瑞聲科技控股有限公司

AAC TECHNOLOGIES HOLDINGS INC.

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 02018)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2015

FINANCIAL HIGHLIGHTS

Revenue of AAC Technologies Holdings Inc. ("**AAC Technologies**" or the "**Company**" and together with its subsidiaries, collectively the "**Group**") for the year ended 31st December, 2015 amounted to RMB11,738.9 million, representing an increase of 32.2% from RMB8,879.3 million for the previous year. Profit attributable to owners of the Company for the year ended 31st December, 2015 amounted to RMB3,106.9 million, representing an increase of 34.1% from RMB2,317.7 million for the previous year. This marks the sixth consecutive year of record sales and earnings for the Company.

RESULTS

The board (the "**Board**") of directors (the "**Director(s)**") of the Company is pleased to announce the audited consolidated financial statements of the Group for the year ended 31st December, 2015 together with the audited comparative figures for the corresponding period in 2014. These audited consolidated financial statements have been reviewed by the Company's audit committee (the "**Audit Committee**") and approved by the Board on 23rd March, 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2015

	NOTES	2015 RMB'000	2014 RMB'000
Revenue		**11,738,866**	8,879,300
Cost of goods sold		**(6,866,765)**	(5,201,267)
Gross profit		**4,872,101**	3,678,033
Other income		**176,577**	114,190
Distribution and selling expenses		**(256,712)**	(198,811)
Administrative expenses		**(546,443)**	(337,747)
Research and development costs		**(858,972)**	(656,183)
Share of results of associates		**(4,980)**	(1,374)
Gain on disposal of a subsidiary	*19*	**4,411**	-
Exchange gain (loss)		**71,241**	(4,195)
Net fair value gain on foreign currency forward contracts		**-**	346
Finance costs	*4*	**(21,950)**	(13,692)
Profit before taxation	*5*	**3,435,273**	2,580,567
Taxation	*6*	**(325,079)**	(270,166)
Profit for the year		**3,110,194**	2,310,401
Other comprehensive income (expense):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**80,045**	(3,385)
Total comprehensive income for the year		**3,190,239**	2,307,016
Profit for the year attributable to:			
Owners of the Company		**3,106,904**	2,317,695
Non-controlling interests		**3,290**	(7,294)
		3,110,194	2,310,401
Total comprehensive income and expense attributable to:			
Owners of the Company		**3,187,210**	2,314,348
Non-controlling interests		**3,029**	(7,332)
		3,190,239	2,307,016
Earnings per share - Basic	*8*	**RMB2.53**	RMB1.89

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2015

	NOTES	**2015** **RMB'000**	2014 *RMB'000*
Non-current assets			
Property, plant and equipment	*9*	**7,079,966**	5,285,248
Goodwill		**89,217**	32,931
Prepaid lease payments		**253,367**	180,801
Deposits made for acquisition of property, plant and equipment		**256,661**	485,521
Available-for-sale investments	*10*	**379,940**	364,531
Interests in associates	*11*	**5,858**	15,688
Intangible assets		**156,021**	139,660
Deposits paid for acquisition of additional interests in a subsidiary		**-**	7,717
Loan receivable from a non-controlling shareholder of a subsidiary	*12*	**18,417**	17,075
		8,239,447	6,529,172
Current assets			
Inventories		**1,718,158**	1,267,191
Trade and other receivables	*13*	**4,195,568**	3,850,382
Amounts due from related companies		**20,511**	18,216
Taxation recoverable		**22,593**	7,511
Pledged bank deposits		**60**	3,990
Bank balances and cash		**2,223,864**	1,602,687
		8,180,754	6,749,977
Current liabilities			
Trade and other payables	*14*	**2,919,037**	2,388,466
Amounts due to related companies		**39,999**	48,469
Taxation payable		**208,025**	146,050
Short-term bank loans	*15*	**1,158,880**	1,417,806
Other short-term borrowings		**324**	307
		4,326,265	4,001,098
Net current assets		**3,854,489**	2,748,879
Total assets less current liabilities		**12,093,936**	9,278,051
Non-current liabilities			
Long-term bank loans	*15*	**648,700**	-
Government grants	*16*	**42,172**	34,894
Deferred tax liabilities	*17*	**48,981**	40,356
Loan payable to a non-controlling shareholder of a subsidiary	*12*	**-**	11,158
		739,853	86,408
Net assets		**11,354,083**	9,191,643
Capital and reserves			
Share capital		**99,718**	99,718
Reserves		**11,207,224**	9,038,377
Equity attributable to owners of the Company		**11,306,942**	9,138,095
Non-controlling interests		**47,141**	53,548
Total equity		**11,354,083**	9,191,643

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2015

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands with its shares listed on The Stock Exchange of Hong Kong Limited.

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

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

In the current year, the Group has applied all new IFRSs which are effective for the Group's accounting period beginning on 1st January, 2015.

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

New and revised IFRSs in issue but not yet effective

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

IFRS 9	Financial instruments[1]
IFRS 14	Regulatory deferral accounts[2]
IFRS 15	Revenue from contracts with customers[1]
IFRS 16	Leases[3]
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations[4]
Amendments to IAS 1	Disclosure initiative[4]
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation[4]
Amendments to IFRSs	Annual improvements to IFRSs 2012-2014 cycle[4]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer plants[4]
Amendments to IAS 27	Equity method in separate financial statements[4]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the consolidation exception[4]
Amendments to IAS 7	Disclosure initiative[6]
Amendments to IAS 12	Recognition of deferred tax assets for unrealised losses[6]

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

New and revised IFRSs in issue but not yet effective - continued

[1] Effective for annual periods beginning on or after 1st January, 2018
[2] Effective for first annual IFRS financial statements beginning on or after 1st January, 2016
[3] Effective for annual periods beginning on or after 1st January, 2019
[4] Effective for annual periods beginning on or after 1st January, 2016
[5] Effective for annual periods beginning on or after a date to be determined
[6] Effective for annual periods beginning on or after 1st January, 2017

IFRS 9 Financial instruments

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

Key requirements of IFRS 9 are described below:

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

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

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

IFRS 15 Revenue from contracts with customers

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

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

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

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

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

3. SEGMENT INFORMATION

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

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

3. 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:

	2015	2014
	RMB'000	*RMB'000*
Operating and reportable segments		
Segment revenue from external customers		
Dynamic components	**6,152,427**	5,967,414
Haptics & RF Mechanical	**4,440,895**	1,670,473
MEMS components	**990,482**	852,215
Other products	**155,062**	389,198
Revenue	**11,738,866**	8,879,300
Segment results		
Dynamic components	**2,465,541**	2,617,188
Haptics & RF Mechanical	**2,255,366**	801,986
MEMS components	**185,335**	206,382
Other products	**(34,141)**	52,477
Total profit for operating and reportable segments	**4,872,101**	3,678,033
Unallocated amounts:		
Interest income	**14,504**	23,591
Other income	**162,073**	90,599
Net fair value gain on foreign currency forward contracts	**-**	346
Distribution and selling expenses	**(256,712)**	(198,811)
Administrative expenses	**(546,443)**	(337,747)
Research and development costs	**(858,972)**	(656,183)
Share of results of associates	**(4,980)**	(1,374)
Exchange gain (loss)	**71,241**	(4,195)
Finance costs	**(21,950)**	(13,692)
Gain on disposal of a subsidiary	**4,411**	-
Profit before taxation	**3,435,273**	2,580,567

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

3. SEGMENT INFORMATION - CONTINUED

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

	2015	2014
	RMB'000	*RMB'000*
Dynamic components	**396,714**	310,642
Haptics & RF Mechanical	**85,234**	22,561
MEMS components	**30,784**	30,321
Other products	**11,649**	17,433
	524,381	380,957
Other unallocated expenses	**186,804**	143,970
	711,185	524,927

Segment profit represents the profit earned by each segment without allocation of finance costs, interest income, administration expenses, research and development costs, distribution and selling expenses, other income, net fair value gain on foreign currency forward contracts, exchange gain (loss), share of results of associates and gain on disposal of a subsidiary. This is the measure reported to the CEO for the purpose of resource allocation and performance assessment.

Over 94.8% of the Group's non-current assets were located in the People's Republic of China (the "PRC"), the place of domicile of the relevant group entities that hold those assets.

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

	2015	2014
	RMB'000	*RMB'000*
Greater China* (country of domicile)	**3,721,533**	2,219,282
Other foreign countries:		
Other Asian countries	**1,363,344**	1,263,988
America	**6,648,093**	5,295,547
Europe	**5,896**	100,483
	11,738,866	8,879,300

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

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

3. SEGMENT INFORMATION - CONTINUED

During the year, the aggregate amount of revenue derived from the Group's top customers which individually has contributed to over 10% of the Group's revenue and included in all of the Group's segments, amounted to RMB4,652,702,000 (2014: RMB4,329,472,000). No disclosure of the total amount of revenue by each customer and number of customers are disclosed, as in the opinion of the Directors such disclosure is harmful to the Group's business.

4. FINANCE COSTS

	2015	2014
	RMB'000	*RMB'000*
Interest on bank borrowings wholly repayable within five years	**21,950**	13,692

5. PROFIT BEFORE TAXATION

	2015	2014
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Directors' emoluments	**13,217**	14,622
Other staff's retirement benefits scheme contributions	**326,097**	235,900
Other staff costs	**2,609,624**	1,984,772
Total staff costs	**2,948,938**	2,235,294
Less: Staff costs included in research and development costs	**(447,632)**	(349,245)
	2,501,306	1,886,049
Depreciation	**698,109**	510,660
Less: Depreciation included in research and development costs	**(98,011)**	(72,165)
	600,098	438,495
Amortisation of intangible assets	**13,076**	14,267
Net allowance for bad and doubtful debts	**1,338**	-
Allowance for obsolete inventories, included in cost of goods sold	**75,944**	30,689
Auditor's remuneration	**2,837**	2,671
Cost of inventories recognised as expense	**6,790,821**	5,170,578
Cost of raw materials included in research and development costs	**159,071**	116,059
Impairment losses recognised in respect of property, plant and equipment (note 9)	**60,440**	3,671
Impairment losses recognised in respect of goodwill	**21,128**	-
Impairment losses recognised in respect of intangible assets	**19,016**	30,238
Loss on disposal of property, plant and equipment	**5,976**	-
Operating lease rentals in respect of		
- building premises	**54,800**	46,195
- prepaid lease payments	**4,560**	2,421
and after crediting:		
Government grants included in other income *	**54,685**	36,153
Interest income	**14,504**	23,591
Gain on waiver of loan	**11,045**	-
Rental income	**3,797**	1,035
Amortisation of government grants (note 16)	**3,532**	1,419
Gain on disposal of prepaid lease payments	**256**	-
Gain on disposal of property, plant and equipment	**-**	5,734
Net reversal of allowance for bad and doubtful debts	**-**	383

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

6. TAXATION

	2015	2014
	RMB'000	*RMB'000*
The current tax charge (credit) comprises:		
Hong Kong Profits Tax	**289**	-
PRC Enterprise Income Tax	**238,771**	188,358
Other jurisdictions	**113,121**	89,471
Overprovision of taxation in prior years	**(21,971)**	(6,423)
	330,210	271,406
Deferred tax (see note 17)	**(5,131)**	(1,240)
	325,079	270,166

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

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

In addition, certain PRC subsidiaries were officially endorsed as High-New Technology Enterprises ("HNTE") till the dates ranging from 4th August, 2016 to 2nd November, 2018. Pursuant to the EIT Law, those PRC subsidiaries entitled as HNTE shall be entitled to a preferential tax rate of 15% till the expiry of the HNTE status for the respective PRC subsidiaries.

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

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

6. TAXATION - CONTINUED

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

	2015	2014
	RMB'000	*RMB'000*
Profit before taxation	**3,435,273**	2,580,567
Tax at the applicable income tax rate*	**858,794**	645,142
Tax effect of income not taxable for tax purpose	**(7,180)**	(3,847)
Tax effect of expenses not deductible for tax purpose	**69,175**	13,714
Tax effect of tax holiday	**(377,733)**	(299,949)
Tax effect of tax losses not recognised	**19,406**	81,584
Utilisation of tax losses previously not recognised	**(22,229)**	(11,872)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(187,881)**	(146,814)
Overprovision in prior years	**(21,971)**	(6,423)
Others	**(5,302)**	(1,369)
Tax charge for the year	**325,079**	270,166

* The PRC EIT rate of 25% (2014: 25%) is the domestic tax rate in the jurisdiction where the operations of the Group are substantially based.

7. DIVIDENDS

	2015	2014
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2014 final dividend of HK$0.71 (2013: HK$0.83) per ordinary share	**687,565**	809,073
2015 interim dividend of HK$0.25 (2014: HK$0.25) per ordinary share	**251,985**	243,297
	939,550	1,052,370

Subsequent to the end of the reporting period, a final dividend of HK$0.95 (2014: HK$0.71) per share, has been proposed by the Board of Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31st December, 2015 is based on the profit for the year attributable to owners of the Company of RMB3,106,904,000 (2014: RMB2,317,695,000) and on the number of ordinary shares of 1,228,000,000 shares in issue during the year (2014: 1,228,000,000 shares).

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

9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the year, the Group made additions to property, plant and equipment of approximately RMB2,573 million (2014: RMB1,866 million) on acquisition of property, plant and equipment, including transfers from deposits of approximately RMB486 million (2014: RMB199 million). The Group had impaired certain property, plant and equipment of RMB60,440,000 (2014: RMB3,671,000) due to termination of production on certain products that were not part of the Group's core business and due to replacement of some other machineries by more advanced models as part of the Group's automation plan.

10. AVAILABLE-FOR-SALE INVESTMENTS

	2015	2014
	RMB'000	*RMB'000*
Unlisted shares, at cost	**379,940**	364,531

The investment is measured at cost less impairment as the range of reasonable fair value estimates is so significant that the Directors are of the opinion that the fair value cannot be measured reliably. The Directors use their judgment in assessing impairment of its available-for-sale investment. In estimating whether available-for-sale investment is impaired, the Group adopted an assessment by referencing to market comparable companies multiples and multiplied to the underlying financial information of the available-for-sale investment. To the extent that the carrying amount exceeded the amount of the result of the assessment, impairment loss would be recognised.

The available-for-sale investment represents the Group's investment in unlisted securities issued by a private entity incorporated in Singapore and the investee is engaged in the Micro-Optics business.

11. INTERESTS IN ASSOCIATES

	2015	2014
	RMB'000	*RMB'000*
Cost of investments in associates, unlisted	**66,185**	71,185
Impairment loss recognised in respect of interest in an associate	**(13,014)**	(13,014)
Share of post-acquisition loss and other comprehensive expense	**(47,313)**	(42,483)
	5,858	15,688

11. INTERESTS IN ASSOCIATES - CONTINUED

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

Name of associate	Place of incorporation	Percentage equity interest 2015 %	2014 %	Principal activity
Xenon Technology (Cayman) Limited	Cayman Islands	**39.2%**	39.2%	Design and manufacture of Xenon-based flash lamp and flash modules
Vesper Technologies Inc.	United States of America	**25%**	25%	Research and develop of MEMS products

During the year, the management assessed its associates for impairment with reference to their recoverable amounts. The recoverable amounts were determined based on the value in use calculations using the cashflow projections based on financial budget for the next 3 to 5 years approved by management. Cash flows beyond the budgeted period have extrapolated using a rate of 0-3%. Discount rate of 8.8% (2014: 14.1%) was used, which was determined based on the weighted average cost of capital of the investees. Based on the estimated recoverable amount, an impairment loss of RMB13,014,000 was recognised and charged to profit or loss during the year ended 31st December, 2013. No impairment loss is recognised in the current year.

In the current year, one of the Group's associates has been deregistered. The Group received RMB4,850,000 from the distribution on deregistration.

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

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

	2015	2014
	RMB'000	*RMB'000*
Total assets	**20,237**	22,399
Total liabilities	**(35,887)**	(7,815)
	(15,650)	14,584
Revenue	**2,113**	6,582
Loss for the year	**(19,952)**	(6,479)
Group's share of loss of associates for the year	**(4,980)**	(1,374)

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

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

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

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

13. TRADE AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**3,470,802**	3,250,107
Bank acceptance and commercial bills	**62,304**	78,438
	3,533,106	3,328,545
Advance payment to suppliers	**6,000**	74,928
Prepayments	**143,073**	123,838
Value-added tax recoverable	**191,297**	168,138
Other receivables	**322,092**	154,933
	4,195,568	3,850,382

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

	2015	2014
	RMB'000	*RMB'000*
Age		
0 - 90 days	**3,188,404**	3,015,864
91 - 180 days	**311,573**	282,070
Over 180 days	**33,129**	30,611
	3,533,106	3,328,545

13. 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. The following is an aged analysis of trade receivables and bank acceptance and commercial bills which are past due but not impaired:

	2015	2014
	RMB'000	*RMB'000*
Age		
Overdue 0 - 90 days	**332,884**	324,070
Overdue 91 - 180 days	**829**	30,947
Overdue over 180 days	**31,036**	3,340
	364,749	358,357

Management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good credit quality. Included in the Group's trade receivables balance are debtors with an aggregate carrying amount of RMB364,749,000 (2014: RMB358,357,000) which are past due at the reporting date for which the Group has not provided for impairment loss. Based on historical experience the Group considers the amounts which are past due and which impairment loss has not been provided for to be of good credit quality and they are expected to be recoverable. The Group does not hold any collateral over these balances.

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

	2015	2014
	RMB'000	*RMB'000*
Balance at beginning of the year	**14,036**	14,577
Currency realignment	**683**	44
Allowance for bad and doubtful debts	**2,482**	1,378
Write-off of bad and doubtful debts	**(735)**	(202)
Reversal of allowance for bad and doubtful debts	**(1,144)**	(1,761)
Balance at end of the year	**15,322**	14,036

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

13. TRADE AND OTHER RECEIVABLES - CONTINUED

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

	2015	2014
	RMB'000	*RMB'000*
US$	**140,669**	192,717
Euro	**439**	6,761
HK$	**14**	1

14. TRADE AND OTHER PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Trade payables	**1,169,340**	1,120,700
Notes payables - secured	**868,199**	665,590
	2,037,539	1,786,290
Payroll and welfare payables	**421,107**	343,664
Payables for acquisition of property, plant and equipment	**195,537**	86,468
Other payables and accruals	**258,234**	165,732
Contingent consideration payable	**6,620**	6,312
	2,919,037	2,388,466

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

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

	2015	2014
	RMB'000	*RMB'000*
Age		
0 - 90 days	**1,728,178**	1,577,470
91 - 180 days	**308,547**	208,285
Over 180 days	**814**	535
	2,037,539	1,786,290

14. TRADE AND OTHER PAYABLES - CONTINUED

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

	2015	2014
	RMB'000	*RMB'000*
US$	**197,902**	79,024
Japanese Yen	**23,131**	9,165
Euro	**263**	1,609

15. BANK LOANS

	2015	2014
	RMB'000	*RMB'000*
Bank loans are repayable as follows:		
Within one year	**1,158,880**	1,417,806
After one year but within two years	**-**	-
After two years but within five years	**648,700**	-
	1,807,580	1,417,806
Less: Amount due within one year included in current liabilities	**1,158,880**	1,417,806
Amount due after one year	**648,700**	-

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

	2015	2014
	RMB'000	*RMB'000*
US$	**389,617**	112,230
HK$	**40,629**	-
Euro	**35,476**	-
RMB	**154,400**	-

The Group's bank loans, carry interest ranging from 0.59% to 4.15% per annum (as at 31st December, 2014: carry interest ranging from 0.75% to 2.74% per annum). The Company issued guarantees to the banks to secure these borrowings.

16. GOVERNMENT GRANTS

During the year, the Group received government grants of RMB10,810,000 (2014: RMB25,700,000) in aggregate from various PRC government authorities as an incentive for constructing electronic plants and acquiring machineries. The amount received is to be amortised and released to profit or loss over the useful lives of the relevant assets. During the year, RMB3,532,000 (2014: RMB1,419,000) of the grants have been released to profit or loss.

17. DEFERRED TAX LIABILITIES

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

	Intangible assets *RMB'000*	**PRC withholding tax on undistributed earnings** *RMB'000*	**Total** *RMB'000*
At 1st January, 2014	18,074	23,522	41,596
Credited to profit or loss	(1,240)	-	(1,240)
At 31st December, 2014	16,834	23,522	40,356
On acquisition of a subsidiary	13,756	-	13,756
Credited to profit or loss	(5,131)	-	(5,131)
At 31st December, 2015	25,459	23,522	48,981

At 31st December, 2015, the Group has unrecognised deferred tax liability in relation to PRC withholding tax on undistributed earnings in certain of its PRC subsidiaries, as it is the intention of the Directors to retain the earnings within these subsidiaries.

At the end of the reporting period, certain subsidiaries of the Group has unused tax losses of RMB421,824,000 (2014: RMB433,116,000) available for offset against future profits. These losses may be carried forward for five years from the year when the losses are incurred. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

The deferred tax liability recognised of RMB13,756,000 in respect of the intangible assets was related to the acquisition of WiSpry, Inc. ("WiSpry") during the year ended 31st December, 2015 as a result of the fair value adjustment on patents and technical knowhow in relation to dynamically tunable RF.

18. ACQUISITION OF A SUBSIDIARY

(a) Business combination under IFRS 3

On 7th May, 2015, the Group acquired 100% interest in a private company, WiSpry, from certain independent third parties for an aggregate consideration of USD16,816,000 (approximately RMB102,808,000). The acquisition has been accounted for using the acquisition method.

Consideration transferred as at date of acquisition

	WiSpry
	RMB'000
Cash	**73,364**
Contingent consideration	**29,444**
Total	**102,808**

Pursuant to the sales and purchase agreement, the Group is required to make contingent consideration payment to the shareholders upon meeting specific technical milestone and specific revenue target. The Directors are of the opinion, that WiSpry will be able to meet all the conditions for payment of the contingent consideration. The contingent consideration is payable by stages on or before October 2017.

Acquisition-related costs during the period amounting to approximately RMB3,522,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in the period and included in the administrative expenses line item in the consolidated statement of profit or loss and other comprehensive income.

18. ACQUISITION OF A SUBSIDIARY - CONTINUED

(a) Business combination under IFRS 3 - continued

The assets acquired and liabilities assumed which were recognised on 7th May, 2015, the date of acquisition, are as follows:

	RMB'000
Plant and equipment	**2,198**
Intangible asset	**38,211**
Other assets	**192**
Trade and other receivables	**587**
Prepaid and other current assets	**1,704**
Bank balances and cash	**3,709**
Trade and other payables	**(3,913)**
Accruals	**(3,538)**
Deferred tax liability	**(13,756)**
Net assets acquired	**25,394**
Goodwill arising on acquisition:	
Consideration	**102,808**
Less: Net assets acquired	**(25,394)**
Goodwill arising on acquisition	**77,414**

The fair value of trade and other receivables at date of acquisition amounted to RMB587,000 and the gross contractual amount was RMB587,000. All contractual receivables at acquisition date are expected to be recoverable.

Goodwill arising from the acquisition is attributable to the future economic benefits that are expected to accrue to the Group from operating synergies and revenue growth through the joint contributions of technology by WiSpry and business management skills by the Group. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

The fair value of the intangible asset is estimated by an independent and professionally qualified valuer and calculated using multi-period excess earnings method under income approach.

18. ACQUISITION OF A SUBSIDIARY - CONTINUED

(a) Business combination under IFRS 3 - continued

	RMB'000
Net cash outflow on acquisition:	
Consideration paid	**(73,364)**
Contingent consideration paid	**(9,740)**
Cash and cash equivalents acquired	**3,709**
	(79,395)

Impact of acquisition on the results of the Group

WiSpry, as intended to be a technology contributor, contributed a revenue of RMB35,794,000 and a profit of RMB3,719,000 to the Group since the acquisition. Had WiSpry been consolidated from 1st January, 2015, the impact of the Group's revenue and the profit attributable to the equity holders of the Company for the period ended 31st December, 2015 would have been insignificant.

(b) Acquisition of assets and liabilities

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

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

19. DISPOSAL OF A SUBSIDIARY

As at 1st May, 2015, the Group entered into share transfer agreements with a related party and a third party for the disposal of 62% and 5% equity interests in a subsidiary, at a cash consideration of RMB6,200,000 and RMB500,000 respectively.

Analysis of assets and liabilities disposed of:

	RMB'000
Plant and equipment	**2,040**
Bank balances and cash	**893**
Trade and other receivables	**349**
Inventories	**381**
Trade and other payables	**(247)**
	3,416
Gain on disposal of a subsidiary:	
Consideration	**6,700**
Non-controlling interests (33% of the subsidiary)	**1,127**
Net assets disposed of	**(3,416)**
Gain on disposal	**4,411**
Cash inflow arising on disposal:	
Cash consideration received	**6,700**
Less: Bank balances and cash disposed of	**(893)**
	5,807

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

AAC Technologies is a total solution-provider utilising the latest miniaturized technology components across acoustic, haptic, radio frequency and optical segments. The Company is already an established leading global supplier of miniaturized acoustic components including a broad range of speakers, receivers and MEMS microphones. The Company delivers integrated solutions across multiple segments incorporating advanced proprietary technology haptics vibrators, RF antennas and optical components. The Company serves a large number of geographically diverse customers in the mobile electronics market and the Company's products are found in devices such as smartphones, tablets, wearables and PC notebooks. The Company is global in scope with research and development centers in the PRC, Singapore, Japan and Denmark, testing laboratories in Singapore and South Korea, manufacturing facilities in the PRC, Vietnam and the Philippines, and sales offices throughout the world.

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

MARKET REVIEW

The macro-economy and global markets remained challenging. These factors affected overall consumer demand which led to a slower growth of the worldwide smartphone market. According to an independent industry research, worldwide smartphone shipments grew 10% year-on-year to reach 1.29 billion units in 2015 compared with 1.17 billion units in 2014 while China smartphone shipments increased 16% in 2015 to 539 million units.

After a fierce price war in 2014, smartphones moved towards a new stage of competition in 2015. In this new stage, smartphones featured new technologies and innovative functions and were more personalized and user-friendly. Major handset manufacturers brought consumers a variety of products that emphasized style and personality. The year of 2015 was characterized by different themes including metallic cover, larger screen with slimmer design, and a new distinct feature of pressure sensitive screen with better tactile feedback.

High-tier handsets continued to pursue appealing industrial design with disruptive features as its selling points, while mid and low-tier smartphones tried to steal the spotlight by adopting high specifications but with an affordable price.

These new trends posed opportunities and challenges for the Company. With greater efforts, we demonstrated proven extensive abilities and production readiness to develop customized solutions for different tiers of customers and enable us to increase dollar content per device. As a result, the Company outperformed the smartphone market by delivering a good set of results.

BUSINESS REVIEW

For the year ended 31st December, 2015, the Group's total revenue reached a record-high RMB11,738.9 million, representing an increase of 32.2%, compared with 2014. Gross profit of RMB4,872.1 million was 32.5%, higher than 2014. Gross profit margin was 41.5%, 0.1 percentage points higher than the corresponding period of last year. Operating expenses increased RMB469.4 million by 39.4% to RMB1,662.1 million. Profit attributable to owners of the Company amounted to RMB3,106.9 million, representing a rise of 34.1% from RMB2,317.7 million reported in the corresponding period of 2014. Basic earnings per share amounted to RMB2.53, up 34.1% from RMB1.89 for 2014 accordingly.

PERFORMANCE OF BUSINESS SEGMENTS

The Company is operating in the technology component industry which is characterized by rapid technological developments and evolving specifications upgrade. In becoming an innovative solution provider, the Company has always worked closely with customers throughout the design, manufacturing and distribution processes, and responded to changing customers' design specifications and production requirements. As such, there will be periodic variations of performance of each business segment due to specific products' launches, market and industry environments.

During the year under review, AAC Technologies continued to build a diversified product portfolio and each of its key business segments achieved yearly revenue growth.

Dynamic Components

Dynamic components are components that actively produce sound, including speaker boxes, speakers and receivers. Revenue of the dynamic components segment was RMB6,152.4 million, representing 52.4% of the total revenue of the Company, and a year-on-year increase of 3.1% despite the lingering impact of tablet market slowdown on speaker boxes sales. Overall for dynamic components, gross margin stood at 40.1%.

Overall sales revenue of the three major product lines among dynamic components have mixed year-on-year results reflecting different stages of products specifications upgrade cycles and penetration market shares of individual customers: speaker boxes and speakers grew 13.8% and 20.7% respectively compared to 2014, while receivers declined 22.1%. The increasing adoption of speaker boxes by Chinese customers and migration to advanced solutions of an international customer contributed to the growth of speaker boxes sales, and further miniaturized and upgraded solutions of speakers' design, including for wearables devices, resulted in higher selling price and stimulated growth of speakers.

Haptics and RF Mechanical

There are two distinct contributing ‘non-acoustic’ businesses, namely Haptics and RF Mechanical.

During the fiscal year under review, Haptics and RF Mechanical business continued to deliver strong growth driven through market expansion and share gain. Combined sales of Haptics and RF Mechanical jumped 165.8% to RMB4,440.9 million from 2014 and contributed 37.9% of the total revenue of the Company. Gross margin of this combined segment stood at 50.8%. Once again, the Company has successfully demonstrated both design and production capabilities on delivering more complicated and sophisticated solutions.

For Haptics, as a technology leader with a strong intellectual property portfolio, the Company has proved itself to be a supplier capable of meeting the most demanding technological specifications and requirements from our customers. Together with good execution in production, the Company has secured its position as one of the major suppliers in this new area.

For RF Mechanical, the Company extended its offerings by supplying metal frame and metal housing with antenna solutions. The Company has enjoyed a unique position because of its knowhow in integrating the capabilities of acoustic, mechanical, antenna design and production plus RF MEMS tuner. With cross platform technologies, the Company could provide integrated and unique solutions that stand out from other industry peers.

MEMS Components: MEMS Microphone

In 2015, these generated 16.2% year-on-year growth to RMB990.5 million, accounting for 8.4% of total sales. Market share gain and the increasing number of units per device required to give better quality and features drove volume growth in the segment. Gross margin achieved was 18.7%.

Other products

Optics sales contribution in 2015 together with some non-core components such as traditional microphone and headsets are included under this category. The total amounted to RMB155.1 million, or 1.3% of total sales during the year under review.

FINANCIAL REVIEW

2015 was another record year for AAC Technologies. The Company achieved solid financial results in 2015 and generated RMB3,760.3 million in net cash flow from operations. For the year ended 31st December, 2015, the Group’s total revenue reached RMB11,738.9 million, representing an increase of RMB2,859.6 million, or 32.2%, compared with 2014. The acoustic segment continued to deliver modest growth with higher shipment volumes while new non-acoustic business segments achieved strong advances as the Company captures market shares. Gross profit of RMB4,872.1 million was RMB1,194.1 million, or 32.5%, higher than 2014. Gross profit margin was 41.5%, 0.1 percentage point higher than the corresponding period of last year, reflecting positive impact of changes in products mix despite pricing pressure in established traditional products and increasing labour costs. Profit attributable to owners of the Company amounted to RMB3,106.9 million, representing a rise of 34.1% from RMB2,317.7 million reported in the corresponding period of 2014. In addition, the Company continued to exert a strong financial discipline in managing operating costs in proportion to our expansion, leading to a slight improvement in net margin by 0.4 percentage points. Basic earnings per share amounted to RMB2.53, up 34.1% from RMB1.89 for 2014, in line with the growth in profit attributable to owners of the Company.

The turnover days of trade receivables was 107 days, 7.8% less compared with 2014. 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 RMB3,188.4 million (2014: RMB3,015.8 million), RMB311.6 million (2014: RMB282.1 million) and RMB33.1 million (2014: RMB30.6 million) respectively. Although the allowance for bad and doubtful debts made this year was RMB2.5 million (2014: RMB1.4 million), the amounts were for specific exception circumstances. The quality of receivables remained sound, and total subsequent settlement received up till 29th February, 2016 amounted to RMB2,778.9 million representing 78.7% of the total amount outstanding, net of allowances, as at the end of the reporting period.

As for tax, the Group's major operating subsidiaries fall under different tax regimes in Hong Kong, the PRC, Singapore and Vietnam where different laws and regulations, and specific concessionary incentives apply for some specific locations. During the year, there have been no major changes in these taxation laws and regulations which have impacted tax expenses for the Group.

GEARING RATIO AND INDEBTEDNESS

The Group was in a net cash position as at both 31st December, 2015 and 2014. The gearing ratio of the Group, computed by dividing total loans and borrowings by total assets, was 11.0% as at 31st December, 2015 (31st December, 2014: 10.8%).

As at 31st December, 2015, the Group had RMB1,158.9 million of short-term bank loans (31st December, 2014: RMB1,417.8 million) and RMB648.7 million of long-term bank loans (31st December, 2014: nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's financial position remained strong and it continues to maintain a strong and steady cash inflow from operating activities. Free cash flow from operations to sales in 2015 stood at 35.5%, an improvement from 35.2% for 2014. As at 31st December, 2015, the Group had RMB2,223.9 million in cash and cash equivalents (31st December, 2014: RMB1,602.7 million), of which 45.9% (31st December, 2014: 44.0%) was denominated in RMB, 44.9% (31st December, 2014: 50.3%) was denominated in US dollar, 4.4% (31st December, 2014: 1.2%) was denominated in Hong Kong dollar, 2.4% (31st December, 2014: 1.4%) was denominated in Japanese Yen, 0.9% (31st December, 2014: 2.3%) was denominated in Euros and 1.5% (31st December, 2014: 0.8%) was denominated in other currencies. Management believes that the Group's current cash and cash equivalents, together with available credit facilities and expected cash flow from operations, will be sufficient to satisfy the current operational requirements of the Group.

CAPITAL EXPENDITURE

The Group incurred capital expenditure of RMB2,420.9 million during the year ended 31st December, 2015 (31st December, 2014: RMB2,224.7 million), mainly for the acquisition of property, plant and equipment for capacity expansion in both acoustic and non-acoustic business segments. Management believes that the Group's ability to invest in capital expenditure in timely anticipation of demand is a competitive advantage of the Group. In the foreseeable future a higher proportion of capital expenditure will likely be focused on the non-acoustics business segments. Capital expenditures are generally funded by internal resources.

FOREIGN EXCHANGE

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

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

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

CHARGES ON GROUP ASSETS

Apart from bank deposits amounting to RMB0.06 million that were pledged to banks in order to support new subsidiary start-up operations as at 31st December, 2015 (31st December, 2014: RMB4.0 million), no other Group assets were charged to any financial institutions.

EMPLOYEE INFORMATION

As at 31st December, 2015, the Group employed 35,687 permanent employees, an increase from 32,172 as at 31st December, 2014, brought about by the Company's ongoing business development in the PRC and in other regions in Asia, especially for new projects in all product segments. Employees of the Group are remunerated based on their individual performance, professional qualifications, experience in the industry and relevant market trends. Management regularly reviews the Group's remuneration policy and appraises the work performance of its staff. Employee remuneration includes salaries, allowances, bonuses, social insurance and mandatory pension fund contribution. As required by the relevant regulations in the PRC, the Group participates in the social insurance schemes operated by the relevant local government authorities. The Group also participates in the mandatory pension fund and social insurance schemes for our employees in Hong Kong, Taiwan, Singapore, South Korea, Vietnam, Philippines, USA and various countries in Europe.

PROSPECTS

The top players in the consumer mobile devices industry are endeavoring to innovate with new features and deliver smarter devices, while others are chasing closely behind to ride a tailwind. "What's the next big thing" is the major question in the technology sector. The whole smart devices market is full of vitality. A fiercely competitive landscape drives non-stop technological upgrades. Apart from a faster and slimmer smartphone, consumers now want such devices to be versatile in functionalities, water-resistant, globally usable and much more. Manufacturers will continue to invest in design and technological innovation to reinvent the smartphone experience. Meanwhile, smart connected devices and wearable devices closely associated with smartphones will keep evolving.

Building technology platforms for miniaturized solutions to deliver long-term profitable growth has always been the paramount strategy of the Company. We aim to extend our reach to different applications, to be featured in all different mobile devices. As a hardware solutions provider, our resources are focused on helping our customers to improve user experience. Better audio quality is essential when media, entertainment and gaming become more popular in smart devices. As a market leader in acoustics, we have competitive advantages and are able to produce further miniaturized products with better audio performance. We expect to drive more technology upgrades in the acoustic segment to reinforce our competitiveness and strengthen our position in the coming years.

With the continued growth of LTE-A and a demand for better performing mobile devices, antennas need to evolve from being a component to becoming a solution. We believe our integrated and smart antenna solutions can offer excellent RF performance under different protocols and bandwidths with faster downloading/uploading speed resulting in improved battery life. Given the growth potential of RF Mechanical, we will increase production capacity accordingly to cater to expected rising demand for our unique integrated RF solutions.

Touchscreens allow multi-touch gestures by default. Touchscreen technology continues to evolve and some allow the screen to tell the difference between varying degrees of pressure. The pressure-sensitive screen triggers different user Interface functions. This adds more interesting experience to touchscreen interaction and opens up possibilities for potential applications of advanced Haptics solutions.

We are well prepared for growth. We have a clear solutions roadmap and will stay focused on technology development to support smart devices makers in order to improve and create new user experiences. We believe our innovative and cross-platform integrated solutions will enable us to further penetrate the industry. Our focus on R&D should further boost our design and production capabilities across all business lines and help AAC Technologies maintain its leading position in miniaturization technologies.

KEY RISK FACTORS

The following section lists out some key risks and uncertainties facing the Group. It is a non-exhaustive list and there may be other risks and uncertainties in addition to the key risk areas outlined below which we have not foreseen. Besides, this final results announcement does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

Risks Pertaining to the Smartphones segment

A substantial part of the Group's revenue is derived in the smartphone segment of the consumer mobile devices market. As a result, the general state of the global economy, market conditions and consumer behaviour may have a significant impact on the Group's operating results and financial conditions.

Reliance on a small number of key customers

The Group's five largest customers, which accounted for 65.9% of the Group's total revenue, are all related to the consumer mobile devices industry. The Group has strong established relationship with these major customers; individually, all of them have been our customers for over 3 years. In addition, the customers who contributed over 10% of the Group's revenue are the same accounts in both 2015 and 2014.

The credit terms granted are in the range of 60- to 90-day periods and are in line with those granted to other customers. Subsequent settlements after the year-end of trade receivables from these major customers have been reviewed and are satisfactory requiring no provisions.

Like many industries in today's globalized world, the consumer mobile devices market experiences continuous consolidation where a relatively small number of leading players tend to capture a relatively significant market share. As a supplier to this industry, our Company has proactively managed growth and concentration risk in healthy balance and we believe our results in the last decade are testimony to our ability to date to achieve this in the rapidly changing industry landscape.

Operational Risks

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

Past Performance and Forward Looking Statements

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

DIVIDENDS

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

For the year ended 31st December, 2015, an interim dividend of HK$0.25 per ordinary share for the six months ended 30th June, 2015 (2014: HK$0.25 per ordinary share) was paid to shareholders of the Company.

The Board has declared a final dividend of HK$0.95 (2014: HK$0.71) per ordinary share in respect of the year ended 31st December, 2015. This proposed final dividend together with the interim dividend already paid amount to total dividends of HK$1.20 (2014: HK$0.96), an unchanged payout ratio of about 40% of the profit attributable to owners of the Company for the year.

Subject to shareholders' approval at the forthcoming annual general meeting to be held on 30th May, 2016, the said final dividend will be payable to shareholders of the Company, whose names appear on the register of members of the Company on 15th June, 2016. Payment will be made on or about 24th June, 2016.

CLOSURES OF REGISTER OF MEMBERS

i For attending and voting at the annual general meeting

The registers of members of the Company will be closed from 26th May, 2016 to 30th May, 2016, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible for attending and voting at the forthcoming annual general meeting, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 25th May, 2016.

ii For entitlement of proposed final dividend

The registers of members of the Company will be closed from 13th June, 2016 to 15th June, 2016, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 10th June, 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31st December, 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

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

Our Board is at the centre of our corporate governance structure, regularly reviewing, refining and overseeing the implementation and enforcement of the Company's corporate governance principles and practices.

Based on regular reviews of the Company's actual performance against the provisions, the Board is satisfied that throughout the financial year ended 31st December, 2015, the Company complied with the Code Provisions as set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") of the Stock Exchange ("CG Code"). In addition, the Board in 2015 reviewed the Company's policies and practices with regard to environmental, social and governance ("ESG") matters and published its second annual Sustainability Report for the year ended 31st December, 2014 in May 2015. We believe that the Sustainability Report, together with the Corporate Governance Report, will help to better explain our ESG strategies, policies and practices.

Our Board, acting through the Audit Committee in the first instance, is responsible for overseeing and evaluating Management in the design, implementation and monitoring of the Company's risk management and internal control systems on an ongoing basis. The Company, under advice from Ernst & Young, has established and updated its Enterprise Risk Management and Internal Control (ERM) systems.

The Audit Committee reviewed accounting principles, practices and important issues of judgment and estimation adopted by the Group in preparing the financial statements for the year ended 31st December, 2015. The Committee met four times during the year in advance of Board meetings that considered the quarterly, interim and final results and the related announcements. The Chairman of the Audit Committee had an additional planning meeting with Executive Director and Internal Audit to discuss the three-year cycle audit plan and alignment with ERM. Such additional meeting was held in January 2016 to prepare for the agenda items for the March 2016 Audit Committee meeting that reviewed the final 2015 financial results. To reinforce the Company's ERM focus, high risk areas identified in the external auditor's planning memorandum were discussed and special internal audit procedures had been agreed where deemed appropriate. Two physical meetings with the external auditors were held during 2015 in connection with 2014 full year results and 2015 interim results announcements. Audit Committee meetings are by design held a few working days ahead of full Board meetings to ensure that Management will have enough time to answer any important queries raised for further reporting at ensuing Board meetings. Audit Committee Chairman reports significant issues covered at Audit Committee meetings to the full Board. Based on the work of the Audit Committee and further deliberations at Board meetings, the Board acknowledged and discharged their responsibilities for the preparation of the Group's financial statements for the year ended 31st December, 2015.

During 2015, the Company consistently conducted its work on ERM which has assisted the warehouse and logistic department, purchase department, human resources department, legal department, finance department, automation production department and quality department to identify risks and enhance and implement related internal controls during the year. In year 2016, the Company continue to adopt the risk-driven approach for its audit plan and continue to assist each department to establish an internal control self-review program.

Executive management owns the risk management and internal control processes and practices and has confirmed to the Board that these were operating adequately and effectively throughout the 2015 financial year. The Internal Audit Department carries out independent analyses and appraisals of the adequacy and effectiveness of prescribed risk management and internal controls. The Audit Committee receives quarterly updates on risk management and internal audit reports from management and Internal Audit, in addition to monthly management accounts and business updates that are received by all Board members. External audit observations and recommendations are also discussed and followed up. The Audit Committee oversees three-year cycle audit plans and cumulative progress reports on implementation of corrective and preventive measures arising from internal and external audit findings. Through this process, the Board had an ongoing review and assessment of the Company's systems of risk management and internal controls over financial, operational, and compliance matters during 2015, and opined that they were adequate and effective for the 2015 financial year. The Board and Management recognize that ERM will need ongoing refinement and reinforcement in terms of risk-culture, risk appetite and risk management practices before it becomes effectively embedded in business decisions, whether strategic or operational, which is our ultimate objective.

A more comprehensive Corporate Governance report covering the following key components of the Company's governance framework will be incorporated in the Annual Report for dispatch to shareholders and will also be made available on the Company's website www.aactechnologies.com, both around 15th April, 2016:

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

DIRECTORS' SECURITIES TRANSACTIONS

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 set out in Appendix 10 of the Listing Rules.

On specific enquiries made, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code and the Company's code of conduct regarding the Directors' securities transactions during the year ended 31st December, 2015.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st December, 2015 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu in this announcement.

APPRECIATION

I am grateful to all our staff and management for their efforts throughout the year. On behalf of the Company, I would also like to thank all our customers and suppliers and I shall look forward to their continuous support. Finally, as always, my sincere appreciation goes to our Board members for their contribution and invaluable guidance during the year.

By order of the Board
AAC Technologies Holdings Inc.
Koh Boon Hwee
Chairman

Hong Kong, 23rd March, 2016

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Benjamin Zhengmin Pan and Mr. Mok Joe Kuen Richard; a non-executive Director, namely Ms. Ingrid Chunyuan Wu; and four independent non-executive Directors, namely Mr. Koh Boon Hwee, Mr. Poon Chung Yin Joseph, Dato' Tan Bian Ee and Ms. Chang Carmen I-Hua.