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 31 DECEMBER 2016

The board (the "**Board**") of directors (the "**Director(s)**") of AAC Technologies Holdings Inc. ("**AAC Technologies**" or the "**Company**") is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2016 together with the audited comparative figures for the corresponding period in 2015.

These audited consolidated financial statements have been reviewed by the Company's audit committee (the "**Audit Committee**") and approved by the Board on 22 March 2017.

2016 Final Results Highlights (audited):

(RMB Million)	**2016**	2015	***YoY%***	**4Q 2016**	3Q 2016	4Q 2015	***QoQ%***	***YoY%***
Revenue	**15,507**	11,739	***+32%***	**5,737**	4,207	3,848	***+36%***	***+49%***
Gross Profit	**6,443**	4,872	***+32%***	**2,394**	1,759	1,594	***+36%***	***+50%***
Gross Profit Margin	***41.5%***	*41.5%*	-	***41.7%***	*41.8%*	*41.4%*	***-0.1pt***	***+0.3pt***
Net Profit	**4,026**	3,107	***+30%***	**1,571**	1,100	1,011	***+43%***	***+55%***
Net Profit Margin	***26.0%***	*26.5%*	***-0.5pt***	***27.4%***	*26.2%*	*26.3%*	***+1.2pt***	***+1.1pt***
Basic EPS (RMB)	**3.28**	2.53	***+30%***	**1.28**	0.90	0.82	***+43%***	***+55%***
Dividend (HK$)	**1.47**	1.20	***+23%***	**--**	--	--	--	--

CHAIRMAN'S STATEMENT

Dear Shareholders,

2016 was another good year for AAC Technologies. We managed to grow sales year-on-year for seven years consecutively and reached a new milestone with total revenue exceeding RMB15 billion or US$2 billion. These strong results come amid a more saturated smartphone market. We have gradually evolved from an acoustic components supplier to an integrated miniature technologies solutions provider through the accomplishment of significant initiatives which pave the way for our long-term success.

The following were some of the major financial highlights for the year ended 31 December 2016:

- Revenue grew by 32% to RMB15,506.8 million and net profit rose by 30% to RMB4,025.7 million year-on-year, both are new highs;
- Dual growth drivers comprising sales of dynamic components and non-acoustic solutions which grew by 29% and 56% respectively year-on-year, and both delivered gross margins of 40+%;
- Annualized return on average equity (ROE) was 31.6%, up from 30.4% last year;
- Further strengthened balance sheet with cash on hand of RMB3,864.4 million, and, relatively low gearing ratio and net gearing of 16.9% and 0.9% respectively; and
- A proposed total dividend of HK$1.47 per share for 2016, representing 23% growth over the previous year.

We are glad that AAC Technologies has been included in the 50-constituent stocks of the Hang Seng Index from 5 September 2016 which reaffirms the market's recognition of our significant position in the technology sector of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Our market value hit a record high in August 2016, surpassing HK$100 billion for the first time. That was more than 30-times the market value of our IPO offering in 2005.

MARKET REVIEW

2016 was a significant year of technological advancements for the smart devices market. The worldwide thrust in innovative designs and interactive applications pushed handset makers to be more focused on the pursuit of better specifications and faster devices in order to optimize the user experience. Dual cameras and stereo speakers were among the best features to create better visual and audio entertainment. Moreover, further developments on enriching tactile feedback and stronger waterproof features were rolled out with high-end models. All of these innovations triggered a new cycle of upgrades for more sophisticated solutions.

While top-tier smartphones competed with individual innovations and differentiation, the mid- and low-tiers were inching closer towards delivering comparable higher specifications at affordable prices. The competition among dozens of new smartphones launched became very keen and replacement cycles have become shorter, driven by faster technology upgrades. Although global shipment growth was at a single-digit percent for smartphones, the market size was large, totaling 1.5 billion units for the year.

As always, AAC Technologies was at the vanguard of the technology migration by developing advanced acoustic solutions that enabled us to maintain our leading market position. At the same time, faster growth was achieved due to the traction from the non-acoustic segments. Our exceptionally strong design and production capabilities helped our customers respond to consumer demand and expectations for innovative features in a new generation of smart devices.

BUSINESS REVIEW

We delivered another set of solid results in 2016 with continued growth momentum from both the acoustic and non-acoustic segments. The Company posted revenue and net profit of RMB15,506.8 million and RMB4,025.7 million, representing a rise of 32% and 30% year-on-year respectively. Gross margin stayed at a high level of 41.5%. A major upgrade trend involving stereo sound and waterproof features drove dynamic components sales, rising by 29% year-on-year and accounting for 51% of total sales. RF Mechanical together with Haptics solutions, the two distinct contributors in the non-acoustic business, grew by 56% year-on-year and contributed 45% of total sales in 2016 compared with only 1% in 2013. The Company's continuous and effective cost controls drove operating expenses down to 12.4% from 14.2% in 2015. Full year net profit margin of 26.0% was achieved.

We ended the year with strong revenue and earnings growth in the fourth quarter. Q4 revenue rose 49% year-on-year or 36% quarter-on-quarter to RMB5,736.5 million. Net profit of RMB1,570.7 million was recorded, up 55% when compared with the same quarter last year and up 43% against the previous quarter. The strong growth from non-acoustic revenue was the main contributor. Non-acoustic business grew by 73% sequentially, contributing over 56% of total sales in the fourth quarter of 2016 and exceeding acoustic revenue for the first time. Again, we demonstrated strong execution on the production front and exceptional capabilities in delivering advanced solutions to meet customers' requirements. Q4 gross margin was 41.7% and effective control of operating expenses supported the net profit margin improvement to 27.4%.

FINAL DIVIDEND

The Company continues to generate strong earnings and cash flow, further enhancing its already strong financial position, with cash balance at year-end of RMB3,864.4 million. The Board proposed a final dividend of HK$1.17 (2015: HK$0.95) per share. Together with the interim dividend of HK$0.30 per share, the full year basic dividend will be HK$1.47 (2015: HK$1.20) per share, an increase of 23% year-on-year. The Company maintains a consistent dividend payout ratio of about 40% per year.

Subject to Shareholders' approval at the forthcoming annual general meeting to be held on 24 May 2017, the said final dividend will be payable to Shareholders of the Company, whose names appear on the register of members of the Company on 9 June 2017. Payment will be made on or about 21 June 2017.

SUSTAINABILITY

AAC Technologies defines sustainability as a commitment to build a strong and successful business for the future, while minimizing negative environmental and social impacts, and sharing long-term values with its stakeholders. Sustainability has now gradually been incorporated into our business, not only to address today's pressing issues, namely climate change, talent acquisition and corporate transparency, but to create value for our operations. Our commitments and efforts are summarized in our annual Sustainability Report, and the fourth report is scheduled to be published on the websites of the Stock Exchange and the Company this May.

We promote a corporate culture of continuous learning, improvement, and innovation. Reflecting this culture, we successfully obtained 291 additional patents in 2016, of which 151 are for the non-acoustic segment, bringing our intellectual property portfolio to a total of 1,993 patents. We filed another 1,157 patent applications, which bring us to a total of 1,342 patents pending.

PROSPECT

There are always many new developments in the technology sector. From rapid advancements in artificial intelligence for various applications to further progress in virtual reality (VR), augmented reality (AR) and machine learning - devices and applications are getting connected. The technological solutions and platforms are evolving at an unprecedented speed, helping people increase productivity and satisfaction. Mobile devices are expected to play a vital role in connecting and commanding the whole ecosystem. The focused portfolio of acoustic and non-acoustic solutions of the Company places it in a strong position to capitalize on the increasing demand for better performing smart devices.

In 2017, some high-tier customers are preparing for specifications upgrades to differentiate themselves in the competitive environment, while others will follow closely to strengthen their market position. We therefore expect attractive growth potential from both the acoustic and non-acoustic segments. Apart from superior technological capabilities for leading development of the industry, AAC Technologies owns integrated and multi-platform solutions. Not only has it helped consolidate our position as a leading provider of the most advanced solutions, but it has also increased the penetration of our new solutions from RF Mechanical, Optics and Haptics. When we strive to improve performance and product design, our solutions can also extend from the current major smartphone arena to other new applications. For VR and AR, audio and optical solutions together with RF designed mechanics and haptic feedback will bring totally immersive experiences that stimulate the human senses of sight and sound in addition to touch. We are capable of shipping total solutions for enhancing user experiences in these new areas.

Thanks to our well-defined development strategies and R&D focused vision, we believe we are able to achieve continuous revenue growth and stable high profitability. Product expertise and innovation will enable us to deliver new technology platforms with rich user experience and firmly establish us to be the leader of integrated miniature technologies provider. We will continue in our efforts to adapt to new challenges and achieve sustainable long-term growth for all shareholders in an ever-evolving market.

APPRECIATION

Lastly, on behalf of the Board, I would like to take this opportunity to express my sincere appreciation to all of our staff and management for hard work which has contributed to a good set of results and established a strong base for future growth. We are also grateful to our stakeholders for their support and trust in us. And, finally, my sincere thanks to my fellow Board members for their guidance and wise counsel during the year.

Koh Boon Hwee
Chairman
22 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY OVERVIEW

AAC Technologies is a total solution-provider utilising the latest miniaturized technology components across acoustic, haptic, radio frequency and optical segments. We are already an established leading global supplier of miniaturized acoustic components including a broad range of speakers, receivers and Micro Electro-Mechanical System ("**MEMS**") microphones. We deliver integrated solutions across multiple segments incorporating advanced proprietary technology haptics vibrators, RF antennas and optical components. Our products are found in smart devices such as smartphones, tablets, wearables and PC notebooks. We are global in scope with research and development centers and sales offices in key markets serving a large number of geographically diverse customers in the mobile electronics market.

As a technology company, AAC Technologies 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.

PERFORMANCE OF BUSINESS SEGMENTS

The Company is operating in the technology component industry which is characterized by rapid technological developments and specifications upgrade. In becoming an innovative solution provider, the Company has always worked closely with customers throughout the design, manufacturing and distribution processes, and nimbly 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, and varying market and industry conditions.

For the year ended 31 December 2016, the Group's total revenue reached RMB15,506.8 million, representing a year-on-year increase of 32%. Dynamic components remained the largest earnings contributor, delivering 51% of total sales, while the combined sales of Haptics and RF Mechanical business contributed 45% of total sales. AAC Technologies continues to build a diversified product portfolio to drive revenue growth with a more balanced customer portfolio.

Dynamic Components

Dynamic components are components that actively produce sound, including speaker boxes, speakers and receivers. In 2016, revenue of the dynamic components segment was RMB7,955.8 million, representing 51% of the total revenue and a year-on-year increase of 29%. Speaker box was the main revenue contributor, accounting for 29% of the total sales while receivers and speakers delivered 17% and 5% respectively. Overall gross margin improved to 45.5% from 40.1% last year.

Overall sales revenue of the three major product lines among dynamic components have different year-on-year outcomes reflecting stages of products specifications upgrade cycles and penetration market shares of individual customers: speaker boxes and receivers grew 27% and 72% respectively, while speakers down 22% compared to 2015. The increasing adoption of speaker boxes instead of speakers by Chinese customers mainly contributed to the growth of speaker boxes sales. Waterproof and stereo sound features of smartphones resulted in higher selling price of speaker boxes and receivers and stimulated growth of both product lines.

Haptics and RF Mechanical

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

During the 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 56% to RMB6,940.2 million from last year and contributed 45% of the total revenue. Haptics was the largest revenue contributor. Gross margin of this combined segment stood at 40.1%, down from 50.8% last year reflecting the impact of product mix changes and increasing production costs.

With more product launches by Chinese customers in 2016, RF Mechanical business delivered strong yearly growth through market expansion and share gain especially for RF metallic structure 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 unique integrated solutions that could fit in different form factor design and changes in material used.

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.

MEMS Components: MEMS Microphones

In 2016, this segment declined 46% year-on-year to RMB535.4 million which the Company have purposely de-emphasize in its product portfolio due to declining profitability, accounting for 3.5% of total sales. Gross margin achieved was 8.8%.

Other products

Optics sales contribution together with some non-core components such as traditional microphones and headsets are included under this category. The total amounted to RMB75.4 million, or 0.5% of total sales during the period under review.

FINANCIAL REVIEW

Summary of Annual Results

AAC Technologies achieved a seventh consecutive annual sales record. During 2016, the Group delivered robust operating performance with the organic growth in both acoustic and non-acoustic business segments. Our financial position remained solid and the Company continues to maintain a strong and steady cash inflow from operating activities. The Group recorded a net operating cash inflow of RMB4,812.0 million. Total revenue rose to RMB15,506.8 million for the year ended 31 December 2016, up RMB3,767.9 million or 32.1% compared with 2015. Our overall gross profit reached RMB6,442.5 million, representing an increase of RMB1,570.4 million or 32.2% compared to 2015. Gross profit margin was 41.5% same as last year's level. Profit attributable to owners of the Company grew by 29.6% from RMB3,106.9 million in 2015 to RMB4,025.7 million this year. Basic earnings per share therefore increased 29.6% from RMB2.53 last year to RMB3.28 in 2016, consistent with the growth in profit attributable to owners of the Company.

As for tax, the Group's major operating subsidiaries fall under different tax regimes in Hong Kong, the People's Republic of China (the "**PRC**"), Singapore and Vietnam where different laws and regulations, and specific concessionary incentives apply for some specific locations. During 2016, the Group's tax expenses were not impacted by any major changes in these taxation laws and regulations.

Liquidity and Financial Resources

Our Group continued to maintain a healthy liquidity position and continued to maintain a steady cash inflow from operating activities. Free cash flow from operation (i.e. EBITDA) to sales in 2016 stood at 36.6%, improving from 35.5% for 2015.

Cash and Cash Equivalents

As at 31 December 2016, the unencumbered cash and cash equivalents of the Group amounted to RMB3,864.4 million (2015: RMB2,223.9 million), of which 70.8% (2015: 44.9%) was denominated in US dollar, 26.8% (2015: 45.9%) was denominated in RMB, 0.6% (2015: 2.4%) was denominated in Japanese Yen, 0.4% (2015: 4.4%) was denominated in Hong Kong dollar, 0.2% (2015: 0.9%) was denominated in Euros and 1.2% (2015: 1.5%) was denominated in other currencies.

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.

Trade Receivables and Trade Payables

As at 31 December 2016, the turnover days of trade receivables dropped by 12 days to 95 days as compared to year-end of 2015. Aging of trade receivables (net of allowance for doubtful debts) based on invoice dates between 0-90 days, 91-180 days and over 180 days were RMB4,096.6 million (2015: RMB3,188.4 million), RMB363.3 million (2015: RMB311.6 million) and RMB59.5 million (2015: RMB33.1 million) respectively. We have received total subsequent settlement amounting to RMB3,842.0 million up till 28 February 2017, representing 85.0% of the total amount outstanding, net of allowances, as at the end of the reporting period.

During the year ended 31 December 2016, the Group has commenced legal proceedings against an emerging smartphone brand (the "**Debtor**") for settlement of the trade debts due from the Debtor. As part of the proceedings, the court has granted an injunction order in favor of the Group to freeze certain assets of the Debtor, amongst which includes bank balances. The Debtor has commenced negotiation with the Group to reach a settlement. Based on the value of the assets frozen by the court and the ongoing negotiation with the Debtor, the Directors are of the opinion that no provision is necessary for the amount due from the Debtor.

The Group's trade payables turnover days rose by 19 days to 121 days as compared to year-end of 2015. Aging of trade payables based on invoice dates between 0-90 days, 91-180 days and over 180 days were RMB3,459.4 million (2015: RMB1,728.2 million), RMB491.7 million (2015: RMB308.5 million) and RMB0.4 million (2015: RMB0.8 million) respectively. The Group monitors closely and will continue to improve on the management of its trade receivables and trade payables in order to better utilize the available financial resources.

Gearing Ratio and Indebtedness

As at 31 December 2016, the Group's gearing ratio was 16.9% (2015: 11.0%), which is calculated by dividing total loans and borrowings by total assets. Netting off cash and cash equivalents, net gearing ratio was 0.9%.

The short-term bank loans and long-term bank loans of the Group as at 31 December 2016 amounted to RMB3,303.3 million (2015: RMB1,158.9 million) and RMB789.1 million (2015: RMB648.7 million) respectively.

Charges on Group Assets

Apart from bank deposits amounting to RMB111.1 million that were pledged to banks mainly to purchase fixed assets for Optics business as at 31 December 2016 (2015: RMB0.1 million), no other Group assets were charged to any financial institutions.

Management believes that the Group's current cash and cash equivalents, together with available credit facilities and expected cash flow from operations, will be sufficient to satisfy the current operational requirements and capital expenditure of the Group.

Capital Expenditure

The Group continues to invest in capital expenditure during the period to capture new market opportunities and support its long-term business strategies. For the year ended 31 December 2016, capital expenditure incurred by the Group amounted to RMB4,137.6 million (2015: RMB2,420.9 million), mainly for the acquisition of property, plant and equipment for capacity expansion in both acoustic and non-acoustic business segments. The Group will invest a higher proportion of capital expenditure on the non-acoustic business segments to strengthen our technology capabilities in this area. Capital expenditures are generally funded by internal resources.

HUMAN RESOURCES

As at 31 December 2016, the Group employed 46,396 permanent employees, an increase of 30% from 35,687 as at 31 December 2015, 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. In addition to the basic salaries, allowances, social insurance and mandatory pension fund contribution, employee remuneration also includes bonuses and share award scheme. 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.

SHARE AWARD SCHEME

As announced by the Company on 23 March 2016, the Board resolved to adopt a share award scheme (the "**Scheme**") in which Employees (other than Excluded Employees) may be selected by the Board to participate. The purpose of the Scheme is to permit the Company to grant Awards to Selected Employees as incentives for their contributions to the Group and to attract suitable personnel for further development of the Group. The maximum number of shares that may be awarded under the Scheme during its term is limited to 1.65% (i.e. 20,262,000 shares) of the issued share capital of the Company from time to time. The maximum number of Awarded Shares that may be granted to any one Selected Employee shall not exceed 0.5% (i.e. 6,140,000 shares) of the issued share capital of the Company from time to time. Pursuant to the Scheme, shares will be subscribed for at a subscription price as determined by the Board, or purchased on the Stock Exchange, by the trustee at the cost of the Company and will be held by the Trustee on trust for Selected Employee(s) under the Scheme before vesting. The Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules, and is a discretional scheme of the Company.

Since the date of adoption of the Scheme and up to 31 December 2016, no shares had been subscribed or purchased by the Trustee pursuant to the rules and trust deed of the Scheme and no shares had been granted to Selected Employee(s) under the Scheme.

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

KEY RISK FACTORS

Some key risks factors and uncertainties affecting the Group are outlined below. The list is non-exhaustive and there may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may be immaterial now but could become material in the future. Besides, this document 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.

To tackle this, the Company is continuously widening its product and technologies platforms to extend its reach to different end applications, so as to diversify the sources of revenue and profit to reduce its dependency on any single segment.

Reliance on a small number of Key Customers

The Group's five largest customers, which accounted for 74% of the Group's total revenue, are all related to the dynamic consumer mobile devices industry, characterized by cycles of convergence and emergence of new brands. Loss of or changes in market positions of any of these customers may materially and adversely affect the Group's business, financial condition and results of operations.

Nevertheless, the Group has strong established relationships with these major customers; four of them have been our customers for over 4 years and the remaining one, an emerging smartphone brand who has already been our customer for more than 2 years.

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. Whilst our business has been built on focusing on miniature acoustic components, the Group has been endeavoring to develop new products and technologies platforms. In meeting future design specifications and production quality requirements, our successful track records would not be able to assure we have the same continual success in miniature acoustic components. 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.

We believe that the company has a seasoned process in approaching meeting design specifications and quality requirements and there are many over-lapping core design and production competencies that the Company is leveraging on. This will put the Company on the best competitive position in terms of design capacity and timeliness to deliver. In addition, the Company constantly reviews competition and market trends. The Company is committed to innovation and has consistently reinvested significant resources on research and development in the recent five years to build broad solution and intellectual property portfolios and maintain a competitive position. The Company has put in place a quality management system. All products are subject to thorough and comprehensive testing to meet customers' requirements and international standards. The Company will continue to improve internal process capability and set up a solid base for continual improvement in product reliability.

Foreign Exchange Risks

The Group's reporting currency is Chinese Renminbi (RMB) and our sales to overseas customers are predominantly denominated in US currency (USD), therefore the Group is exposed to exchange rate risks that could impact financial reporting results.

The cash flow revenue income to the Group in denominations of the two currencies are mostly, over time, in balanced proportions. In addition, various corresponding banking borrowing facilities have been arranged in these two currencies, namely, RMB and USD, 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; which in the past few years, had mitigated the impact of foreign exchange fluctuations.

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

The performance and the results of operation of the Group as set out in this document are historical in nature and past performance is not a guarantee of future performance. This document 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 document; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2016

	NOTES	**2016** *RMB'000*	2015 *RMB'000*
Revenue		**15,506,828**	11,738,866
Cost of goods sold		**(9,064,317)**	(6,866,765)
Gross profit		**6,442,511**	4,872,101
Other income		**148,997**	176,577
Distribution and selling expenses		**(291,150)**	(256,712)
Administrative expenses		**(472,102)**	(546,443)
Research and development costs		**(1,165,669)**	(858,972)
Share of results of associates	*11*	**(8,535)**	(4,980)
Gain on disposal of a subsidiary	*19*	**428**	4,411
Exchange gain		**45,322**	71,241
Finance costs	*4*	**(66,812)**	(21,950)
Profit before taxation	*5*	**4,632,990**	3,435,273
Taxation	*6*	**(608,555)**	(325,079)
Profit for the year		**4,024,435**	3,110,194
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**175,172**	80,045
Total comprehensive income for the year		**4,199,607**	3,190,239
Profit (loss) for the year attributable to:			
Owners of the Company		**4,025,665**	3,106,904
Non-controlling interests		**(1,230)**	3,290
		4,024,435	3,110,194
Total comprehensive income (expense) attributable to:			
Owners of the Company		**4,201,203**	3,187,210
Non-controlling interests		**(1,596)**	3,029
		4,199,607	3,190,239
Earnings per share - Basic	*8*	**RMB3.28**	RMB2.53

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	**2016** ***RMB'000***	2015 *RMB'000*
Non-current assets			
Property, plant and equipment	*9*	**9,494,014**	7,079,966
Goodwill		**89,217**	89,217
Prepaid lease payments		**339,583**	253,367
Deposits made for acquisition of property, plant and equipment		**918,358**	256,661
Available-for-sale investments	*10*	**385,676**	379,940
Interests in associates	*11*	**14,146**	5,858
Intangible assets		**167,259**	156,021
Loan receivable from a non-controlling shareholder of a subsidiary	*12*	**19,994**	18,417
		11,428,247	8,239,447
Current assets			
Inventories		**2,622,931**	1,718,158
Trade and other receivables	*13*	**6,155,767**	4,195,568
Amounts due from related companies		**2,933**	20,511
Taxation recoverable		**71,832**	22,593
Pledged bank deposits		**111,108**	60
Bank balances and cash		**3,864,386**	2,223,864
		12,828,957	8,180,754
Current liabilities			
Trade and other payables	*14*	**5,345,908**	2,919,037
Amounts due to related companies		**50,705**	39,999
Taxation payable		**425,161**	208,025
Short-term bank loans	*15*	**3,303,293**	1,158,880
Other short-term borrowings		**347**	324
		9,125,414	4,326,265
Net current assets		**3,703,543**	3,854,489
Total assets less current liabilities		**15,131,790**	12,093,936
Non-current liabilities			
Long-term bank loans	*15*	**789,135**	648,700
Government grants	*16*	**80,040**	42,172
Deferred tax liabilities	*17*	**47,818**	48,981
		916,993	739,853
Net assets		**14,214,797**	11,354,083
Capital and reserves			
Share capital		**99,718**	99,718
Reserves		**14,089,161**	11,207,224
Equity attributable to owners of the Company		**14,188,879**	11,306,942
Non-controlling interests		**25,918**	47,141
Total equity		**14,214,797**	11,354,083

1. GENERAL

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

The 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 1 January 2016.

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 amendments to IFRSs that have been issued but are not yet effective:

IFRS 9	Financial instruments[1]
IFRS 15	Revenue from contracts with customers and the related amendments[1]
IFRS 16	Leases[2]
IFRIC 22	Foreign currency transactions and advance consideration[1]
Amendments to IFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts[1]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from contracts with customers[1]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to IAS 7	Disclosure initiative[4]
Amendments to IAS 12	Recognition of deferred tax assets for unrealised losses[4]
Amendments to IAS 40	Transfers of investment property[1]
Amendments to IFRSs	Annual improvements to IFRS standards 2014-2016 cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

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

IFRS 9 "Financial instruments"

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IFRS 9 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 fair value through other comprehensive income ("**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.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Application of IFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

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.

In 2016, the IASB issued clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the Directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

IFRS 16 "Leases"

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "Leases" and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

IFRS 16 "Leases"- continued

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

Under IAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB159,030,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

Apart from the above, the Directors do not anticipate that the application of the other new and revised IFRSs issued but not 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**").

3. SEGMENT INFORMATION - CONTINUED

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), haptics & radio frequency mechanical module ("**Haptics & RF Mechanical**"), MEMS components and other products (including optics, traditional microphones and headsets, etc.), which represent the major types of products manufactured and sold by the Group.

Information regarding these segments is presented below.

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

	2016	2015
	RMB'000	*RMB'000*
Operating and reportable segments		
Segment revenue from external customers		
Dynamic components	**7,955,785**	6,152,427
Haptics & RF Mechanical	**6,940,249**	4,440,895
MEMS components	**535,356**	990,482
Other products	**75,438**	155,062
Revenue	**15,506,828**	11,738,866
Segment results		
Dynamic components	**3,618,815**	2,465,541
Haptics & RF Mechanical	**2,786,126**	2,255,366
MEMS components	**46,998**	185,335
Other products	**(9,428)**	(34,141)
Total profit for operating and reportable segments	**6,442,511**	4,872,101
Unallocated amounts:		
Interest income	**33,986**	14,504
Other income	**115,011**	162,073
Distribution and selling expenses	**(291,150)**	(256,712)
Administrative expenses	**(472,102)**	(546,443)
Research and development costs	**(1,165,669)**	(858,972)
Share of results of associates	**(8,535)**	(4,980)
Exchange gain	**45,322**	71,241
Finance costs	**(66,812)**	(21,950)
Gain on disposal of a subsidiary	**428**	4,411
Profit before taxation	**4,632,990**	3,435,273

3. SEGMENT INFORMATION - CONTINUED

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.

Depreciation, amortisation and operating lease rental in respect of prepaid lease payments included in measure of segment results are as follows:

	2016	2015
	RMB'000	*RMB'000*
Dynamic components	**477,348**	396,714
Haptics & RF Mechanical	**173,193**	85,234
MEMS components	**41,505**	30,784
Other products	**17,886**	11,649
	709,932	524,381
Other unallocated expenses	**258,973**	191,364
	968,905	715,745

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, exchange gain, 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.

Approximately 90% of the Group's non-current assets were located in the PRC, the place of domicile of the relevant group entities that hold those assets.

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

	2016	2015
	RMB'000	*RMB'000*
Greater China* (country of domicile)	**4,779,986**	3,721,533
Other foreign countries:		
Other Asian countries	**1,053,676**	1,363,344
America	**9,669,114**	6,648,093
Europe	**4,052**	5,896
	15,506,828	11,738,866

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

3. SEGMENT INFORMATION - CONTINUED

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 RMB7,313,044,000 (2015: RMB4,652,702,000). 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

	2016	2015
	RMB'000	*RMB'000*
Interest on bank borrowings wholly repayable within five years	**66,811**	21,950
Interest on other short-term borrowings	**1**	-
	66,812	21,950

5. PROFIT BEFORE TAXATION

	2016 *RMB'000*	2015 *RMB'000*
Profit before taxation has been arrived at after charging:		
Directors' emoluments	**18,841**	13,217
Other staff's retirement benefits scheme contributions	**366,858**	326,097
Other staff costs	**3,543,612**	2,609,624
Total staff costs	**3,929,311**	2,948,938
Less: Staff costs included in research and development costs	**(695,342)**	(447,632)
	3,233,969	2,501,306
Depreciation	**952,615**	698,109
Less: Depreciation included in research and development costs	**(150,796)**	(98,011)
	801,819	600,098
Amortisation of intangible assets	**9,512**	13,076
Net allowance for bad and doubtful debts	**-**	1,338
Allowance for obsolete inventories, included in cost of goods sold	**-**	75,944
Auditor's remuneration	**2,907**	2,837
Cost of inventories recognised as expense	**9,177,769**	6,790,821
Cost of raw materials included in research and development costs	**78,254**	159,071
Impairment losses recognised in respect of property, plant and equipment (note 9)	**-**	60,440
Impairment losses recognised in respect of goodwill	**-**	21,128
Impairment losses recognised in respect of intangible assets	**-**	19,016
Loss on disposal of property, plant and equipment	**12,788**	5,976
Loss on disposal of prepaid lease payments	**2,735**	-
Operating lease rentals in respect of		
- building premises	**66,788**	54,800
- prepaid lease payments	**6,778**	4,560
and after crediting:		
Government grants included in other income*	**90,640**	54,685
Interest income	**33,986**	14,504
Gain on waiver of loan	**-**	11,045
Rental income	**2,448**	3,797
Amortisation of government grants (note 16)	**5,922**	3,532
Gain on disposal of prepaid lease payments	**-**	256
Reversal of allowance for obsolete inventories, included in cost of goods sold	**113,452**	-
Net reversal of allowance for bad and doubtful debts	**3,067**	-

* 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

	2016	2015
	RMB'000	*RMB'000*
The current tax charge (credit) comprises:		
Hong Kong Profits Tax	**86**	289
PRC Enterprise Income Tax	**535,713**	238,771
Other jurisdictions	**103,110**	113,121
Overprovision of taxation in prior years	**(29,191)**	(21,971)
	609,718	330,210
Deferred tax (see note 17)	**(1,163)**	(5,131)
	608,555	325,079

Under the law of PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

According to a joint circular of Finance and the State Administrative of Taxation of the PRC, Cai Shui 2008 No. 1, profits earned by foreign-investment enterprise prior to 1 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 is considered as the beneficial owner of the dividend, 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 4 August 2017 to 2 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.

6. 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 will expire for the subsidiary in 2020.

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

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

	2016	2015
	RMB'000	*RMB'000*
Profit before taxation	**4,632,990**	3,435,273
Tax at the applicable income tax rate*	**1,158,248**	858,794
Tax effect of income not taxable for tax purpose	**(27,576)**	(7,180)
Tax effect of expenses not deductible for tax purpose	**192,469**	69,175
Tax effect of tax holiday	**(446,998)**	(377,733)
Tax effect of tax losses not recognised	**84,096**	19,406
Utilisation of tax losses previously not recognised	**(4,296)**	(22,229)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(307,437)**	(187,881)
Overprovision in prior years	**(29,191)**	(21,971)
Others	**(10,760)**	(5,302)
Tax charge for the year	**608,555**	325,079

* The PRC EIT rate of 25% (2015: 25%) is the domestic tax rate in the jurisdiction where the operations of the Group are substantially based.

7. DIVIDENDS

	2016	2015
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2015 final dividend of HK$0.95 (2014: HK$0.71) per ordinary share	**997,093**	687,565
2016 interim dividend of HK$0.30 (2015: HK$0.25) per ordinary share	**317,192**	251,985
	1,314,285	939,550

Subsequent to the end of the reporting period, a final dividend of HK$1.17 (2015: HK$0.95) per share, has been proposed by the 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 31 December 2016 is based on the profit for the year attributable to owners of the Company of RMB4,025,665,000 (2015: RMB3,106,904,000) and on the number of ordinary shares of 1,228,000,000 shares in issue during the year (2015: 1,228,000,000 shares).

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

9. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group made additions to property, plant and equipment of approximately RMB3,381 million (2015: RMB2,573 million), including transfers from deposits of approximately RMB257 million (2015: RMB486 million). In the prior year, the Group had fully impaired certain property, plant and equipment of RMB60 million (2016: nil) 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

	2016 ***RMB'000***	2015 *RMB'000*
Unlisted shares, at cost	**385,676**	379,940

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

Included in the above is the Group's investment in Heptagon Advanced Micro-optics Pte. Ltd. ("**Heptagon**"), an unlisted private company incorporated in Singapore, engaged in the Micro-Optics business. As at 31 December 2016, the carrying value of Heptagon was RMB361,995,000. Subsequent to 31 December 2016, the Group's interest in Heptagon was disposed of to an independent third party.

11. INTERESTS IN ASSOCIATES

	2016	2015
	RMB'000	*RMB'000*
Cost of investments in associates, unlisted	**29,118**	66,185
Impairment loss recognised in respect of interest in an associate	**-**	(13,014)
Share of post-acquisition loss and other comprehensive expense	**(14,972)**	(47,313)
	14,146	5,858

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

Name of associate	**Place of incorporation**	**Percentage equity interest**		**Principal activity**
		2016	2015	
		%	*%*	
Vesper Technologies Inc. ("**Vesper**")	United States of America	**16.1** (note a)	25	Research and development of MEMS products
Five Dimension Co., Ltd.	Japan	**39.1**	Nil	Design, research and development of LENS products
Xenon Technology (Cayman) Limited ("**Xenon**")	Cayman Islands	**-** (note b)	39.2	Design and manufacture of Xenon-based flash lamp and flash modules

Notes:

(a) The Group's equity interest in Vesper was diluted from 25% to 16.1% in the current year due to Vesper's increase of share capital.

(b) In the current year, Xenon was deregistered. No distribution was received upon the 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.

11. INTERESTS IN ASSOCIATES - CONTINUED

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

Vesper Technologies Inc.

	2016	2015
	RMB'000	*RMB'000*
Total assets	**69,157**	20,237
Total liabilities	**(8,311)**	(35,887)
	60,846	(15,650)
Revenue	**2,696**	2,113
Loss for the year	**(28,788)**	(19,952)
Group's share of loss of associates for the year	**(7,197)**	(4,980)

Five Dimension Co., Ltd.

	2016	2015
	RMB'000	*RMB'000*
Total assets	**4,381**	-
Total liabilities	**(5,753)**	-
	(1,372)	-
Revenue	**2,975**	-
Loss for the year	**(4,057)**	-
Group's share of loss of associates for the year	**(1,338)**	-

12. LOAN RECEIVABLE FROM 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.

13. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**4,463,826**	3,470,802
Bank acceptance and commercial bills	**55,583**	62,304
	4,519,409	3,533,106
Advance payment to suppliers	**-**	6,000
Prepayments	**217,772**	143,073
Value-added tax recoverable	**460,025**	191,297
Other receivables	**295,836**	248,210
Loan receivables and interest*	**662,725**	73,882
	6,155,767	4,195,568

* Loans of RMB631,200,000 (2015: RMB61,800,000) made to certain suppliers of the Group are secured, and carries interest rates ranging from 4% to 5% per annum (2015: 4.35% to 5.6%). The amounts are repayable in 1 year.

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.

	2016	2015
	RMB'000	*RMB'000*
Age		
0 - 90 days	**4,096,594**	3,188,404
91 - 180 days	**363,261**	311,573
Over 180 days	**59,554**	33,129
	4,519,409	3,533,106

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:

	2016	2015
	RMB'000	*RMB'000*
Age		
Overdue 0 - 90 days	**368,397**	332,884
Overdue 91 - 180 days	**95,704**	829
Overdue over 180 days	**2,271**	31,036
	466,372	364,749

13. TRADE AND OTHER RECEIVABLES - CONTINUED

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 RMB466,372,000 (2015: RMB364,749,000) 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.

During the year ended 31 December 2016, the Group has commenced legal proceedings against an emerging smartphone brand for settlement of the trade debts due from the Debtor. As part of the proceedings, the court has granted an injunction order in favor of the Group to freeze certain assets of the Debtor, amongst which includes bank balances. The Debtor has commenced negotiation with the Group to reach a settlement. Based on the value of the assets frozen by the court and the ongoing negotiation with the Debtor, the Directors are of the opinion that no provision is necessary for the amount due from the Debtor.

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

	2016	2015
	RMB'000	*RMB'000*
Balance at beginning of the year	**15,322**	14,036
Currency realignment	**670**	683
Allowance for bad and doubtful debts	**2,908**	2,482
Write-off of bad and doubtful debts	**-**	(735)
Reversal of allowance for bad and doubtful debts	**(5,975)**	(1,144)
Balance at end of the year	**12,925**	15,322

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

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

	2016	2015
	RMB'000	*RMB'000*
US$	**155,556**	140,669
Euro	**619**	439
HK$	**8**	14

14. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**2,599,146**	1,169,340
Notes payables - secured	**1,352,316**	868,199
	3,951,462	2,037,539
Payroll and welfare payables	**640,708**	421,107
Payables for acquisition of property, plant and equipment	**311,737**	195,537
Other payables and accruals	**428,571**	236,713
Contingent consideration payable	**13,430**	28,141
	5,345,908	2,919,037

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:

	2016	2015
	RMB'000	*RMB'000*
Age		
0 - 90 days	**3,459,399**	1,728,178
91 - 180 days	**491,681**	308,547
Over 180 days	**382**	814
	3,951,462	2,037,539

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

	2016	2015
	RMB'000	*RMB'000*
US$	**1,292,010**	197,902
Japanese Yen	**28,693**	23,131
Euro	**1,189**	263

15. BANK LOANS

	2016	2015
	RMB'000	*RMB'000*
Bank loans are repayable as follows:		
Within one year	**3,303,293**	1,158,880
After one year but within two years	**689,139**	-
After two years but within five years	**99,996**	648,700
	4,092,428	1,807,580
Less: Amount due within one year included in current liabilities	**3,303,293**	1,158,880
Amount due after one year	**789,135**	648,700

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

	2016	2015
	RMB'000	*RMB'000*
US$	**554,962**	389,617
HK$	**295,348**	40,629
Euro	**37,265**	35,476
RMB	**254,390**	154,400

The Group's bank loans, carry interest ranging from 0.55% to 4.05% per annum (as at 31 December 2015: carry interest ranging from 0.73% to 4.15% 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 RMB43,790,000 (2015: RMB10,810,000) 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, RMB5,922,000 (2015: RMB3,532,000) 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 1 January 2015	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 31 December 2015	25,459	23,522	48,981
Credited to profit or loss	(1,163)	-	(1,163)
At 31 December 2016	24,296	23,522	47,818

At 31 December 2016, 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 RMB741,024,000 (2015: RMB421,824,000) 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 31 December 2015 as a result of the fair value adjustment on patents and technical knowhow in relation to dynamically tuneable RF.

18. ACQUISITION OF A SUBSIDIARY

Business combination under IFRS 3

On 7 May 2015, the Group acquired 100% interest in a private company, WiSpry, from certain independent third parties for an aggregate consideration of US$16,816,000 (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 of US$4,816,000 (approximately RMB29,444,000) 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

Business combination under IFRS 3 - continued

The assets acquired and liabilities assumed which were recognised on 7 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

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)

During the current year, the group made further payment of RMB28,898,000 to the vendor in respect of the contingent consideration for the acquisition of WiSpry.

Impact of acquisition on the results of the Group

During the year, WiSpry contributed a revenue of RMB63,201,000 and a profit of RMB15,442,000 (since the acquisition and up to 31 December 2015: a revenue of RMB35,794,000 and a profit of RMB3,719,000) to the Group. Had WiSpry been consolidated from 1 January 2015, the impact of the Group's revenue and the profit attributable to the equity holders of the Company for the both years would have been insignificant.

19. DISPOSAL OF A SUBSIDIARY

(a) Disposal of a subsidiary in year 2016

In October 2016, the Group entered into an agreement to dispose of 100% equity interests in a subsidiary at no consideration.

Analysis of assets and liabilities disposed of:

	RMB'000
Bank balances and cash	**296**
Trade and other receivables	**42**
Trade and other payables	**(766)**
	(428)
Net liabilities disposed and gain on disposal	**428**
Cash outflow arising on disposal, representing:	
Bank balances and cash disposed of	**(296)**

19. DISPOSAL OF A SUBSIDIARY - CONTINUED

(b) Disposal of a subsidiary in year 2015

As at 1 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

20. CONTINGENT LIABILITY

During the year, the Company and a subsidiary were named as defendants in a United States district court, in respect of a claim on royalty payments in accordance with a settlement agreement previously reached between the Group and the plaintiff. On 8 March 2017, the district court handed down a judgement in favour of the plaintiff and ordered the parties to commence settlement negotiation. The Directors are studying the judgement and reviewing appropriate courses of action, including the recommendation of the counsel to file an appeal on the judgement. The Directors believe that the Company's arguments remain valid and no provision for liability is required under the current circumstances.

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 31 December 2016, 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 2016 conducted an evaluation of its performance, reviewed the Company's policies and practices with regard to Segregation of Duties between Chairman & CEO, Board Diversity, Environmental, Social and Governance ("**ESG**") responsibilities, Shareholders' Communication, Whistleblowing, Corporate Disclosure, Terms of Reference for the Board & Directors' Duties, Audit Committee, Nomination Committee and Remuneration Committee and published its third annual Sustainability Report for the year ended 31 December 2015 in May 2016. 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 has updated its Enterprise Risk Management ("**ERM**") and Internal Control during 2016 through a continual process of updating key-risk assessment for deliberation in Audit Committee meetings.

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 31 December 2016. The Audit 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 Auditor to discuss the three-year cycle audit plan and alignment with ERM. Such additional meeting was held in January 2017 to prepare for the agenda items for the March 2017 Audit Committee meeting that reviewed the final 2016 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 2016 in connection with 2015 full year results and 2016 interim results announcements respectively. 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 discussion and 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 31 December 2016.

During 2016, the Company consistently conducted its work on ERM which has assisted the warehouse and logistic department, equipment department, purchase department, sales department, human resources department, legal department, finance department, production department and quality department to identify risks and enhance and implement related risk mitigation and internal control measures during the year. In year 2017, the Company will continue to refine the risk-driven approach for its audit plan and to assist each department to establish its 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 2016 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 Auditor, in addition to monthly management accounts and business updates that are received by all Board members. External audit observations and recommendations have been 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 2016, and opined that they were adequate and effective for the 2016 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.

Sustainability has gradually been incorporated into the Company's business, not only to address today's pressing issues, namely climate change, talent acquisition and corporate transparency, but to create value for the Group's operations. The Company has included ESG factors as a strategic consideration in its decision-making in which responsible department heads are charged with the tasks of identifying, assessing and mitigating current and potential ESG risks and opportunities. Throughout 2016, the Company has strictly complied with the environmental laws and regulations in locations where we have operations and there was no incidence of non-compliance with the relevant environmental laws and regulations that have a significant impact on the Group. Detailed ESG performances will be published in the fourth Sustainability Report of the Company which can be found on the websites of the Stock Exchange and the Company in May 2017. This report in many respects exceed the disclosure requirements of the ESG Reporting Guide set out in Appendix 27 to the Listing Rules.

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 19 April 2017:

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 31 December 2016.

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 31 December 2016 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.

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.

The Board has declared a final dividend of HK$1.17 (2015: HK$0.95) per ordinary share in respect of the year ended 31 December 2016. This proposed final dividend together with the interim dividend of HK$0.30 per share already paid, amount to total dividends of HK$1.47 (2015: HK$1.20), 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 24 May 2017, the said final dividend will be payable to shareholders of the Company, whose names appear on the register of members of the Company on 9 June 2017. Payment will be made on or about 21 June 2017.

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 19 May 2017 to 24 May 2017, 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 18 May 2017.

ii For entitlement of proposed final dividend

The registers of members of the Company will be closed from 7 June 2017 to 9 June 2017, 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 6 June 2017.

DESPATCH OF ANNUAL REPORT

The annual report of the Company will be dispatched to the shareholders as well as published on the websites of the Company and the Stock Exchange on or around Wednesday, 19 April 2017.

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

Hong Kong, 22 March 2017

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.

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