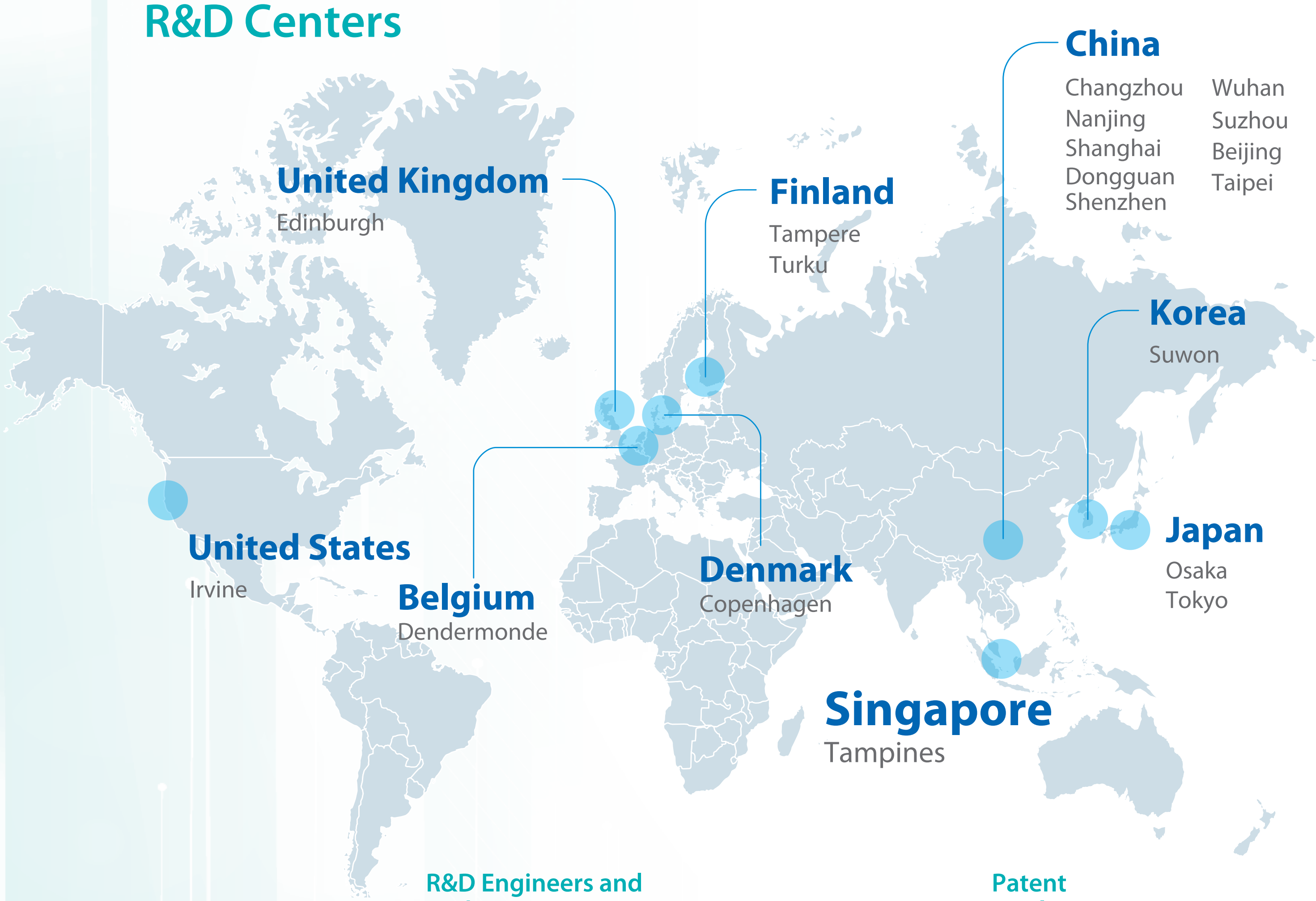
(RMB million or %)



Patents by Segments



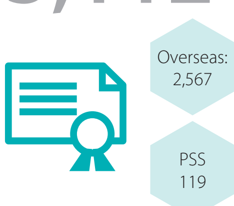
R&D Centers



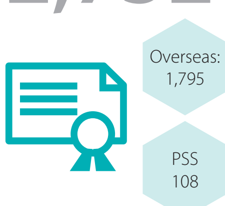
R&D Centers
19

R&D Engineers and Technicians
4,505

Patents
5,112

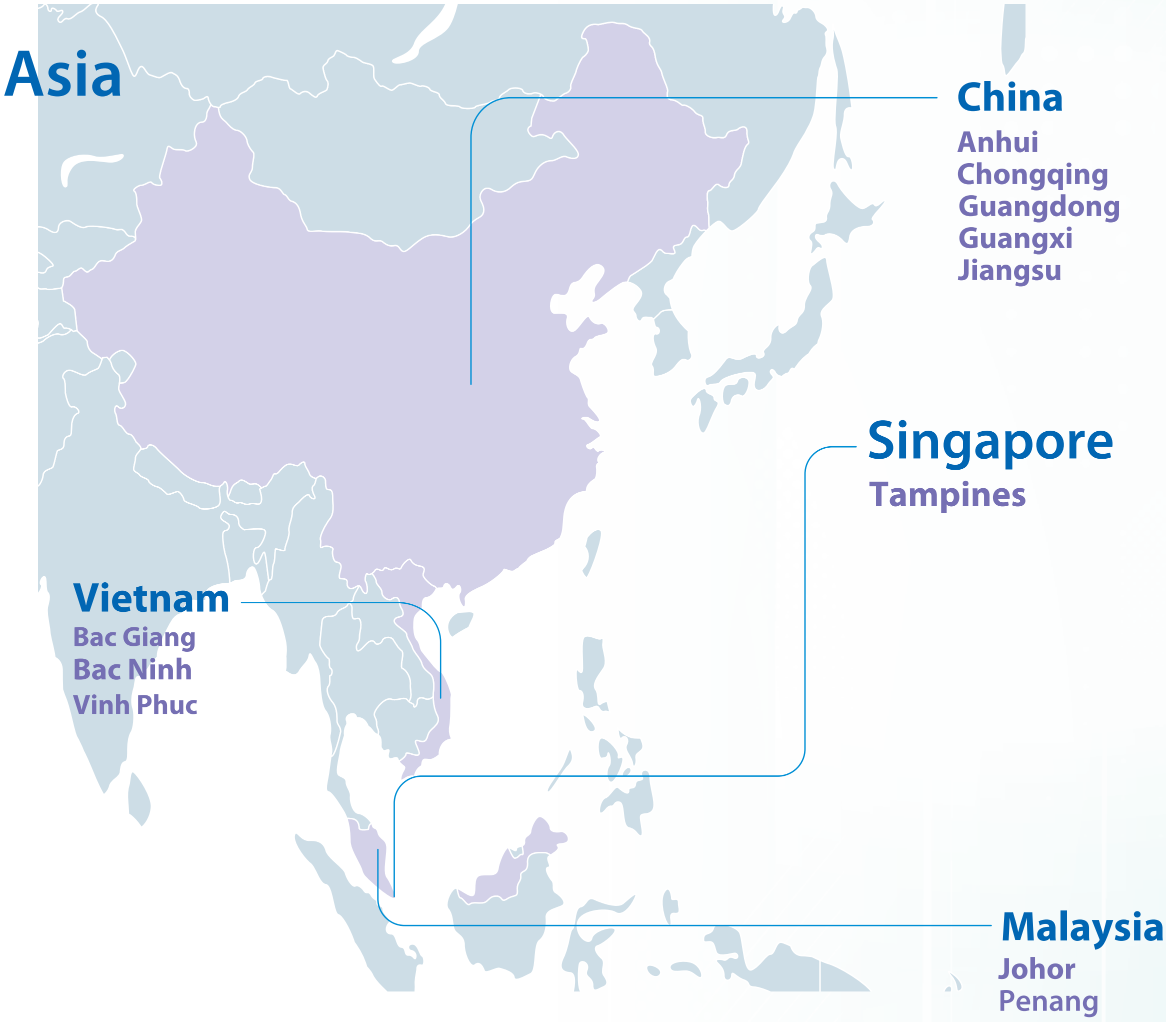


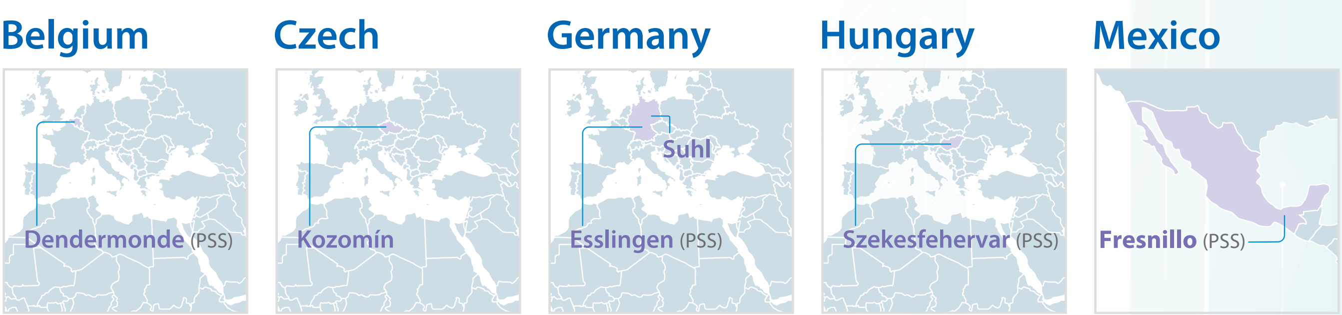
Patent Applications
2,752



Global Presence

Diversified Manufacturing Bases





Milestones

1993
Shenzhen Yuanyu, manufactured miniature acoustic components

2005
IPO on the Hong Kong 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.

2024
Launched the industry's first pop-out camera driving module for smartphones

CEO Statement

Through our dedication to technological innovation across various application scenarios, including acoustics, optics, electromagnetics, and precision mechanics, the Group leverages its strengths in both hardware and software to provide global partners with customised solutions in specific application scenarios. We will continue to deliver superior sensory experiences in consumer electronics, automotive, augmented reality ("AR"), virtual reality ("VR"), robotics, and other AI-driven technologies.

2024 marked a year of significant progress in the Group's core businesses. With a more supportive industry backdrop, combined with a continuous focus on technological innovation and operational efficiency, the Group has returned to a healthy growth trajectory. The Group's revenue has reached a historical new high, and profitability has also regained a notable growth momentum. The Group has enabled the continuous incubation of technology platforms through an efficient and streamlined organizational structure, achieving significant breakthroughs across all core businesses. These include innovative advancements in the acoustics business, improved profitability in the optics business, rapid revenue growth in the electromagnetic drives and precision mechanics business, the heat dissipation business unlocking even greater growth potential, and progress in both consumer electronics and automotive sectors. Meanwhile, key financial indicators remained robust, with operating cash inflows of RMB5.20 billion and historically lowest inventory turnover days, contributing to greater stability in the Group's business foundation.

Apart from the recovery in the global smartphone market and trend in specification upgrades, the successful completion of the first tranche of the acquisition of Premium Sound Solutions ("PSS") in February 2024 also positively contributed to the Group's profit and provided new momentum for the Group's development in the automotive market.

In the consumer electronics sector, innovation is boundless. The Group has capitalised on the trend and is committed to staying at the forefront of technological development and driving product upgrades. Our acoustic-electromagnetic products have maintained a leadership position, with ultra-thin products gaining significant customer recognition. The Group also pursued opportunities in new strategic markets, accelerating the deployment of our products in retractable camera modules and robotic joints. Optics business revenue surged by 37.9% year-on-year ("YoY"), driven by the sustained growth of high-value product shipments, such as high-end plastic lenses, glass-plastic hybrid lenses, micro-prisms, and optical image stabilization ("OIS") modules. Simultaneously, several subsegments of the precision mechanics business have made good progress. The Group deployed a range of ultra-thin high-performance vapor chambers by aligning with customers' innovation roadmaps. In addition, the laptop enclosure business has experienced strong revenue growth, and the Group's exclusive supply of tri-fold smartphone metal casings highlights our advanced precision manufacturing capabilities. In the automotive sector, the Group partnered with PSS to expand key businesses and accelerate market penetration in the global automotive sector. Our high-value, differentiated automotive algorithms have secured key projects, continuously providing customers with thinner, more immersive vertical integrated solutions.

In the area of robotics, as a leader in sensory experience solutions with extensive expertise in speakers, microphones, heat dissipation, and camera modules, the Group has successfully supplied microphones to top-tier robotics customers. The Group is also actively expanding into the robot actuator market, including dexterous hands, linear actuators, rotary actuators, and coreless motors, while building vertical integration capabilities encompassing components, system-level large-scale modules and software algorithms.

Looking ahead, we will actively embrace the opportunities presented by emerging technological trends, such as artificial intelligence ("AI"), new energy vehicles ("NEVs"), AR/VR, robotics, etc. We will accelerate the incubation of new product forms and build a diversified business growth engine. We will continue to develop our internal and external capabilities, promote lean management, and enhance operational efficiency. By adhering to technological innovation, we will strengthen our core competitiveness. While promoting the high-quality development of the industry, we will create greater value for customers and bring long-term and stable returns to shareholders.

Pan Benjamin Zhengmin
Chief Executive Officer

20 March 2025

Business and Market Review

In 2024, the global smartphone market saw a demand rebound, with leading smartphone Original Equipment Manufacturer ("OEM") brands driving continuous innovation through AI technologies. According to preliminary statistics from International Data Corporation ("IDC"), global smartphone shipments in 2024 increased by 6.4% YoY, reaching approximately 1.24 billion units. The Group achieved a record total revenue of RMB27.33 billion, representing a 33.8% growth YoY. This was driven by significant contributions from the optics business, the precision mechanics business, and the acoustics business. The new automotive & consumer acoustics products business also contributed revenue of RMB3.52 billion, further expanding the Group's business scope and revenue streams. The Group's gross profit margin expanded to 22.1%, reflecting a 5.2 percentage points ("ppts") increase YoY. This improvement stemmed from an optimized product mix across all business segments, coupled with the Group's efforts in lean operations. By refining the management of production processes, supply chains, and internal operations, the Group enhanced operational efficiency notably and optimized expenses continuously. Net profit attributable to owners of the Group increased by 142.7% YoY, reaching RMB1.80 billion, highlighting the Group's notable improvement in profitability.

For the year under review, the Group's operating cash inflow amounted to RMB5.20 billion, improving by 12.3% YoY, with capital expenditure ("CAPEX") totaling RMB2.33 billion. As at 31 December 2024, the Group's net gearing ratio stood at 3.8%, with cash on book of RMB7.54 billion. The inventory turnover days improved to approximately 60 days, representing a reduction of around 20 days from 80 days as of 31 December 2023. The strong operating cash inflow on the back of continued improvement in operational efficiency, along with stringent CAPEX policy, helps to boost the liquidity position post PSS acquisition.

In line with the dividend payout ratio of 15%, the Board of Directors proposed to declare a final dividend of HK$0.24 per share for FY 2024 (FY 2023: HK$0.10 per share), implying a total annual dividend amounted to HK$0.24 per share for FY 2024 (FY 2023: HK$0.10 per share). 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 the second half of 2024 ("2H 2024"), the Group's acoustics business revenue was RMB4.75 billion, up 13.8% YoY and 37.4% half-year-on-half-year ("HoH"), respectively. The gross profit margin was 30.4%, up 0.5 ppts HoH. In 2024, the Group's acoustics business achieved revenue of RMB8.21 billion, up 9.5% YoY, mainly driven by the recovery in downstream demand, increased market share among key customers, and the integration of high-end acoustic platforms into more major smartphone models. The gross profit margin in 2024 was 30.2%, up 1.8 ppts YoY.

The Group has demonstrated a strong edge in the mid-to high-end acoustic market, with its market share steadily expanding and its leading market position further consolidated. With years of dedication and continuous investment in acoustic technology innovation, the Group has continued to expand the breadth of the acoustics offering, developing comprehensive capabilities that integrate hardware, algorithm optimization, and professional tuning services. This adaptability to the complex application requirements of smart devices in various scenarios has become a key driver for the Group to lead the ongoing advancements in the acoustics industry.

Additionally, the Group has achieved remarkable results in optimizing the product mix. The master-level super linear speakers ("SLS"), known for their slim design and exceptional sound quality, have seen rapid growth, with the annual shipment volume close to 30 million units, representing a YoY increase of over 120%. The Group has also launched the first coaxial speaker, the Ultimate Speaker, which features Hi-Fi sound quality, improving performance in both high and low frequencies by innovatively sharing the magnetic circuit. These products have further strengthened the Group's position in the premium acoustics market. Moreover, the Combo series, which integrates acoustic and electromagnetic technologies, has achieved a shipment volume of approximately 5.3 million units, with a YoY growth of nearly 140%, offering customers both innovative and practical solutions, and meeting diverse needs in product design and functionality.

Furthermore, the Group is strategically expanding into non-smartphone acoustics. For example, with the accelerated promotion of AI glasses in 2024, the Group launched a series of distinctive speaker products. These acoustic products, tailored to a broad array of downstream application scenarios and technical requirements, are being adopted by various smart glasses brands. They not only deliver a clear, layered stereo sound, but also address end consumers' needs for private calls and sound leakage prevention, laying a solid foundation for the Group's future expansion into the multi-category smart device market.

Automotive Acoustics Business

(PSS - automotive & consumer acoustics products Business)

In 2024, the Group's automotive acoustics business made significant strides in a fiercely competitive automotive market, achieving a revenue of RMB3.52 billion and a gross profit margin of 24.8%. This accomplishment reflects the substantial synergy between the Group and PSS. Following the completion of the acquisition, the Group has consolidated resources to establish a vertically integrated solution encompassing loudspeakers, amplifiers, algorithms, and professional tuning services. This comprehensive solution delivers one-stop services spanning product development, manufacturing, and post-deployment optimization, significantly enhancing customer retention rates while accelerating business expansion within the automotive acoustics market. With PSS' high-quality products and extensive customer network, it has secured a significant market share among top-tier European and U.S. automakers, cementing the Group's strong presence in the global automotive acoustics industry. In the meantime, in the domestic market, the Group and PSS' automotive acoustic products have been continuously delivered to flagship models of leading NEV brands including Li Auto, Geely, Xiaomi, and XPeng, etc. Notably, the automotive-grade non-linear control ("NLC") Pro algorithm has also won its first design-win with a leading global luxury automotive brand.

Performance and Development of Business Segments

Optics Business

In 2H 2024, the optics business revenue was RMB2.79 billion, up 50.2% YoY and 26.0% HoH, benefitting from the continuous upgrades in the smartphone optics industry, a notable rise in market share within the camera module business, and the successful premiumization of the plastic lens. The gross profit margin was 7.9%, improving by 17.1 ppts YoY and increasing by 3.2 ppts HoH. For 2024, the optics business recorded a revenue of RMB5.0 billion, up 37.9% YoY. The gross profit margin saw a significant increase of 19.5 ppts YoY, reaching 6.5%.

In 2024, shipments of 6P and above lenses continued to rise, with the shipment share of 6P lenses exceeding 18% in the second half of 2024. It is expected that the shipment share of high-end lenses with 6P or higher will continue to increase in 2025. Among these, shipments of 7-element lenses (including plastic lenses and G+P hybrid lenses) reached around 3.50 million units in 2024, and will grow by multiple times in 2025, further strengthening the Group's presence in the high-end optics market. In terms of camera modules, significant increases in both shipment volume and average selling price ("ASP") led to a notable revenue growth of 55.2% YoY in 2024. Modules with over 32 megapixels accounted for 32.0% of the total shipment volume, up nearly 4 ppts YoY. Furthermore, the Group is actively planning its future roadmap and closely collaborating with customers to research more advanced camera modules, such as periscope modules and Sensor Shift modules. In 2024, the yield rate of the wafer-level-glass ("WLG") increased steadily, laying a solid foundation for the Group to secure more design-wins for smartphone models. With benefits including larger aperture sizes, higher resolution, reduced thickness, and structural advantages, WLG continues to deliver exceptional optical performance to end consumers. WLG also offers a unique advantage in integrated unibody molding for manufacturing micro-prisms, significantly enhancing production efficiency and precision. Related products have gained customer recognition and obtained new design-wins. Going forward, the Group is expected to introduce micro-prism products to more smartphone models as periscope modules become more widely adopted in smartphones. The Group also made headway in non-smartphone optics: in automotive optics, the Group developed lenses for intelligent driving applications, such as Advanced Driver Assistance Systems ("ADAS") and surround-view systems, as well as lenses for intelligent cockpits, including Driver Monitoring Systems ("DMS") and Occupant Monitoring Systems ("OMS"). A high-specification project in collaboration with overseas leading NEV customers is about to enter mass production, laying a solid foundation for the Group to achieve leapfrog growth in the automotive optics sector. Regarding XR optics, the Group is actively exploring opportunities in diffractive waveguides and optical engines. Notably, the Group has established an exclusive strategic partnership with a leading global design company in optical waveguides. A mass production line for optical waveguides based on semiconductor etching processes has completed mass production adjustment, with multiple customer projects already designated and currently under development and delivery. Additionally, products like AI cameras and wide field-of-view ("FOV") AR modules have also been selected for multiple customer projects and are set to enter mass production within the year.

Electromagnetic Drives, Precision Mechanics, and Other Related Business

In 2H 2024, the revenue of this consolidated segment increased by 31.3% YoY and 67.0% HoH to RMB6.07 billion. The gross profit margin was 23.4%, up 2.7 ppts YoY and 0.4 ppts HoH, respectively. In 2024, this combined segment recorded a revenue of RMB9.71 billion, up 17.8% YoY, driven by the large-scale adoption of products such as x-axis motors, smartphone casings, metal hinges, and vapor chambers ("VCs") in customers' flagship and foldable phones. The gross profit margin stood at 23.3%, up 3.2 ppts YoY, mainly driven by a significant enhancement in the gross profit margin of the smartphone casing business and increased revenue contribution from other high-margin products.

During the reporting period, the Group exclusively supplied the industry's first retractable lens motor module to a key customer and participated in the side button upgrade for a major customer. Simultaneously, development of products such as dexterous hands, joint motors, and reducers based on electromagnetic drive platform technology is in good progress, demonstrating the Group's ability to expand our technology in highly integrated compound modules. In the area of optical transmission, the Group focused on advanced stabilisation functions such as OIS and Sensor Shift, and is currently conducting preliminary research on VCM products for three-axis closed-loop OIS modules with large sensor size, aiming to drive the vertical integration of the camera module business.

Performance and Development of Business Segments

In 2024, the revenue of the precision mechanics business witnessed substantial growth, with a continuous improvement in the gross profit margin driven by enhanced lean operations. The Group's smartphone casing business continued to penetrate more mid-to high-end models and foldable phones, achieving revenue growth of nearly 24% YoY. This positions the Group as a leading supplier of metal casings for Android smartphones. In 2024, the Group's revenue from heat dissipation products reached RMB326 million, up 40.1% YoY. As a leading global provider of smartphone thermal management solutions, the Group capitalizes on its advanced technologies and strong delivery capabilities. The Group's ultra-thin, multi-layered, and high-performance VC products have gained high recognition from major customers. The Group will further strengthen technological innovation, actively respond to major customers' upgrading needs, and foster tremendous new growth drivers for heat dissipation solutions. For laptop enclosure business, driven by significant advancement in new high-value projects and the rebounding PC market demand, the revenue reached RMB1.35 billion, up 53.3% YoY.

Sensor and Semiconductor Business

In 2H 2024, the sensor and semiconductor ("SSE") business revenue was RMB384 million, down by 27.7% YoY. The gross profit margin was 14.9%, down slightly by 0.8 ppts YoY. In 2024, the SSE business achieved revenue of RMB773 million, a decline of 24.6% YoY, mainly due to the product strategy adjustment and the transition cycle between old and new projects, with an emphasis on promoting high-performance products in the future. The gross profit margin improved to 15.6%, up 2.0 ppts YoY, benefiting from the increased revenue contribution from high-margin products utilizing the Group's in-house technology.

The Group has focused on high signal-to-noise ratio ("SNR") microphones, maintaining a leading market share in mid-to-high-end smartphones while successfully starting shipments in emerging sectors including humanoid robots, AI glasses, and automotives. During the reporting period, the Group successfully implemented high-value projects with key overseas customers, further establishing new growth drivers for the business. Meanwhile, the Group's premiumisation strategy has proven successful, with the shipment proportion of mid-to high-end Android MEMS microphones increasing significantly YoY and reaching over 60%. Going forward, the Group's high-SNR microphone solutions are poised for new growth opportunities, driven by escalating demand for voice-enabled interactions in intelligent devices as AI technology continues to mature and proliferate across applications.

STRATEGY OUTLOOK

Looking ahead, the accelerated deployment of "edge AI" directly on local edge devices presents major opportunities for technological transformation in the consumer electronics sector. Additionally, the markets for NEVs, AR/VR, and robotics will also exhibit a diversified and high-growth trend, with the importance of sensing technology products becoming increasingly prominent and presenting even broader development prospects. Aligned with this trend, the Group remains committed to technological innovation and will leverage AI to deepen its market presence and explore new frontiers. Through global layout and diversified product line expansion, the Group aims to lead innovation in sensing technologies, reach new heights, and deliver greater value to shareholders and customers.

Financial Review

Revenue

In 2024, the Group's revenue increased YoY by 33.8% to RMB27.33 billion. Owing to the factors discussed under "BUSINESS AND MARKET REVIEW" above, the substantial revenue growth was primarily driven by an additional RMB3,494.6 million in revenue from PSS-related business and an increase of RMB3,414.7 million from existing business (excluding PSS-related activities). Revenue from the electromagnetic drives and precision mechanics, optics, and acoustics business increased by RMB1,464.5 million, RMB1,373.0 million, and RMB714.9 million respectively, while revenue from sensor and semiconductor business declined by RMB251.7 million.

Gross Profit and Gross Profit Margin

In 2024, gross profit reached RMB6.04 billion, reflecting a 75.0% increase from the gross profit of RMB3.45 billion in 2023. This growth was primarily driven by an additional gross profit of RMB875 million from PSS-related business, along with an improved gross profit margin and higher revenue from existing business.

Gross profit margin increased to 22.1% in 2024 as compared with 16.9% in 2023. This improvement was supported by margin improvement across all business segments, with the optics segment notably achieving a positive gross margin.

Other Income and Expenses, Gains and Losses

Net other income and expenses, gains and losses decreased by RMB437 million, primarily due to a reduction in gains from the repurchase of unsecured notes by RMB138 million, a decrease in government grants by RMB123 million, an increase in disposal losses on property, plant, and equipment by RMB44 million, and a loss of RMB26 million from fair value changes in derivative financial instruments.

Administrative Expenses

Administrative expenses in 2024 were RMB1,270 million, 29.9% higher compared with RMB978 million in 2023. The increase was mainly contributed by the PSS acquisition and the increase in discretionary bonus as a result of improved performance.

Distribution and Selling Expenses

Distribution and selling expenses in 2024 were RMB670 million, 51.3% higher compared with RMB443 million in 2023. The increase was mainly contributed by enhanced sales force for new business development.

Research and Development Expenses

Research and Development ("R&D") expenses in 2024 were RMB2,022 million, increased by 28.5% compared with RMB1,573 million in 2023. The increase was mainly contributed by additional investment in new R&D projects for product upgrades and new businesses like automotive acoustics and AR/VR.

Finance Costs

Finance costs in 2024 were RMB417 million, 6.7% higher compared with RMB391 million in 2023. The increase was mainly due to interests on additional bank loans under PSS.

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 2024 amounted to RMB227 million, representing a decrease of 10.0% from RMB252 million in 2023. The reduction was primarily driven by the utilization and recognition of previously unrecognized tax losses, partially offset by higher profit taxes.

Financial Review

Profit attributable to the Owners of the Company

Reported profit attributable to the owners of the Company for 2024 was RMB1,797 million, an increase of 142.7% compared with RMB740 million in 2023. The increment was mainly due to the raise of gross profit, whilst partly offset by the increase in operating costs, the decrease in net other income/gains and loss attributed to non-controlling interests.

Earnings before Interest, Taxes, Depreciation and Amortization

As compared with last year, the EBITDA for 2024 increased by 32.8% to RMB5,553 million compared with RMB4,183 million in 2023.

Final Dividend

In line with the dividend payout ratio of 15%, the Board of Directors proposed to declare a final dividend of HK$0.24 per share for FY 2024 (FY 2023: HK$0.10 per share), implying a total annual dividend amounted to HK$0.24 per share for FY 2024 (FY 2023: HK$0.10 per share). The Group will remain prudent in financial management and strong in cash flow for business development, to create long-term value for shareholders.

Subject to Shareholders' approval at the forthcoming annual general meeting to be held on 22 May 2025, the said final dividend will be payable to Shareholders of the Company, whose names appear on the register of members of the Company on 30 May 2025. Payment will be made on or about 19 June 2025.

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	
	2024	2023
	RMB million	RMB million
Net cash from operating activities	**5,202.8**	4,632.5
Net cash used in investing activities	**(3,485.0)**	(1,511.8)
Net cash used in financing activities	**(1,024.8)**	(3,170.6)

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 RMB5,202.8 million for 2024 (2023: RMB4,632.5 million).

Financial Review

i. Trade Receivables and Payables

As at 31 December 2024, turnover days of trade receivables increased by 1 day to 87 days as compared to 31 December 2023. Trade receivables increased by RMB2.38 billion to RMB7.74 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 RMB7,571.5 million (31 December 2023: RMB5,197.8 million), RMB152.8 million (31 December 2023: RMB150.0 million) and RMB14.5 million (31 December 2023: RMB14.3 million) respectively. The Company has received subsequent settlement totaling RMB3,822.2 million up to 28 February 2025, representing 49.4% of the total amount outstanding, net of allowances, as at the end of the reporting period.

The Group's trade payables turnover days increased by 16 days to 95 days as compared to 31 December 2023. Trade payables increased by RMB2.90 billion to RMB6.96 billion. Aging of trade payables based on invoice dates between 0–90 days, 91–180 days and over 180 days were RMB5,831.3 million (31 December 2023: RMB3,366.3 million), RMB1,055.9 million (31 December 2023: RMB674.0 million) and RMB76.5 million (31 December 2023: RMB20.4 million) respectively.

ii. Inventory Turnover

As at 31 December 2024, the inventories have increased by RMB0.95 billion compared to 31 December 2023. The inventory turnover days decreased to approximately 60 days as at 31 December 2024 from 80 days for 31 December 2023.

Investing Activities

Net cash used in investing activities in 2024 amounted to RMB3,485.0 million (2023: RMB1,511.8 million). It mainly represented the cash used in CAPEX of RMB2,070.9 million (2023: RMB1,363.9 million), and acquisition of a subsidiary of RMB1,472.8 million (2023: Nil), and addition of intangible assets of RMB139.1 million (2023: RMB176.0 million), offset by the cash inflows arising from the interest received of RMB186.5 million (2023: RMB191.7 million).

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 2024 and 2023, total CAPEX incurred were RMB2,331.5 million and RMB1,378.5 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 is 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 RMB1,024.8 million for 2024 (2023: RMB3,170.6 million), which was due to major outflows from repayment of bank loans and unsecured notes of RMB5,575.4 million (2023: RMB5,644.6 million), interest paid of RMB370.9 million (2023: RMB310.8 million), return of capital contributions from non-controlling interests of a subsidiary and settlement of contingent settlement provision of RMB235.7 million (2023: RMB1,449.0 million), shares repurchased of RMB203.2 million (2023: RMB353.8 million), repayment of lease liabilities of RMB114.4 million (2023: RMB74.0 million), and dividends paid of RMB103.6 million (2023: RMB130.3 million), and major inflows was due to bank loans raised of RMB5,551.0 million (2023: RMB4,824.6 million).

Financial Review

Cash and Cash Equivalents

As at 31 December 2024, the unencumbered cash and cash equivalents of the Group amounted to RMB7,538.2 million (31 December 2023: RMB6,824.5 million), of which 48.7% (31 December 2023: 65.2%) was denominated in US dollar, 44.6% (31 December 2023: 30.5%) in RMB, 2.6% (31 December 2023: 0.5%) in Euros, 1.6% (31 December 2023: 0.5%) in Vietnamese Dong, 1.1% (31 December 2023: 1.7%) in Singapore dollar, 0.5% (31 December 2023: 0.6%) in Hong Kong dollar, and 0.9% (31 December 2023: 1.0%) in other currencies.

Gearing Ratio and Indebtedness

As at 31 December 2024, the Group's gearing ratio, defined as total loans and unsecured notes divided by total assets, was 20.0% (31 December 2023: 22.6%). Netting off cash and cash equivalents, net gearing ratio was 3.8% (31 December 2023: 5.1%).

As at 31 December 2024, the unsecured notes of the Group amounted to RMB3,720.5 million (31 December 2023: RMB5,619.7 million), the short-term bank loans and long-term bank loans of the Group amounted to RMB1,728.0 million (31 December 2023: RMB1,463.9 million) and RMB3,883.1 million (31 December 2023: RMB1,726.0 million) respectively.

Charges on Group Assets

Apart from pledged bank deposits amounting to RMB0.5 million as at 31 December 2024 (31 December 2023: RMB15.1 million) and restricted bank deposits amounting to RMB5.0 million as at 31 December 2024 (31 December 2023: RMB6.2 million), no other group assets were charged to any financial institutions.

OFF-BALANCE SHEET TRANSACTIONS

As at 31 December 2024, the Group had not entered into any material off-balance sheet transactions.

Key Risk Factors

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.

Our Risk Governance Structure

The Board recognizes its joint responsibility for supervising the risk management and internal control systems, including the ESG (Environmental, Social, and Governance) risks of the Group, and for annually reviewing their effectiveness via the Audit and Risk Committee and the Sustainability Committee (collectively referred to as the "Two Committees"). The Audit and Risk Committee helps the Board carry out its corporate governance duties in overseeing the Group's strategic, market, operational, financial, and compliance risks, as well as the resourcing of both financial and internal audit functions. Meanwhile, the Sustainability Committee is in charge of climate, health and safety, and cyber - security risks, along with ESG performance and reporting compliance.

The Company has set up an ERM (Enterprise Risk Management) framework to effectively identify, evaluate, mitigate, and monitor the sustainability risks. The Board and The Two Committees are committed to improving their governance practices by making sure that there are robust mechanisms for comprehensive risk supervision. Through continuous commitment to the ERM framework, the Group aims to foster a culture of accountability and transparency in managing sustainability risks.

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 China and other geographic regions, may affect our operating results and financial performance. To tackle this, the Group is continuously widening its products and technologies platforms to extend its reach to different end applications, including a recent major acquisition made in automotive market, so as to diversify the sources of revenue and profit to reduce its dependency on any single market segment. According to the climate scenario analysis, shifting market preferences with low-carbon products is one of the most important opportunities. The growth of electric vehicle (EV) market and existing strategic partnerships with EV brands will lead to new revenue streams.

Reliance on a Number of Key Customers

The Group's five largest customers, which accounted for 69.9% of the Group's total revenue for 2024, 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 long-standing customers with good credit records.

Key Risk Factors

Production Disruption due to Unforeseeable Events and Supply Chain Adversities

Geopolitical events among 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. Any 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.

Supply chain challenges to meet environmental, health and safety standards, may also adversely affect production schedule which may potentially result in customer dissatisfaction, reputational damage and financial losses. These are the transition risks in relation to policy and legal risk and market risk.

To address these risks, the Group established the Quality and Operations Committee. The committee actively monitors the regulatory environment and allocates resources to plan and comply with regulatory requirements and customer demands. A robust quality management system has been implemented to ensure that all production facilities are certified under the International Organization for Standardization (ISO) standards for quality management and the International Electrotechnical Commission Quality Assessment System for Electronic Components (IECQ) standards for electronic component quality. The Company conducts internal and external audits every year to ensure the efficacy of its product quality and procurement channels. Additionally, the Group has established a robust supplier management process and adopted long-standing Supplier Code of Conduct, requiring suppliers to maintain compliance with various standards, including labor and human rights protections, health and safety regulations, and environmental safeguards. Ultimately, this will lead to the development of low-carbon supply chain. This proactive approach not only mitigates risks but also enhances the overall resilience of the supply chain.

Operational, Technology Obsolescence and ESG Considerations

The Group's operations comprised design and delivery of innovative technology solutions. Our business remains dedicated to advancing miniature components while developing cutting-edge products and technologies platforms. However, changes in technological design and performance specifications or related external factors linked with environmental, social, and governance (ESG) considerations may have various levels of negative impact on our operational outcome. In meeting future design specifications and production quality requirements, the Group has implemented robust processes to ensure standards are met.

The Group ensures that its new technology solutions and miniature components align with sustainability standards. This includes applying eco-friendlier materials, and ceasing the use of conflict minerals, promoting energy efficiency, and considering the recyclability of products. Changes in environmental regulations or shifts in consumer preferences towards more sustainable products could impact the Group's operations and lead to product obsolescence, necessitating a proactive approach to environmental considerations in product design and development. The Group has established a quality management system that ensures all products undergo thorough testing to meet customer requirements, hazardous waste management requirement and international standards. This system, part of our operational "big data" system, is continuously evaluated and improved internally.

The Group's annual budget includes significant investment in R&D in order to build sustainable technology roadmaps, explore more sustainable revenue stream products and intellectual property portfolios. As data security is a critical concern, the Group treats information security as a strategic priority. The Group has implemented comprehensive measures to protect data assets from breaches, leaks, and hacks, which are also essential for maintaining customer trust and avoiding reputational damage. Moreover, adhering to social standards and regulations, such as the Ethical Trading Initiative and Social Accountability 8000 International Standard, the Group constantly considers social impact of its technologies, ensuring social equalities and that positive contributions are made to society.

Key Risk Factors

Climate Resilience and Adaption

Many governments, regulators, investors, employees, customers and other stakeholders are increasingly focused on ESG considerations relating to businesses, such as climate change, suppliers' complying with ESG criteria and human resources management. In addition, the Company makes statements about its goals and initiatives through its various non-financial reports, information provided on its website, press statements and other communications. Responding to these ESG considerations and implementation of these initiatives involves risks and opportunities.

The Company has published stand-alone annual Sustainability Reports since 2012. Continuously, ESG-related reporting obligations and compliance practices are to evolve, which may expose the Group to increased costs, reputational aspects and other potential adverse effects, such as attention on climate change. Climate change presents significant acute and transition risks to businesses and communities globally. Prolonged and extreme weather increase operational complexities, as well as manufacturing and maintenance cost. Furthermore, employees' health may also be impacted. Trending customers' preference for green products may impact revenue due to change in product demands. And, enactment of more stringent laws and regulations to environmental impact may also increase our compliance costs.

The Group has this year established the Sustainability Committee and reorganized the Sustainability Working Group. A comprehensive Climate Change Policy has been implemented to drive sustainability progress and manage climate impacts through mitigation, adaptation, and resilience strategies. Our commitment to integrating climate-related issues into our sustainability management system includes the ISO standard of environmental management and energy management. To enhance long-term energy conservation opportunities, the Group continues to adopt energy-saving technologies, establish energy-efficiency facilities and develop sustainable products.

Liquidity and Interest Rate Risk

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. As at 31 December 2024, over 88% of debts were fixed rate debts.

The Group's financial assets include cash and cash equivalents, short term fixed deposit, pledged bank deposits, restricted 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 current reporting currency is RMB and our sales outside China are predominantly denominated in USD.

Key Risk Factors

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 and automotive markets 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 regulations and government measures including tariffs, export controls, economic sanctions and similar regulations may include additional costs, 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.

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.

EXECUTIVE DIRECTORS

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

Aged 56, 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 35 to 37 of this annual report.

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

Aged 61, ED and MD
Appointed to the Board: April 2005 as INED
Redesignated: 5 October 2009 as ED
Chairman of Sustainability Committee

Mr. Mok is responsible for overall business operation, and in particular, jointly with CEO and Executive Vice President, on sustainability, internal audit and risk management of the Group. He is also a director of various subsidiaries of the Company. 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 35 to 37 of this annual report.

NON-EXECUTIVE DIRECTOR

Ms. Wu Ingrid Chun Yuan

Aged 54, NED
Appointed to the Board: 4 December 2003
Member of Sustainability Committee

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 35 to 37 of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Hongjiang ("Mr. Zhang")

Aged 64, 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), and an independent director of Ant Group. 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. 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 35 of this annual report.

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

Aged 69, INED
Appointed to the Board: 1 February 2018
Chairman of Audit and Risk Committee
Member of Remuneration Committee, Nomination Committee and Sustainability 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 35 of this annual report.

Mr. Peng Zhiyuan ("Mr. Peng")

Aged 52, INED
Appointed to the Board: 1 January 2019
Chairman of Remuneration Committee
Member of Audit and Risk Committee, Nomination Committee and Sustainability 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 35 of this annual report.

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

Changes in Directors' information since the date of the 2024 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 as follows:

1. The annual Directors' fee payable in cash to Directors, by responsibility for their newly added services as the chairman and member of the Sustainability Committee, with effect from 1 April 2025 is set forth as follows:

Director Compensation Retainers	
Sustainability Committee Chairman Annual Retainer	US$9,720
Sustainability Committee Member Annual Retainer	US$4,860

SENIOR MANAGEMENT

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

Aged 33, Executive Vice President (EVP) and Chief Innovation Officer
Date of Appointment: 1 January 2021
Member of Sustainability Committee

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 42, 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 65, 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 52, 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 43, 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. Ms. Guan also holds the ESG Reporting Certification issued by 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 2024, which were approved by the Board of Directors on 20 March 2025.

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 21 to 24 of this annual report. An analysis of the Group's performance is provided in the summary of the results and of the assets and liabilities of the Group for the last five financial years as set out on page 175 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 20 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 52 to 88. The sustainability report for 2024 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 93 to 94.

In line with the dividend payout ratio of 15%, the Board of Directors proposed to declare a final dividend of HK$0.24 per share for FY 2024 (FY 2023: HK$0.10 per share), implying a total annual dividend amounted to HK$0.24 per share for FY 2024 (FY 2023: HK$0.10 per share). The Group will remain prudent in financial management and strong in cash flow for business development, to create long-term value for shareholders.

Subject to Shareholders' approval at the forthcoming annual general meeting to be held on 22 May 2025, the said final dividend will be payable to Shareholders of the Company, whose names appear on the register of members of the Company on 30 May 2025. Payment will be made on or about 19 June 2025.

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 RMB474,998,000 as at 31 December 2024 (2023: RMB1,410,894,000). For details of the movements in the reserves, please refer to note 46 to the consolidated financial statements. 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.

Directors' Report

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, Mr. Zhang and Mr. Pan will retire by rotation at the forthcoming AGM of the Company. Mr. Zhang and Mr. Pan being eligible, offer themselves for re-election at the forthcoming AGM of the Company.

Directors' Service Contract

Each of Mr. Zhang, Mr. Peng, Ms. Wu, Mr. Pan and Mr. Mok will enter into a letter of appointment with the Company for a term from the date of 2025 AGM to be held on 22 May 2025 until the conclusion of the AGM of the Company to be held in 2027, 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.

Mr. Kwok has entered into a letter of appointment with the Company for a term from the date of 2024 AGM 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.

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 as regards each of the factors referred to in 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 25 to 32.

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

As at 31 December 2024, 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						Percentage of the Company's Issued Shares as at 31 December 2024(1)
Name of Directors	Capacity	Personal interests	Corporate interests	Spouse interests	Trust interests	Interests in Treasury Shares	Total number of Shares	
Mr. Pan Benjamin Zhengmin ("Mr. Pan") (2)	Beneficial owner/interest of spouse/ interest of controlled corporation/ founder of a discretionary trust/ others	70,262,162	51,439,440	263,420,525	54,238,524	2,130,500	441,491,151	36.83%
Ms. Wu Ingrid Chun Yuan ("Ms. Wu") (3)	Interest of spouse/interest of controlled corporation/founder of a discretionary trust/others	–	263,420,525	122,952,005	52,988,121	2,130,500	441,491,151	36.83%
Mr. Mok Joe Kuen Richard ("Mr. Mok") (4)	Beneficial owner/beneficiary of a trust (other than a discretionary trust)	246,130	–	–	33,065	–	279,195	0.02%

Notes:

(1) Percentage was computed based on the 1,198,500,000 issued Shares (including treasury Shares) as at 31 December 2024.

(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;

(iii) 54,238,524 Shares representing the aggregate of (a) 50,618,699 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) 2,369,422 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; and

(iv) 2,130,500 Shares, being the treasury Shares held by the Company as at 31 December 2024, in which Mr. Pan and Ms. Wu are taken to have an interest by virtue of the SFO, as Mr. Pan and Ms. Wu together control one-third or more of the voting power at general meetings of the Company.

(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;

(iii) 52,988,121 Shares representing the aggregate of (a) 50,618,699 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) 2,369,422 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; and

(iv) 2,130,500 Shares, being the treasury Shares held by the Company as at 31 December 2024, in which Mr. Pan and Ms. Wu are taken to have an interest by virtue of the SFO, as Mr. Pan and Ms. Wu together control one-third or more of the voting power at general meetings of the Company.

(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 and 33,065 awarded Shares were vested on 24 March 2023 and 24 March 2024, respectively. Subsequently on 24 March 2025, 33,065 awarded Shares were vested to Mr. Mok pursuant to the 2016 Share Sward Scheme.

Other than as disclosed above, as at 31 December 2024, 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 50 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 26 July 2024, AAC (China) Investment Group Co., Ltd.* (瑞聲(中國)投資集團有限公司) (formerly known as AAC (China) Investment Co., Ltd.* (瑞聲(中國)投資有限公司)) ("AAC Investment", an indirect wholly-owned subsidiary of the Company) and AAC Optics entered into share transfer agreements with each of Shenzhen Huiyou Haochuang Technology Investment Partnership (Limited Partnership)* (深圳市惠友豪創科技投資合夥企業(有限合夥)) ("Shenzhen Huiyou") and Nanjing Huarui Ruijun Entrepreneurship Investment Center (Limited Partnership)* (南京華睿睿軍創業投資中心(有限合夥)) ("Nanjing Huarui"), pursuant to which Shenzhen Huiyou and Nanjing Huarui agreed to sell, and AAC Investment agreed to purchase 60,176,387 and 35,102,892 Optics Shares, representing approximately 0.8890% and 0.5186% of the total number of Optics Shares, at the consideration of approximately RMB149 million and RMB87 million, respectively (the "Repurchase of Optics Shares"). For more details, please refer to the announcement of the Company dated 26 July 2024.

Completion of the Repurchase of Optics Shares took place on 29 July 2024. Immediately upon completion, Shenzhen Huiyou and Nanjing Huarui ceased to hold any Optics Shares, and AAC Optics was held as to (i) approximately 89.6696% indirectly by the Company, through AAC TIC, AAC HK and AAC Investment in aggregate; (ii) 2% by the share incentive platforms of AAC Optics; and (iii) approximately 8.3304% by the three remaining investor shareholders of AAC Optics in aggregate.

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 the year ended 31 December 2024. 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 2024, 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 (the "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*	2024 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	12,897
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	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)	1,142 (US$160,512)

* Unless otherwise stated.

2023 Master Purchase Agreements

The Group entered into certain master purchase agreements (the "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	2024 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	47,317
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	54,327

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 2024 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 60% by Ms. Wu Yayuan (Ms. Wu's sister) and 40% by Mr. Ye Minghan (Ms. Wu's nephew)
Changzhou Yousheng	A company wholly-owned by Mr. Pan Xiaotai (Mr. Pan's nephew)
HVPC	A company indirectly wholly-owned by Ms. Wu Yayuan
Shenzhen Yuanyu	A company wholly-owned by Ms. Ye Huamei (Ms. Wu's mother)

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 the AAC Optics Group.

A summary of the transactions is as follows:

Date of Agreement	Lender	Borrower	Term	Annual Caps[1] RMB'000	2024 Actual Amount [2] RMB'000
1.12.2023	AAC Optics (Changzhou) Co., Ltd. (辰瑞光學(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	19,862

Notes:

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

(2) including the outstanding balance of the principal amount of RMB19,134,000 as at 31 December 2024 and incurred interest of RMB728,000

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 2024, 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 2024 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 Audit and Risk Committee and the Board in their annual review and confirmation.

Confirmation from the Directors and the Auditors

The Audit and Risk Committee and the Board (including INEDs) had reviewed the connected transactions and continuing connected transactions in 2024 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. It was confirmed by the INEDs 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 2024.

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

So far as the Directors and chief executives of the Company are aware, as at 31 December 2024, the register of interests and short positions kept by the Company under Section 336 of the SFO, other than the Directors and chief executive of the Company, 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 the trust 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 2024[1]
JPMorgan Chase & Co.[2]	Interest of controlled corporation/ Person have security interest in Shares/Investment Manager/Trustee/ Approved Lending Agent	60,458,644 (L) 3,388,690 (S) 15,370,270 (P)	5,052,335 (L) 5,365,404 (S)	5.46% 0.73% 1.28%

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

Notes:

(1) Percentage was computed based on the 1,198,500,000 issued Shares (including treasury Shares) as at 31 December 2024.

(2) JPMorgan Chase & Co., through its various controlled corporations ("JPMorgan Group"), is indirectly interested in (i) an aggregate of 60,458,644 Shares and listed derivative interests of 1,324,000 Shares with physically settled, listed derivative interests of 50,500 Shares with cash settled, unlisted derivative interests of 2,366,835 Shares with physically settled and unlisted derivative interests of 1,311,000 Shares with cash settled in long position; and (ii) an aggregate of 3,388,690 Shares and listed derivative interests of 1,674,000 Shares with physically settled, listed derivative interests of 330,100 Shares with cash settled, unlisted derivative interests of 540,704 Shares with physically settled, and unlisted derivative interests of 2,820,600 Shares with cash settled in short position. Among Shares held by JPMorgan Group in long position, 52,988,121 Shares were held by it as a trustee, which formed part 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 15,370,270 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 2024 by the Remuneration Committee are stated on pages 67 to 69 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 20 March 2025) 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 20 March 2025) 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 2024, 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. During the year ended 31 December 2024, no Shares were purchased by the 2016 Scheme Trustee on the Hong Kong Stock Exchange for the purpose of the 2016 Share Award Scheme. 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 (excluding treasury Shares) of the Company as at 20 March 2025.

Since the date of adoption of the 2016 Share Award Scheme and up to 31 December 2024, a total of 10,230,593 awarded Shares were granted to 340 employees at nil consideration, in which 2,722,799, 2,627,518 and 2,529,863 awarded Shares had been vested to employees on 24 March 2023, 24 March 2024 and 24 March 2025, 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 2024. 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 2024 divided by the weighted average number of Shares in issue for the year ended 31 December 2024 was nil.

As at 31 December 2024, the 2016 Scheme Trustee held a total of 14,752,257 unvested Shares under the 2016 Share Award Scheme, and the remaining Shares which could be further awarded under the 2016 Share Award Scheme were 11,811,695 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 2024	Granted during the year	Cancelled during the year	Lapsed during the year	Vested during the year	Unvested as at 31 December 2024	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	66,130	–	–	–	33,065	33,065	25.0
Five highest paid individuals in aggregate	24 March 2022	24 March 2023 – 24 March 2025 *(Note (2))*	18.46	367,542	–	–	–	183,771	183,771	25.0
Other Grantees in aggregate	24 March 2022	24 March 2023 – 24 March 2025 *(Note (2))*	18.46	5,156,540	–	115,402	234,054	2,410,682	2,396,402	25.0
Total:				5,590,212	–	115,402	234,054	2,627,518	2,613,238	

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 2024, the awarded Shares available for grant under the 2016 Share Award Scheme were 11,462,239 Shares. As at 31 December 2024, the remaining Shares which could be further awarded under the 2016 Share Award Scheme were 11,811,695 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.

According to the International Financial Reporting Standards, the fair value of the Shares granted on 24 March 2022 pursuant to the 2016 Share Award Scheme were determined with reference to market value (closing price) of the Shares at the date of grant. For details of fair value assumption, 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 20 March 2025. 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 20 March 2025) 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 May and June 2024, the 2023 Scheme Trustee purchased 2,450,000 and 250,000 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 2024, the 2023 Scheme Trustee held a total of 11,819,000 Shares under the 2023 Share Award Scheme.

Since the date of adoption of the 2023 Share Award Scheme and up to 31 December 2024, 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 the AAC Optics Group 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. The fair value of the restricted shares of AAC Optics granted is measured on the basis of a transacted price.

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 2024, the Group made donations equivalent to approximately RMB1,050,000 to various communities for community medical 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 23 May 2024, 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.

On 16 December 2024, the Company entered into an agreement (the "Broker Agreement") with an independent broker (the "Broker") under which the Broker was appointed to operate the Automatic Share Buy-back Program (as defined below). Pursuant to the Broker Agreement, the Company agreed parameters for the Broker to buy back up to HK$778 million (being the HKD equivalent of US$100 million) of the Shares on the Hong Kong Stock Exchange. The Broker would execute all buy-backs of the Shares in accordance with the parameters as set out under the Broker Agreement and act independently from and not influenced by the Company and its connected persons (as defined under the Listing Rules) (the "Automatic Share Buy-back Program").

During the year ended 31 December 2024, the Company repurchased, under the Repurchase Mandate and the Automatic Share Buy-back Program, a total of 2,130,500 Shares on the Hong Kong Stock Exchange, representing approximately 0.17% of the total issued Shares (i.e. 1,198,500,000 Shares) as at 31 December 2024, with the aggregate consideration paid (before expenses) amounting to approximately HK$79.59 million which was paid out from the Company's retained profits. All Shares repurchased during the year ended 31 December 2024 were held as treasury Shares which are intended to be used for satisfying any future grants of awarded Shares of the Share Award Schemes as at the date of this report. During the year ended 31 December 2024, no treasury Shares have been resold and accordingly, there were 2,130,500 Shares held by the Company in treasury as at 31 December 2024.

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 is in the interest of Shareholders as a whole.

Details of the Shares repurchased during the year ended 31 December 2024 are as follows:

Month	Total number of the Shares repurchased	Purchase price paid per Share		Aggregate consideration(1)
		Highest	Lowest	
		HK$	HK$	HK$'000
December 2024	2,130,500	38.85	35.70	79,589

Notes:

(1) Including brokerage, transaction levy, stamp duty and transaction cost of HK$86,000.

(2) Subsequently after the year ended 31 December 2024 and up to the date of this report, the Company further repurchased an addition of 7,577,500 Shares under the Automatic Share Buy-Back Program pursuant to the Repurchase Mandate. All such repurchased Shares have been held as treasury Shares as at the date of this report, and the treasury Shares would not receive any dividends or distributions declared by the Company.

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 2024, the outstanding aggregate principal amounts of the 2024 Notes, the 2026 Notes and the 2031 Notes were US$276,818,000, US$230,154,000 and US$290,123,000, respectively.

In November 2024, the 2024 Notes were matured and were fully redeemed. As at 31 December 2024, the outstanding aggregate principal amounts of the 2026 Notes and the 2031 Notes remained the same at US$230,154,000 and US$290,123,000, respectively.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury Shares) during the year ended 31 December 2024.

Directors' Report

HUMAN RESOURCES

As at 31 December 2024, the Group employed 37,273 permanent employees, a 25% increase from 29,922 employees as at 31 December 2023. In 2024, 11% workforce came from acquisition of PSS and the remaining from increased business volume of the Group's various product lines. The Group's human capital efficiency continued to improve with advanced production methodologies and automation.

Employees of the Group are remunerated based on their individual performance, professional qualifications, experience in the industry and relevant market trends. Management from time to time reviews the Group's remuneration policy 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; and adding from the acquisition of PSS, Belgium, Germany, Hungary and Mexico.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 69.9% of the Group's total revenue from sales while the revenue from sales attributable to the Group's largest customer was approximately 26.8% of the Group's total revenue from sales.

During the year, the aggregate purchases attributable to the Group's five largest suppliers were 22.9% of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 8.0% of the Group's total purchases.

As at 31 December 2024, 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.

Directors' Report

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 2024 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

20 March 2025

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 2024, 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 operational management 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 77 to 78 and pages 83 to 88 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 EVP, 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 EVP, 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.

GOVERNANCE STRUCTURE & BOARD COMMITTEES

Composition of Board and Board Committees as at 20 March 2025 (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)	Sustainability Committee*
Established in April 2005	Established in April 2005	Established in April 2005	Established in May 2024
Members	**Members**	**Members**	**Members**
Kwok Lam Kwong Larry (Chairman) Peng Zhiyuan Zhang Hongjiang	Zhang Hongjiang (Chairman) Kwok Lam Kwong Larry Peng Zhiyuan	Peng Zhiyuan (Chairman) Kwok Lam Kwong Larry Zhang Hongjiang	Mok Joe Kuen Richard (Chairman) Kwok Lam Kwong Larry Pan Kaitai Kelvin (EVP) Peng Zhiyuan Wu Ingrid Chun Yuan

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

Corporate Governance Report

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

- The Board will approve amendments to corporate governance policies and review implementations related to Group's corporate governance, internal controls and risk management.

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 Board 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.

Sustainability Governance

- The Board will evaluate the Group's sustainability standards, priorities and goals, and refine the Group's strategies, policies and practices on ESG aspects.
- The performances of the Sustainability Committee and Sustainability Working Group are evaluated annually.
- The Board will consider and approve the Group's annual sustainability 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 four Board Committees 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 on reviews of production planning
- Conducts products and key accounts analysis
- Implements sales & products strategy for business units
- Estimates products sales status and forecast

→ Operations

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

→ Internal Audit Team/ 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 EDs' and senior management's remuneration and incentives

→ Board Composition/Senior Management/ Human Resources

SUSTAINABILITY COMMITTEE

- Oversees and reports to the Board on the Company's strategies, policies and practices on sustainability matters
- Reviews and evaluates the adequacy and effectiveness of the Group-level policies, and implements additional ones if appropriate, related to ESG matters including:
  - (i) climate change;
  - (ii) code of business conduct and ethics;
  - (iii) labour standards;
  - (iv) supplier code of conduct, procurement regulations;
  - (v) any other updates by the Company's management

→ Sustainability Development

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 EVP, 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 disclosure of inside information, 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 2024 to evaluate the performance of the EDs and the effectiveness of the Board on 21 March 2024 and 22 August 2024.

Evaluation

In addition, we undertake a performance evaluation of our Board and Committees internally on a yearly basis. In March 2024 and March 2025, 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 2023 and 2024 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 Board Committees performance and no material issue needed to be tabled for discussion. Reporting of matters by all the Board 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 36.83% interest in the issued Shares of the Company as at 31 December 2024). 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 EDs, 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 15 July 2024 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 25 to 33. Terms of appointment for all NEDs (including INEDs) were set out in the Directors' Report on page 35.

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 as regards each of the factors referred to in 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 40 to 43. Also, as disclosed on page 50, as at 31 December 2024, 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.

Corporate Governance Report

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

April – June 2024

- risk management & internal controls
- connected transactions/continuing connected transactions
- business operation and legal updates

July – September 2024

- adoption of terms of reference of the Sustainability Committee
- repurchase of shares of a subsidiary
- movement of shares in principal and branch share registers
- 2024 interim results and report, including sustainability section of the 2024 interim report
- audit matters for the first half of 2024
- risk management & internal controls
- connected transactions/continuing connected transactions
- business operation and legal updates
- change of principal place of business in Hong Kong

October – December 2024

- budget for the forthcoming year
- risk management & internal controls
- connected transactions/continuing connected transactions regarding procurement and property leases
- business operation and legal updates
- adoption of automatic share buy-back program

January – March 2025

- review of the 2016 Share Award Scheme and the 2023 Share Award Scheme
- reporting from Audit and Risk Committee and other Committees
- 2024 annual results and report
- 2024 final dividend
- evaluation of Board performance for the year 2024
- audit matters for the year 2024
- re-appointment of external auditor for the year 2025
- connected transactions/continuing connected transactions
- directors' and officers' liability insurance
- sustainability report for the year 2024
- risk management & internal controls
- corporate governance compliance
- AGM matters of 2025
- retirement and re-election of Directors
- business operation and legal updates

Corporate Governance Report

Work done by the Board in 2024 and to date

During the year 2024 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

Stakeholders

- reviewed, recommended and declared dividend payments
- reviewed investor relations program and strategies
- approved and published our annual sustainability reports for the years of 2023 and 2024

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

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

- adopted terms of reference of the Sustainability Committee, and Company's corporate governance policies
- reviewed and approved the recommendations made by the Audit and Risk Committee, Nomination Committee, Remuneration Committee and Sustainability 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 & EGM

During the year ended 31 December 2024, the Board convened a total of six Board meetings, one AGM and one EGM. Each Director is expected to attend each meeting of the Board and the Board Committees on which he or she serves. Directors are also expected to attend the Company's AGM or otherwise absent with a valid reason. All Directors attended the Company's 2024 AGM and the EGM in person or by electronic means.

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

Directors	Board	Audit and Risk Committee (Note 1)	Nomination Committee (Note 2)	Remuneration Committee	Sustainability Committee (Note 3)	AGM (Note 1)	EGM (Note 1)
Total Number of Meetings	6	2	1	1	N/A	1	1
Executive Directors							
Pan Benjamin Zhengmin (CEO)	6	N/A	N/A	N/A	N/A	1	1
Mok Joe Kuen Richard (MD)	6	2	1	1	N/A	1	1
Non-executive Director							
Wu Ingrid Chun Yuan	6	N/A	N/A	N/A	N/A	1	1
Independent Non-executive Directors							
Zhang Hongjiang (Chairman of the Board)	6	2	1	1	N/A	1	1
Kwok Lam Kwong Larry	6	2	1	1	N/A	1	1
Peng Zhiyuan	6	2	1	1	N/A	1	1

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

Note 2: The Nomination Committee considered and reviewed the independence of INEDs for financial year 2023.

Note 3: The Sustainability Committee was established in May 2024 and reviewed the Sustainability Working Group's progress and report in its first meeting in March 2025.

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 2024, 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 EDs 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 2025 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 25 to 30 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 2024, 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 2024 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.

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.

Review of Financial Results

On 13 March 2025, 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 2024 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 2024 and internal audit plan for 2025.

Work done by the Audit and Risk Committee in 2024 and to date

During the financial year ended 31 December 2024, 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.

During the year 2024 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 2023 and 2024 annual reports including the Corporate Governance Reports, the Directors Reports and the Group's financial statements for the years ended 31 December 2023 and 2024 and the annual results announcements, with recommendations to the Board for approval
- the 2024 interim report including the Group's interim financial statements for the six months ended 30 June 2024 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 2023 and throughout the six months ended 30 June 2024
- 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 2023 and 2024, 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 2023 and external auditor's scope, plan and fees for the year ended 31 December 2024 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 2024, subject to final approval by Shareholders (approved on 23 May 2024)
- 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 2024 and 2025 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 31 to 32 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		**56**	**61**	**54**	**64**	**69**	**52**
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		21 years	19 years	21 years	6 years	7 years	6 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.

Corporate Governance Report

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

Work done by the Nomination Committee in 2024 and to date

During the year 2024 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 35 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 25 to 33 of this annual report. Except for the family relationship between Mr. Pan and Ms. Wu, as disclosed in Directors' biographical information on pages 25, 27 and 31 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 EDs 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.

Work done by the Remuneration Committee in 2024 and to date

During the year 2024 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 2023 and 2024
- reviewed the Group performance for 2023 and 2024 and Group targets for 2024 and 2025
- reviewed the Group's Share Award Schemes, discussed the proposed long-term incentive programme for employees

Directors & Senior Management' Remuneration

The Remuneration Committee has adopted Code Provision E.1.2(c)(ii) to make recommendations to the Board on the remuneration packages of the individual EDs 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 increased with effect from 1 April 2024 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 year ended 31 December 2024:

Director Compensation Retainers	1 January – 31 March 2024	1 April – 31 December 2024
Annual Director Retainer	US$60,000	US$64,800
Chairman of the Board Annual Retainer	US$85,000	US$91,800
Audit and Risk Committee Chairman Annual Retainer	US$50,000	US$54,000
Audit and Risk Committee Member Annual Retainer	US$25,000	US$27,000
Nomination Committee Chairman Annual Retainer	US$9,000	US$9,720
Nomination Committee Member Annual Retainer	US$4,500	US$4,860
Remuneration Committee Chairman Annual Retainer	US$9,000	US$9,720
Remuneration Committee Member Annual Retainer	US$4,500	US$4,860

The following table sets forth, by responsibility for their newly added services as the chairman and member of the Sustainability Committee, the annual Directors' fee payable in cash to Directors, with effect from 1 April 2025:

Director Compensation Retainers	
Sustainability Committee Chairman Annual Retainer	US$9,720
Sustainability Committee Member Annual Retainer	US$4,860

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 2024 is set out below:

Remuneration bands	Number of individuals
HK$3,000,001 – HK$4,000,000	1
HK$4,000,001 – HK$5,000,000	1
HK$7,000,001 – HK$8,000,000	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 45 to 48 of this annual report for details.

Sustainability Committee

Roles and Authority

The Sustainability Committee ("SC") was established in May 2024 pursuant to the resolutions passed by the Board and has its Terms of Reference adopted by the Board in July 2024. The SC is responsible for reviewing and endorsing the Company's strategies, policies, practices, and goals, and reporting these to the Board. Under its Terms of Reference, the Sustainability Committee has a range of responsibilities and has set up a Sustainability Work Group ("SWG") led by EVP with officers responsible for different functions of the Group. The SC receives reporting from the SWG on its review and evaluation of the adequacy and effectiveness of group - level policies associated with sustainability. Emerging sustainability issues and trends in national and international standards that may impact the Group's business operations and performance are also monitored.

Climate and environment related risks, part of the Group's ERM, assessed and monitored jointly with the Audit and Risk Committee, are assessed and managed by the SC; and, when necessary, corrective remedial plans are actioned by the SWG.

Last but not the least, the SC and the SWG also monitor and evaluate the impact and obtain feedback on the Company's sustainability strategies and practices with its stakeholders, ensuring integrity, completeness and relevance of all disclosure and communication.

Work done by the Sustainability Committee and the SWG in 2024 and to date

During the year 2024 and up to date of this annual report, the Sustainability Committee and the SWG, performed, considered and/ or resolved the following matters:

SWG performance

- assessed and evaluated the performance and function of SWG members and external consultants

ESG progress

- reviewed 2024 sustainability highlight, year plan, peer analysis and rating improvement list, and on-going projects
- set the Group's ESG targets
- reviewed the Group's ESG governance structure
- reviewed sustainability issues and national and international standards, such as, the Group's preparation on Corporate Sustainability Reporting Directive and Carbon Border Adjustment Mechanism
- reviewed in-house digital solutions and data management
- reviewed climate related risks and opportunities

External Consultancy Service

- reviewed consultant's sustainability report for the year 2024
- received consultant's climate physical and transition risks and opportunities analysis
- reviewed scope 3 analysis performed by consultant
- discussed and reviewed the results of 2024 materiality assessment

Corporate Governance Report

CORPORATE GOVERNANCE CODE

The Company has continued to fully comply with requirements of the Code Provisions for the financial year ended 31 December 2024. 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 the Board's and the Board 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 ED's remuneration has been correlated with the 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.

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 in each financial year. 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 2024. 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 2024, 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 quarterly 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 quarterly review carried out by Internal Audit during the year, management has formed the conclusion that, for the financial year ended 31 December 2024, 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 21 to 24 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 2024, 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 83 to 88 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 73 to 75.

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 2024, 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 91 to 92 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 2024 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 2024, the services provided to the Company by Deloitte, and the respective fees paid are set out below:

Types of service	2024 HK$'000
Annual audit – Group audit	4,178
Annual audit – Overseas	1,551
Interim review	1,387
Total services relating to taxation	18
Total fees	7,134

The representative of Deloitte has attended the AGM of the Company in 2024 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. The Audit and Risk Committee and the Board reviewed the key developments in sustainability in March 2024. Beginning in March 2025, the Audit and Risk Committee and the Sustainability Committee, established in May 2024, have joint responsibility for supervising risk management and internal controls. The Audit and Risk Committee focuses on operational, financial and compliance risks, while the Sustainability Committee emphasizes on climate, health and safety, and cyber-security risk. Since March 2023, the Group has engaged an independent major international accountancy firm as the Group's consultant for sustainability matters.

The Board, the Sustainability Committee 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 2025 was reviewed by the Sustainability Committee, and going forward, the Group's sustainability strategies would be revised on a periodical basis to ensure they are relevant to identified ESG risks and opportunities. The SWG, headed by a member of senior management or senior executives, 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 "twelfth stand-alone annual" 2024 Sustainability Report covering operational, talent management, environmental impacts, community care and other sustainability governance topics is published on the Company's website www.aactechnologies.com. The approach to compiling the 2024 Sustainability Report was based on an ESG materiality assessment conducted by the Group's sustainability consultant in the year 2024, of which, 8 out of 29 highly material topics were reviewed and validated by the SWG and presented to, and, approved by the Sustainability Committee on 17 March 2024 and the Board on 20 March 2024. 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 2026, i.e. on a biennial basis.

The full Sustainability Report for the year 2024, was reviewed by the Sustainability Committee and approved by the Board, respectively in March 2025. Meanwhile, the full Sustainability Report for the year 2023, the Group's sustainability progress update in the Group's Interim Report for the first-half to 30 June 2024 were reviewed by the Audit and Risk Committee and approved by the Board, respectively, in March 2024 and August 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

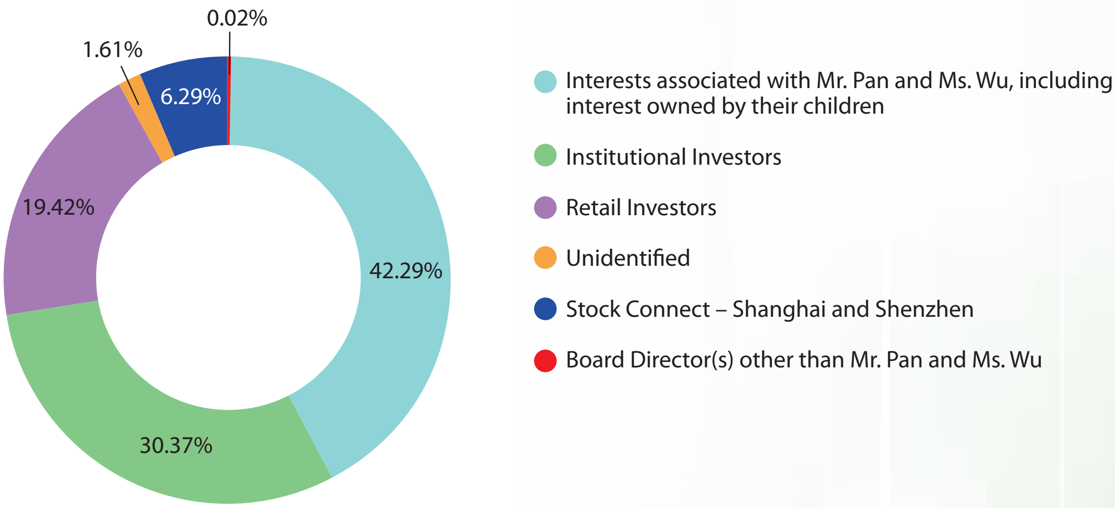
Shareholders

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 108 direct registered Shareholders as at 31 December 2024. 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 2024, amounted to 75.44 million Shares, or representing 6.29% 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 2024 and revealed the shareholding structure as follows:

(I) Shareholders by Category:

(per Shareholder Analysis as at 31 December 2024, rounded to nearest 0.01%)



(II) Shareholders by Domicile:

	% of Total Issued Shares
Singapore	38.49
Hong Kong, China	22.41
North America	12.38
United Kingdom	7.73
China Mainland	6.75
Europe (ex-United Kingdom)	4.35
Rest of World	7.89
Total	100.00

Notes:

1. The shareholding in Singapore included the interests associated with Mr. Pan and Ms. Wu.

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 (including treasury shares) as at 31 December 2024.

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. 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 2024, 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 2024 AGM held on 23 May 2024, 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.

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 2024, 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 2024 (extracted from the full Sustainability Report for the year 2024)

Performance Highlights

Workforce		
63:37 Male to female ratio	24% With Degree or higher*	15 Average training hours per employee in 2024
Health and Safety		
3.27 ↑5.7%[1] Work-related injuries per 1,000 workers	312,670 ↑83% Safety training hours	7,151 ↓3.3% Total number of occupational health checkups
Environment		
34.4 million kWh ↑3.3% Generated Renewable Energy	0.27 tCO_2e per ten thousand RMB revenue ↓13% Greenhouse gas ("GHG") intensity[2]	508 tonnes per million RMB revenue ↓11% Water consumption intensity
Operations		
5,112 Patents 53% overseas patent	2,275 Tier-1 Suppliers 20 Significant Suppliers	100% Conflict Mineral-free

R&D Innovation			
19 R&D Centres	4,505 R&D Engineers and Technicians among the Group	5,112 Patents Overseas: 2,567 PSS: 119 Over 95% Invention Patent Application	2,752 Patent Applications Overseas: 1,795 PSS: 108

[1] The Sustainability Working Group is committed to reviewing the occupational health and safety policies to avoid and prevent injuries. Only Applicable to AAC.

[2] Scope I and II emission intensity only

* Only applicable to AAC

Sustainability

Recognitions and Ratings	
Hang Seng ESG 50 Index Constituent 2024 The Hang Seng Index ("HSI")	Most Sustainable Companies/Organizations Awards Hong Kong Institute of Certified Public Accountants
2024 Best GRI Report (Grand Award) 2024 Hong Kong ESG Reporting Awards	Global Top 100 Innovative Institutions Clarivate

Stable Rating		
17.7 Low risk Sustainalytics (18.8 in 2023, 'low ESG risk' since 2020)	47 DJSI Index – CSA (45 in 2023)	Climate Change C Water Security B- (C in 2023) CDP (AAC) Climate Change B– Water Security C CDP (PSS)
AA HKQAA Sustainability Rating (AA since 2015)	3.0 FTSE4Good (a designated member since 2020)	

Unfavorable Trending
MSCI ESG Ratings BBB (A in 2023)

Sustainability

Targets and Commitments	
Short to Medium term: • By 2028, the Group plans to achieve its SBTi greenhouse gas emission reduction target • By 2030, 60% of group factories will install solar panels* • By 2030, reduce Scope 2 greenhouse gas emissions at group level by 10% compared to a 2023 baseline **Medium to Long term:** • Explore opportunity to be in line with China's carbon peak by 2030, carbon neutrality by 2060, and the EU's net-zero goal by 2050 * further commitment to the study of energy reduction	**Water** • The Group will continuously explore the use of reclaimed water and reusable water solutions in factories
Health and Safety • The company maintains a workplace accident rate of less than 0.5% • By 2030 or earlier, 60% of factories will be RBA audited (SAQ/VAP), and 8 factories will receive RBA certificate-Silver	
Talent Management • Average annual training time per employee (including white-collar and blue-collar workers) to 35 hours by 2030 • The proportion of women in management positions (CEO-2) will reach 25% by 2030	

Professional Certifications			
ISO 45001 Occupational Health and Safety (OH&S) Management System Group: 75%	ISO 14001 Environmental Management Systems Group: 75%	ISO 27001 Information Security System AAC: 52%	90% Waste Diversion Certification by UL Solutions 4 Sites obtained Platinum Certifications

Governance Highlights

Regular Audits of Ethical Standards:
Regular internal audits of Employee Code of Conduct.

Employee Training on Ethical Standards:
Disciplinary actions are taken for violations of ethical standards. And regular updates and training for all employees.

Board Expertise:
Board members with various technical and professional background are appointed as members of the Sustainability Committee.

Sustainability

SUSTAINABILITY GOVERNANCE

With a continuous focus on enhancing the existing governance structure and ever-changing compliance environment, the Group is actively preparing to meet the climate-related requirements set by HKEX, mainland China authorities, and the European Union Corporate Sustainability Reporting Directive ("CSRD"). Three SWG meetings have been held during the period. The purpose of the meeting was to review the Group's ESG performance and make recommendations where necessary.

In our efforts to combat climate change, the Group has taken proactive actions as well. In 2024, we engaged a professional third-party consultant whose expertise will assist in conducting a comprehensive climate risk assessment and implementing mitigation actions. We conducted climate gap analysis and scenario analysis, conducted in collaboration with Premium Sound Solutions ("PSS"), our recently acquired strategic business. Additionally, the Group has engaged qualified independent consultants to perform an audit, ensuring compliance with internal controls and related procedures.

In terms of further enhancing consolidated disclosure, the Group recognises the importance of adapting to the evolving ESG landscape. We are dedicated to increasing positive impacts while mitigating negative ones with a particular focus on addressing climate-related opportunities and risks. Apart from engaging independent consultancy to identify gaps and improvement areas within the current climate-related disclosure framework required by HKEX, we are also striving for consistency by retrospectively consolidating PSS's sustainability efforts. Currently, PSS is in the process of updating the CSRD report to include additional social and environmental initiatives from their previous work as early as 2022. In parallel, regular meetings and training sessions have been conducted for the Board and SWG to disseminate updates and facilitate internal discussions on proposed changes to the updated disclosure framework. This ensures that the Group remains informed and actively participates in the evolving disclosure landscape.

OPERATIONAL EXCELLENCE

Customers Experience

The Group has made several moves towards operation excellence and enhancing customer experience. The acquisition of PSS is a strategic step for automotive market expansion and sustainability, combining strengths for innovation. In 2024, significant R&D advancements with new products have improved user experiences. Also, the company has shifted its patent focus from quantity to quality, optimized its portfolio, increased the proportion of invention patents, actively pursued overseas patents, and aligned with technology and market trends, thereby enhancing its patent competitiveness and expanding the Group's opportunities to develop more sustainable revenue streams.

The Group's Quality and Operations Committee has optimised our lean operations system and driven the execution of our product lines. The goal has been to deliver high-quality products that meet customer satisfaction, ensuring customer success. We have remained steadfast in our pursuit of continuous improvement, eliminating waste, and gradually approaching the theoretical limits of 0 Parts per Million (PPM) and zero inventory.

Suppliers' Management

The Group's Supply Chain Committee, consisting of senior management members, is to oversee the entire supplier assessment, selection, and evaluation process. This committee is responsible for developing cost models, creating a roadmap, and accelerating the implementation of our supplier management policies.

The Committee ensures that all our suppliers adhere to our Code of Conduct and CSR Commitment, meeting our standards in labor and human rights, health and safety, chemical management, environmental protection, and anti-corruption. These standards are based on various international principles such as the Electronic Industry Code of Conduct, Ethical Trading Initiative, and the Social Accountability 8000 International Standard. We actively encourage our suppliers to implement similar regulatory and monitoring practices with their own suppliers (our second-tier suppliers) in accordance with our Code.

Furthermore, the Committee guarantee takes efforts to that all minerals used in production are 100% conflict-free. This requirement aligns with Regulation EU 2017/821, which mandates supply chain due diligence obligations for union importers of tin, tantalum, tungsten, ores, and gold originating from conflict-affected and high-risk areas.

TALENT MANAGEMENT

The Group's talent management is multi-faceted. The Talent Management oversee HR-related activities like policy formulation, high-end talent management and cadre evaluation. The AAC People platform enhances HR capabilities in talent-related aspects by consolidating data. Aligned with strategic goals, there is an increased focus on talent acquisition and development through programs and training methods. Retention is improved via upgraded incentives and promotion channels. Developing talent with skills is crucial for competitiveness and sustainable career development. Additionally, the group shows dedication to social responsibility by addressing challenges, building community relationships, participating in charitable events and providing opportunities.

MANAGING ENVIRONMENTAL IMPACTS

In accordance with its Climate Change Policy, the Group has been actively involved in a comprehensive performance analysis related to climate change. This analysis is a fundamental step in the Group's commitment to environmental sustainability. By setting clear targets, the Group has established a framework for its climate-change-related efforts. Moreover, the annual review of strategic roadmaps and energy consumption ensures that the Group stays on track and can adapt its plans as needed.

This year, the Group has three main areas of focus. Firstly, reducing carbon emissions is of utmost importance as it directly contributes to the global fight against climate change. Secondly, conducting a scope 3 analysis allows the Group to have a more holistic understanding of its environmental impact, covering areas such as supply chain emissions. Finally, strengthening community connections is also a priority, as it can lead to collaborative efforts in environmental protection.

The expansion of solar power capacity across different manufacturing bases is a significant step towards a more sustainable energy future for the Group. Additionally, the purchase of Green Electricity Certificates in China and EU further demonstrates the Group's commitment to renewable energy sources.

The Group has made remarkable progress in several aspects, including water-recycling, energy-saving measures, and waste management. In terms of climate resilience, initiatives such as energy-efficiency retrofitting of buildings have been implemented. Collectively, these efforts contribute to the Group's overall environmental management and its capacity to adapt to the challenges posed by climate change.

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 Holdings Inc. (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 93 to 174 which comprise the consolidated statement of financial position as at 31 December 2024, 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 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") 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.

Independent Auditor's Report

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/or 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 ageing 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 2024, the carrying amount of the Relevant Inventories, net of allowance, was RMB3,407,278,000. During the year, the Group recognised an allowance for the Relevant Inventories of RMB158,680,000 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; • Evaluating the reasonableness of the allowance of obsolete and/or slow-moving inventories with reference to the ageing analysis and/or latest/subsequent selling and purchase prices of the inventories; and • Testing latest sales/usage of inventories and/or 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 IFRS Accounting Standards as issued by the IASB 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 this independent auditor's report is Chung Chin Cheung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 March 2025

Consolidated Statement of Profit or Loss

For the year ended 31 December 2024

	NOTES	2024 RMB'000	2023 RMB'000
Revenue	5	**27,328,304**	20,419,072
Cost of goods sold		**(21,286,405)**	(16,967,406)
Gross profit		**6,041,899**	3,451,666
Other income and other expenses	7	**410,979**	590,618
Other gains and losses	8	**(105,212)**	151,883
Share of results of an associate		**(59)**	(265)
Distribution and selling expenses		**(670,248)**	(443,066)
Administrative expenses		**(1,270,097)**	(978,066)
Research and development costs		**(2,022,001)**	(1,573,435)
Exchange gain		**22,395**	14,350
Finance costs	6	**(417,160)**	(390,824)
Profit before taxation	9	**1,990,496**	822,861
Taxation	11	**(226,935)**	(252,254)
Profit for the year		**1,763,561**	570,607
Loss for the year attributable to non-controlling interests		**(33,669)**	(169,763)
Profit for the year attributable to owners of the Company		**1,797,230**	740,370
Earnings per share			
– Basic	13	**RMB1.53**	RMB0.63
– Diluted	13	**RMB1.53**	RMB0.60

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
Profit for the year	**1,763,561**	570,607
Other comprehensive income (expense):		
Item that will not be subsequently reclassified to profit or loss:		
Fair value changes on equity instruments at fair value through other comprehensive income ("FVTOCI")	**152,171**	(9,886)
Remeasurement to defined benefit obligations	**(1,952)**	–
Items that may be subsequently reclassified to profit or loss:		
Fair value changes on derivative financial instruments	**(78,724)**	11,782
Net (gain) loss reclassified to profit or loss on hedged items	**(2,273)**	1,906
Exchange differences arising on translation of foreign operations	**40,591**	38,193
Total comprehensive income for the year	**1,873,374**	612,602
Total comprehensive income (expense) attributable to:		
Owners of the Company	**1,908,522**	780,075
Non-controlling interests	**(35,148)**	(167,473)
	1,873,374	612,602

Consolidated Statement of Financial Position

At 31 December 2024

	NOTES	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	14	**17,884,356**	18,070,355
Right-of-use assets	15	**2,044,533**	1,798,372
Goodwill	16	**2,093,389**	275,365
Deposits made for acquisition of property, plant and equipment		**267,592**	162,589
Escrow deposit for acquisition of a subsidiary	35	**–**	283,308
Investment properties	17	**267,474**	127,576
Interest in an associate	18	**2,973**	3,033
Equity instruments at FVTOCI	19	**598,414**	457,011
Financial assets at fair value through profit and loss ("FVTPL")	20	**449,662**	413,301
Intangible assets	21	**1,705,925**	588,623
Deferred tax assets	33	**414,107**	204,242
Contract costs		**68,343**	–
Derivative financial instruments	22	**1,494**	–
		25,798,262	22,383,775
Current assets			
Inventories	23	**3,937,805**	2,992,360
Trade and other receivables	24	**9,370,703**	6,653,431
Amounts due from related companies	25	**2,725**	9,892
Taxation recoverable		**44,046**	22,639
Derivative financial instruments	22	**2,661**	2,869
Pledged bank deposits	26	**524**	15,085
Restricted bank deposits	26	**5,000**	6,207
Cash and cash equivalents	26	**7,538,204**	6,824,525
		20,901,668	16,527,008
Current liabilities			
Trade and other payables	27	**9,557,816**	5,796,468
Contract liabilities	27	**62,674**	15,868
Amounts due to related companies	25	**52,746**	32,323
Taxation payable		**251,640**	100,542
Bank loans	29	**1,727,966**	1,463,885
Unsecured notes	30	**–**	1,957,575
Government grants	32	**71,527**	122,928
Lease liabilities	28	**488,572**	389,309
Derivative financial instruments	22	**95,015**	–
Gross obligation liabilities	34	**574,920**	–
Contingent consideration payables	35	**1,260,837**	–
Contingent settlement provision	31	**259,370**	250,490
		14,403,083	10,129,388
Net current assets		**6,498,585**	6,397,620
Total assets less current liabilities		**32,296,847**	28,781,395

Consolidated Statement of Financial Position

At 31 December 2024

	NOTES	**2024** RMB'000	2023 RMB'000
Non-current liabilities			
Bank loans	29	**3,883,107**	1,726,000
Unsecured notes	30	**3,720,540**	3,662,120
Government grants	32	**480,590**	508,806
Lease liabilities	28	**634,446**	380,886
Deferred tax liabilities	33	**370,383**	47,108
Derivative financial instruments	22	**28,070**	–
Defined benefit obligations		**10,183**	–
Other payables	27	**52,649**	85,206
		9,179,968	6,410,126
Net assets		**23,116,879**	22,371,269
Capital and reserves			
Share capital	34	**97,321**	97,321
Reserves		**22,657,151**	21,784,131
Equity attributable to owners of the Company		**22,754,472**	21,881,452
Non-controlling interests		**362,407**	489,817
Total equity		**23,116,879**	22,371,269

The consolidated financial statements on pages 93 to 174 were approved and authorised for issue by the Board of Directors on 20 March 2025 and are signed on its behalf by:

PAN BENJAMIN ZHENGMIN
DIRECTOR

MOK JOE KUEN RICHARD
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	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	Other reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2023	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 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 ("Subsidiary 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**
Exchange differences arising from translation of foreign operations	**-**	**-**	**-**	**-**	**42,858**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**42,858**	**(2,267)**	**40,591**
Fair value changes on equity instruments at FVTOCI	**-**	**-**	**-**	**-**	**-**	**151,383**	**-**	**-**	**-**	**-**	**-**	**-**	**151,383**	**788**	**152,171**
Fair value changes on derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(78,724)**	**-**	**-**	**(78,724)**	**-**	**(78,724)**
Gain reclassified to profit or loss on hedged item	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,273)**	**-**	**-**	**(2,273)**	**-**	**(2,273)**
Remeasurement to defined benefit obligations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,952)**	**(1,952)**	**-**	**(1,952)**
Profit (loss) for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,797,230**	**1,797,230**	**(33,669)**	**1,763,561**
Total comprehensive income (expense) for the year	**-**	**-**	**-**	**-**	**42,858**	**151,383**	**-**	**-**	**-**	**(80,997)**	**-**	**1,795,278**	**1,908,522**	**(35,148)**	**1,873,374**
Recognition of equity-settled share-based payments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17,391**	**-**	**-**	**-**	**-**	**17,391**	**-**	**17,391**
Shares vested under share award scheme	**-**	**70,794**	**-**	**-**	**-**	**-**	**-**	**(38,558)**	**-**	**-**	**-**	**(32,236)**	**-**	**-**	**-**
Share-based payment reserves under the Subsidiary Scheme	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(22,452)**	**(22,452)**
Gross obligation liabilities for share buy-back program (note 34)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(718,405)**	**-**	**(718,405)**	**-**	**(718,405)**
Purchase of shares (notes 34 and 36)	**-**	**(133,159)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**73,493**	**-**	**(59,666)**	**-**	**(59,666)**
Dividends declared	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(108,932)**	**(108,932)**	**-**	**(108,932)**
Return capital to non-controlling interests of a subsidiary (note 31)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(165,890)**	**(165,890)**	**(69,810)**	**(235,700)**
Disposal of equity instrument at FVTOCI	**-**	**-**	**-**	**-**	**-**	**497,041**	**-**	**-**	**-**	**-**	**-**	**(497,041)**	**-**	**-**	**-**
Transfers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**131,623**	**-**	**-**	**(131,623)**	**-**	**-**	**-**
At 31 December 2024	**97,321**	**(543,784)**	**1,135**	**23,391**	**(424,873)**	**165,738**	**87,245**	**39,549**	**2,150,607**	**(72,868)**	**(644,912)**	**21,875,923**	**22,754,472**	**362,407**	**23,116,879**

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 in prior years.

The other reserve of the Group arose from the gross obligation liabilities for share buy-back program in the current year as detailed in note 34.

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
Operating activities		
Profit before taxation	**1,990,496**	822,861
Adjustments for:		
Interest income	**(198,258)**	(207,819)
Finance costs	**417,160**	390,824
Depreciation of property, plant and equipment	**2,608,695**	2,626,221
Depreciation of right-of-use assets	**225,939**	189,168
Amortisation of intangible assets	**301,216**	149,318
Depreciation of investment property	**9,874**	4,110
Loss (gain) on disposal/write-off of property, plant and equipment	**35,471**	(8,601)
Gain on termination of leases	**(1,027)**	(847)
Gain on repurchase of unsecured notes	**–**	(138,433)
Fair value loss on financial assets at FVTPL	**21,075**	6,724
Fair value loss on derivative financial instruments, net	**25,847**	–
Change in fair value of contingent consideration payables	**23,846**	–
Amortisation of government grants	**(143,833)**	(213,023)
Share-based payments expenses	**(5,061)**	12,531
Share of results of an associate	**59**	265
Allowance for (reversal of allowance for) impairment loss on trade receivables	**196**	(23)
Allowance for (reversal of allowance for) inventories, net	**158,680**	(1,810)
Operating cash flows before movements in working capital	**5,470,375**	3,631,466
(Increase) decrease in inventories	**(582,215)**	1,416,753
Increase in trade and other receivables	**(1,903,440)**	(995,411)
Increase in contract costs	**(22,914)**	–
Decrease (increase) in amounts due from related companies	**7,167**	(1,633)
Increase in trade and other payables	**2,528,219**	832,884
Increase in amounts due to related companies	**20,423**	9,141
Decrease in contract liabilities	**(11,015)**	(14,567)
Cash generated from operations	**5,506,600**	4,878,633
Taxation paid	**(303,848)**	(246,098)
Net cash from operating activities	**5,202,752**	4,632,535

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	NOTES	2024 RMB'000	2023 RMB'000
Investing activities			
Net cash outflow on acquisition of a subsidiary	35	**(1,472,801)**	–
Acquisition of property, plant and equipment		**(1,542,739)**	(1,140,574)
Deposits paid for acquisition of property, plant and equipment		**(528,210)**	(223,335)
Additions to intangible assets		**(139,089)**	(175,964)
Payments for right-of-use assets		**(59,256)**	–
Acquisition of financial assets at FVTPL		**(50,965)**	(232,139)
Placement of short-term fixed deposits		**(21,379)**	–
Withdrawal of short-term fixed deposits		**21,379**	341,265
Placement of pledged bank deposits		**(9,054)**	(56,243)
Withdrawal of pledged bank deposits		**23,731**	41,358
Payments for rental deposits		**(699)**	(421)
Refund of rental deposits		**–**	297
Interest received		**186,536**	191,729
Government grants received relating to acquisitions of non-current assets		**89,538**	22,437
Proceeds from disposal of property, plant and equipment		**11,523**	12,733
Capital return from equity instruments at FVTOCI		**5,246**	18,666
Acquisition of equity instruments at FVTOCI		**–**	(18,200)
Withdrawal of restricted bank deposits		**1,207**	–
Placement of restricted bank deposits		**–**	(6,207)
Escrow deposit paid for acquisition of subsidiaries		**–**	(287,244)
Net cash used in investing activities		**(3,485,032)**	(1,511,842)
Financing activities			
Repayments of bank loans		**(3,585,534)**	(5,200,722)
Bank loans raised		**5,550,959**	4,824,641
Repayment of unsecured notes		**(1,989,879)**	–
Payment for repurchase of unsecured notes		**–**	(443,844)
Interest paid		**(370,891)**	(310,771)
Return of capital contributions from non-controlling interests of a subsidiary and settlement of contingent settlement provision	31	**(235,700)**	(1,448,990)
Shares repurchased		**(203,151)**	(353,753)
Repayment of lease liabilities		**(114,368)**	(73,966)
Dividend paid		**(103,584)**	(130,330)
Payment to derivative financial instruments		**(16,679)**	(18,410)
Receipt from derivative financial instruments		**48,789**	10,585
Net payments for the Subsidiary Scheme	36	**(4,782)**	(25,032)
Net cash used in financing activities		**(1,024,820)**	(3,170,592)
Net increase (decrease) in cash and cash equivalents		**692,900**	(49,899)
Cash and cash equivalents at 1 January		**6,824,525**	6,813,725
Effect of foreign exchange rate changes		**20,779**	60,699
Represented by:			
Cash and cash equivalents at 31 December		**7,538,204**	6,824,525

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 IFRS ACCOUNTING STANDARDS

Amendments to IFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRS Accounting Standards 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 2024 for the preparation of the consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The application of the amendments to IFRS Accounting Standards 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.

New and amendments to IFRS Accounting Standards in issue but not yet effective

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

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity[3]
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 Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11[3]
Amendments to IAS 21	Lack of Exchangeability[2]
IFRS 18	Presentation and Disclosure in Financial Statements[4]

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 2025.
3 Effective for annual periods beginning on or after 1 January 2026.
4 Effective for annual periods beginning on or after 1 January 2027.

Except for the new IFRS Accounting Standard mentioned below, the Directors of the Company anticipate that the application of all amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS (continued)

IFRS 18 "Presentation and Disclosure in Financial Statements" ("IFRS 18")

IFRS 18, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 "Presentation of Financial Statements" ("IAS 1"). This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and IFRS 7 "Financial Instruments: Disclosures". Minor amendments to IAS 7 "Statement of Cash Flows" and IAS 33 "Earnings per Share" are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of IFRS 18 on the Group's consolidated financial statements.

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 IFRS Accounting Standards 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.

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)

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.

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.

Business combinations or asset acquisitions

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting (the "Conceptual Framework") except for transactions and events within the scope of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" ("IAS 37") or IFRIC Interpretation 21 "Levies" ("IFRIC-Int 21"), in which the Group applies IAS 37 or IFRIC-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

3.2 Material accounting policy information (continued)

Business combinations or asset acquisitions (continued)

Business combinations (continued)

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits" respectively;
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16 "Leases") as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

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

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

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 product, electromagnetic drives and precision mechanics, optics products, automotive & consumer acoustics 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.

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

3.2 Material accounting policy information (continued)

Leases

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 "Leases" at inception of the contract. 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.

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 and other expenses".

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 retained profits.

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.

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.

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)

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.

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.

Goodwill

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

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

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

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

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

3.2 Material accounting policy information (continued)

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.

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.

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

3.2 Material accounting policy information (continued)

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.

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 collecting contractual cash flows and selling the financial assets; 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.

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)

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" ("IFRS 3") 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.

(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 and other expenses" 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.

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)

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.

Financial liabilities and equity

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, unsecured notes, bank loans, amounts due to related companies, gross obligation liabilities, contingent settlement provision and lease liabilities are subsequently measured at amortised cost, using the effective interest method.

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

3.2 Material accounting policy information (continued)

Financial instruments (continued)

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.

Hedge accounting

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

Assessment of hedging relationship and effectiveness

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

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

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

Cash flow hedges

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

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

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Hedge accounting (continued)

Cash flow hedges (continued)

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated statement of profit or loss as the recognised hedged item. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Discontinuation of hedge accounting

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

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

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 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 ageing 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 ageing analysis and/or latest/subsequent selling and purchase prices of the inventories. Where the net realisable value is less than the cost, a material impairment may arise. As at 31 December 2024, 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/or supported by the pre-determined price) (the "Relevant Inventories") was RMB3,407,278,000 (2023: RMB2,642,339,000) and allowance for inventories of RMB158,680,000 (2023: reversal of allowance for inventories: RMB1,810,000) was recognised in the profit or loss during the year ended 31 December 2024.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Deferred tax asset

As at 31 December 2024, a deferred tax asset of RMB285,272,000 (2023: RMB134,708,000) 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 RMB7,678,237,000 (2023: RMB7,630,951,000) for the remaining subsidiaries due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient taxable profits will be available in the future or taxable temporary differences are expected to reverse in the same period as the expected reversal of the deductible temporary differences, which is a key source of estimation uncertainty. The uncertainty would depend on how the ongoing uncertain macroeconomic and geopolitical environment, which includes the persistent effects of climate change, higher interest rates and inflation, energy security concerns, cyberattacks, elections in major economies, and international conflicts and tensions, may progress and evolve. 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.

During the current year, the Group acquired 80% of the issued shares in Acoustics Solutions International B.V. and its subsidiaries (collectively referred to as the "PSS Group"), from Acoustics Solutions Holding B.V. and Stichting Administratiekantoor Acoustics Solutions International (collectively, the "Sellers"), which is principally engaged in trading of automotive & consumer acoustics products, and integrated it with the Group's original business in this sector commenced in prior years. The "PSS – automotive & consumer acoustics products" segment is considered as a new operating and reportable segment by the Group's key operating decision makers and the prior year segment disclosures have been represented to conform with current year presentation.

The Group's operating and reportable segments under IFRS 8 "Operating Segments" are acoustics products, electromagnetic drives and precision mechanics, optics products, PSS – automotive & consumer acoustics 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:

	2024 RMB'000	2023 RMB'000 (restated)
Operating and reportable segments		
Segment revenue – recognised at a point in time		
Acoustics products	8,213,816	7,498,965
Electromagnetic drives and precision mechanics	9,709,775	8,245,314
Optics products	4,999,937	3,626,935
PSS – automotive & consumer acoustics products*	3,516,297	21,726
Sensor and semiconductor products	773,377	1,025,076
Other products	115,102	1,056
Revenue	27,328,304	20,419,072
Segment results		
Acoustics products	2,479,431	2,130,145
Electromagnetic drives and precision mechanics	2,258,615	1,656,075
Optics products	322,535	(471,644)
PSS – automotive & consumer acoustics products*	872,457	(2,210)
Sensor and semiconductor products	121,030	139,251
Other products	(12,169)	49
Total profit for operating and reportable segments	6,041,899	3,451,666
Unallocated amounts:		
Other income and other expenses	410,979	590,618
Other gains and losses	(105,212)	151,883
Share of results of an associate	(59)	(265)
Distribution and selling expenses	(670,248)	(443,066)
Administrative expenses	(1,270,097)	(978,066)
Research and development costs	(2,022,001)	(1,573,435)
Exchange gain	22,395	14,350
Finance costs	(417,160)	(390,824)
Profit before taxation	1,990,496	822,861

* The amounts included revenue and result of the Group's automotive & consumer acoustic products business commenced in prior years and the amounts in the prior year included in the other products are represented to align with the current year presentation.

5. REVENUE AND SEGMENT INFORMATION (continued)

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, administrative expenses, research and development costs, exchange gain 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 segment. The Group analysed its assets and liabilities and other financial information at group level. Therefore, only segments 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.

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

	2024 **RMB'000**	2023 RMB'000 (restated)
Acoustics products	**1,108,702**	1,070,453
Electromagnetic drives and precision mechanics	**663,565**	700,821
Optics products	**554,121**	583,342
PSS – automotive & consumer acoustics products*	**80,241**	2,406
Sensor and semiconductor products	**57,729**	59,734
Other products	**8,993**	2,825
Amounts included in cost of inventories	**2,473,351**	2,419,581
Unallocated portion	**672,373**	549,236
	3,145,724	2,968,817

* The amounts included revenue and result of the Group's automotive & consumer acoustic products business commenced in prior years and the amount in the prior year is represented to align with the current year presentation.

5. REVENUE AND SEGMENT INFORMATION (continued)

Geographical information

Information about the Group's revenue from external customers is presented based on the location of end customers.

	2024 **RMB'000**	2023 RMB'000
Greater China* (country of domicile)	**14,507,142**	10,313,354
Other foreign countries:		
America**	**10,017,645**	8,852,858
Other Asian countries	**1,618,398**	1,205,073
Europe	**1,175,275**	47,787
Others	**9,844**	–
	27,328,304	20,419,072

Information about the Group's non-current assets# is presented based on the geographical location of the assets.

	2024 **RMB'000**	2023 RMB'000
Greater China* (country of domicile)	**18,214,443**	18,777,238
Europe	**4,001,872**	974,595
Other foreign countries^	**2,118,270**	1,557,388
	24,334,585	21,309,221

* 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.

** America sales mainly include the sales to end customers based in United States. Sales related to the United States customers are primarily shipped directly to the designated delivery place of the relevant customers or their outsourcing factories located in China, Vietnam, Thailand and India, instead of direct export to the United States.

^ The amounts of non-current assets in America and other Asian countries does not exceed 10% of the Group's total non-currents assets and amounts are included in "Other foreign countries ".

Non-current assets excluded financial instruments and deferred tax assets.

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 RMB15,173,018,000 (2023: RMB15,137,352,000). The total amount of revenue by each customer and number of customers is not disclosed, as in the opinion of the management such disclosure is harmful to the Group's business.

6. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest on bank loans	176,525	102,892
Interest on unsecured notes	197,916	214,385
Interest on lease liabilities	33,839	26,910
Interest on contingent settlement provision	8,880	46,637
	417,160	390,824

7. OTHER INCOME AND OTHER EXPENSES

Other income mainly comprises of:

	2024 RMB'000	2023 RMB'000
Government grants (Note)	206,216	329,554
Interest income	198,258	207,819
Rental income	10,930	10,972

Note: Included in the amount is RMB143,833,000 (2023: RMB213,023,000) representing the amortisation of government grants as detailed in note 32. 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.

8. OTHER GAINS AND LOSSES

Other gains and losses mainly comprise of:

	2024 RMB'000	2023 RMB'000
Gain on repurchase of unsecured notes (note 30)	–	138,433
(Loss) gain on disposal/write-off of property, plant and equipment	(35,471)	8,601
Loss on fair value change of financial assets at FVTPL	(21,075)	(6,724)
Loss from changes in fair value of derivative financial instruments, net	(25,847)	–
Change in fair value of contingent consideration payables	(23,846)	–
Gain on termination of leases	1,027	847

9. PROFIT BEFORE TAXATION

	2024 RMB'000	2023 RMB'000
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments (note 10)	10,492	11,200
Other staff's retirement benefits scheme contributions	739,968	582,858
Other staff costs	5,399,918	3,980,006
Total staff costs (Note a)	6,150,378	4,574,064
Depreciation of property, plant and equipment	2,608,695	2,626,221
Depreciation of right-of-use assets	251,066	214,295
Total depreciation (Note b)	2,859,761	2,840,516
Depreciation of right-of-use assets capitalised in qualifying assets	(25,127)	(25,127)
	2,834,634	2,815,389
Allowance for (reversal of allowance for) inventories net, included in cost of goods sold	158,680	(1,810)
Amortisation of intangible assets (Note c)	301,216	149,318
Auditor's remuneration	4,070	3,674
Cost of inventories recognised as expense	21,127,725	16,969,216
Cost of raw materials included in research and development costs	118,445	144,828
Depreciation of investment property	9,874	4,110
Allowance for (reversal of allowance for) impairment loss on trade receivables	196	(23)
Short-term and low value asset leases expense	88,475	53,069

Notes:

(a) Staff costs of RMB1,410,066,000 (2023: RMB979,975,000) had been included in research and development costs.

(b) Depreciation of RMB292,916,000 (2023: RMB264,830,000) had been included in research and development costs.

(c) Included in the amortisation of intangible assets, RMB181,539,000 (2023: RMB111,104,000) had been capitalised in inventories while the remaining balances had been included in research and development costs, distribution and selling expenses, 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 2024 amounts to RMB10,492,000 (2023: RMB11,200,000), disclosed pursuant to the applicable Listing Rules and CO, are as follows:

For the year ended 31 December 2024:

	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	4,672	2,355	7,027
Share-based compensation	–	(1,037)	(1,037)
Bonuses	–	1,007	1,007
Retirement benefits scheme contributions	–	16	16
Total Directors' emoluments	4,672	2,341	7,013

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.

	Wu Ingrid Chun Yuan ("Ms. Wu") RMB'000	Total RMB'000
Non-executive Director		
Fees	453	453
Other emoluments:		
Salaries and other benefits	–	–
Bonuses	–	–
Retirement benefits scheme contributions	–	–
Total Director's emolument	453	453

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 2024: (continued)

	Kwok Lam Kwong Larry RMB'000	Peng Zhiyuan RMB'000	Zhang Hongjiang RMB'000	Total RMB'000
Independent non-executive Directors				
Fees	898	743	1,385	3,026
Other emoluments:				
Salaries and other benefits	–	–	–	–
Bonuses	–	–	–	–
Retirement benefits scheme contributions	–	–	–	–
Total Directors' emoluments	898	743	1,385	3,026

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

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 in prior years. The Group recorded the net reversal of share-based payment expense of RMB1,037,000 (2023: reversal of RMB377,000), and included in share-based payment above.

For the year ended 31 December 2023:

	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 compensation	–	(377)	(377)
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 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)

	Ms. Wu RMB'000	Total RMB'000
Non-executive Director		
Fees	410	410
Other emoluments:		
Salaries and other benefits	–	–
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	–	–	–	–
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.

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

Employees' emoluments

The five highest paid individuals included one (2023: one) Director of the Company, details of whose emoluments are set out above. The emoluments of the remaining four (2023: four) highest paid individuals are as follows:

	2024 **RMB'000**	2023 RMB'000
Employees		
– basic salaries and allowances	**10,302**	8,991
– share-based compensation	**1,329**	4,650
– bonus	**10,953**	12,073
– retirement benefits scheme contributions	**362**	650
	22,946	26,364

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

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	
	2024	2023
HK$5,000,001 to HK$5,500,000	**1**	–
HK$5,500,001 to HK$6,000,000	**1**	1
HK$6,500,001 to HK$7,000,000	**1**	–
HK$7,000,001 to HK$7,500,000	**1**	–
HK$7,500,001 to HK$8,000,000	**–**	2
HK$8,000,001 to HK$8,500,000	**–**	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

	2024 RMB'000	2023 RMB'000
The current tax charge (credit) comprises:		
PRC Enterprise Income Tax	**220,722**	149,032
Singapore	**90,478**	59,951
Vietnam	**47,969**	18,340
Europe	**22,654**	682
Other jurisdictions	**13,608**	591
PRC and overseas withholding tax	**22,728**	1,181
Under/(over) provision in respect of prior years	**3,937**	(5,419)
	422,096	224,358
Deferred tax (see note 33)	**(195,161)**	27,896
	226,935	252,254

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.

Pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Implementation Regulation, dividend distributed out of the profits generated by foreign invested enterprise to foreign investor shall be subject to EIT at 10% and withheld by the PRC subsidiary. 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 2024 to 2026 (2023: 2023 to 2025). 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.

Taxation in Europe mainly represents the corporate income tax calculated at the rate of 25% on the estimated assessable profits of the subsidiaries of the Company which was incorporated in Belgium.

11. TAXATION (continued)

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 operating in certain jurisdictions where the Pillar Two Rules are effective. However, as the Group's estimated effective tax rates of most of the jurisdictions in which the Group operates are higher than 15 per cent, after taking into account the adjustments under The Global Anti-Base Erosion Rules ("GloBE Rules"), the management of the Group has not made relevant disclosures of qualitative and quantitative information about the potential tax impact of Pillar Two implementation rules; while for the Group's estimated effective tax rate of a jurisdiction in which the Group operates is lower than 15 per cent, after taking into account the adjustments under GloBE Rules, the management considers the exposure to the top-up tax is insignificant to the Group.

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

	2024 **RMB'000**	2023 RMB'000
Profit before taxation	**1,990,496**	822,861
Tax at the applicable income tax rate (Note a)	**497,624**	205,715
Tax effect of income not taxable for tax purpose	**(73,906)**	(116,893)
Tax effect of expenses not deductible for tax purpose	**55,862**	43,455
Tax effect of tax holiday and concession	**(123,399)**	(99,147)
Tax effect of tax losses not recognised	**350,514**	440,694
Tax effect of deductible temporary differences not recognised	**35,311**	1,270
Utilisation/recognition of tax losses previously not recognised	**(300,250)**	(15,592)
Effect of super deduction for research and development cost (Note b)	**(196,359)**	(143,275)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(61,485)**	(62,242)
Under/(over) provision in respect of prior years	**3,937**	(5,419)
PRC and overseas withholding tax	**22,728**	1,181
Others	**16,358**	2,507
Tax charge for the year	**226,935**	252,254

Notes:

(a) The PRC EIT rate of 25% (2023: 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 2023 and 2024.

12. DIVIDENDS

	2024 RMB'000	2023 RMB'000
Dividends recognised as distribution during the year:		
2023 final dividend of HK$0.10 (2022: HK$0.12) per ordinary share	108,932	130,330

Subsequent to the end of the reporting period, a final dividend of HK$0.24 (2023: HK$0.10) 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:

	2024 RMB'000	2023 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share	1,797,230	740,370
Effect of share of loss of subsidiaries (Note a)	–	(29,790)
Earnings for the purpose of diluted earnings per share	1,797,230	710,580

	2024 '000	2023 '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)	1,172,677	1,177,973
Effect of dilutive potential ordinary shares:		
Adjustment in relation to share awards granted by the Company	3,216	5,008
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,175,893	1,182,981

Notes:

(a) During the year ended 31 December 2024, the computation of diluted earnings per share did not assume the effect of contingent settlement provision as the Directors of the Company consider the effect is anti-dilutive (2023: Adjustment to the share of loss of subsidiaries based on dilution of their 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 2016 Trustee and 2023 Trustee (as defined in note 36) under share award scheme.

The computation of diluted earnings per share for both years ended 31 December 2024 and 2023 did not assume 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 2023	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**
Currency realignment	**(2,484)**	**(7,063)**	**(2,043)**	**(5,485)**	**(168)**	**(24,367)**	**(1,010)**	**(42,620)**
Additions	**828**	**27,133**	**7,765**	**25,246**	**993**	**45,836**	**2,084,585**	**2,192,386**
Acquisition of subsidiaries (note 35)	**3,864**	**12,169**	**54,402**	**24,211**	**2,773**	**260,454**	**82,475**	**440,348**
Transfer to investment properties	**–**	**(229,837)**	**–**	**–**	**–**	**–**	**–**	**(229,837)**
Disposals/write-off	**–**	**–**	**(46,363)**	**(7,052)**	**(3,112)**	**(188,917)**	**(2,472)**	**(247,916)**
Transfers	**–**	**183,784**	**119,631**	**72,419**	**7,437**	**1,134,136**	**(1,517,407)**	**–**
At 31 December 2024	**40,004**	**3,289,841**	**2,349,428**	**3,152,297**	**75,683**	**25,259,623**	**4,154,431**	**38,321,307**
DEPRECIATION AND IMPAIRMENT								
At 1 January 2023	–	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**
Currency realignment	**–**	**(2,322)**	**(2,786)**	**(705)**	**(108)**	**(12,087)**	**–**	**(18,008)**
Provided for the year	**–**	**154,775**	**146,879**	**307,155**	**6,660**	**1,993,226**	**–**	**2,608,695**
Transfer to investment properties	**–**	**(91,405)**	**–**	**–**	**–**	**–**	**–**	**(91,405)**
Eliminated on disposal/write-off	**–**	**–**	**(41,699)**	**(5,914)**	**(2,795)**	**(150,514)**	**–**	**(200,922)**
At 31 December 2024	**–**	**1,084,508**	**1,914,574**	**2,524,396**	**51,005**	**14,859,881**	**2,587**	**20,436,951**
CARRYING VALUES								
At 31 December 2024	**40,004**	**2,205,333**	**434,854**	**627,901**	**24,678**	**10,399,742**	**4,151,844**	**17,884,356**
At 31 December 2023	37,796	2,280,195	403,856	819,098	20,512	11,003,225	3,505,673	18,070,355

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	3 – 5
Leasehold improvements	5 years or over the term of lease, whichever is shorter
Motor vehicles	5
Plant and machinery	5 – 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

During the year ended 31 December 2024, the management of the Group concluded there was no indication for impairment.

During the year ended 31 December 2023, 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 respectively related to the optics products segment. The Group estimated the recoverable amounts of the cash-generating units of optics product segment to which the assets belongs when it was 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 was determined based on a value in use calculation. That calculation used 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 15.8% as at 31 December 2023. The cash flows beyond 5-year period were extrapolated using 2.5% growth rate for the relevant industry. Another key assumption for the value in use calculated was the budgeted gross margin, which was determined based on the cash-generating units' past performance and management expectations for the market development. The estimated cash flows and discount rate were 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 did not exceed the recoverable amount based on the value in use and believed that any reasonably possible change in any of these assumptions would not result in significant impairment loss, and concluded that no impairment loss was recognised for the year ended 31 December 2023.

15. RIGHT-OF-USE ASSETS

	Leasehold land RMB’000	Buildings RMB’000	Cars and machineries RMB’000	Total RMB’000
As at 31 December 2024				
Carrying amount	**1,295,400**	**719,164**	**29,969**	**2,044,533**
As at 31 December 2023				
Carrying amount	1,289,143	509,229	–	1,798,372
For the year ended 31 December 2024				
Depreciation charge	**41,506**	**199,686**	**9,874**	**251,066**
Capitalised in construction in progress	**(25,127)**	**–**	**–**	**(25,127)**
	16,379	**199,686**	**9,874**	**225,939**
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

15. RIGHT-OF-USE ASSETS (continued)

	2024 RMB'000	2023 RMB'000
Expense relating to short-term leases	87,570	52,262
Expense relating to leases of low-value assets, excluding short-term leases of low value assets	905	807
Total cash outflow for leases	289,624	149,042
Additions to right-of-use assets	206,112	62,408
Acquisition of subsidiaries (note 35)	316,112	–

For both years, the Group leases various leasehold land, buildings and cars and machineries 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 2024 and 2023, 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 2024 and 2023, 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 2 years to 44 years (2023: 1.5 years to 6 years). On the lease commencement, the Group recognised right-of-use asset of RMB146,856,000 and lease liabilities of RMB146,157,000 (2023: right-of-use asset of RMB62,408,000 and lease liabilities of RMB61,987,000). Except for the payment made on the acquisition of leasehold land of RMB59,256,000 during the year ended 31 December 2024 (2023: nil), the recognition of the remaining newly added right-of-use assets constitutes non-cash transactions.

During the year ended 31 December 2024, leasehold land of RMB11,340,000 is transferred to investment properties (2023: RMB8,018,000) upon the end of owner-occupation.

During the year ended 31 December 2024, the Group early terminated certain leases which constitutes lease modification. As a result, the Group has derecognised right-of-use assets of RMB8,888,000 (2023: RMB6,063,000) and lease liabilities of RMB9,915,000 (2023: RMB6,910,000), and a gain of lease termination of RMB1,027,000 (2023: RMB847,000) was recognised in profit or loss.

15. RIGHT-OF-USE ASSETS (continued)

Restrictions or covenants on leases

As at 31 December 2024, lease liabilities of RMB1,011,437,000 are recognised with related right-of-use assets of RMB749,133,000 (2023: lease liabilities of RMB736,325,000 are recognised with related right-of-use assets of RMB509,229,000). 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	PSS Group RMB'000	AAC Technologies Irvine, 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 2023 and 31 December 2023	8,705	–	77,414	78,231	55,996	55,019	275,365
Acquisition of subsidiaries (note 35)	–	1,818,024	–	–	–	–	1,818,024
At 31 December 2024	**8,705**	**1,818,024**	**77,414**	**78,231**	**55,996**	**55,019**	**2,093,389**

* The English translation is for identification purpose only.
** The name had been changed from WiSpry, Inc. on 12 March 2024.

During the year ended 31 December 2024, the Directors of the Company determines that there is no impairment of the CGUs containing goodwill.

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 12.76% to 21.24% (2023: 12.00% to 21.80%). The cash flows beyond the five-year period are extrapolated using a steady growth rate of 2.5% (2023: 2.5%). 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 AAC Technologies Irvine, 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.

16. GOODWILL (continued)

The recoverable amount of AAC Technologies Irvine, Inc. exceeds its carrying amount. If the budgeted sales growth rate decreased by 3% (2023: 10%), while other parameters remain constant, the recoverable amount would equal its carrying amount.

17. INVESTMENT PROPERTIES

	RMB'000
CARRYING VALUES	
At 1 January 2023	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**
Transfer from property, plant and equipment	**138,432**
Transfer from right-of-use assets	**11,340**
Depreciation during the year	**(9,874)**
At 31 December 2024	**267,474**

18. INTEREST IN AN ASSOCIATE

	2024 RMB'000	2023 RMB'000
Cost of investment in an associate	**5,389**	5,389
Share of post-acquisition loss	**(2,420)**	(2,361)
Exchange adjustments	**4**	5
	2,973	3,033

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 2024	Proportion of ownership interest held by the Group 2023	Proportion of voting rights held by the Group 2024	Proportion of voting rights held by the Group 2023	Principal activity
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

	2024 RMB'000	2023 RMB'000
Unlisted shares	**566,990**	427,528
Listed shares	**31,424**	29,483
	598,414	457,011

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 2024, 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$")739,000 (equivalent to approximately RMB5,246,000). In addition, the Group entered into the agreement to exit from a private entity engaged in research, development and manufacturing of sensor and semiconductor business at a consideration of US$642,000 (equivalent to approximately RMB4,618,000) and the amount is included in other receivables.

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 US$2,761,000 (equivalent to approximately RMB18,666,000).

Listed shares

The amount represents the Group's investment in a company listed in Japan. As at 31 December 2024, the fair value of the investment determined by reference to the quoted market bid prices available was RMB31,424,000 (2023: RMB29,483,000).

20. FINANCIAL ASSETS AT FVTPL

	2024 RMB'000	2023 RMB'000
Convertible loans	51,264	43,711
Unlisted shares/funds	398,398	369,590
	449,662	413,301

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) preferred shares investment in two private entities 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 2024, the Group invested in private entities engaged in sensor and semiconductor business at a consideration of Euro4,039,000 (equivalent to approximately RMB31,161,000).

During the year ended 31 December 2024, the Group (i) made addition contribution of US$1,298,000 (equivalent to approximately RMB9,200,000) and GBP859,000 (equivalent to approximately RMB7,913,000) to the private equity funds and (ii) further subscribed the convertible loan amounted to Euro350,000 (equivalent to approximately RMB2,691,000) issued by a private entity during the year ended 31 December 2024.

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.

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. During the year ended 31 December 2024, the loss in fair value of the financial assets at FVTPL of RMB21,075,000 was recognised in profit or loss (2023: RMB6,724,000).

21. INTANGIBLE ASSETS

	Patents RMB'000	Technology RMB'000	Development expenditure RMB'000	Customer base RMB'000	Total RMB'000
COST					
At 1 January 2023	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**
Currency realignment	**5,339**	**–**	**528**	**710**	**6,577**
Addition	**–**	**–**	**114,103**	**3,010**	**117,113**
Acquisition of subsidiaries (note 35)	**–**	**266,396**	**63,658**	**968,971**	**1,299,025**
At 31 December 2024	**529,862**	**266,396**	**728,165**	**1,086,491**	**2,610,914**
AMORTISATION AND IMPAIRMENT					
At 1 January 2023	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**
Currency realignment	**2,262**	**–**	**1,241**	**694**	**4,197**
Provided for the year	**48,949**	**13,959**	**181,539**	**56,769**	**301,216**
At 31 December 2024	**304,370**	**13,959**	**465,185**	**121,475**	**904,989**
CARRYING VALUE					
At 31 December 2024	**225,492**	**252,437**	**262,980**	**965,016**	**1,705,925**
At 31 December 2023	271,364	–	267,471	49,788	588,623

Patents represent the Group's patents on designs of small and sophisticated module structures and patent for production of optics and acoustic products. 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 and acquisition of subsidiaries in 2024. Technology represents Group's technology acquired by acquisition of a subsidiary in 2024.

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 – 20 years
Technology	17 years

22. DERIVATIVE FINANCIAL INSTRUMENTS

	Current		Non-current	
	2024	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000
Derivatives financial assets				
Cross currency swap contract	**–**	2,869	**–**	–
Foreign currency forward contracts not under hedge accounting	**2,661**	–	**1,494**	–
	2,661	2,869	**1,494**	–
Derivatives financial liabilities				
Foreign currency forward contracts	**93,489**	–	**28,070**	–
Interest rate swap contracts	**1,526**	–	**–**	–
	95,015	–	**28,070**	–

The management considers the following hedging instruments are highly effective hedging instrument and has designated them as cash flow hedging instrument for hedge accounting purposes:

- Cross currency swap contract to minimise the exposure to fluctuations in foreign currency exchange rates of US$ denominated unsecured notes, and the hedge accounting was discontinued upon the repayment of the corresponding US$ denominated unsecured notes during the current year.
- Foreign currency forward contracts to minimise its exposure to fluctuations in foreign currency denominated forecast sales to the Group.
- Interest rate swap contracts to minimise its exposure to cash flow changes of its floating-rate bank loans.

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

During the current year, the hedge accounting for the cross currency swap contract was discontinued upon the repayment of the hedged item and the accumulated hedging reserve of RMB26,395,000 was released and credit to profit or loss.

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The major terms of the outstanding derivative contracts under cash flow hedges are as follows:

At 31 December 2024

Foreign currency forward contracts – cash flow hedges

Notional amount	Range of maturity	Forward contract rate	Exchange frequency
US$286,000,000	31 January 2025 to 31 December 2025	US$1 to RMB7 – RMB7.05	Monthly

Interest rate swap contracts – cash flow hedges

Notional amount	Range of maturity	Trade date	Interest rate Pay	Interest rate Receive	Maturity frequency
Euro11,064,000	9 November 2025	14 December 2022	2.8125%	EURIBOR	Semi-annually
Euro14,752,000	9 November 2025	14 December 2022	2.8125%	EURIBOR	Semi-annually
Euro11,064,000	10 November 2025	14 December 2022	2.8125%	EURIBOR	Semi-annually

At 31 December 2023

Cross currency swap contract – cash flow hedges

Notional amount	Maturity	Forward contract rate	Interest rate Receive	Interest rate Pay	Exchange frequency Receive	Exchange frequency Pay
US$50,000,000	27 November 2024	US$1 to RMB6.7345	3.00%	5.38%	Semi-annually	Semi–annually

Gains and losses recognised in the hedging reserve in equity on the foreign currency forward contracts and the interest rate swap contracts will be continuously released to the profit or loss until completing the relevant transactions or the repayment of the relevant borrowings.

The above derivatives are measured at fair value. The classification of the fair value measurement of the above derivatives at 31 December 2024 and 2023 are 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 into cross currency swap contracts 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

	2024 RMB'000	2023 RMB'000
Raw materials	741,384	606,964
Work in progress	1,037,319	835,388
Finished goods	2,159,102	1,550,008
	3,937,805	2,992,360

The Group has written off allowance for inventories of RMB87,256,000 (2023: RMB154,336,000) in the current year.

During the year, allowance for inventories of approximately RMB158,680,000 (2023: reversal of allowance for inventories of approximately RMB1,810,000) 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

	2024 RMB'000	2023 RMB'000
Trade receivables	7,656,089	5,292,857
Bank acceptance and commercial bills	82,776	69,194
	7,738,865	5,362,051
Prepayments	333,575	295,336
Value-added tax recoverable	780,607	642,320
Other receivables	513,303	349,369
Loan and interest receivables*	4,353	4,355
	9,370,703	6,653,431

* Loans of RMB4,347,000 (2023: RMB4,347,000) made to certain suppliers of the Group, which are unsecured, and carry interest rates at 1% (2023: 1%) per annum. The amounts are repayable in 1 year.

As at 1 January 2023, trade receivables from contracts with customers amounted to RMB4,278,658,000.

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.

	2024 RMB'000	2023 RMB'000
Age		
0 – 90 days	7,571,489	5,197,770
91 – 180 days	152,849	149,996
Over 180 days	14,527	14,285
	7,738,865	5,362,051

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 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB138,132,000 (2023: RMB52,955,000) which are past due as at the reporting date. Included in the past due balances, RMB4,152,000 (2023: RMB20,002,000) has been past due 90 days or more.

Details of impairment assessment of trade and other receivables for the years ended 31 December 2024 and 2023 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:

	2024 **RMB'000**	2023 RMB'000
US$	**332,302**	233,652

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	**2024** **RMB'000**	2023 RMB'000
四川茵地樂科技有限公司 (Sichuan Yindile Technology Co., Ltd.)*	**–**	6,467
四川茵地樂材料科技集團有限公司 (Sichuan Yindile Materials & Technology Group Co., Ltd.)*	**602**	934
迅成(深圳)管理有限公司 (Xuncheng (Shenzhen) Management Co., Ltd.)*	**400**	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.)*	**1,041**	1,430
瑞知(深圳)科技有限責任公司 (Ruizhi (Shenzhen) Technology Co., Ltd.)*	**630**	623
	2,725	9,892

* 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	2024 RMB'000	2023 RMB'000
常州市凌迪電子科技有限公司 (Changzhou Lingdi Electronic Technology Co., Ltd.)*	27,358	21,050
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.)*	23,486	9,468
紅光越南塑業有限公司 (Hongguang Viet Nam Plastic Co., Ltd.)*	1,572	1,786
四川茵地樂科技有限公司 (Sichuan Yindile Technology Co., Ltd.)*	311	–
	52,746	32,323

* 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, PLEDGED BANK DEPOSITS AND RESTRICTED 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 4.50% (2023: 0.00% to 5.51%).

Deposits amounting to RMB524,000 (2023: RMB15,085,000) with carrying fixed interest rate from 0.00% to 0.05% (2023: fixed interest rate: from 0.00% to 5.30%) have been pledged to secure banking facilities granted to the Group and therefore classified as current assets.

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

	2024 RMB'000	2023 RMB'000
US$	1,470,640	1,167,252
HK$	19,099	25,679
Japanese Yen	4,981	6,106
Euro	56,555	32,380
Other currencies	46,451	18,487

Details of impairment assessment of bank balances, pledged bank deposits and restricted bank deposits are set out in note 39.

27. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

Trade and other payables

	2024 RMB'000	2023 RMB'000
Trade payables	5,089,711	3,054,954
Notes payables – guaranteed	1,873,930	1,005,818
	6,963,641	4,060,772
Payroll and welfare payables	682,839	423,731
Payables for acquisition of property, plant and equipment and intangible assets	968,765	794,541
Other payables and accruals	936,852	540,649
Payables related to Restricted Shares (as defined in note 36) granted to employees	58,368	61,981
	9,610,465	5,881,674
Less: Other payables due for settlement after 12 months shown under non-current liabilities	(52,649)	(85,206)
Amounts shown under current liabilities	9,557,816	5,796,468

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

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

	2024 RMB'000	2023 RMB'000
Age		
0 – 90 days	5,831,250	3,366,334
91 – 180 days	1,055,865	674,020
Over 180 days	76,526	20,418
	6,963,641	4,060,772

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:

	2024 RMB'000	2023 RMB'000
US$	1,201,277	754,529
Japanese Yen	12,385	24,642
Euro	35,287	26,831

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

Contract liabilities

	2024 RMB'000	2023 RMB'000
Contract liabilities on sales of miniaturised components and tooling	62,674	15,868

The significant increase in contract liabilities in the current year was mainly due to the acquisition of PSS Group, which resulted in the recognition of contract liabilities of RMB57,821,000, as detailed in note 35.

As at 1 January 2023, contract liabilities amounted to RMB30,435,000. 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

	2024 RMB'000	2023 RMB'000
Lease liabilities payable:		
Within one year	488,572	389,309
Within a period of more than one year but not more than two years	160,832	83,155
Within a period of more than two years but not more than five years	291,693	209,216
Within a period of more than five years	181,921	88,515
	1,123,018	770,195
Less: Amount due for settlement with 12 months shown under current liabilities	(488,572)	(389,309)
Amount due for settlement after 12 months shown under non-current liabilities	634,446	380,886

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 4.27% (2023: 4.36%). 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	US$ RMB'000
As at 31 December 2024	87,249	1,122
As at 31 December 2023	97,989	2,155

29. BANK LOANS

	2024 RMB'000	2023 RMB'000
Bank loans	**5,611,073**	3,189,885
Less: Amount due within one year included in current liabilities	**(1,727,966)**	(1,463,885)
Amount due after one year	**3,883,107**	1,726,000
The carrying amounts of the above bank loans are repayable*:		
Within one year	**1,727,966**	1,463,885
Within a period of more than one year but not exceeding two years	**1,736,684**	1,600,000
Within a period of more than two years but not exceeding five years	**2,146,423**	126,000
	5,611,073	3,189,885

* 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:

	2024 RMB'000	2023 RMB'000
RMB	**3,084,463**	1,098,600

The exposure of the Group's bank loans are as follows:

	2024 RMB'000	2023 RMB'000
Fixed-rate bank loans	**4,558,313**	3,189,885
Variable-rate bank loans	**1,052,760**	–
	5,611,073	3,189,885

The fixed-rate bank loans carry interest rate ranging from 2.40% to 4.23% per annum (2023: 2.30% to 3.35% per annum) and variable rate bank loans carry interest rate ranging from 2.50% to 5.05% per annum (2023: nil). The Company issued guarantees to respective banks to secure these borrowings.

In respect of bank loans with carrying amount of RMB416,760,000 as at 31 December 2024 (2023: nil), the Group is required to comply with the financial covenants which are tested on a quarterly basis. The PSS Group is subject to regular reporting to the bank and has a covenant to adhere to which is based on the leverage of the PSS Group.

The Group has complied with the relevant covenants at each test date on or before the end of the reporting period and classified the related bank loans balances as current and non-current according to the scheduled repayment dates set out in the loan agreements.

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 3.1506% (2023: 3.1506%) per annum.

During the year ended 31 December 2024, the principal amounts of the 2024 Notes was fully repaid. As at 31 December 2023, the principal amounts of the outstanding unsecured notes include 2024 Notes of US$276,818,000 with the carrying amount of RMB1,957,575,000. The amount was shown under current liabilities as at 31 December 2023.

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% (2023: 2.7023% and 3.8656%) respectively.

As at 31 December 2024, the principal amounts of the outstanding unsecured notes include 2026 Notes of US$230,154,000 (2023: US$230,154,000) with the carrying amount of RMB1,652,309,000 (2023: RMB1,626,590,000) and 2031 Notes of US$290,123,000 (2023: US$290,123,000) with the carrying amount of RMB2,068,231,000 (2023: RMB2,035,530,000). The amount is repayable in 2026 and 2031 shown under non-current liabilities as at 31 December 2024 (2023: non-current liabilities).

During the year ended 31 December 2024, there was no repurchase of unsecured notes. 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 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 from open market and the notes were 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 was for the purpose of optimising its debt structure and proactive management of its liabilities.

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

In accordance with the shareholders agreements entered into between the Group and certain non-controlling interests of AAC Optics (Changzhou) Co., Ltd. ("AAC Optics"), subject to occurrence or non-occurrence of future events including the separate listing condition, those non-controlling interests were granted the rights 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.

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

According to the Company's announcement dated 15 September 2023, AAC Technology Information Consultancy (Changzhou) Co., Ltd. ("AAC TIC"), an indirectly wholly owned subsidiary of the Company, AAC Optics and certain non-controlling interests ("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 taken 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 were 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 in 2023 and as at 31 December 2023, 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.

According to the Company's announcement dated 26 July 2024, AAC (China) Investment Group Co., Ltd ("AAC Investment"), an indirectly wholly owned subsidiary of the Company and AAC Optics entered into separate share transfer agreements with certain non-controlling interests ("2024 Selling Investors"), in which the 2024 Selling Investors agreed to sell a portion of their equity interest in AAC Optics to AAC Investment. The 2024 Selling Investors in aggregate sell approximately 1.408% of the equity interest in AAC Optics at the aggregate consideration of RMB235,700,000. The difference between the amounts of the non-controlling interests adjusted and the consideration paid amounting to RMB165,890,000 is credited directly in equity and attributed to owners of the Company.

After the completion of the share transfer agreements in 2024 and as at 31 December 2024, AAC Optics is held (i) as to approximately 89.6696% indirectly by the Company; (ii) 2% by the share incentive platforms of AAC Optics, of which 0.1374% of the shares are vested but still held under the platforms; and (iii) approximately 8.3304% by the 3 remaining strategic investors in aggregate.

For the details of the arrangement, please refer to the information disclosed in the prior years' annual reports of the Company.

32. GOVERNMENT GRANTS

During the year, the Group received government grants of RMB89,538,000 (2023: RMB22,437,000) 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, RMB143,833,000 (2023: RMB213,023,000) 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:

	2024 RMB'000	2023 RMB'000
Deferred tax assets	**414,107**	204,242
Deferred tax liabilities	**(370,383)**	(47,108)
	43,724	157,134

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 (Note b)	Others RMB'000	Total RMB'000
At 1 January 2023	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
Acquisition of subsidiaries	5,003	–	–	(66,460)	68,810	(327,409)	7,745	(312,311)
Credit (charge) to profit or loss	145,683	23,396	5,893	5,754	(4,759)	19,618	(424)	195,161
Credit to other comprehensive income	–	–	–	–	–	–	1,131	1,131
Currency realignment	(122)	(4)	–	1,294	(1,449)	1,327	1,563	2,609
At 31 December 2024	285,272	47,208	51,123	(136,335)	139,710	(353,572)	10,318	43,724

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 RMB8,937,169,000 (2023: RMB8,282,264,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB1,258,932,000 (2023: RMB651,313,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately RMB7,678,237,000 (2023: RMB7,630,951,000) 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 2034 (2023: year 2033) from the year when the losses are incurred.

At 31 December 2024 and 2023, 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 2023, 31 December 2023 and 31 December 2024	5,000,000,000	50,000
Issued and fully paid:		
Ordinary shares at 1 January 2023	1,203,250,000	12,033
Shares repurchased and cancelled	(4,750,000)	(48)
Ordinary shares at 31 December 2023 and 31 December 2024	1,198,500,000	11,985

	RMB'000
At 1 January 2023	97,708
Shares repurchased and cancelled	(387)
At 31 December 2023 and 31 December 2024	97,321

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$0.01 each	Price per share Highest HK$	Lowest HK$	Aggregate consideration HK$'000
January	2,544,500	18.02	16.40	42,766

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) and the consideration for share repurchased in December 2022 amounting to RMB34,604,000 was paid during the year ended 31 December 2023. During the year ended 31 December 2023, 2,544,500 ordinary shares repurchased in 2023 and 2,205,500 ordinary shares repurchased in December 2022 were cancelled.

34. SHARE CAPITAL (continued)

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

Gross obligation liabilities for share buy-back program

On 16 December 2024, the Company entered into an agreement with an independent broker (the "Broker") under which the Broker is appointed to operate the automatic share buy-back program, in which the Company has agreed parameters for the Broker to buy back up to HK$778,000,000 of the Company's shares on the Hong Kong Stock Exchange from the commencement date of the share buy-back program up to 16 May 2025. Since the Broker is considered as the principal of the share buy-back program and the Company has the obligation to pay the Broker for the share buy-back with a maximum amount up to HK$778,000,000 (equivalent to approximately RMB718,405,000), the amount is initially recognised as gross obligation liabilities and the corresponding debit to other reserve. During the year ended 31 December 2024, the Company had paid HK$155,388,000 (equivalent to approximately RMB143,485,000) to the Broker as the prepayment to execute the share buy-back program, out of which consideration of HK$79,589,000 (equivalent to approximately RMB73,493,000) is paid for the repurchase of 2,130,500 issued ordinary shares of the Company. As at 31 December 2024, the outstanding gross obligation liabilities was RMB574,920,000.

During the year ended 31 December 2024, the Company repurchased its own ordinary shares through the Broker on 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
December	**2,130,500**	**38.85**	**35.70**	**79,589**

Further details of the share buy-back program were set out in the Company's announcement dated 16 December 2024.

35. ACQUISITION OF SUBSIDIARIES

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 of the PSS Group. Pursuant to such agreement, the Group will purchase the sale shares from the Sellers in two tranches, with the First Tranche Transaction and the Second Tranche Transaction comprising 80% and 20%, respectively, of the issued shares in the capital of the PSS Group.

The First Tranche Transaction purchase price comprises 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 "First Tranche Consideration").

The Second Tranche Transaction 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 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 an agreed fixed purchase price together with interest thereon (the "Second Tranche Consideration").

35. ACQUISITION OF SUBSIDIARIES (continued)

The First Tranche Transaction is completed on 9 February 2024. After considering the terms under the sale and purchase agreement and shareholders' agreement dated 10 August 2023, the Directors of the Company considered that the Group has consolidated 100% interest in the PSS Group upon the completion of the First Tranche Transaction. The Second Tranche Consideration is considered to be deferred consideration. The consideration and PSS Group's financial information represented below are as at acquisition date of 9 February 2024.

Acquisition Consideration as at 9 February 2024

	RMB'000
First Tranche Transaction – Cash consideration at completion	**1,924,223**
Escrow deposit for acquisition of subsidiaries paid in 2023	**284,156**
First Tranche Consideration (note a)	**2,208,379**
Second Tranche Consideration – Contingent consideration payables (note b)	**1,236,991**
	3,445,370

Notes:

a. The First Tranche Consideration comprise of:

(i) the First Tranche Transaction purchase price of US$320,000,000 (equivalent to RMB2,273,252,000);

(ii) plus the interest thereon from 1 April to 2023 to 9 February 2024 calculated on a daily basis at the rate of 6.75% per annum, amounting to US$18,641,000 (equivalent to approximately RMB132,424,000);

(iii) less the price leakage adjustment of US$27,773,000 (equivalent to approximately RMB197,297,000).

b. The amount represents the Second Tranche Consideration which could be (a) US$136,409,000 (equivalent to RMB969,036,000) if the Sellers exercise their postponement right and the Group disagrees, or (b) US$204,613,000 (equivalent to RMB1,453,550,000) if the Group exercises its postponement right and the Sellers disagree, or (c) an agreed multiple of the PSS Group's EBITDA plus the PSS Group's adjusted net financial debt (cash) multiplied by 20% plus 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 Directors of the Company have estimated the Second Tranche Purchase Price to be US$174,128,500 (equivalent to approximately RMB1,236,991,000), which is determined based on the fair value of the identified assets and liabilities with reference to the valuation carried out by an independent qualified professional valuer to purchase remaining 20% of the issued shares of the PSS Group. As at 31 December 2024, the latest fair value of the contingent consideration payables amounted to US$175,399,000 (equivalent to approximately RMB1,260,837,000)).

Acquisition-related costs amounting to RMB37,131,000 have been excluded from the consideration transferred, in which RMB6,461,000 have been recognised directly as an expense in the current year, while the remaining were recognised during the year ended 31 December 2023, within the "administrative expenses" line item in the consolidated statement of profit or loss.

35. ACQUISITION OF SUBSIDIARIES (continued)

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	440,348
Right-of-use assets	316,112
Intangible assets (note a)	1,299,025
Deferred tax assets	23,022
Derivative financial instruments – assets	28,396
Contract costs	45,429
Cash and cash equivalents	451,422
Trade and other receivables	788,051
Inventories	533,765
Taxation recoverable	14,779
Trade and other payables	(1,081,920)
Contract liabilities	(57,821)
Lease liabilities	(328,727)
Taxation payable	(27,575)
Deferred tax liabilities (note b)	(335,333)
Derivative financial instruments – liabilities	(9,680)
Bank loans	(464,181)
Defined benefit obligations	(7,766)
Net assets	1,627,346

Notes:

(a) The amounts mainly represent the fair value of customer base of RMB968,971,000 and technology of RMB266,396,000 acquired in the acquisition of the PSS Group. The useful life of the intangible assets is determined by reference to the comparable market information.

(b) The deferred tax liabilities mainly relating to the fair value adjustment of property, plant and equipment and intangible assets which deferred tax liabilities amounted to approximately RMB321,967,000, which is calculated at the Belgium corporate income tax rate of 25%.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	3,445,370
Less: recognised amounts of net assets acquired	(1,627,346)
Goodwill arising on acquisition	1,818,024

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

35. ACQUISITION OF SUBSIDIARIES (continued)

Net cash outflows arising on acquisition of PSS Group

	RMB'000
Total consideration	3,445,370
Less: Cash and cash equivalents acquired	(451,422)
Escrow deposit for acquisition of a subsidiary	(284,156)
Contingent consideration payables	(1,236,991)
	1,472,801

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2024 is RMB239,439,000 attributable to the additional business generated by the PSS Group. Revenue for the year ended 31 December 2024 includes RMB3,359,569,000 generated from the PSS Group.

Had the acquisition of PSS Group been completed on 1 January 2024, revenue for the year ended 31 December 2024 of the Group (including PSS Group) would have been RMB27,615,934,000, and the profit for the year ended 31 December 2024 of the Group (including PSS Group) would have been RMB1,817,517,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2024, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had PSS Group been acquired at the beginning of the year ended 31 December 2024, the Directors of the Company calculated depreciation and amortisation of property, plant and equipment, right-of-use assets and intangible assets based on their recognised amounts 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 2016 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 2016 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.

36. SHARE AWARD SCHEME (continued)

Share award scheme of the Company (continued)

2016 share award scheme of the Company (continued)

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.

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 RMB154,042,000) on the Hong Kong Stock Exchange for the purpose of the 2016 Scheme (2024: nil).

As at 31 December 2024, an aggregate of 14,752,257 shares (2023: 17,210,645 shares) of the Company had been purchased and held by the 2016 Trustee, in which 327,574 Awarded Shares are vested (2023: 158,444 Awarded Shares) and were still held under the 2016 Trustee. Since the date of adoption of the 2016 Scheme up to 31 December 2024, 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 years ended 31 December 2024 and 2023 are as follows:

For the year ended 31 December 2024

		Number of shares			
Date of grant	**Vesting period**	**At 1 January 2024**	**Vested on 24 March 2024**	**Shares entitlement forfeited**	**At 31 December 2024**
24 March 2022	24 March 2022 to 24 March 2024	**2,790,916**	**(2,627,518)**	**(163,398)**	**–**
24 March 2022	24 March 2022 to 24 March 2025	**2,799,296**	**–**	**(186,058)**	**2,613,238**
		5,590,212	**(2,627,518)**	**(349,456)**	**2,613,238**

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

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 2023	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**
Awarded Shares vested	**(2,627,518)**	**(75,664)**
Awarded Shares vested and held by the 2016 Trustee	**169,130**	**4,870**
At 31 December 2024	**14,752,257**	**283,575**

During the year ended 31 December 2024, the Group recognised total expenses of RMB17,391,000 (2023: RMB32,021,000) in relation to the 2016 Scheme for 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 on 17 April 2023 had adopted the share award scheme (the "2023 Scheme") 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 2024 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 2024, the 2023 Trustee purchased an aggregate of 2,700,000 shares at price ranging from HK$23.45 to HK$25.00 per share at a total consideration of HK$65,646,000 (equivalent to RMB59,666,000) (2023: an aggregate of 9,119,000 shares at price ranging from HK$13.18 to HK$17.46 per share at a total consideration of HK$142,743,000 (equivalent to RMB127,050,000)) on the Hong Kong Stock Exchange for the purpose of the 2023 Scheme.

As at 31 December 2024, an aggregate of 11,819,000 shares (2023: 9,119,000 shares) of the Company had been purchased and held by the 2023 Trustee. Since the adoption of 2023 Scheme up to 31 December 2024, no new shares had been issued to the 2023 Trustee.

No share awards have been granted to any employees since adoption of the 2023 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 2024, the net cash payment to the Eligible Scheme Participants under the Subsidiary Scheme is RMB997,000 (2023: RMB25,032,000).

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.

36. SHARE AWARD SCHEME (continued)

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.

During the year ended 31 December 2024, the Group repurchased of 22,131,333 Restricted Shares at the subscription price of RMB1 per share of AAC Optics from the Eligible Scheme Participants and no shares were granted in 2024.

As at 31 December 2024, the net cash proceed of unvested portion of Restricted Shares, amounting to RMB23,921,000 (2023: RMB46,052,000), is recorded as other payables as the shares are contingently returnable. In addition, as at 31 December 2024, for the consideration of repurchased share amounted to RMB34,447,000 (2023: 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 2023	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**
Repurchased during the year	**(22,131,333)**	**(37,260)**
Unvested as at 31 December 2024	**23,920,595**	**40,272**

As of 31 December 2024, there are 100,293,466 Unvested Restricted Shares (2023: 78,162,133 Unvested Restricted Shares) arising from the repurchased and 1,866,630 Restricted Shares (2023: nil) vested in prior years that repurchased during the year ended 31 December 2024, and held under the Platforms which are available to be granted to the eligible employees under the Subsidiary Scheme.

During the year ended 31 December 2024, the subsidiary reversed share-based payment expense of RMB22,452,000 (2023: reversed share-based payment expense of RMB19,490,000) in relation to the shares granted by the subsidiary under Subsidiary Scheme and the amount is debited (2023: debited) 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 ended 31 December 2023 was based on discounted cash flow. 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 included 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 17 years (2023: 15 years).

Undiscounted lease payments receivable on leases are as follows:

	2024 RMB'000	2023 RMB'000
Within one year	25,582	13,959
In the second year	32,037	15,216
In the third year	34,804	18,285
In the fourth year	37,485	18,822
In the fifth year	35,650	19,150
After five years	326,042	85,562
	491,600	170,994

38. CAPITAL COMMITMENTS

	2024 RMB'000	2023 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	762,282	705,363
– capital contribution to a financial asset at FVTPL	243,343	256,982
	1,005,625	4,020,488

39. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2024 RMB'000	2023 RMB'000
Financial assets		
Derivative financial instruments	4,155	2,869
Equity instruments at FVTOCI	598,414	457,011
Financial asset at FVTPL	449,662	413,301
Financial assets at amortised cost	15,802,974	12,571,484
Financial liabilities		
Derivative financial instruments	123,085	–
Contingent consideration payables	1,260,837	–
Financial liabilities at amortised cost	19,510,683	14,745,122

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, and cash and cash equivalent, trade and other payables, unsecured notes, bank loans, gross obligation liabilities, contingent consideration payables, 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**	
	2024	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000
US$	**15,564,069**	13,517,976	**8,846,111**	8,815,700
Japanese Yen	**39,467**	44,443	**25,846**	39,560
Euro	**145,221**	149,711	**232,237**	314,917
HK$	**349,115**	268,354	**914,088**	241,950

During the year ended 31 December 2024, the Group has ended the cross currency swap contract in relation to the US$ denominated unsecured notes (2023: entered into cross currency swap contract amounting to RMB354,135,000 (equivalent to US$50,000,000)). In addition, the Group has entered into foreign currency forward contracts in relation to the foreign currency denominated transaction amounted to US$388,000,000 (2023: nil). 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% (2023: 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% (2023: 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% (2023: 5%) against the relevant currency and vice versa. For a 5% (2023: 5%) weakening of the RMB against the relevant currency, there would be an equal and opposite impact on the profit.

	Impact	
	2024	2023
	RMB'000	RMB'000
Increase (decrease) in profit for the year		
US$	**(251,923)**	(176,335)
Japanese Yen	**(511)**	(183)
Euro	**3,263**	6,195
HK$	**21,186**	(990)

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, contingent settlement provision and contingent consideration payables (details of which are set out in notes 26, 28, 29, 30, 31 and 35, respectively). The bank deposits and the majority of the fixed-rate bank loans will mature within three years, the management considers the risk is insignificant to the Group.

39. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk (continued)

The Group is also exposed to cash flow interest rate risk in relation to bank deposits carried interest at prevailing market deposit rate and floating-rate bank loans (details of which are set out in notes 26 and 29, respectively). In order to keep the Group's bank loans at fixed rates, the Group entered into interest rate swaps to hedge against its exposure to changes in cash flows for certain floating-rate bank loans. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market interest rate on bank balances or other relevant interbank offered rates arising from the group's RMB and Euro denominated bank loans. 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. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

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 and floating-rate bank loans at the end of the reporting period was the amount outstanding for the whole year. The sensitivity analysis has excluded certain bank loans under cash flow hedges and certain bank balances which are not interest sensitive.

If interest rates had been 50 basis points (2023: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2024 would increase/decrease by RMB26,426,000 (2023: increase/decrease by RMB25,168,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and the floating-rate bank loans.

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 2024, if the prices of the respective equity instruments had been 10% higher/lower, the investment revaluation reserve as at 31 December 2024 would increase/decrease by RMB3,142,000 (2023: RMB2,948,000) 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.

39. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

As at 31 December 2024 and 2023, 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.

As at 31 December 2024, the Group has concentration of credit risk on total trade and bills receivables as 66.28% (2023: 67.85%) of the total trade and bills receivables are due from the Group's five largest customers. These five customers are large multi-national corporations and are mobile phone and/or consumer electronic companies. The management considers, based on the strong financial background, good creditability and repayment history of those debtors, there are no significant credit risks.

The Group applies the simplified approach to provide for ECL prescribed by IFRS 9 "Financial Instruments" ("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 2024 and 2023 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.

39. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

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 RMB5,751,897,000 (2023: RMB4,213,766,000) and bill receivables of RMB82,776,000 (2023: RMB69,194,000), the remaining balances with gross carrying amount of RMB1,907,945,000 (2023: RMB1,082,793,000) 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.

For the year ended 31 December 2024

	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	**134,219**	**0.2%**	**(239)**	**133,980**
91 – 180 days past due	**4,346**	**9.4%**	**(408)**	**3,938**
Over 180 days past due	**238**	**10.1%**	**(24)**	**214**
	138,803		**(671)**	**138,132**

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	0.7%	(214)	32,953
91 – 180 days past due	12,469	10.0%	(1,243)	11,226
Over 180 days past due	11,021	20.4%	(2,245)	8,776
	56,657		(3,702)	52,955

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 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 and 1 January 2024	**3,702**	**–**	**3,702**
Changes due to trade receivables recognised as at 1 January 2024			
– Impairment losses reversed	**(1,346)**	**–**	**(1,346)**
– Impairment loss recognised	**–**	**957**	**957**
Transfer	**(2,125)**	**2,125**	**–**
New financial assets originated or purchased	**585**	**–**	**585**
Currency realignment	**(145)**	**–**	**(145)**
As at 31 December 2024	**671**	**3,082**	**3,753**

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 2024 and 2023 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 2024								
Non-derivative financial liabilities								
Non-interest bearing	–	1,132,391	8,123,113	–	–	–	9,255,504	9,255,504
Variable interest rate	3.6%	–	81,224	1,080,067	–	–	1,161,291	1,052,760
Fixed interest rate	3.2%	–	1,721,908	3,127,916	27,470	–	4,877,294	4,647,589
Unsecured notes	3.3%	–	121,636	1,754,360	234,621	2,202,831	4,313,448	3,720,540
Gross obligation liabilities	–	–	574,920	–	–	–	574,920	574,920
Contingent settlement provision	4.0%	–	268,250	–	–	–	268,250	259,370
		1,132,391	10,891,051	5,962,343	262,091	2,202,831	20,450,707	19,510,683
Lease liabilities	4.3%	–	519,942	181,921	331,292	209,256	1,242,411	1,123,018
Contingent consideration payables	–	–	1,260,837	–	–	–	1,260,837	1,260,837
Derivatives liabilities – gross settlement								
– inflow		–	(2,005,000)	–	–	–	(2,005,000)	(2,005,000)
– outflow		–	2,100,015	22,264	5,806	–	2,128,085	2,128,085
		–	95,015	22,264	5,806	–	123,085	123,085
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

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 2024 RMB'000	Fair value as at 2023 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	**31,424**	29,483	Level 1	Quoted bid prices in an active market.	N/A	N/A
Equity instruments at FVTOCI – Unlisted equity investments	**92,601**	75,477	Level 3	Income approach. The discounted cash flow method was used to capture future economic benefits to be derived from the ownership of these investments.	Discount rate, taking into account of weighted average cost of capital determined using a Capital Asset Pricing Model.	The higher the discount rate, the lower the fair value, and vice versa.
					Forecasted future cash flows	The higher the forecast future cash flow, the higher the fair value, and vice versa.
Equity instruments at FVTOCI – Unlisted equity investments	**464,698**	318,829	Level 3	Market approach. The market approach was used to determine the valuation using trailing-twelve-month ("TTM") Price-to-Sales ("P/S") multiples of selected comparable listed companies in a similar business and similar business model and adjusted for the lack of marketability.	The lack of marketability discount.	The higher the lack of marketability discount, the lower the fair value.
					TTM P/S multiples of selected comparable companies.	The higher the TTM P/S multiples, the higher the fair value.
Equity instruments at FVTOCI – Unlisted equity investments	**9,691**	33,222	Level 3	Recent transaction prices of underlying investments.	N/A	N/A
Total equity instruments at FVTOCI	**598,414**	457,011				

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 2024 RMB'000	Fair value as at 2023 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	**31,499**	21,248	Level 3	Recent transaction prices of underlying investments	N/A	N/A
Financial assets at FVTPL	**366,899**	348,342	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	**51,264**	43,711	Level 3	Binomial Option Pricing Model	Volatility	The higher the volatility, the higher the fair value, and vice versa
Total financial assets at FVTPL	**449,662**	413,301				
Cross currency swap contract	**–**	Assets – 2,869 (designated for hedging)	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 a rate that reflects the credit risk of various counterparties.	N/A	N/A
Foreign currency forward contracts	**Assets – 4,155 (not under hedge accounting) Liabilities – 71,593 (under hedge accounting) Liabilities – 49,966 (not 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 a rate that reflects the credit risk of various counterparties.	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 2024 RMB'000	Fair value as at 2023 RMB'000	Fair value hierarchy	Valuation technique(s) and key input (s)	Significant unobservable input(s)	Sensitivity/relationship of unobservable inputs to fair value
Interest rate swap contracts	Liabilities – 1,526 (under hedge accounting)	–	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at an applicable discount rate taking into account the credit risk of the counter– parties and of the Group as appropriate.	N/A	N/A
Contingent consideration payables	1,260,837	–	Level 3	The discounted cash flow method was used to estimate future economic outflow to the sellers.	Discount rate, taking into account incremental borrowing rate.	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.

(ii) Reconciliation of level 3 fair value measurements

	Contingent consideration payables RMB'000	Equity instruments at FVTOCI RMB'000	Financial assets at FVTPL RMB'000
At 1 January 2023	–	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
Capital return	–	(9,864)	–
Purchase made	–	–	50,965
Acquisition of subsidiaries	(1,236,991)		
Total gain (losses):			
– in other comprehensive income	–	147,458	–
– in profit and loss	(23,846)	–	(21,075)
Currency realignment	–	1,868	6,471
At 31 December 2024	(1,260,837)	566,990	449,662

40. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

(ii) Reconciliation of level 3 fair value measurements (continued)

Of the total gains or losses for the period included in profit or loss, RMB21,075,000 (2023: RMB6,724,000) 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 RMB145,374,000 gain (2023: RMB1,033,000 gain) 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 RMB3,441,301,000 (2023: RMB4,889,467,000), 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 balancing 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. As at 31 December 2024, there were no forfeited contributions (2023: nil).

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 governments. 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	2024 RMB'000	2023 RMB'000
Purchase of raw materials	101,644	68,647
Services fee recharged	301	753
Property rentals received	871	1,555
Payment for lease liabilities	16,139	19,388
Interest on lease liabilities	836	1,596
Loan lending	6,069	19,134
Interest on loan lending	1,641	946
Leases liabilities	15,198	28,904

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 2024 and 31 December 2023, 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 2024 and 2023			
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 2024 and 2023 (continued)			
瑞聲(中國)投資集團有限公司 AAC (China) Investment Group 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$437,800,000 (2023: 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 components and acoustic products, research and development
常州泰瑞美電鍍科技有限公司 Changzhou Tairuimei Electroplating Technology Co., Ltd. (Note j)#	PRC	Registered capital – RMB69,000,000	Provision of electroplating service
瑞聲科技(沭陽)有限公司 AAC Technologies (Shuyang) Co., Ltd. (Note k)#	PRC	Registered capital – US$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$789,296,086 (2023: US$784,296,000)	Investment holding

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 2024 and 2023 (continued)			
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
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 2024 and 2023			
辰瑞光學(常州)股份有限公司 AAC Optics (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 – RMB3,202,390,000 (2023: 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 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 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. During the year ended 31 December 2023, the Group's interest is increased to 88.26% upon the share repurchased. During the year ended 31 December 2024, the Group's interest is increased to 89.67% 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 both years.

(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	
		2024	2023	**2024 RMB'000**	2023 RMB'000	**2024 RMB'000**	2023 RMB'000
AAC Optics	PRC	**89.67%***	88.26%	**(33,669)**	(169,763)	**362,407**	489,817

* 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	Contingent consideration payables RMB'000	Gross obligation liabilities RMB'000	Total RMB'000
At 1 January 2023	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**
Repayment of unsecured notes	**(1,989,879)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,989,879)**
Bank loans raised	**-**	**5,550,959**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,550,959**
Repayments of bank loans	**-**	**(3,585,534)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,585,534)**
Net payments for the Subsidiary Scheme	**-**	**-**	**(4,782)**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,782)**
Payment to derivative financial instrument	**-**	**-**	**-**	**-**	**-**	**(16,679)**	**-**	**-**	**-**	**(16,679)**
Dividend declared	**-**	**-**	**-**	**-**	**108,932**	**-**	**-**	**-**	**-**	**108,932**
Dividend paid	**-**	**-**	**-**	**-**	**(103,584)**	**-**	**-**	**-**	**-**	**(103,584)**
Finance costs	**6,611**	**3,129**	**-**	**33,839**	**-**	**364,701**	**8,880**	**-**	**-**	**417,160**
Interest paid	**-**	**-**	**-**	**(27,525)**	**-**	**(343,366)**	**-**	**-**	**-**	**(370,891)**
Addition of lease liabilities	**-**	**-**	**-**	**146,157**	**-**	**-**	**-**	**-**	**-**	**146,157**
Termination of leases	**-**	**-**	**-**	**(9,915)**	**-**	**-**	**-**	**-**	**-**	**(9,915)**
Repayment of lease liabilities	**-**	**-**	**-**	**(114,368)**	**-**	**-**	**-**	**-**	**-**	**(114,368)**
Foreign exchange translation	**84,113**	**(11,547)**	**1,169**	**(4,092)**	**-**	**-**	**-**	**-**	**-**	**69,643**
Gross obligation liabilities for share buy-back program (note 34)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**718,405**	**718,405**
Advance payment to the Broker for the share repurchase (note 34)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(143,485)**	**(143,485)**
Acquisition of subsidiaries (note 35)	**-**	**464,181**	**-**	**328,727**	**-**	**-**	**-**	**1,236,991**	**-**	**2,029,899**
Change in fair value of contingent consideration payables	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**23,846**	**-**	**23,846**
At 31 December 2024	**3,720,540**	**5,611,073**	**58,368**	**1,123,018**	**5,350**	**23,936**	**259,370**	**1,260,837**	**574,920**	**12,637,412**

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

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTES	2024 RMB'000	2023 RMB'000
Non-current assets			
Interests in subsidiaries		**1,289,920**	1,272,529
Current assets			
Other receivables		**40,424**	6,386
Amounts due from subsidiaries		**4,969,536**	6,820,071
Cash and cash equivalents		**13,775**	31,016
		5,023,735	6,857,473
Current liabilities			
Other payables		**18,880**	16,207
Amounts due to subsidiaries		**1,426,996**	985,475
Gross obligation liabilities		**574,920**	–
Unsecured notes	30	**–**	1,957,575
Government grants		**–**	410
		2,020,796	2,959,667
Net current assets		**3,002,939**	3,897,806
Total assets less current liabilities		**4,292,859**	5,170,335
Non-current liabilities			
Unsecured notes	30	**3,720,540**	3,662,120
		3,720,540	3,662,120
Net assets		**572,319**	1,508,215
Capital and reserves			
Share capital	34	**97,321**	97,321
Reserves		**474,998**	1,410,894
		572,319	1,508,215

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	Other reserve RMB'000	Total RMB'000
At 1 January 2023	(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**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(66,284)**	**–**	**(66,284)**
Shares vested under share award scheme	**70,794**	**–**	**(38,558)**	**(32,236)**	**–**	**–**
Recognition of equity-settled share-based payments	**–**	**–**	**17,391**	**–**	**–**	**17,391**
Gross obligation liabilities for share buy-back program (note 34)	**–**	**–**	**–**	**–**	**(718,405)**	**(718,405)**
Purchase of shares (notes 34 and 36)	**(133,159)**	**–**	**–**	**–**	**73,493**	**(59,666)**
Dividend declared	**–**	**–**	**–**	**(108,932)**	**–**	**(108,932)**
At 31 December 2024	**(543,784)**	**33,428**	**39,549**	**1,590,717**	**(644,912)**	**474,998**

47. CONTINGENT LIABILITY

During the year ended 31 December 2023, 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. During the year ended 31 December 2024, a settlement agreement has been reached for the abovesaid litigations.

5-Year Financial Summary

RESULTS	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000
	Year ended 31 December				
Revenue	17,140,219	17,666,967	20,625,092	20,419,072	**27,328,304**
Reported profit before taxation	1,647,599	1,412,876	860,679	822,861	**1,990,496**
Taxation	(146,571)	(119,767)	(231,496)	(252,254)	**(226,935)**
Reported profit	1,501,028	1,293,109	629,183	570,607	**1,763,561**
Attributable to:					
Owners of the Company					
– reported	1,506,707	1,316,279	821,305	740,370	**1,797,230**
Non-controlling interests	(5,679)	(23,170)	(192,122)	(169,763)	**(33,669)**
	1,501,028	1,293,109	629,183	570,607	**1,763,561**
Reported Basic EPS	RMB1.25	RMB1.09	RMB0.69	RMB0.63	**RMB1.53**
Full year dividend	HK$0.30	HK$0.20	HK$0.12	HK$0.10	**HK$0.24**

ASSETS AND LIABILITIES	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000
	As at 31 December				
Total assets	38,911,308	42,022,068	40,343,258	38,910,783	**46,699,930**
Total liabilities	(17,090,473)	(19,520,068)	(18,147,643)	(16,539,514)	**(23,583,051)**
Net assets	21,820,835	22,502,000	22,195,615	22,371,269	**23,116,879**
Attributable to:					
Owners of the Company	21,158,741	21,810,666	21,656,245	21,881,452	**22,754,472**
Non-controlling interests	662,094	691,334	539,370	489,817	**362,407**
	21,820,835	22,502,000	22,195,615	22,371,269	**23,116,879**

Investors Information

STOCK CODES

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

2026 Note: 40699
2031 Note: 40700

MAJOR MARKET INDEXES

I. Hang Seng Indexes and Sub-indexes:
- Hang Seng SCHK China Technology Index
- Hang Seng Stock Connect Hong Kong Greater Bay Area Index
- Hang Seng Composite Industry Index (Industrials)
- Hang Seng Shanghai-Shenzhen-Hong Kong Autonomous and Electric Vehicles Index
- Hang Seng SCHK Automobile Index
- Hang Seng Stock Connect Greater Bay Area Industrials Index
- Hang Seng Composite LargeCap & MidCap Index
- Hang Seng Composite MidCap & SmallCap Index
- Hang Seng Composite MidCap Index

II. Constituent stock of the Hang Seng Corporate Sustainability Index and included in other sub-indexes:
- Corporate Sustainability Index (Mainland and HK)
- Hang Seng Climate Change 1.5° C Target Index
- ESG 50 Index

III. Constituent stock of the FTSE4Good Index

IV. MSCI China Index
- China ESG Universal Index
- MSCI China ESG Leaders Index
- CHINA ESG BROAD CTB SELECT

MARKET CAPITALIZATION AND SHARE PRICE PERFORMANCE

As at 31 December 2024, the market capitalization of listed Shares of the Company was approximately HK$44.94 billion or US$5.79 billion based on the total number of 1,198,500,000 issued Shares of the Company (including treasury shares) and the closing price of HK$37.50 per Share.

The daily average number of traded Shares was approximately 6.15 million Shares over an approximate free float of 757.01 million Shares in 2024. The average closing price was HK$27.78 per Share, an increase of 58.83% when compared with the average of 2023. The highest closing price was HK$38.80 per Share on 11 December 2024 and the lowest was HK$16.62 per Share on 5 February 2024.

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 2024 and has continued to maintain the public float as at the date of this annual report.

Investors Information

KEY DATES FOR SHAREHOLDERS

19-22 May 2025	Book Closure Period for AGM
22 May 2025	2025 AGM
28-30 May 2025	Book Closure Period for Final Dividend
19 June 2025	Payment of Final Dividend
August 2025	2025 Interim Results Announcement
March 2026	2025 Final Results Announcement

Any changes to these dates in 2025 will be published on the websites of the Hong Kong Stock Exchange and the Company.

FINANCIAL AND SUSTAINABILITY 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.

The Company's sustainability reports are published online in English and Chinese language and are available on the websites of the Company and Hong Kong Exchange and Clearing Limited, as above.

CONTACT INVESTOR RELATIONS

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Official IR Wechat Group:

Definition and Glossary

Abbreviations	Meanings
General	
2016 Share Award Scheme/2016 Scheme	The Employee's Share Award Scheme adopted by the Board on 23 March 2016
2016 Scheme Trustee/2016 Trustee	Bank of Communications Trustee Limited, an independent trustee appointed by the Company for managing the 2016 Share Award Scheme
2023 Share Award Scheme/2023 Scheme	The Employee's Share Award Scheme adopted by the Board on 17 April 2023
2023 Scheme Trustee/2023 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 Belgium	AAC Technologies (Belgium) BV
AAC HK	AAC Technologies Limited
AAC Investment	AAC (China) Investment Group Co., Ltd
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
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
Broker	Independent broker
CAPEX	Capital expenditure
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
CSR	Corporate Social Responsibility
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
ERA	Enterprise Risk Assessment
ERM	Enterprise Risk Management
ESG	Environmental, Social and Governance

Definition and Glossary

Abbreviations	Meanings
EVP	Executive Vice President
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
FY 2023	Fiscal year of 2023
FY 2024	Fiscal year of 2024
GloBE Rules	The Global Anti-Base Erosion Rules
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
IASB	International Accounting Standards Board
IDC	International Data Corporation
IECQ	International Electrotechnical Commission Quality Assessment System for Electronic Components
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
NED	Non-executive Director
Ordinary Shares	Ordinary shares in the capital of the Company
P/S	Price-to-Sales
PSS	Premium Sound Solutions
PSS Group	Acoustics Solutions International B.V. and its subsidiaries
ROA	Return on average total assets
ROE	Return on average equity
R&D	Research & Development
Sellers	Acoustics Solutions Holding B.V. and Stichting Administratiekantoor Acoustics Solutions International

Definition and Glossary

Abbreviations	Meanings
SC	Sustainability Committee
SCHK	Hong Kong Stock Connect Scheme
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$0.01 each in the share capital of the Company
SWG	Sustainable Working Group
Target	Acoustics Solutions International B.V.
Target Group	Acoustics Solutions International B.V. and its subsidiaries
The Group	AAC Technologies Holdings Inc. and its subsidiaries
The Code	HKICPA's Code of Ethics for Professional Accountants
TTM	Trailing-twelve-month
2H 2024	The second half of 2024
HoH	Half-year-on-half-year
YoY	Year-on-year
ppts	Percentage points
America/US	The United States of America
China/PRC	The People's Republic of China
EU	European Union
Hong Kong	Hong Kong Special Administrative Region
HKD/HK$	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	
AI	Artificial Intelligence
AR	Augmented Reality
COBIT	Control Objectives for Information and related Technology
EV	Electric vehicle
LDS	Laser Direct Structuring
MEMS	Micro Electro-Mechanical Systems
NEVs	New Energy Vehicles
OIS	Optical Image Stabilizer
RF	Radio Frequency
SLS	Super Linear Structure
SSE	Sensor and Semiconductor
SNR	Signal-to-noise ratio
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.