瑞聲科技控股有限公司
AAC TECHNOLOGIES HOLDINGS INC.
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2018)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Director(s)**") of AAC Technologies Holdings Inc. ("**AAC Technologies**" or the "**Company**") is pleased to announce the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018 together with the comparative figures for the corresponding period in 2017.

These consolidated financial statements have been reviewed by the Company's audit and risk committee (the "**Audit and Risk Committee**") and approved by the Board on 22 March 2019.

2018 FINAL RESULTS HIGHLIGHTS:

(RMB Million)	**2018**	2017	*YoY%*	**4Q 2018**	4Q 2017	*YoY%*
Revenue	**18,131**	21,119	*-14.1%*	**4,838**	7,151	*-32.3%*
Gross Profit	**6,743**	8,720	*-22.7%*	**1,844**	2,979	*-38.1%*
Gross Profit Margin	***37.2%***	*41.3%*	*-4.1ppt*	***38.1%***	*41.7%*	*-3.6ppt*
Net Profit	**3,796**	5,325	*-28.7%*	**1,044**	1,832	*-43.0%*
Net Profit Margin	***20.9%***	*25.2%*	*-4.3ppt*	***21.6%***	*25.6%*	*-4.0ppt*
Basic EPS (RMB)	**3.11**	4.35	*-28.5%*	**0.86**	1.50	*-42.7%*
Share Numbers (Weighted average, million)	**1,221**	1,225		**1,220**	1,222	

CHAIRMAN AND CEO STATEMENT

Dear Shareholders,

2018 was a year of significant transformation for AAC Technologies in its 25-year development journey. During the year, we achieved much progress in innovation and established new versatile platforms. We also successfully transformed and upgraded our served market segments, product mix, and competitive strategy.

BUSINESS REVIEW

As a leading smart device solutions provider, our objective is to "lead innovation and enhance user experience". We introduced a number of innovative products and advanced industry standard technologies in acoustics, optics, electromagnetic drives, radio frequency ("**RF**") antennas, such as the super linear structure ("**SLS**") platform, wafer-level glass ("**WLG**") lenses, pop-up stepper motors, and 5G solutions. All of these have greatly strengthened our global leadership in the industry and will drive our long-term growth. However, due to the decline in global smartphone shipments and deceleration in technological innovation, in 2018, the Group's revenue and net profit decreased by 14.1% and 28.7%, respectively, and gross profit margin was 37.2%, down by 4.1 percentage points. As previously announced, we expect such impact on our business will continue into the first quarter of 2019.

We continued to improve our customer portfolio, to enrich product lines and to innovate user experience amidst the market challenges in 2018. These transformational efforts are beginning to pay off: SLS products became popular among mainstream customers; mass production of optical lenses rapidly reached our capacity target; and, gross profit performance in Micro Electro-Mechanical Systems ("**MEMS**") segment was improved. In addition to strict cost controls, the Company continued to improve the utilisation of production equipment and per capita output.

MARKET REVIEW

According to the International Data Corporation ("**IDC**") report, the overall shipments of smartphones in 2018 decreased by 4.1% year-on-year to 1.4 billion units. The market shipment was impacted because: the replacement cycle for smartphones has been prolonged due to improved software and hardware; increasing macro-economic uncertainty due to Sino-US trade tensions, and consumers perceived over-pricing of high-end brand smartphones. Smartphone markets in developed countries and China became near saturated highlighting inventory management competition. The consumers preferred to wait for clearer trends of the "next revolutionary designs", be it 5G or foldable phones to be introduced in 2019. In view of this, smartphone brands are keeping abreast of product innovation for differentiation.

STRATEGIES AND OUTLOOK

As better global economic prospects are on the horizon, there are signs that the smartphone market is regaining momentum. The expected new growth cycle in the smartphone industry will give us opportunities to demonstrate our leading technology edge. Some smartphone brands have continued to announce innovative designs, such as the recently launched foldable and dual-screen phones, which have won wide consumer acclaim. These brands, as expected, have adopted the Company's advanced technologies, products and solutions. With the advent of high-speed data transmission applications in the 5G era, new acoustics, optics and other artificial intelligence multimedia functions will drive further upgrade of the specs in the new smartphones.

We will accelerate new product development to replace our old products, and strive for sustainable development in delivering innovation breakthroughs and capturing new market opportunities. We will continue to adopt a "two-pronged" approach, namely, R&D and manufacturing. Improved versatile technology and manufacturing platforms will reinforce our unique competitive advantages. Precise market positioning will enable us to capture market value and gain market share. We will continue to proactively collaborate with strategic customers to deliver innovative user experience through customer-oriented product offerings. Moreover, we will strive to leverage our capabilities and synergies to extend to new markets, such as VR/AR equipment and smart cars.

Now is the time for the Company to deliver. With our past continued R&D and capital investment in new technology platforms, we firmly believe in 2019 we are well-prepared to launch our Company into a promising new era.

PERFORMANCE OF BUSINESS SEGMENTS

Acoustics (Dynamic components)

In 2018, the Group has achieved major breakthroughs in precision acoustic technology and launched the innovative acoustic platform, Super Linear Structure. SLS speakers revolutionised traditional diaphragm design to create sustainable enhancement in diaphragm vibration resulting in marked improvement in the sound quality and listening experience. Advanced algorithm has been integrated to resolve the balance between better sound quality, louder volume and small form factor of miniaturized speaker's design.

By end of 2018, entry-level SLS has successfully penetrated most mainstream Android flagship models with significant enhancement of the unit price of speakers. However, as overall shipments of SLS were still at an initial rollout phase with gradual increasing shipments, amidst the pricing pressure in the legacy products, the revenue of acoustic segment in 2018 recorded a year-on-year decrease of 9.4% to RMB8.67 billion, contributing 47.8% of total revenue. The gross profit margin was 37.2%, a year-on-year decrease of 3.6 percentage points.

In 2019, the Group will consolidate its market position of the entry-level SLS. The upgrade roadmap of SLS platform will be accelerated and we expect market penetration will be further increased. The Group expects total annual shipments to increase substantially, driven by continual penetration of SLS into all mainstream flagship models and mid-range models during the year. The Group believes the continuous upgrade capability of the SLS platform will further enlarge the Group's market share in acoustics, drive revenue growth and improve gross margin. Furthermore, the Company will explore new markets such as VR/AR devices and smart cars, in which the SLS platform has strong potential.

Optics

In 2018, the optic business segment made a satisfactory revenue of RMB550 million, accounting for 3% of the Group's total revenue, and a year-on-year increase of 240%. As planned, the Company has successfully penetrated major smartphone customers. In terms of plastic lenses, the monthly production capacity of plastic lens reached 40 million units and its monthly shipment exceeded 20 million units by the end of 2018. There is room for improvement in operational efficiency and gross profit margin, given that during this year only smaller scale projects were undertaken. We believe greater economies of scale can be achieved. Our hybrid lenses designed for structured light function have been shipped to our customers. WLG proves to have a strong potential and demonstrates our optical design capability. Our main-camera solution and its continual upgrade roadmap has also been recognized by customers. Mass production plan for this solution is already on its way. During the year, the Group continued to increase R&D resources and expanded the optical R&D team in Finland, focusing on product development and testing relating to image processing, sensor and lens design. We are committed to enhance our overall optical design and production capabilities to create brand new high-end imaging solutions.

In 2019, with triple cameras gaining popularity, demand for upgraded optical specifications is increasing. 32MP front- and 48MP rear-lenses are widely adopted in several new flagship and best-selling models. We expect that the unit price of lenses will be driven up as demand will remain strong and likely to exceed the overall market supply. The Group will increase its monthly production capacity for plastic lenses to 50 million or above to capture such market opportunities in 2019. Furthermore, to create a revolutionary user experience, we will continue to promote WLG hybrid lenses for high-end camera applications of major brands, such as ultra-high pixels, optical-zoom and periscope multi-zoom optimization.

Electromagnetic Drives and Precision Mechanical

In 2018, customers demonstrated a slowdown in haptic innovation. Drop in average unit price and shipments of haptic components caused by the intensified competition led to a decline in the revenue. As for the precision mechanical segment, the demand was weaker than expected due to sluggish market of high-end models. With lower shipments, production utilisation and gross margin were affected. In 2018, the combined business segment of electromagnetic drives and precision mechanical decreased by 23.8% year-on-year to RMB7.9 billion, accounting for 43.5% of the Group's total revenue, and gross profit margin was 41.1%, down 2.8 percentage points year-on-year.

In 2019, integrated under-screen fingerprints technology with large-curved 3D glass and 3D glass back-cover design is setting a trend, calling for continual upgrade specs performance in haptics components. Furthermore, the introduction of customized smartphones for video games has opened up opportunities for high-performance or multiple haptics to deliver a richer tactile user-experience. These developments will translate into both volume demand and higher price for haptic components. Separately, the Group has developed stepper motor module solutions for pop-up cameras to achieve full-screen smartphone design. We believe that the likely extension of stepper motor designs into high-end foldable and telescopic smartphones would create high potential for further business development. Our core electromagnetic knowledge and high precision processing capabilities have enabled the Group to be a leading supplier of highly-vertical integrated solutions. We believe that the stepper motor design will become a new source of revenue. As for precision mechanical, we will optimize existing production capacity of metal frame/casting within 2019. In the forthcoming 5G era, glass casings will become popular. Leveraging on our proprietary moulding and in-house thermal bending technologies, the Group has already developed integrated innovative solutions incorporating ultra-narrow metal frames, large-curved 3D glass and the latest haptics to provide the design differentiation and enhanced user experience for our customers' high-end models.

MEMS

In 2018, the Group succeeded in optimising the cost structure of MEMS microphones by improving the vertical integration capabilities of the MEMS operation. Although slowdown in specs upgrade of MEMS components squeezed unit price, leading to a decrease in revenue by 3.9% year-on-year to RMB814 million, or 4.5% of the Group's total revenue, the Group was able to raise the use of in-house developed MEMS designs and digital ASCI chips to 15% and 45% respectively, thus helping to improve the gross profit margin of the segment by 4.2 percentage points year-on-year to 26.6%.

In 2019, the Group will continue to develop advanced solutions of MEMS design and digital ASIC chips to meet requirements of different customer tiers and to gain market share. We believe the relevant applications under the advent of 5G era are going to fuel demand for MEMS components. The Group will leverage this trend to drive growth of revenue and profit margin of this segment.

FINANCIAL MANAGEMENT

The Group practises prudent financial management to ensure it is able to maintain strong operating cash inflows and a healthy balance sheet. In 2018, the Group's operating cash inflow increased by RMB1.5 billion to RMB6.8 billion compared to RMB5.3 billion for the same period in 2017. After deducting capital expenditure ("**CAPEX**") of RMB3.9 billion and dividend payments of approximately RMB2.2 billion, the Group had more than RMB4.0 billion of cash as at 31 December 2018. After deducting cash and cash equivalents, our overall net gearing ratio continues to improve, reducing from 7.3% to 6.2%, and our credit rating of Baa1 was affirmed on 26 February 2019.

Other than the dividend payments to shareholders of the Company ("**Shareholders**"), the Group uses its cash mainly to invest in the segments with good return, as R&D investments and CAPEX for new production facilities. For 2019, the Group plans to make allocations according to the said requirements and the budgeted CAPEX at the moment stands at approximately RMB2.0 billion, about 50% of the amount last year.

FINAL DIVIDEND

Based on strong cash flow projections and the cash position of the Group, the Board of Directors recommended payment of annual cash dividend of HK$1.43 this year. With interim dividend of HK$0.40 per share for the year already paid, the proposed final dividend for 2018 is HK$1.03 per share.

Subject to Shareholders' approval at the forthcoming annual general meeting ("**AGM**") to be held on 24 May 2019, the said final dividend will be payable to Shareholders of the Company, whose names appear on the register of members of the Company on 12 June 2019. Payment will be made on or about 26 June 2019.

SUSTAINABILITY

The Company aspires to be a trailblazer on the path of sustainability, focusing on growing responsibly, expanding its talent pool, achieving operational excellence and giving back to community. We will publish our sixth sustainability report in April 2019. To pass the intense scrutiny on Environmental, Social and Governance ("**ESG**") disclosure by stakeholders, we are determined to improve transparency over time, taking heed of Appendix 27 of the Listing Rules, the recommendations of the Task-force on Climate Financial Disclosure, as well as other internationally recognised sustainability frameworks. To keep improving the integrity of our ESG data, we have been expanding the reporting scope, optimising our sustainability data collection management system and engaging third-party verification.

Our efforts to raise the bar on reporting of ESG performance continue to win industry recognition and stakeholder acknowledgement, for example, we have been a constituent of the Hang Seng Corporate Sustainability Index for five years since 2014. As we move forward, we will continue to offer new solutions that have positive impacts on our stakeholders. This commitment is anchored on the Group's strategy of persisting in sustainable innovation led development. As at 31 December 2018, thanks to the R&D teams' efforts in the 15 R&D centres we operate worldwide, we secured 925 new patents, bringing the total to 3,366 patents, our record high.

APPRECIATION

On behalf of the Board, we would like to express our heartfelt appreciation to our staff and management team for their hard work, and to our other stakeholders for their unwavering support. We look forward to their continuous support. Last but not least, we would like to announce Mr. Tan Bian Ee's upcoming retirement and that he will not be seeking re-election in the coming AGM. We extend our sincere thanks to Mr. Tan for his invaluable contributions and guidance to the Company in the past nine years and we wish him all the best.

Koh Boon Hwee
Chairman

Pan Benjamin Zhengmin
Chief Executive Officer

22 March 2019

FINANCIAL REVIEW

Revenue

2018 Group revenue declined year-on-year by RMB3 billion, or 14.1%, to RMB18 billion. Owing to factors discussed in the statement by Chairman and CEO above, revenue from the Acoustics and Electromagnetic Drives & Precision Mechanicals decreased by RMB905 million and RMB2,459 million respectively, whilst Optics revenue saw an encouraging increase of RMB389 million, compared with 2017.

Gross Profit and Gross Profit Margin

2018 gross profit was RMB6.7 billion, representing a decrease of RMB2.0 billion, or 22.7%, from the gross profit of RMB8.7 billion in 2017. The drop in gross profit was primarily due to the reduction in revenue and gross profit margin. Gross profit margin decreased to 37.2% in 2018 as compared with 41.3% in 2017. Although the overall yield and efficiency were improved, the gross profit margin was decreased owing to ASP pressures on legacy products and unfavorable product mix due to slow- down in innovation and specs upgrade.

Administrative Expenses

Administrative expenses in 2018 were RMB650 million, 6.5% higher, compared with RMB610 million in 2017. The rise of administrative expenses in 2018 was primarily attributable to two one-off items, being (i) an impairment loss on trade receivables from one PRC customer; and (ii) a waiver of a loan receivable from a prior shareholder of one of our overseas subsidiaries.

Distribution and Selling Expenses

Distribution and selling expenses of RMB317 million in 2018, along with the decline in revenue, dropped by RMB48 million, or 13.3%, compared with RMB365 million in 2017. Amongst the drop, there was a corresponding decline in human resource payroll expenses.

Research and Development Expenses

Research and development ("**R&D**") expenses in 2018 were RMB1,512 million, RMB152 million or 9.1% lower than RMB1,664 million in 2017. The decrease in R&D expenses was primarily attributable to improved use of engineering resources in R&D stage of current product platforms and new solutions.

Finance Costs

Finance costs in 2018 amounted to RMB218 million, representing an increase of RMB53 million, compared with RMB165 million in 2017. Such increase in finance costs was due to the rise of market interest rates in 2018 and higher borrowing interest rate impact in our strategy to have long-term bank loans in our loan portfolio for better liability and risk management. The percentage of long-term bank loans as at 31 December 2018 is 41% of total bank loans (31 December 2017: 31%).

Taxation

Taxation expenses of the Group were calculated based on the assessable profits of the subsidiaries at the rates prevailing in the relevant jurisdictions. Taxation expenses in 2018 amounted to RMB514 million, representing a decrease of RMB157 million or 23.3% from RMB671 million in 2017. While the effective tax rate have slightly increased compared with that of 2017, the increase was mainly due to expiration of tax concessions of some of our overseas subsidiaries.

Net Profit and Net Profit Margin

Reported net profit for the year 2018 was RMB3.8 billion, a decline of 28.7%, compared with RMB5.3 billion in 2017. The decline was due to drop in revenue and gross profit margin. Higher administrative costs incurred during the year also contributed to the adverse 4.3 percentage points decrease in net profit margin to 20.9%.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has always emphasized financial discipline and continues to maintain a strong liquidity position. In May 2018, Moody's Investors Service Limited assigned first-time "Baa1" issuer rating with a stable rating outlook to the Company. Cash flows from (used in) our operating, investing and financing activities, are as below:

	For the year ended 31 December	
	2018	2017
	RMB million	RMB million
Net cash from operating activities	**6,789.3**	5,287.0
Net cash used in investing activities	**(3,599.1)**	(5,008.6)
Net cash used in financing activities	**(3,246.8)**	(14.1)

Operating Activities

Cash inflow from operating activities was mainly generated from cash receipts from the Group's sales. Cash outflows were related to raw materials purchases, payroll, distribution and selling expenses, expenses incurred in R&D, administrative items and taxation charges. Net cash generated from operating activities was RMB6,789.3 million for 2018 and RMB5,287.0 million for 2017. The increase in the net cash generated from operating activities in 2018 was mainly attributable to the improvement in working capital, particularly the reduction in trade receivables and inventories.

i. ***Trade Receivables and Payables***

As at 31 December 2018, turnover days of trade receivables increased by 3 days to 91 days as compared to 31 December 2017. Trade receivables decreased by RMB2.3 billion to RMB3.4 billion. Aging of trade receivables (net of allowance for doubtful debts) based on invoice dates between 0–90 days, 91–180 days and over 180 days were RMB3,269.3 million (31 December 2017: RMB5,300.3 million), RMB94.9 million (31 December 2017: RMB320.5 million) and RMB4.8 million (31 December 2017: RMB91.1 million) respectively. The Company has received subsequent settlement totaling RMB2,766.7 million up to 28 February 2019, representing 82% of the total amount outstanding, net of allowances, as at the end of the reporting period.

The Group's trade payables turnover days decreased by 1 day to 122 days as compared to 31 December 2017. Aging of trade payables based on invoice dates between 0–90 days, 91–180 days and over 180 days were RMB2,593.2 million (31 December 2017: RMB3,878.6 million), RMB618.1 million (31 December 2017: RMB497.3 million) and RMB8.0 million (31 December 2017: RMB22.5 million) respectively.

ii. ***Inventory Turnover***

The inventory turnover days increased to 108 days as at 31 December 2018 from 89 days for 31 December 2017. Although inventory level as at 31 December 2017 and 2018 were capped in similar level, increase in inventory turnover days in 2018 was due to a declined annual sales revenue and weaker market demand in year-end.

Investing Activities

Net cash invested in year 2018 and 2017, amounted to RMB3,599.1 million and RMB5,008.6 million, respectively. CAPEX will include acquisition of land use rights, additional production plant and property, and, latest automation machinery and equipment for modifications and upgrades as well as capacity expansion. For year 2018 and 2017, total CAPEX incurred were RMB3,903.3 million and RMB5,286.2 million respectively. Investing activities are focused on sustained CAPEX programs in building technology platform per the Group's business progress to capture new market opportunities and support its long-term business strategies. CAPEX are funded by internal resources and bank loans, and are subject to annual CAPEX budgeting and approval by the Board.

Financing Activities

The Group recorded net cash used in financing activities of approximately RMB3,246.8 million for year 2018. Major outflows were dividend paid to Shareholders of RMB2,181.6 million (2017: RMB1,662.3 million). For year 2018, the Group recorded net outflow from bank borrowings, new bank borrowings raised of RMB5,071.9 million (2017: RMB8,214.2 million) and repayment of bank loans of RMB5,627.1 million (2017: RMB5,852.0 million).

Cash and Cash Equivalents
As at 31 December 2018, the unencumbered cash and cash equivalents of the Group amounted to RMB4,058.9 million (31 December 2017: RMB4,034.1 million), of which 61.9% (31 December 2017: 57.4%) was denominated in US dollar, 30.8% (31 December 2017: 34.8%) in RMB, 4.4% (31 December 2017: 5.5%) in Hong Kong dollar, 1.2% (31 December 2017: 0.9%) in Japanese Yen, 0.5% (31 December 2017: 0.4%) in Euros, 0.4% (31 December 2017: 0.3%) in Singapore dollar, and 0.8% (31 December 2017: 0.7%) in other currencies.

Gearing Ratio and Indebtedness
As at 31 December 2018, the Group's gearing ratio, defined as total loans and borrowings divided by total assets, was 19.8% (31 December 2017: 20.5%). Netting off cash and cash equivalents, net gearing ratio was 6.2% (31 December 2017: 7.3%).

The short-term bank loans and long-term bank loans of the Group as at 31 December 2018 amounted to RMB3,492.5 million (31 December 2017: RMB4,349.4 million) and RMB2,427.9 million (31 December 2017: RMB1,940.5 million) respectively.

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

Charges on Group Assets
Apart from bank deposits amounting to RMB2.1 million that were pledged to banks mainly in relation to equipment purchases as at 31 December 2018 (31 December 2017: RMB9.0 million), no other Group assets were charged to any financial institutions.

OFF-BALANCE SHEET TRANSACTIONS

As at 31 December 2018, the Group had not entered into any material off-balance sheet transactions.

KEY RISK FACTORS

The Company has structured risk management and internal control systems for the management of strategic, market, operational, financial and compliance risks. In 2018, we employed an independent professional firm under a co-sourcing model to help the Group systematically review and upgrade our risk and control measures in chosen business processes, benchmarking against international best practices. Such systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement or loss. Certain key risk factors affecting the Group are outlined below. The list is non-exhaustive and there may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may be immaterial now but could become material in the future. Besides, this 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 electronics market. The overall global market for smartphones contracted in 2018. A continual contraction in the global smartphones market may adversely affect our operating results and financial condition. 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. Our substantial on-going investments in R&D, leading to an expanded suite of 3,366 patents in total across acoustic and new technology platforms, should also help to protect our business against competition within the smartphone market segment.

Reliance on a Number of Key Customers

The Group's five largest customers, which accounted for 84.3% of the Group's total revenue, are all related to the dynamic consumer electronics industry, characterized by innovation-driven and user experience-oriented business growth. Loss of or changes in market position of any of these customers may materially and adversely affect the Group's business, financial condition and results of operations. Nevertheless, the Group has focused on technology innovation to continuously enhance user experience meeting customers' spec upgrade needs. We have also implemented standardized procedures for handling all forms of customer information to ensure it is not improperly or inadvertently disclosed to third parties. The Group has strong established relationships with these major customers; all of them have been our customers for over 7 years. The credit terms granted to them are in the range of 60- to 90-day periods and are generally in line with those granted to other customers.

Operational and Obsolescence Risks

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

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

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

Liquidity and Interest Rate Risks

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

The Group is exposed to interest rate risks on its bank loans for working capital and CAPEX that are associated with the expansion of the Group. Upward fluctuations in interest rates increase the costs of both existing and new loans. During the year ended 31 December 2018, there was heightened expectation of USD interest rate hikes. The Federal Reserve, in total, raised interest rates four times with the result that the Group's effective interest rate on fixed rate bank loans was higher in the range of 2.60% to 4.75% per annum, while the effective interest on variable-rate bank loans was from 1.27% to 3.74% per annum. Although to some extent, the Group's USD deposits served as a natural hedge to this emerging risk of interest rate increase, the Group has secured long-term five-year bank loans and entered into interest rate swap contracts in order to improve asset-liability management catering for fund stability as well as interest rate risk.

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

Foreign Exchange Risks

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

The cash inflow to the Group in denominations of the two currencies, namely RMB and USD, are mostly, over time, in balanced proportions. In addition, various bank facilities have been arranged in these two currencies, to meet our daily operating expenses and capital investment requirements. It is the Group's consistent policy to centralize foreign exchange management to monitor total foreign currency exposure, to net off affiliate positions and to consolidate hedging transactions with banks. Hence, in our operating business model, the Group's revenue is mostly matched to the currencies of the outlay; which in the past few years, had mitigated the impact of foreign exchange fluctuations. As far as possible, the Group aims to achieve natural hedging by investing and borrowing in the functional currencies. Where a natural hedge is not possible, the Group will mitigate foreign exchange risks via appropriate foreign exchange contracts.

Trade Frictions between China and the US

China and the US imposed additional tariffs on goods traded between them in 2018. The Group is not aware of any of its key raw materials and products being included in the latest target lists and its products are also not directly exported to the US. So far, the Group's business operations have not experienced any significant immediate impact arising from the trade frictions. The Group will continue to monitor any new developments as well as assessing any adverse and material business implications which might arise.

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

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

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

FINANCIAL INFORMATION

The financial information relating to the years ended 31 December 2018 and 2017 in this announcement does not constitute the Company's statutory consolidated financial statements for those years, but represents an extract from those consolidated financial statements. The final results of the Group for the year ended 31 December 2018 have been reviewed by the Audit and Risk Committee of the Company.

The Company has delivered the consolidated financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2018 in due course. The Company's auditor has reported on the consolidated financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

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 2018 as set out in the preliminary 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 on the preliminary announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	**2018** **RMB'000**	2017 RMB'000
Revenue	3	**18,131,153**	21,118,566
Cost of goods sold		**(11,388,078)**	(12,398,639)
Gross profit		**6,743,075**	8,719,927
Other income, gains and losses		**236,556**	115,679
Gain on final settlement of earn-out consideration	11	**147,830**	–
Fair value loss on financial assets at fair value through profit or loss	11	**(118,881)**	–
Distribution and selling expenses		**(316,521)**	(365,195)
Administrative expenses		**(649,856)**	(609,991)
Research and development costs		**(1,512,160)**	(1,663,667)
Share of results of associates		**–**	(6,616)
Exchange loss		**(1,853)**	(29,129)
Finance costs	4	**(217,888)**	(164,711)
Profit before taxation	5	**4,310,302**	5,996,297
Taxation	6	**(514,417)**	(671,120)
Profit for the year		**3,795,885**	5,325,177
Other comprehensive income (expense):			
Item that will not be subsequently reclassified to profit or loss:			
Fair value changes on equity instruments at fair value through other comprehensive income		**(10,479)**	–
Items that may be subsequently reclassified to profit or loss:			
Fair value changes on available-for-sale investments		**–**	436,545
Fair value changes on derivative financial instruments		**4,449**	4,438
Loss reclassified to profit or loss on hedged items		**1,268**	–
Exchange differences arising on translation of foreign operations		**49,796**	(183,432)
Total comprehensive income for the year		**3,840,919**	5,582,728
Profit for the year attributable to:			
Owners of the Company		**3,795,885**	5,324,579
Non-controlling interests		**–**	598
		3,795,885	5,325,177
Total comprehensive income attributable to:			
Owners of the Company		**3,840,919**	5,581,925
Non-controlling interests		**–**	803
		3,840,919	5,582,728
Earnings per share – Basic	8	**RMB3.11**	RMB4.35

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

	NOTES	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	9	**15,440,039**	13,526,391
Goodwill		**164,350**	89,217
Prepaid lease payments		**622,362**	538,149
Deposits made for acquisition of property, plant and equipment		**1,085,904**	913,987
Investment properties	10	**14,854**	16,049
Available-for-sale investments	11	**–**	751,923
Equity instruments at fair value through other comprehensive income	11	**178,684**	–
Interests in associates	12	**–**	–
Intangible assets		**366,607**	255,839
Loan receivable	13	**–**	19,132
Derivative financial instruments	14	**11,153**	4,438
		17,883,953	16,115,125
Current assets			
Inventories		**3,319,480**	3,397,629
Trade and other receivables	15	**4,474,213**	7,154,960
Financial assets at fair value through profit or loss	11	**22,426**	–
Amounts due from related companies		**4,991**	1,776
Taxation recoverable		**35,509**	9,346
Pledged bank deposits		**2,100**	9,028
Bank balances and cash		**4,126,494**	4,034,082
		11,985,213	14,606,821
Current liabilities			
Trade and other payables	16	**4,548,240**	6,369,178
Contract liabilities	16	**8,673**	–
Amounts due to related companies		**62,468**	47,017
Taxation payable		**204,880**	331,783
Bank loans	17	**3,492,507**	4,349,365
		8,316,768	11,097,343
Net current assets		**3,668,445**	3,509,478
Total assets less current liabilities		**21,552,398**	19,624,603
Non-current liabilities			
Bank loans	17	**2,427,854**	1,940,549
Government grants	18	**117,779**	87,162
Deferred tax liabilities	19	**71,669**	45,952
Derivative financial instruments	14	**998**	–
		2,618,300	2,073,663
Net assets		**18,934,098**	17,550,940
Capital and reserves			
Share capital	20	**98,906**	99,231
Reserves		**18,835,192**	17,451,709
Total equity		**18,934,098**	17,550,940

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands with its shares listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

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

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

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

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts"
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014 – 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

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

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

2.1 IFRS 15 "Revenue from Contracts with Customers"

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard, if any, recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 "Revenue" and IAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- Sales of dynamic components
- Sales of electromagnetic drives (formerly known as haptic) and precision components
- Sales of MEMS components
- Sales of other products

Summary of effects arising from initial application of IFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	**Carrying amounts previously reported at 31 December 2017**	**Reclassification**	**Carrying amounts under IFRS15 at 1 January 2018**
		RMB'000	RMB'000	RMB'000
Current liabilities				
Trade and other payables	(a)	6,369,178	(9,183)	6,359,995
Contract liabilities	(a)	–	9,183	9,183

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

2.1 IFRS 15 "Revenue from Contracts with Customers" – continued

Summary of effects arising from initial application of IFRS 15 – continued

Note:

(a) As at 1 January 2018, advances from customers of RMB9,183,000 in respect of sales contracts signed with customers previously included in trade and other payables are reclassified to contract liabilities.

The application of IFRS 15 has had no material impact on the Group's retained profits as at 1 January 2018.

The following table summarises the impacts of applying IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	**Adjustments**	**Amounts without application of IFRS 15**
	RMB'000	RMB'000	RMB'000
Current liabilities			
Trade and other payables	4,548,240	8,673	4,556,913
Contract liabilities	8,673	(8,673)	–
	4,556,913	–	4,556,913

As at 31 December 2018, an amount of RMB8,673,000 in respect of advances from customers for future purchases to be made by customers was classified as contract liabilities and the amount will remain included in trade and other payables if without the application of IFRS 15.

2.2 IFRS 9 "Financial Instruments"

In the current year, the Group has applied IFRS 9 "Financial Instruments" and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

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

2.2 IFRS 9 "Financial Instruments" – continued

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The differences between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 "Financial Instruments: Recognition and Measurement".

Summary of effects arising from initial application of IFRS 9

The table below illustrates the effect arising from application of IFRS 9 at the date of initial application, 1 January 2018. Line items or reserves that were not affected by the changes have not been included.

	Note	***AFS investments**	***Financial assets at FVTPL**	***Equity instruments at FVTOCI**	**Investments revaluation reserve**	**Retained profits**
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Closing balance at 31 December 2017 – IAS 39		751,923	–	–	436,545	16,226,133
Effect arising from initial application of IFRS 9	(a)	(751,923)	665,084	86,839	(407,428)	407,428
Opening balance at 1 January 2018		–	665,084	86,839	29,117	16,633,561

* As defined below

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

2.2 IFRS 9 "Financial Instruments" – continued

Summary of effects arising from initial application of IFRS 9 – continued

Notes:

(a) Available-for-sale ("**AFS**") investments

*From AFS investments to equity instruments at fair value through other comprehensive income ("**FVTOCI**")*

The Group elected to present in other comprehensive income ("**OCI**") for the fair value changes of all its equity investments other than AMS AG ("**AMS**") previously classified as AFS investments. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, equity investments with a carrying value of RMB86,839,000 were reclassified from AFS investments to equity instruments at FVTOCI, of which RMB27,243,000 related to unquoted equity investments previously measured at cost less impairment under IAS 39. None of the fair value gains/losses relating to those unquoted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI and investments revaluation reserve as at 1 January 2018 as the carrying value under IAS 39 approximates to the fair value as at 1 January 2018. The fair value gains of RMB29,117,000 relating to those investments previously carried at fair values continued to be accumulated in investments revaluation reserve.

*From AFS investments to financial assets at fair value through profit or loss ("**FVTPL**")*

At the date of initial application of IFRS 9, the Group's equity investments in AMS with a carrying value of RMB665,084,000 were reclassified from available-for-sale investments to financial assets at FVTPL. The fair value gains of RMB407,428,000 relating to those investments were transferred from the investments revaluation reserve to retained profits.

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

2.2 IFRS 9 "Financial Instruments" – continued

Summary of effects arising from initial application of IFRS 9 – continued

Notes: – continued

(b) Hedge accounting

The Group applies the hedge accounting requirements of IFRS 9 prospectively. At the date of the initial application, hedging relationships that qualified for hedge accounting in accordance with IAS 39 are regarded as continuing hedging relationship as all qualifying criteria under IFRS 9 are met, after taking into account any rebalancing of the hedging relationship on transition.

The initial application of IFRS 9 in the current year has had no material effect on the amounts reported and/or disclosures relating to the Group's hedging instruments as set out in these consolidated financial statements.

(c) Impairment under ECL model

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.

In the current period, the Group has applied IFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowance for other financial assets at amortised cost mainly comprise of pledged bank deposits, bank deposits with original maturity of more than three months, bank balances, other receivables and amounts due from related companies and are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, no additional credit loss allowance has been recognised against retained profits as the estimated allowance under the ECL model were not significantly different to the impairment losses previously recognised under IAS 39.

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

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening consolidated statement of financial position had been restated. The following table summarises the adjustments recognised for the relevant individual line item.

	31 December 2017	**IFRS 15**	**IFRS 9**	**1 January 2018**
	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)			(Restated)
Non-current assets				
AFS investments	751,923	–	(751,923)	–
Financial assets at FVTPL	–	–	665,084	665,084
Equity instruments at FVTOCI	–	–	86,839	86,839
Current liabilities				
Trade and other payables	6,369,178	(9,183)	–	6,359,995
Contract liabilities	–	9,183	–	9,183

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

New and amendments to IFRSs in issue but not yet effective

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

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to IFRSs mentioned below, the management anticipates that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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 the current lease guidance including IAS 17 "Leases" and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) 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 (i.e. all on balance sheet) by lessees, except for short-term leases and leases of low value assets.

2. APPLICATION OF NEW AND AMENDMENTS TO 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 own use while other operating lease payments are presented as operating cash flows. Upon application of 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 cash flows by the Group.

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 will result in changes in classification of these assets. The Group will present right-of-use assets within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, 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 2018, the Group has non-cancellable operating lease commitments of RMB95,080,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, 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.

In addition, the Group currently considers refundable rental deposits paid of RMB9,434,000 and refundable rental deposits received of RMB3,569,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

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

IFRS 16 "Leases" – continued

The management expects that the adoption of IFRS 16 as compared with the current accounting policy would result in increase in the Group's right-of-use assets and related lease liability. The combination of straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. The management has assessed the impact of the application of IFRS 16 and considers that it will not have a material impact on the financial performance and net assets of the Group.

The Group elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 "Determining Whether an Arrangement Contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulate effect of initial application to opening retained profits without restating the comparative information.

3. REVENUE AND SEGMENT INFORMATION

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

Information reported to the CEO for the purposes of resource allocation and assessment of performances focuses specifically on the type of products sold. This is also the basis upon which the Group is organised and managed. The Group's operating and reportable segments under IFRS 8 are dynamic components (including acoustic modules (formerly known as miniature speaker modules), acoustic unit (formerly known as receivers and speakers)), electromagnetic drives and precision components, MEMS components and other products (including optics, RF antenna, traditional microphones and headsets), which represent the major types of products manufactured and sold by the Group. Revenues from these products is recognised at the point in time when controls of the products has transferred.

The measurement of segment results for the year ended 31 December 2017 have been revised as a result of the change in the way in which information is reported to the CEO in the current year.

3. REVENUE AND SEGMENT INFORMATION – continued

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

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

Information regarding these segments is presented below.

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

	2018	2017
	RMB'000	RMB'000
Operating and reportable segments		
Segment revenue – recognised at a point in time		
Dynamic components	**8,674,937**	9,579,669
Electromagnetic drives and precision components	**7,882,120**	10,341,262
MEMS components	**814,438**	847,594
Other products	**759,658**	350,041
Revenue	**18,131,153**	21,118,566
Segment results		
Dynamic components	**3,228,334**	3,908,051
Electromagnetic drives and precision components	**3,240,189**	4,545,008
MEMS components	**216,869**	190,244
Other products	**57,683**	76,624
Total profit for operating and reportable segments	**6,743,075**	8,719,927
Unallocated amounts:		
Interest income	**36,840**	44,374
Other income, gains and losses	**199,716**	71,305
Gain on final settlement of earn-out consideration	**147,830**	–
Fair value loss on financial assets at fair value through profit or loss	**(118,881)**	–
Distribution and selling expenses	**(316,521)**	(365,195)
Administrative expenses	**(649,856)**	(609,991)
Research and development costs	**(1,512,160)**	(1,663,667)
Share of results of associates	**–**	(6,616)
Exchange loss	**(1,853)**	(29,129)
Finance costs	**(217,888)**	(164,711)
Profit before taxation	**4,310,302**	5,996,297

3. REVENUE AND SEGMENT INFORMATION – continued

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

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

	2018	2017
	RMB'000	RMB'000
Dynamic components	**753,916**	591,641
Electromagnetic drives and precision components	**402,193**	297,686
MEMS components	**33,251**	33,986
Other products	**147,639**	54,319
	1,336,999	977,632
Unallocated portion	**426,628**	338,414
	1,763,627	1,316,046

Segment results represent the profit earned by each segment without allocation of finance costs, interest income, administration expenses, research and development costs, distribution and selling expenses, other income, gains and losses, gain on final settlement of earn-out consideration, fair value loss on financial assets at fair value through profit or loss, exchange loss, and share of results of associates. This is the measure reported to the CEO for the purpose of resource allocation and performance assessment.

Majority of the Group's non-current assets were located in the PRC, the place of domicile of the relevant group entities that hold those assets. There were no non-current assets in foreign countries that exceeds 10% of the Group's total non-current assets.

3. REVENUE AND SEGMENT INFORMATION – continued

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

	2018 **RMB'000**	2017 RMB'000
Greater China* (country of domicile)	**5,739,629**	5,735,519
Other foreign countries:		
Other Asian countries	**1,783,418**	1,628,806
America	**10,600,797**	13,748,554
Europe	**7,309**	5,687
	18,131,153	21,118,566

* 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 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 RMB10,778,892,000 (2017: RMB11,951,678,000). No disclosure of the total amount of revenue by each customer and number of customers are disclosed, as in the opinion of the management such disclosure is harmful to the Group's business.

4. FINANCE COSTS

	2018 **RMB'000**	2017 RMB'000
Interest on bank borrowings wholly repayable within five years	**217,888**	164,711

5. PROFIT BEFORE TAXATION

	2018 RMB'000	2017 RMB'000
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments	**16,485**	21,266
Other staff's retirement benefits scheme contributions	**483,266**	534,825
Other staff costs	**3,922,881**	4,514,877
Total staff costs	**4,422,632**	5,070,968
Less: Staff costs included in research and development costs	**(906,782)**	(988,138)
	3,515,850	4,082,830
Depreciation of property, plant and equipment	**1,713,557**	1,295,177
Less: Depreciation included in research and development costs	**(237,065)**	(185,108)
	1,476,492	1,110,069
Allowance for obsolete inventories, included in cost of goods sold	**60,566**	85,482
Amortisation of intangible assets	**36,236**	10,942
Amortisation of upfront fee for bank loans	**6,306**	3,587
Auditor's remuneration	**3,148**	2,975
Cost of inventories recognised as expense	**11,327,512**	12,313,157
Cost of raw materials included in research and development costs	**46,047**	97,482
Depreciation of investment property	**1,195**	1,194
Impairment loss recognised in respect of interest in an associate, included in other income, gains and losses (note 12)	**–**	7,530
Written off of a loan receivable (note 13)	**12,931**	–
Impairment losses recognised in respect of goodwill	**3,098**	–
Impairment losses recognised in respect of property, plant and equipment, included in other income, gains and losses (note 9)	**9**	47,994
Loss on disposal of property, plant and equipment	**773**	–
Loss on disposal of prepaid lease payments	**5,530**	–
Allowance for impairment loss on trade receivables	**16,785**	–
Operating lease rentals in respect of		
– building premises	**52,312**	40,690
– property, plant and equipment	**10,698**	71,617
Release of prepaid lease payments	**12,639**	8,733
Government grants*	**(135,266)**	(83,238)
Interest income	**(36,840)**	(44,374)
Rental income	**(13,443)**	(7,441)
Net reversal of allowance for impairment loss on trade receivables	**–**	(3,929)
Gain on disposal of property, plant and equipment	**–**	(1,215)
Written off of other borrowing	**–**	(330)

* Included in the amount is RMB15,627,000 (2017: RMB5,643,000) representing amortisation of government grants. The remaining amount mainly represents the incentives granted by the PRC local authorities to the Group for engaging in High Technology business, employment of expatriates and technologically advanced staff. All the grants were approved and received during the year of recognition.

6. TAXATION

	2018	2017
	RMB'000	RMB'000
The current tax charge (credit) comprises:		
PRC Enterprise Income Tax	**393,111**	490,160
Other jurisdictions	**133,208**	216,230
Hong Kong Profits Tax	**383**	–
Overprovision of taxation in prior years	**(9,527)**	(33,348)
	517,175	673,042
Deferred tax (see note 19)	**(2,758)**	(1,922)
	514,417	671,120

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

According to a joint circular of Ministry of Finance and the State Taxation Administration of the PRC, Cai Shui 2008 No. 1, the accumulated undistributed profits earned by foreign invested enterprise prior to 1 January 2008 can be exempted from EIT when they are distributed to foreign investor after 2008. Whereas, dividend distributed out of the profits generated thereafter, shall be subject to EIT at 10% and withheld by the PRC subsidiary, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Implementation Regulation. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the withholding tax rate on dividend paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise and it is considered as the beneficial owner of the dividend, and remains at 10% otherwise.

In addition, certain PRC subsidiaries were officially endorsed as High and New Technology Enterprises ("**HNTE**") till the dates ranging from 31 October 2020 to 7 December 2020. 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 program which is granted based on the fulfilment of carrying out qualifying business activities. This incentive program expired in 2018. Agreement for its extension on similar terms for another 10-year period after expiry has been signed, and is effective from 1 January 2019.

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

6. TAXATION – continued

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

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

	2018 **RMB'000**	2017 RMB'000
Profit before taxation	**4,310,302**	5,996,297
Tax at the applicable income tax rate*	**1,077,575**	1,499,074
Tax effect of income not taxable for tax purpose	**(39,438)**	(27,906)
Tax effect of expenses not deductible for tax purpose	**53,940**	125,371
Tax effect of tax holiday	**(451,865)**	(572,226)
Tax effect of tax losses not recognised	**92,394**	47,270
Utilisation of tax losses previously not recognised	**(10,998)**	(33,660)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(194,643)**	(326,854)
Overprovision in prior years	**(9,527)**	(33,348)
Others	**(3,021)**	(6,601)
Tax charge for the year	**514,417**	671,120

* The PRC EIT rate of 25% (2017: 25%) is the domestic tax rate in the jurisdiction where the operations of the Group are substantially based.

7. DIVIDENDS

	2018 **RMB'000**	2017 RMB'000
Dividends recognised as distribution during the year:		
2017 final dividend of HK$1.70 (2016: HK$1.17) per ordinary share	**1,751,456**	1,246,964
2018 interim dividend of HK$0.40 (2017: HK$0.40) per ordinary share	**428,445**	417,033
	2,179,901	1,663,997

Subsequent to the end of the reporting period, a final dividend of HK$1.03 (2017: HK$1.70) 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 2018 is based on the profit for the year attributable to owners of the Company of RMB3,795,885,000 (2017: RMB5,324,579,000) and on the weighted average of 1,221,392,000 (2017: 1,224,973,000 shares) number shares in issue during the year.

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

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of RMB3,625,076,000 (2017: RMB5,078,135,000). Part of the consideration of RMB913,987,000 (2017: RMB918,358,000) was paid up in advance in prior year.

Also, during the year, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB14,138,000 (2017: RMB14,497,000) for proceeds of RMB13,365,000 (2017: RMB15,712,000) and resulting in a loss on disposal of RMB773,000 (2017: gain on disposal of RMB1,215,000).

During the year, the Group has reviewed the estimated useful life of its property, plant and equipment and has fully impaired certain property, plant and equipment with carrying value of RMB9,000 (2017: RMB47,994,000) net of reversal of impairment of RMB122,000 (2017: 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. Reversal of impairment loss was made, as certain property, plant and equipment which was fully impaired in previous years was put into use during the year.

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

10. INVESTMENT PROPERTIES

	RMB'000
CARRYING VALUES	
At 1 January 2017	–
Transfer on change of use of property	17,243
Depreciation during the year	(1,194)
At 31 December 2017	16,049
Depreciation during the year	(1,195)
At 31 December 2018	14,854

Note: During the year ended 31 December 2017, the Group changed the use of certain of its property and had leased them out to an independent third party for rental income.

11. AVAILABLE-FOR-SALE INVESTMENTS/FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/EQUITY INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(i) AFS investments

	2018	2017
	RMB'000	RMB'000
Unlisted shares, at cost	**–**	27,243
Listed shares, at fair value	**–**	724,680
	–	751,923

As detailed in note 2, the Group's AFS investments as at 31 December 2017 have been reclassified to appropriate categories of financial assets upon adoption of IFRS 9 on 1 January 2018.

(ii) Financial assets at FVTPL

	2018	2017
	RMB'000	RMB'000
Listed shares – AMS	**22,426**	–

The amount represents the Group's investment in AMS. AMS is a Swiss listed company incorporated in Austria and is engaged in the manufacturing of sensor and analogy solutions. In prior year, the Group disposed its entire interest in an unlisted investment, Heptagon Advanced Micro-Optics Pte. Ltd. ("**Heptagon**") to AMS, and in return the Group received certain amount of cash consideration, shares in AMS and earn-out consideration receivable determined based on the milestone relating to revenue of Heptagon.

During the year, AMS has agreed with the previous shareholders of Heptagon to settle the earn-out consideration arising from the disposal of Heptagon. As a result, the Group received additional shares in AMS with a fair value of RMB213,597,000 as at date of receipt and cash of RMB5,568,000, and resulting in gain on final settlement of earn-out consideration recognised in the profit or loss of RMB147,830,000.

Also, during the year, a certain number of AMS shares were disposed in the market for an aggregate proceed of RMB737,374,000. The realised gain on disposal of these shares was RMB29,265,000 and has been included as part of the loss on changes in fair value of financial assets at FVTPL recognised in the profit or loss during the year.

As at 31 December 2018, the fair value of the AMS shares held by the Group, determined by reference to the quoted market bid prices available, amounted to approximately RMB22,426,000 (31 December 2017: included in AFS investments of RMB665,084,000) and a loss on changes in fair value on the AMS shares of RMB118,881,000 has been recognised in the profit or loss.

11. AVAILABLE-FOR-SALE INVESTMENTS/FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/EQUITY INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – continued

(iii) Equity instruments at FVTOCI

	2018	2017
	RMB'000	RMB'000
Unlisted shares	**141,255**	–
Listed shares	**37,429**	–
	178,684	–

Unlisted shares

During the year, the Group invested in an investment holding company holding equity interests in a company engaged in producing semiconductor components in integrated circuits and development of intellectual properties, for a consideration of RMB100,000,000. As at 31 December 2018, the fair value of the investment determined by market approach was RMB100,000,000.

Listed shares

The amount represents the Group's investment in a company listed in Japan. As at 31 December 2018, the fair value of the investment determined by reference to the quoted market bid prices available was RMB37,429,000.

12. INTERESTS IN ASSOCIATES

	2018	2017
	RMB'000	RMB'000
Cost of investments in associates, unlisted	**–**	29,118
Impairment loss recognised in respect of interest in an associate	**–**	(7,530)
Share of post-acquisition loss and other comprehensive expense	**–**	(21,588)
	–	–

12. INTERESTS IN ASSOCIATES – continued

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

Name of associate	Place of incorporation	Percentage of equity interest 2018 %	2017 %	Principal activity
Vesper Technologies Inc. ("**Vesper**")	United States of America	–#	16.1	Research and development of MEMS products
Five Dimension Co., Ltd.	Japan	–*	39.1	Deregistered

During the year, the shareholders of Vesper have entered into an amended and restated voting agreement and as a result, the Company no longer has an ability to appoint or designate a director to the board of Vesper. The management considers it no longer has significant influence over Vesper and Vesper ceased to be an associate of the Group. Accordingly, the Group's investment in Vesper has been designated as an equity instrument at FVTOCI. The fair value of Vesper at date of reclassification was estimated by the management to be nil, as Vesper was loss making.

* On 24 July 2017, Five Dimension Co., Ltd. had filed a petition for bankruptcy. Therefore, an impairment loss of RMB7,530,000 was recognised to fully write off the investment during the year ended 31 December 2017. On 16 May 2018, Five Dimension Co., Ltd. has completed the process of deregistration.

There were no material interests in associates in aggregate or individually as at 31 December 2017 and therefore the financial information of these associates is not disclosed.

13. LOAN RECEIVABLE

In prior years, the balance represented a loan receivable from a non-controlling shareholder of a subsidiary bearing interest rate at Singapore Interbank Offered Rate plus 1.0% per annum and had no fixed repayment terms. During the year ended 31 December 2017, the Group acquired the remaining interests in the subsidiary held by the non-controlling shareholder (details set out in annual report), the balance was therefore reclassified as a loan receivable from a third party.

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

14. DERIVATIVE FINANCIAL INSTRUMENTS

	2018	2017
	RMB'000	RMB'000
Derivatives financial assets – under hedge accounting		
Interest rate swap contracts	**11,153**	4,438
Derivatives financial liabilities – under hedge accounting		
Interest rate swap contracts	**998**	–

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

The hedges were highly effective in hedging cash flow exposure to interest rate movements. Net adjustments on cash flow hedges of gain of RMB5,717,000 for the year ended 31 December 2018 (2017: RMB4,438,000) have been recognised in OCI and accumulated in equity. The management expected the accumulated sum is to be released to profit or loss at various dates in the coming maturity periods after the reporting period.

During the year, the Group has further entered into an interest rate swap contract for a further notional amount of US$100,000,000.

Included in borrowings as disclosed in note 17 were bank loans of RMB1,372,639,000 (2017: RMB653,420,000) which were under cash flow hedges and the major terms of the interest rate swap contracts under cash flow hedges at the end of the reporting period are as follows:

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

* LIBOR represents London Interbank Offered Rate.

The above derivatives are measured at fair value. The classification of the measurement of the above derivatives at 31 December 2018 is Level 2 under the fair value hierarchy (details set out in note 22).

15. TRADE AND OTHER RECEIVABLES

	2018	2017
	RMB'000	RMB'000
Trade receivables	**3,172,752**	5,696,394
Bank acceptance and commercial bills	**196,261**	15,539
	3,369,013	5,711,933
Advance payment to suppliers	**–**	45,096
Prepayments	**307,409**	287,411
Value-added tax recoverable	**520,685**	761,907
Other receivables	**246,325**	216,660
Loan receivables and interest*	**30,781**	131,953
	4,474,213	7,154,960

* Loans of RMB30,000,000 (2017: RMB129,157,000) made to certain suppliers of the Group are secured, and carry interest rates at 4.35% (2017: ranging from 4% to 5%) per annum. The amounts are repayable in 1 year.

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

	2018	2017
	RMB'000	RMB'000
Age		
0 – 90 days	**3,269,316**	5,300,321
91 – 180 days	**94,939**	320,466
Over 180 days	**4,758**	91,146
	3,369,013	5,711,933

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.

15. TRADE AND OTHER RECEIVABLES – continued

As at 31 December 2017, included in the Group's trade receivable and bank acceptance and commercial bill balance were debtors with aggregate carrying amount of RMB425,097,000 which were past due at reporting date for which the Group had not provided for impairment loss.

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

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

	2018	2017
	RMB'000	RMB'000
US$	**134,522**	156,555
Euro	**211**	388

16. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

Trade and other payables

	2018	2017
	RMB'000	RMB'000
Trade payables	**2,057,992**	3,157,419
Notes payables – guaranteed	**1,161,347**	1,241,003
	3,219,339	4,398,422
Payroll and welfare payables	**546,905**	730,817
Payables for acquisition of property, plant and equipment	**341,675**	571,391
Other payables and accruals	**440,321**	661,436
Contingent consideration payable	**–**	7,112
	4,548,240	6,369,178

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

16. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES – continued

Trade and other payables – continued

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

	2018	2017
	RMB'000	RMB'000
Age		
0 – 90 days	**2,593,244**	3,878,630
91 – 180 days	**618,059**	497,328
Over 180 days	**8,036**	22,464
	3,219,339	4,398,422

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

	2018	2017
	RMB'000	RMB'000
US$	**652,488**	983,549
Japanese Yen	**19,803**	53,908
Euro	**3,553**	1,444

Contract liabilities

	31.12.2018	1.1.2018*
	RMB'000	RMB'000
Contract liabilities on sales of miniaturised components	**8,673**	9,183

* The amounts in this column are after the adjustments upon the application of IFRS 15 (details as set out in note 2).

Included in the contract liabilities at 1 January 2018, a balance of RMB3,671,000 was recognised as revenue in the current year.

When the Group receives a deposit before the production activity commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit. For a small number of the Group's customers, the Group receives a deposit ranging from 30% to 100% on acceptance of manufacturing orders.

17. BANK LOANS

	2018	2017
	RMB'000	RMB'000
Bank loans are repayable as follows:		
Within one year	**3,492,507**	4,349,365
After one year but within two years	**626,660**	–
After two years but within five years	**1,801,194**	1,940,549
	5,920,361	6,289,914
Less: Amount due within one year included in current liabilities	**3,492,507**	4,349,365
Amount due after one year	**2,427,854**	1,940,549

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

	2018	2017
	RMB'000	RMB'000
US$	**737,977**	1,165,052
HK$	**236,636**	–
RMB	**199,994**	–

The variable rate bank loans carry interest rate ranging from 3.19% to 3.74% per annum (31 December 2017: 1.63% to 2.76% per annum). The fixed rate bank loans carry interest rate ranging from 2.90% to 4.75% per annum (31 December 2017: 2.60% to 4.35% per annum). The Company issued guarantees to the banks to secure these borrowings.

18. GOVERNMENT GRANTS

During the year, the Group received government grants of RMB46,244,000 (2017: RMB12,765,000) 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, RMB15,627,000 (2017: RMB5,643,000) of the grants have been released to profit or loss.

19. DEFERRED TAX LIABILITIES

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

	Intangible assets	**PRC withholding tax on undistributed earnings**	**Total**
	RMB'000	RMB'000	RMB'000
At 1 January 2017	24,296	23,522	47,818
Credited to profit or loss	(1,922)	–	(1,922)
Currency realignment	56	–	56
At 31 December 2017	22,430	23,522	45,952
Acquisition of a business	28,450	–	28,450
Credited to profit or loss	(2,758)	–	(2,758)
Currency realignment	25	–	25
At 31 December 2018	48,147	23,522	71,669

At 31 December 2018, the Group has unrecognised deferred tax liability in relation to PRC withholding tax on undistributed earnings in certain of its PRC subsidiaries, as it is the intention of the management to retain the earnings within these subsidiaries.

At the end of the reporting period, certain subsidiaries of the Group has unused tax losses of RMB1,121,048,000 (2017: RMB795,464,000) 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.

20. SHARE CAPITAL

	Number of shares	Amount
		US$'000
Shares of US$0.01 each		
Authorised:		
Ordinary shares at 1 January 2017, 31 December 2017 and 31 December 2018	5,000,000,000	50,000
Issued and fully paid:		
Ordinary shares at 1 January 2017	1,228,000,000	12,280
Shares repurchased and cancelled	(6,000,000)	(60)
Ordinary shares at 31 December 2017	1,222,000,000	12,220
Shares repurchased and cancelled	(4,000,000)	(40)
Ordinary shares at 31 December 2018	1,218,000,000	12,180

	RMB'000
At 1 January 2017	99,718
Shares repurchased and cancelled	(487)
At 31 December 2017	99,231
Shares repurchased and cancelled	(325)
At 31 December 2018	98,906

During the year, the Company repurchased a total of 6,000,000 issued ordinary shares of the Company in the market for a consideration of HK$314,410,000 (equivalent to approximately RMB277,860,000). Out of these repurchased shares, 4,000,000 ordinary shares were cancelled during the year.

Subsequent to the end of the reporting period, the Company has further repurchased a number of its ordinary shares in the market, details of which are set out in note 23.

21. ACQUISITION OF A BUSINESS

Acquisition of 深圳市軒盈通電子有限公司 ("**Xuanyingtong**")

On 17 May 2018, the Group completed the acquisition of the entire registered capital of Xuanyingtong for a consideration of RMB164,131,000.

Consideration transferred as at date of acquisition

	RMB'000
Total consideration	**164,131**
Less: Consideration payable	**(4,083)**
Cash paid at date of acquisition	**160,048**

Acquisition-related costs amounting to RMB177,000 have been excluded from the cost of acquisition and have been recognised directly as an expense and included in the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised on 17 May 2018 (date of acquisition) are as follows:

	RMB'000
Intangible assets	**113,800**
Inventories	**4,870**
Trade and other receivables	**137,149**
Bank balances and cash	**4,969**
Trade and other payables	**(146,438)**
Deferred tax liability	**(28,450)**
	85,900

Net cash outflow on acquisition:

Total consideration	**(164,131)**
Consideration payable, included in other payables	**4,083**
Cash and cash equivalents acquired	**4,969**
	(155,079)

Goodwill arising on acquisition:

Purchase consideration	**164,131**
Less: Fair value of identified net assets acquired	**(85,900)**
	78,231

21. ACQUISITION OF A BUSINESS – continued

Acquisition of 深圳市軒盈通電子有限公司 (“**Xuanyingtong**”) – continued

The fair value of the intangible assets acquired was estimated by applying an income approach. The key model inputs used in determining the fair value were discount rate of 16.6% and long-term sustainable growth rate of 3%.

The fair value of trade and other receivables at the date of acquisition amounted to RMB137,149,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB137,149,000 at the date of acquisition. All contractual receivables at acquisition date are expected to be recoverable.

Goodwill arose in the acquisition of Xuanyingtong because the cost of acquisition includes a control premium. In addition, the consideration paid for the acquisition effectively included an amount in relation to the benefit of expected synergies and revenue growth of Xuanyingtong. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill arising from this acquisition was not expected to be deductible for tax purposes.

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2018 is a profit of RMB23,238,000 attributable to Xuanyingtong. Revenue for the year ended 31 December 2018 includes RMB373,057,000 attributable to Xuanyingtong.

Had the acquisition of Xuanyingtong been completed on 1 January 2018, the total amount of revenue of the Group for the year ended 31 December 2018 would have been RMB18,341,598,000 and the amount of the profit for the year ended 31 December 2018 would have been RMB3,795,030,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the period, nor is it intended to be a projection of future results.

In determining the ‘pro-forma’ revenue and profit of the Group had Xuanyingtong been acquired at the beginning of the period, the management has calculated amortisation of intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements of Xuanyingtong.

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial instruments are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	**Fair value as at**		**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant observable input(s)**	**Sensitivity/ relationship of unobservable inputs to fair value**
	2018	2017				
	RMB'000	RMB'000				
Interest rate swap contracts	**11,153 Assets (under hedge accounting)**	4,438 Assets (under hedge accounting)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at an applicable discount rate taking into account the credit risk of the counter-parties and of the Group as appropriate.	N/A	N/A
Available-for-sale investments – Listed shares	**–**	724,680	Level 1	Quoted bid prices in an active market.	N/A	N/A
Equity instruments at FVTOCI – Listed shares	**37,429**	–	Level 1	Quoted bid prices in an active market.	N/A	N/A
Financial assets at FVTPL – Listed shares	**22,426**	–	Level 1	Quoted bid prices in an active market.	N/A	N/A

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – continued

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

Financial assets	Fair value as at 2018 RMB'000	2017 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant observable input(s)	Sensitivity/ relationship of unobservable inputs to fair value
Equity instruments at FVTOCI – Unquoted equity investments	**12,409**	–	Level 3	Income approach. The discounted cash flow method was used to capture future economic benefits to be derived from the ownership of these investments.	Discount rate, taking into account of weighted average cost of capital determined using a Capital Asset Pricing Model.	The higher the discount rate, the lower the fair value, and vice versa.
Equity instruments at FVTOCI – Unquoted equity investments	**128,846**	–	Level 3	Market approach. The market approach was used to determine the valuation using trailing-twelve-month ("**TTM**") Price-to-Sales ("**P/S**") multiples of selected comparable listed companies in a similar business and similar business model and adjusted for the lack of marketability.	The lack of marketability discount. TTM P/S multiples of selected comparable companies.	The higher the lack of marketability discount, the lower the fair value. The higher the TTM P/S multiples, the higher the fair value.

Financial liabilities	Fair value as at 2018 RMB'000	2017 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant observable input(s)	Sensitivity/ relationship of unobservable inputs to fair value
Interest rate swap contracts	**998 Liabilities (under hedge accounting)**	– Liabilities (under hedge accounting)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at an applicable discount rate taking into account the credit risk of the counter-parties and of the Group as appropriate.	N/A	N/A

The management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – continued

Reconciliation of level 3 fair value measurements

	Equity instruments at FVTOCI
	RMB'000
At 31 December 2017	–
Effect on adoption of IFRS 9	27,243
At 1 January 2018 (restated)	27,243
Transfer from interests in associates to equity instruments at FVTOCI (note 12)	–
Purchase made	100,000
Fair value changes on equity instruments at FVTOCI	12,152
Currency realignment	1,860
At 31 December 2018	141,255

23. EVENTS AFTER REPORTING PERIOD

Subsequent to 31 December 2018, the Company further repurchased a total of 3,500,000 of issued ordinary shares of the Company in the market for a total consideration of approximately HK$152,153,000 (equivalent to approximately RMB130,030,000). Subsequent to 31 December 2018 and up to the date of issuance of these consolidated financial statements, 5,500,000 of the repurchased shares have been cancelled.

CORPORATE GOVERNANCE

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

Based on regular reviews of the Company's actual performance against the Corporate Governance Code, the Board is satisfied that throughout the financial year ended 31 December 2018, the Company complied with all the code provisions. Furthermore, the Company strives to go beyond code provisions compliance by embracing the latest best and recommended corporate governance practices, such as linking a significant proportion of the executive Directors' remuneration to corporate and individual performances, and having effective whistleblowing policy in place.

In addition, the Board in 2018 conducted an evaluation of its performance, reviewed the Company's policies and practices with regard to Segregation of Duties between Chairman & CEO, Board Diversity, ESG responsibilities, Shareholders' Communication, Whistleblowing, Corporate Disclosure, Terms of Reference for the Board & Directors' Duties, Audit and Risk Committee, Nomination Committee and Remuneration Committee and published its fifth annual Sustainability Report for the year ended 31 December 2017 in May 2018. We believe that the Sustainability Report, together with the Corporate Governance Report, will help to better explain our ESG strategies, policies and practices.

RISK MANAGEMENT AND INTERNAL CONTROL

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

The Audit and Risk 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 2018. The Audit and Risk Committee met four times during the year in advance of Board meetings that considered the quarterly, interim and final results and the related announcements. To reinforce the Company's ERM focus, high-risk areas identified in the external auditor's planning memorandum were discussed and special internal audit procedures were agreed where deemed appropriate. Two physical meetings with the external auditors were held during 2018. Audit and Risk 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 and Risk Committee Chairman reports significant issues covered at Audit and Risk Committee meetings to the full Board. Based on the work of the Audit and Risk 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 2018.

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 2018 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 and Risk 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 have been discussed and followed up. The Audit and Risk Committee oversees the internal audit plans, the effectiveness of the independent professional firm's internal control assessment and its co-sourcing arrangement with the internal audit 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 strategic, market, operational, financial and compliance matters during 2018, and was satisfied that they were adequate and effective for the 2018 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. In addition, we believe that engaging independent professional firm will bring additional expertise in the risk assessment process. Hence, in 2018, the Company has commenced co-sourcing with an external professional firm to assist internal audit for reviewing and evaluating internal controls in various key management processes. The initial projects have been completed and the recommendations are constructive. The Company will continue with this co-sourcing arrangement to extend into the other processes and refine the Company's internal controls environment.

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 around 18 April 2019:

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

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

Sustainable development is an important core value of the Company: a concomitant commitment to developing innovative technology component solutions. The Company focuses on growing responsibly, expanding talent pool, achieving operational excellence and giving back to community. Through continual engaging with our stakeholders to enhance our sustainability strategy, the Company strives to achieve sustainable business growth amid environmental and social impact generated.

This year, we will publish our sixth sustainability report. The Company is committed to continual improving, setting industry benchmark and creating value for its stakeholders. Realising the value of sustainability reporting, the Company seeks ongoing improvement on transparency, including expanding the reporting boundary, optimising its sustainability data collection management system and engaging third-party verification. In addition to adhering to the Appendix 27 of the Listing Rules, the Company has started aligning its climate-related disclosure with the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) set up by the Financial Stability Board, commencing in the forthcoming sustainability report. Pursuing closer alignment with other frameworks such as GRI, SDGs and <IR>, the Company aims to present a more balanced and transparent picture to its stakeholders including customers, institutional and public investors, regulators, employees, and business partners. Our sustainability report with detailed ESG performances will be published in April 2019 and shall be available on websites of the Hong Kong Stock Exchange and the Company.

SHARE AWARD SCHEME

As announced by the Company on 23 March 2016, the Board resolved to adopt a share award scheme (the "**Scheme**") in which Employees (other than Excluded Employees) may be selected by the Board to participate. The purpose of the Scheme is to permit the Company to grant Awards to Selected Employees as incentives for their contributions to the Group and to attract suitable personnel for further development of the Group. The maximum number of shares that may be awarded under the Scheme during its term is limited to 1.65% of the issued share capital of the Company from time to time (i.e. 20,006,250 shares as at 22 March 2019 due to the cancellation of repurchased shares). The maximum number of Awarded Shares that may be granted to any one Selected Employee shall not exceed 0.5% (i.e. 6,062,500 shares as at 22 March 2019 due to the cancellation of repurchased shares) of the issued share capital of the Company from time to time. Pursuant to the Scheme, shares will be subscribed for at a subscription price as determined by the Board, or purchased on the Stock Exchange, by Bank of Communications Trustee Limited (the "**Trustee**") at the cost of the Company and will be held by the Trustee on trust for Selected Employee(s) under the Scheme before vesting. The Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules, and is a discretional scheme of the Company.

Since the date of adoption of the Scheme and up to 31 December 2018, no shares had been subscribed or purchased by the Trustee pursuant to the rules and trust deed of the Scheme and no shares had been granted to Selected Employee(s) under the Scheme.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

At the AGM on 28 May 2018, the Company's Shareholders granted a general mandate to the Directors of the Company to repurchase shares of the Company (the "**Repurchase Mandate**"). Pursuant to the Repurchase Mandate, the Company is allowed to repurchase up to 10% of the total number of issued shares of the Company as at the date of the AGM (the "**then Issued Shares**").

Up to 31 December 2018, the Company had repurchased, under the Repurchase Mandate, a total of 6,000,000 shares, representing approximately 0.49% of the then Issued Shares. The aggregate consideration of HK$314.4 million for the repurchase was paid out from the Company's retained profits.

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

Details of the repurchases are as follows:

Month	Total number of the ordinary shares	Highest price paid per share (HK$)	Lowest price paid per share (HK$)	Aggregate consideration[1] (HK$'000)
November 2018	4,000,000	57.15	52.50	224,017
December 2018	2,000,000	46.20	43.95	90,393

Notes:

(1) Including brokerage, transaction levy, stamp duty and transaction cost of HK$730,000.
(2) 4,000,000 shares were cancelled in November 2018 and the remaining 2,000,000 shares were cancelled in January 2019.

Apart from the above, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company during the year ended 31 December 2018.

HUMAN RESOURCES

As at 31 December 2018, the Group employed 35,995 permanent employees, a decrease of 31% from 52,171 employees as at 31 December 2017, due to automation and production efficiency gains.

Employees of the Group are remunerated based on their individual performance, professional qualifications, experience in the industry and relevant market trends. Management from time to time reviews the Group's remuneration policy and appraises the work performance of its employees. In addition to basic salaries, allowances, social insurance and mandatory pension fund contribution, certain employees and employee groups are also eligible for the Group's bonus plan and share award scheme. As required by the relevant regulations, the Group participates in the social insurance schemes operated by the relevant local government authorities in the PRC. The Group also participates in the mandatory pension fund and social insurance schemes for its employees in Hong Kong, Taiwan, Singapore, South Korea, Japan, India, Vietnam, Philippines, the US, Denmark and Finland.

The Company is committed to invest in talents to develop innovative products for next generation designs. The Company has already established various R&D centers in Asia, Europe and North America, including long-established collaborations with universities, and others, on many different projects. Latest addition to the list is a R&D center in Hong Kong Science Park which is expected to start operation in Q2 2019.

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 for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as mentioned in Appendix 10 to the Listing Rules.

On specific enquiries made, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code and the Company's code of conduct regarding the Directors' securities transactions during the year ended 31 December 2018.

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 21 May 2019 to 24 May 2019, 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 20 May 2019.

ii **For entitlement of proposed final dividend**
The registers of members of the Company will be closed from 10 June 2019 to 12 June 2019, 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 2019.

DESPATCH OF ANNUAL REPORT

The Company's annual report containing the Directors' report and consolidated financial statements for the year ended 31 December 2018 will be published on the Company's website at www.aactechnologies.com and the website of the Stock Exchange on or around Thursday, 18 April 2019.

The annual report and the notice of AGM will be dispatched to Shareholders on or around Tuesday, 23 April 2019. All of these will be made available on the Company's website.

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

Hong Kong, 22 March 2019

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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2018)

The Directors of AAC Technologies as at the date of this announcement are:

Executive Directors:	Mr. Pan Benjamin Zhengmin Mr. Mok Joe Kuen Richard
Independent Non-executive Directors:	Mr. Koh Boon Hwee Mr. Au Siu Cheung Albert Mr. Poon Chung Yin Joseph Mr. Tan Bian Ee Mr. Kwok Lam Kwong Larry Mr. Peng Zhiyuan Mr. Zhang Hongjiang
Non-executive Director:	Ms. Wu Ingrid Chun Yuan