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)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 together with the comparative figures for the corresponding period in 2021.

These consolidated financial statements have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu and the Company's audit and risk committee and approved by the Board on 23 March 2023.

2022 FINAL RESULTS HIGHLIGHTS:

(RMB Million)	**2022**	2021	*YoY%*	**Q4 2022**	Q4 2021	*YoY%*
Revenue	**20,625**	17,667	*+16.7%*	**5,840**	4,812	*+21.4%*
Gross Profit	**3,775**	4,365	*-13.5%*	**970**	986	*-1.6%*
Gross Profit Margin	***18.3%***	*24.7%*	*-6.4ppts*	***16.6%***	*20.5%*	*-3.9ppts*
Net Profit*	**821**	1,316	*-37.6%*	**237**	212	*12.0%*
Net Profit Margin	***4.0%***	*7.5%*	*-3.5ppts*	***4.1%***	*4.4%*	*-0.3ppts*
Basic EPS (RMB)	**0.69**	1.09	*-37.2%*	**0.20**	0.18	*12.8%*
Share Numbers (Weighted average, million)	**1,198**	1,206		**1,194**	1,202	

* Net profit represents profit attributable to owners of the Company.

CEO STATEMENT

2022 was a challenging year, we proactively undertook steps to strengthen our operations. Despite the pandemic's outbreak, high inflation and relatively weak market demands, the Group strengthened its positioning in the smartphone market with its leading capabilities in research and development and sound operational management. Against such market backdrop, the Group achieved market share increase in businesses across acoustics, electromagnetic drives and precision mechanics, optics, sensors and semiconductors with revenue exceeded RMB20 billion, up 16.7% year-on-year ("**YoY**").

Coping with complex external environment, the Group maintained its long-term focus to create value, and stayed committed to navigating through economic cycles by continuously enhancing product competitiveness and ensure prudent cash flow management. In 2022, the Group continued to strive for internal and external improvements. On one hand, the Group deepened the cooperation with business partners and boosted its market shares. On the other hand, the Group consistently implemented lean operational management by reducing costs and improving overall operational efficiency, stringently managing inventory and improving inventory turnover. As a result, the free cash flow position of the Group has improved significantly, up from RMB-1.38 billion in 2021 to RMB2.52 billion in 2022.

The Group persists in leading industry development through technological innovation and works closely with overseas customers. By leveraging its advantages in both acoustics and electromagnetic drives, the Group launched its proprietary Combo and Opera coaxial solutions, which enabled the Group to provide a superior tactile and auditory experience to consumers via more cost-effective products. The Group actively prompted and implemented applications of WLG glass lens in multiple projects including automotive, AR/VR devices, semiconductor manufacturing and testing as well as other industrial fields. The precision mechanics business has gradually improved with value of products continuously enhanced, and the proportion of revenue from non-smartphone business continued to rise. Market share of MEMS products has steadily increased, and the Group has been actively developing products with high signal-to-noise ratio to meet customers' demand for product upgrades.

In 2022, the Group proactively forged ahead to create a second growth curve and to activate new growth trajectory. In addition to solidifying the leading positions in the smartphone market, the Group continues to seize new market opportunities and explore strategic new markets. The Group also achieved breakthroughs in automotive acoustics market and the total automotive acoustics solutions business has started mass-production and shipment. In addition, the Group successfully developed a full set of new modules for automotive MEMS microphones which is expected to be mass produced in 2023. Other products, such as optics and haptics products, are also being actively expanded in fields such as AR/VR and automotive applications.

The year 2023 marks the Group's 30th anniversary. Throughout the past 30 years, AAC Technologies was not only a contributor in the consumer electronics industry, but also a leading provider of sensory experience solutions. Going forward, we will continue to pursue opportunities in strategic new markets and accelerate our product deployment to lead the new era of sensory experience.

On behalf of the Group's management team, I would like to thank our partners and shareholders for their trust, patience and support. I would also like to thank all our employees for their creativity and positive attitude. We will continue to forge ahead with a cohesive force to create greater value for our customers and deliver long-term stable returns to our shareholders.

BUSINESS AND MARKET REVIEW

In 2022, the Group recorded a revenue of RMB20.63 billion, up 16.7% YoY which was mainly attributed by the strong demand from overseas customers and the increase in combined revenue contribution from electromagnetic drives and precision mechanics business as well as optics business. Gross profit margin was 18.3%, down 6.4 percentage points ("**ppts**") YoY due to the increased revenue contribution from business segments with relatively lower gross profit margins. Net profit was RMB821 million, down 37.6% YoY. For the fourth quarter 2022 ("**Q4 2022**"), the Group recorded revenue of RMB5.84 billion, up 21.4% YoY, also due to revenue increase from these three business segments. The Gross profit margin was 16.6%, down 3.9 ppts YoY, due to the change of product portfolio. Net profit was RMB237 million, up 12.0% YoY.

During the reporting period, the Group remains prudent in financial management and stringently manages capital expenditure and research and development ("**R&D**") expenses. The capital expenditures amounted to RMB1.85 billion in 2022. During the reporting period, the Group conducted active liability management, successfully optimized the debt structure and maintained stable cash flow. As of 31 December 2022, the operating cash inflows were RMB4.37 billion, cash on book (including short term fixed deposits) was RMB7.16 billion, net gearing ratio was 6.2%. A sound financial position is essential to the sustainable growth of the Group, and ensures the Group's ability to continue to innovate and develop going forward.

After careful review of the Group's financial liquidity and business development requirements, the Board of Directors proposed to declare a final dividend of HK$0.12 per share for FY 2022 (FY 2021: Nil), implying a total annual dividend amounted to HK$0.12 per share for FY 2022 (FY 2021: HK$0.20 per share) which represents the 15% payout ratio, same as that of FY 2021. Amidst the dynamic macroeconomic environment, the Group will remain prudent in financial management and strong in cash flow for business development, so as to create long-term value for shareholders.

PERFORMANCE AND DEVELOPMENT OF BUSINESS SEGMENTS

Acoustics Business

In Q4 2022, the Group's acoustics business revenue was RMB2.38 billion, up 6.3% YoY. Gross profit margin was 31.2%, up 4.4 ppts YoY, driven by increased revenue contribution from overseas customers. In 2022, the Group's acoustics business revenue was RMB8.85 billion, up 3.1% YoY. Gross profit margin was 28.1%, down 1.5 ppts YoY mainly due to weaker demand in the Android market and lower shipment of Android acoustics products, leading to a YoY decline in gross margin.

In Q4 2022, the Group has continued to work closely with overseas customers, and enhanced its market share steadily. Affected by the weaker demand in the Android market, the revenue and gross margin of Android acoustics decreased YoY. To satisfy various customer needs, the Group launched its proprietary Combo and Opera coaxial solutions. This product effectively enhances consumers' auditory and tactile experience in application scenarios such as video and audio, gaming and vertical screens while reducing production costs. Currently, the Group has built up an integrated solution for mobile audio device including high-performance linear speakers, multi-speaker arrays and the proprietary algorithm. Looking forward, the Group will provide an immersive auditory experience for customers in multiple application scenarios with more diversified product portfolio.

In Q4 2022, the Group's automotive acoustics solutions business has continued to accomplish mass-production and shipment. The Group also achieved breakthroughs and acquired new landmark automotive acoustics projects. To meet various customers' needs and quickly break through the market, the Group provides a comprehensive solution from ultra-flagship to high cost-performance by covering a set of audio solutions including single component, tuning services, software systems and flexible combinations of the services. Going forward, the acoustic system will become one of the core components of the intelligent cockpit. The Group will continue to promote the overall acoustics solution, and deepen cooperation with partners to enhance consumers' audio experience.

Optics Business

In Q4 2022, the Group's optics business revenue was RMB798 million, up 55.6% YoY and 40.8% QoQ, on the back of continued growth in shipment volume and market share expansion in both plastic lens and camera module businesses. Benefited from the smooth progress of camera module business and the increased market share, in 2022, the Group's optics business revenue was RMB3.22 billion, up 34.7% YoY.

In 2022, the plastic lens business continued to consolidate market share and improve market position despite the competitive landscape. Facing the fierce market competition, the Group will continue to optimize product portfolio by improving the shipment proportion of high-end products, and strengthen inventory management to improve the gross profit margin by enhancing internal management and operational efficiency. Camera module business grew steadily and annual shipment volume delivered a YoY increase of 121.5%. OIS products have started a small-scale mass production. WLG hybrid lenses are making good progress and 1G5P and 1G6P products are in steady mass production and delivery. The Group will continue to enhance its vertical integration capability of optics business, optimize camera module and VCM business, to achieve the market share gain in the mid-to-high end products.

Electromagnetic Drives and Precision Mechanics Business

For Q4 2022, given the shipment growth from both haptics and metal casing products, as well as contributions from the acquisition of Toyo Precision, revenue from this combined segment reached RMB2.29 billion, up 27.5% YoY and 11.5% QoQ. Gross profit margin was 22.2%, up 2.5 ppts YoY and 0.7 ppts QoQ. In 2022, revenue from this combined segment amounted to RMB7.28 billion, up 29.0% YoY. Gross profit margin was 21.3%, down 0.4 ppts YoY and remained relatively stable mainly because the change of product portfolio.

Electromagnetic Drives Business

In 2022, the market shares of Android x-axis haptics further increased with the total shipment volume increased by 41.9% YoY. In addition to higher penetration in smartphone market, the ultra-wide x-axis haptics motor launched by the Group can also be used in smart watches, tablets, intelligent automobiles, game consoles, VR/AR, providing consumers with a one-stop, multi-dimensional, full-scene high-quality tactile feedback experience. The Group has successfully entered into VR supply chain and provided x-axis haptics motor for a leading global VR player. It is expected that the x-axis haptics will be widely used in strategic new markets in the future.

Precision Mechanics Business

Relying on the advanced precision manufacturing capabilities, the Group's metal casing business has gained leading market shares in the flagship and high-end smartphones among key customers. In Q4 2022, given the strong demand of customers' high-end smartphone models, the utilization rate of metal casing products has increased and gross profit margin also improved YoY. The Group will continue to explore projects with high values to optimize product portfolio and enhance profitability. Toyo Precision's business has integrated smoothly and provided additional growth for the segment. The Group has been actively acquiring new projects and accelerating its pace in expanding overseas production capacity of precision mechanics, aiming to further ramp up the revenue contribution from Toyo Precision and the overall profitability of this business segment.

Sensor and Semiconductor Business

For Q4 2022, the Sensor and Semiconductor business recorded a revenue of RMB356 million, up by 49.5% YoY, due to strong demand from overseas customers and increased market penetration of Android MEMS products. Gross profit margin was 13.9%, up 1.4 ppts YoY and 6.6 ppts QoQ. In 2022, the Sensor and Semiconductor business revenue was RMB1.26 billion, up 24.0% YoY, due to market share increase. The gross profit margin was 11.6%, down 3.5 ppts YoY, mainly due to increased raw material costs.

In Q4 2022, the factory facility in Malaysia commenced production, which further strengthened the Group's global production capacity. The Group continues to promote proprietary MEMS microphones with optimized structural designs to enhance reliability, offering proprietary and differentiated designs to cater to various specification requirements of customers. The Group has entered into a partnership with Soundskrit in launching the world's first high-performance directional MEMS microphone to end users across consumer electronics and automotive markets. Alongside a gradual increase in demand for intelligent audio interaction in fields such as artificial intelligence, smart home appliances, automobiles and other markets, MEMS business will foresee an expansion in market demand and more market development opportunities.

Prospect

According to International Data Corporation ("**IDC**") report, the global smartphone shipment in 2023 is expected to decline by 1.1% YoY to 1.19 billion units. Although the prospect of global smartphone shipment remains relatively stable, the Group will continue to strengthen the collaborations with existing customers, strive for higher market shares and continuously invest in research and development to improve the end-user experience. Combined with continued focus in operational efficiency and cash flow management, these efforts will lay a solid foundation for the Group's long-term development. The development of the NEV market brings additional growth opportunities, especially with the development of intelligent cockpit and autonomous driving technologies, which will drive a new wave of upgrades in vehicle's hardware and software. The Group intends to capture more opportunities in the automotive market, develop new sources of revenue, and maximize returns for shareholders by leveraging on its leading advantages in miniaturized technology and precision manufacturing capabilities.

FINANCIAL REVIEW

Revenue

In 2022, the Group's revenue increased YoY by 16.7%, to RMB20.63 billion. Owing to factors discussed under "BUSINESS AND MARKET REVIEW" above, revenue from the electromagnetic drives and precision mechanics and optics increased by RMB1,637 million and RMB828 million respectively. The acoustic business was relatively stable as compare with the same period of last year.

Gross Profit and Gross Profit Margin

In 2022, gross profit was RMB3.78 billion, representing a decrease by 13.5% from the gross profit of RMB4.36 billion in 2021. The drop in gross profit was mainly contributed by market competition in optics business and the decline was partly offset by the improved gross profit of electromagnetic drives and precision mechanics due to increase in sales volume.

Gross profit margin decrease to 18.3% in 2022 as compared with 24.7% in 2021. The decrease in gross profit margin was mainly contributed by the increased sales from precision mechanics and optics with lower gross profit margin.

Other income, gains and losses, and other expenses

The net other income/gains increased by RMB180 million. This was mainly contributed by the gain on repurchase of unsecured notes of RMB169 million and increase in government grants of RMB133 million. The increment was offset by the restructuring costs of RMB125 million.

Administrative Expenses

Administrative expenses in 2022 were RMB1,036 million, 25.7% higher, compared with RMB824 million in 2021. The increase was mainly contributed by the increase in staff related cost, share incentive expenses and discretionary bonus. To cope with the new strategic developments and drive long term growth, the Group had enhanced the management team and launched share award plan.

Distribution and Selling Expenses

Distribution and selling expenses of RMB448 million in 2022, increased by 34.7%, compared with RMB333 million in 2021. The increase was mainly contributed by the increased in staff related cost, discretionary bonus and share incentive expenses to strengthen our sales force in new market segment like automotive.

Research and Development Expenses

R&D expenses in 2022 were RMB1,546 million, 10.4% lower than RMB1,726 million in 2021. The decrease was primarily attributable to improved cost efficiency in research and development.

Finance Costs

Finance costs in 2022 amounted to RMB403 million, representing a decrease of 3.0% compared with RMB415 million in 2021. Such decrease was mainly due to the reduction of average bank loan balance, which was offset by the additional interest on unsecured notes accompany with the issuance of 5-year unsecured notes USD300 million at annual interest rate 2.625% and 10-year unsecured notes USD350 million at annual interest rate 3.75% in June 2021.

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 2022 amounted to RMB231 million, representing an increase of 93.3% from RMB120 million in 2021. The increase was mainly due the reduction of deferred tax credit relating to tax losses and other temporary difference from RMB116 million to RMB17 million.

Profit attributable to the owners of the Company

Reported net profit for 2022 was RMB0.82 billion, a decline by 37.6% compared with RMB1.32 billion in 2021. The decline of was mainly due to the decline of gross profit and the increase in operation costs during the period which was partly offset by the increase in other income and decrease in non-controlling interests.

LIQUIDITY AND FINANCIAL RESOURCES

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

	For the year ended 31 December	
	2022	2021
	RMB million	*RMB million*
Net cash from operating activities	**4,372.0**	2,176.0
Net cash used in investing activities	**(2,349.3)**	(4,245.4)
Net cash (used in) from financing activities	**(1,438.7)**	632.6

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 RMB4,372.0 million for 2022 (2021: RMB2,176.0 million).

i. Trade Receivables and Payables

As at 31 December 2022, turnover days of trade receivables decreased by 5 days to 78 days as compared to 31 December 2021. Trade receivables decreased by RMB0.22 billion to RMB4.28 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 RMB4,098.4 million (31 December 2021: RMB4,133.2 million), RMB169.8 million (31 December 2021: RMB293.7 million) and RMB10.5 million (31 December 2021: RMB70.4 million) respectively. The Company has received subsequent settlement totaling RMB2,678.8 million up to 28 February 2023, representing 62.6% 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 28 days to 81 days as compared to 31 December 2021. Trade payables decreased by RMB1.02 billion to RMB3.24 billion. Aging of trade payables based on invoice dates between 0–90 days, 91–180 days and over 180 days were RMB2,576.8 million (31 December 2021: RMB3,300.4 million), RMB654.9 million (31 December 2021: RMB949.9 million) and RMB11.2 million (31 December 2021: RMB13.4 million) respectively.

ii. Inventory Turnover

As at 31 December 2022, the inventories have decreased by RMB1.29 billion compared to 31 December 2021. The inventory turnover days decreased to 109 days for the year ended 31 December 2022 from 133 days for 31 December 2021.

Investing Activities

Net cash used in investing activities in 2022 amounted to RMB2,349.3 million (2021: RMB4,245.4 million). It mainly represents the cash used in capital expenditures ("**CAPEX**") of RMB1,768.0 million (2021: RMB3,738.1 million), placement of short-term fixed deposits of RMB341.3 million (2021: Nil) and acquisition of equity instruments at FVTOCI and financial assets at FVTPL of RMB273.4 million (2021: RMB580.3 million), offsetting by the cash inflow arising from the government grant of RMB172.4 million (2021: RMB307.1 million) as well as the withdrawal of time deposits of RMB2.2 million for 2022 (2021: RMB92.2 million).

CAPEX included acquisition of land use rights, additional production plant and property, and, latest automation machinery and equipment for modifications and upgrades as well as capacity expansion. For 2022 and 2021, total CAPEX incurred were RMB1,847.5 million and RMB3,548.2 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 outflow from financing activities of approximately RMB1,438.7 million for 2022. Major outflows from repayment of bank loans of RMB3,021.2 million (2021: RMB6,767.3 million) and payment for repurchase of unsecured notes of RMB949.7 million, and major inflows was due to bank loans raised of RMB3,243.2 million (2021: RMB4,114.2 million), and issuance of unsecured notes of RMB4,163.4 million in 2021.

Cash and Cash Equivalents and Short Term Fixed Deposits

As at 31 December 2022, the unencumbered cash and cash equivalents and short term fixed deposits of the Group amounted to RMB7,155.0 million (31 December 2021: RMB6,051.4 million), of which 55.7% (31 December 2021: 57.9%) was denominated in US dollar, 39.8% (31 December 2021: 36.1%) in RMB, 2.5% (31 December 2021: 1.3%) in Hong Kong dollar, 0.5% (31 December 2021: 1.4%) in Euros, 0.5% (31 December 2021: 1.1%) in Vietnamese Dong, 0.2% (31 December 2021: 1.0%) in Malaysian Ringgit, 0.2% (31 December 2021: 0.4%) in Japanese Yen, 0.2% (31 December 2021: 0.3%) in Singapore dollar, and 0.4% (31 December 2021: 0.5%) in other currencies.

Gearing Ratio and Indebtedness

As at 31 December 2022, the Group's gearing ratio, defined as total loans and unsecured notes divided by total assets, was 23.9% (31 December 2021: 23.3%). Netting off cash and cash equivalents and short term fixed deposits, net gearing ratio was 6.2% (31 December 2021: 8.9%).

As at 31 December 2022, the unsecured notes of the Group were RMB6,087.8 million (31 December 2021: RMB6,573.2 million), the short-term bank loans and long-term bank loans of the Group amounted to RMB1,832.6 million (31 December 2021: RMB2,902.4 million) and RMB1,727.2 million (31 December 2021: RMB330.0 million) respectively.

Charges on Group Assets

Apart from bank deposits amounting to RMB0.2 million that were pledged to secure credit facilities as at 31 December 2022 (31 December 2021: RMB2.2 million), no other Group assets were charged to any financial institutions.

OFF-BALANCE SHEET TRANSACTIONS

As at 31 December 2022, 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 our pursuit of technology innovation, the Company is committed to building sustainable risk management and operational information systems. We have been focusing on systematic review and upgrading our risk and control measures in chosen business processes, benchmarking against international best practices. Such systems are designed to manage the risk of failure to achieve business objectives, and can provide reasonable assurance against material misstatement or loss. Certain key risk factors affecting the Group are outlined below. The list of these factors is non-exhaustive, and there may be other risks and uncertainties which are not known to the Group or which may be immaterial now but could become material in the future. Besides, this announcement does not constitute a recommendation or an advice for anyone to invest in the securities of the Company. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

Risks Pertaining to the Smartphones Market

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

Reliance on a Number of Key Customers

The Group's five largest customers, which accounted for 83.9% of the Group's total revenue for 2022, are all related to the consumer electronics industry, characterized by innovation-driven and user experience-oriented business growth. Loss of or changes in market position of any of these customers may materially and adversely affect the Group's business, financial condition and results of operations. Nevertheless, the Group has focused on technology innovation to continuously enhance user experience meeting customers' specification upgrade needs. We have also implemented standardized procedures for handling all forms of customer information to ensure it is not improperly or inadvertently disclosed to third parties. The Group has established strong relationships with these major customers; all of them have been our customers for over 11 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.

Risks of Supply Chain and Production Disruption due to Unforeseeable Events
The COVID-19 pandemic broke out globally in 2020. The ongoing of the pandemic in 2021 and 2022 has adversely impacted the global economy recovery. As the world gradually returns to normal after the pandemic, it is hopeful that the disruption of the pandemic to the Company's operation will gradually diminish.

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

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

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

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

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

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

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

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

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

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

The Group believes that it is in compliance with applicable export control regulations, and as at the date of this announcement, the Group's results of operations have not been materially affected by expansion of export control regulations or the novel rules or measures adopted to counteract them. Nevertheless, depending on future developments in the global trade tensions, there is no assurance that such regulations, rules, or measures will not have an adverse impact on the Group's business and operations.

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

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

The performance and the results of operation of the Group as set out in this 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 announcement; 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.

FINANCIAL INFORMATION

The financial information relating to the years ended 31 December 2022 and 2021 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 2022 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 2021 to the Registrar of Companies as required by Section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**") and will deliver the consolidated financial statements for the year ended 31 December 2022 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 2022 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
FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	**2022** *RMB'000*	2021 *RMB'000*
Revenue	*3*	**20,625,092**	17,666,967
Cost of goods sold		**(16,850,062)**	(13,302,032)
Gross profit		**3,775,030**	4,364,935
Other income, gains and losses, and other expenses	*5*	**525,060**	345,440
Share of results of an associate		**(1,170)**	(926)
Distribution and selling expenses		**(447,731)**	(332,505)
Administrative expenses		**(1,035,565)**	(823,555)
Research and development costs		**(1,546,338)**	(1,726,217)
Exchange (loss) gain		**(5,523)**	1,169
Finance costs	*4*	**(403,084)**	(415,465)
Profit before taxation	*6*	**860,679**	1,412,876
Taxation	*7*	**(231,496)**	(119,767)
Profit for the year		**629,183**	1,293,109
Loss for the year attributable to non-controlling interests		**192,122**	23,170
Profit for the year attributable to owners of the Company		**821,305**	1,316,279
Earnings per share			
- Basic	*9*	**RMB0.69**	RMB1.09
- Diluted	*9*	**RMB0.66**	RMB1.09

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	**2022**	2021
		RMB'000	*RMB'000*
Profit for the year		**629,183**	1,293,109
Other comprehensive (expense) income:			
Item that will not be subsequently reclassified to profit or loss:			
Fair value changes on equity instruments at fair value through other comprehensive income ("FVTOCI")		**(573,169)**	(19,334)
Items that may be subsequently reclassified to profit or loss:			
Fair value changes on derivative financial instruments		**3,705**	(17,278)
(Gain) loss reclassified to profit or loss on hedged items		**(21,324)**	37,872
Exchange differences arising on translation of foreign operations		**(312,930)**	(60,108)
Total comprehensive (expense) income for the year		**(274,535)**	1,234,261
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(78,332)**	1,261,131
Non-controlling interests		**(196,203)**	(26,870)
		(274,535)	1,234,261

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2022

	NOTES	**2022** *RMB'000*	2021 *RMB'000*
Non-current assets			
Property, plant and equipment	*10*	**19,301,682**	19,987,447
Right-of-use assets	*11*	**1,959,117**	2,033,673
Goodwill		**275,365**	220,346
Deposits made for acquisition of property, plant and equipment		**231,906**	317,127
Investment properties	*12*	**10,078**	11,272
Interest in an associate		**3,299**	4,464
Equity instruments at FVTOCI	*13*	**467,057**	847,953
Financial assets at fair value through profit and loss ("FVTPL")	*14*	**186,303**	50,349
Intangible assets		**563,954**	383,758
Deferred tax assets	*23*	**228,401**	211,045
		23,227,162	24,067,434
Current assets			
Inventories		**4,401,418**	5,695,245
Trade and other receivables	*16*	**5,531,160**	6,012,727
Escrow deposit for acquisition of a subsidiary	*25*	**-**	169,443
Amounts due from related companies		**8,259**	5,601
Taxation recoverable		**20,069**	18,027
Pledged bank deposits		**200**	2,219
Short term fixed deposits		**341,265**	-
Cash and cash equivalents		**6,813,725**	6,051,372
		17,116,096	17,954,634
Current liabilities			
Trade and other payables	*17*	**4,958,743**	6,147,520
Contract liabilities	*17*	**30,435**	22,324
Amounts due to related companies		**23,182**	33,577
Taxation payable		**117,762**	164,932
Bank loans	*19*	**1,832,603**	2,902,389
Government grants	*22*	**138,007**	141,266
Lease liabilities	*18*	**292,087**	242,035
Derivative financial instruments	*15*	**8,326**	13,589
Contingent settlement provision	*21*	**1,653,461**	-
		9,054,606	9,667,632
Net current assets		**8,061,490**	8,287,002
Total assets less current liabilities		**31,288,652**	32,354,436

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2022

	NOTES	**2022** **RMB'000**	2021 RMB'000
Non-current liabilities			
Bank loans	*19*	**1,727,200**	330,000
Unsecured notes	*20*	**6,087,845**	6,573,182
Contingent settlement provision	*21*	**-**	1,738,830
Government grants	*22*	**640,368**	700,251
Lease liabilities	*18*	**485,095**	452,435
Deferred tax liabilities	*23*	**42,847**	40,735
Derivative financial instruments	*15*	**7,706**	17,003
Other payables	*17*	**101,976**	-
		9,093,037	9,852,436
Net assets		**22,195,615**	22,502,000
Capital and reserves			
Share capital	*24*	**97,708**	98,135
Reserves		**21,558,537**	21,712,531
Equity attributable to owners of the Company		**21,656,245**	21,810,666
Non-controlling interests		**539,370**	691,334
Total equity		**22,195,615**	22,502,000

1. GENERAL

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

The Company acts as an investment holding company.

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

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

<u>Amendments to IFRSs that are mandatorily effective for the current year</u>

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018 - 2020

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 positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

Amendments to IFRSs that are mandatorily effective for the current year - continued

2.1 Impacts on application of Amendments to IFRS 3 "Reference to the Conceptual Framework"

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. The amendments update a reference in IFRS 3 "Business Combinations" so that it refers to the "Conceptual Framework for Financial Reporting" issued by International Accounting Standards Board in March 2018 (the "**Conceptual Framework**") instead of the International Accounting Standards Committee's "Framework for the Preparation and Presentation of Financial Statements" (replaced by the "Conceptual Framework for Financial Reporting" issued in September 2010), add a requirement that, for transactions and events within the scope of International Accounting Standard 37 (**"IAS 37"**) "Provisions, Contingent Liabilities and Contingent Assets" or IFRIC Interpretation 21 (**"IFRIC 21"**) "Levies", an acquirer applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

2.2 Impacts on application of Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"

The Group has applied the amendments for the first time in the current year. The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with IAS 2 "Inventories".

In accordance with the transitional provisions, the Group has applied the new accounting policy retrospectively to property, plant and equipment made available for use on or after the beginning of 1 January 2021. The application of the amendments in the current year has had no impact on the Group's financial positions and performance.

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

Amendments to IFRSs that are mandatorily effective for the current year - continued

2.3 Impacts on application of Amendments to IFRSs "Annual Improvements to IFRSs 2018 - 2020"

The Group has applied the amendments for the first time in the current year. The annual improvements make amendments to the following standard that is relevant to the Group:

IFRS 9 "Financial Instruments"

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged as at the date of initial application, 1 January 2022.

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 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[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 IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or 1 January 2024.

Except for the amendments to IFRSs mentioned below, the Directors of the Company anticipate 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.

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

New and amendments to IFRSs in issue but not yet effective - continued

Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"(the "2020 Amendments") and Amendments to IAS 1 Non-current Liabilities with covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 "Financial Instruments: Presentation".

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2022, the application of the 2020 Amendments and the 2022 Amendments will not result in reclassification of the Group's liabilities.

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

New and amendments to IFRSs in issue but not yet effective - continued

Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 "Disclosure of Accounting Policies"

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to IAS 8 "Definition of Accounting Estimates"

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty - that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

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

New and amendments to IFRSs in issue but not yet effective - continued

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

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

As disclosed to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

The amendments are effective for the Group's annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB539,632,000 and RMB645,910,000 respectively. Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities. The Group is still in the process of assessing the full impact of the application of the amendments.

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

Information reported to the key operating decision makers for the purposes of resource allocation and assessment of performances focuses specifically on the type of products sold. This is also the basis upon which the Group is organised and managed.

The Group's operating and reportable segments under IFRS 8 are acoustics product, electromagnetic drives and precision mechanics, optics products, sensor and semiconductor products and other products, which represent the major types of products manufactured and sold by the Group. Revenues from these products is recognised at the point in time when controls of the products had transferred.

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

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

3. REVENUE AND SEGMENT INFORMATION - continued

Information regarding these segments is presented below.

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

	2022	2021
	RMB'000	*RMB'000*
Operating and reportable segments		
Segment revenue - recognised at a point in time		
Acoustics products	**8,848,150**	8,582,092
Electromagnetic drives and precision mechanics	**7,276,206**	5,638,782
Optics products	**3,217,294**	2,389,371
Sensor and semiconductor products	**1,256,404**	1,013,350
Other products	**27,038**	43,372
Revenue	**20,625,092**	17,666,967
Segment results		
Acoustics products	**2,489,983**	2,545,593
Electromagnetic drives and precision mechanics	**1,549,437**	1,220,778
Optics products	**(416,721)**	411,521
Sensor and semiconductor products	**146,106**	153,489
Other products	**6,225**	33,554
Total profit for operating and reportable segments	**3,775,030**	4,364,935
Unallocated amounts:		
Interest income	**53,858**	48,611
Other income, gains and losses, and other expense (excluding interest income)	**471,202**	296,829
Share of results of an associate	**(1,170)**	(926)
Distribution and selling expenses	**(447,731)**	(332,505)
Administrative expenses	**(1,035,565)**	(823,555)
Research and development costs	**(1,546,338)**	(1,726,217)
Exchange (loss) gain	**(5,523)**	1,169
Finance costs	**(403,084)**	(415,465)
Profit before taxation	**860,679**	1,412,876

Segment results represent the profit (loss) earned by each segment without allocation of interest income, other income, gains and losses, and other expenses (excluding interest income), share of results of an associate, distribution and selling expenses, administration expenses, research and development costs, exchange (loss) gain and finance costs. This is the measure reported to the key operating decision makers for the purpose of resource allocation and performance assessment.

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

3. REVENUE AND SEGMENT INFORMATION - continued

Details included in measure of segment results are as follows:

	Amortisation and Depreciation	
	2022	2021
	RMB'000	*RMB'000*
Acoustics products	**1,184,138**	1,120,282
Electromagnetic drives and precision mechanics	**644,951**	562,759
Optics products	**528,713**	453,397
Sensor and semiconductor products	**56,140**	57,225
Other products	**10,877**	3,046
Amounts included in cost of inventories	**2,424,819**	2,196,709
Unallocated portion	**562,180**	505,452
	2,986,999	2,702,161

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

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

	2022	2021
	RMB'000	*RMB'000*
Greater China* (country of domicile)	**8,696,523**	8,442,782
Other foreign countries:		
Other Asian countries	**1,437,549**	968,790
America	**10,489,800**	8,253,237
Europe	**1,220**	2,158
	20,625,092	17,666,967

* Greater China comprises the Mainland China, Hong Kong Special Administrative Region and Taiwan. Majority of the revenue from Greater China were derived from the Mainland China.

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

During the year, the aggregate amount of revenue derived from the Group's top customers which individually has contributed to over 10% of the Group's revenue and included in all of the Group's segments, amounted to RMB14,657,229,000 (2021: RMB13,056,212,000). The total amount of revenue by each customer and number of customers are not disclosed, as in the opinion of the management such disclosure is harmful to the Group's business.

4. FINANCE COSTS

	2022 *RMB'000*	2021 *RMB'000*
Interest on bank loans	**80,072**	145,060
Interest on unsecured notes	**236,876**	178,278
Interest on lease liabilities	**25,289**	46,016
Interest on contingent settlement provision	**62,620**	66,945
	404,857	436,299
Less:		
Finance costs capitalised in qualifying assets	**(1,773)**	(20,834)
	403,084	415,465

5. OTHER INCOME, GAINS AND LOSSES, AND OTHER EXPENSES

Other income, gains and losses, and other expenses mainly comprise of:

	2022 *RMB'000*	2021 *RMB'000*
(A) Other income		
Government grants (Note a)	**385,264**	252,153
Interest income	**53,858**	48,611
Rental income	**9,525**	12,951
(B) Gains and losses		
Gain on repurchase of unsecured notes (note 20)	**168,793**	-
Loss on disposal/write-off of property, plant and equipment	**(14,353)**	(45,546)
Gain (loss) from changes in fair value of derivative financial instruments	**5,308**	(5,155)
Gain on termination of leases	**429**	1,789
Gain on derecognition of right-of-use assets	**2,836**	-
(C) Other expenses		
Restructuring costs (Note b)	**(125,222)**	-

Notes:

(a) Included in the amount is RMB235,550,000 (2021: RMB152,601,000) representing the amortisation of government grants as detailed in note 22. In addition, during the current year, the Group recognised government grants of RMB1,842,000 (2021: RMB2,434,000) in respect of Covid-19-related subsidies. The remaining amount mainly represents the incentives granted by the PRC local authorities to the Group for engaging in High Technology business, employment of expatriates and technologically advanced staff. All the grants were approved and received during the year of recognition.

5. OTHER INCOME, GAINS AND LOSSES, AND OTHER EXPENSES - continued

(b) During the year ended 31 December 2022, the Group launched the restructuring plan in 2022 to enhance cost efficiency. Accordingly, loss on disposal/write-off of property, plant and equipment of RMB61,573,000 and redundancy cost of RMB63,649,000 are recognised in profit or loss and recorded under "Other income, gains and losses, and other expenses".

6. PROFIT BEFORE TAXATION

	2022	2021
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments	**15,790**	14,543
Other staff's retirement benefits scheme contributions	**624,047**	518,746
Other staff costs	**4,485,645**	4,460,187
Total staff costs*	**5,125,482**	4,993,476
Depreciation of property, plant and equipment	**2,690,348**	2,499,122
Depreciation of right-of-use assets	**212,896**	197,649
Total depreciation*	**2,903,244**	2,696,771
Depreciation of right-of-use assets capitalised in qualifying assets	**(28,860)**	(40,442)
	2,874,384	2,656,329
Allowance for inventories, included in cost of goods sold	**273,910**	102,791
Amortisation of intangible assets	**111,421**	44,638
Auditor's remuneration	**3,831**	3,494
Cost of inventories recognised as expense	**16,576,152**	13,199,241
Cost of raw materials included in research and development costs	**180,246**	226,971
Depreciation of investment property	**1,194**	1,194
(Reversal of) allowance of impairment loss on trade receivables	**(1,989)**	4,078
Short-term and low value asset leases expense	**41,293**	33,004

* Staff costs of RMB958,359,000 (2021: RMB976,247,000) and depreciation of RMB249,022,000 (2021: RMB267,545,000) had been included in research and development costs.

7. TAXATION

	2022	2021
	RMB'000	*RMB'000*
The current tax charge (credit) comprises:		
PRC Enterprise Income Tax	**206,117**	162,935
Other jurisdictions	**62,858**	53,530
PRC and overseas withholding tax	**151**	164
(Over) under provision of taxation in prior years	**(21,747)**	25,552
	247,379	242,181
Deferred tax (see note 23)	**(15,883)**	(122,414)
	231,496	119,767

Under the law of PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%, for both years, unless the group entities entitle to other preferential tax treatment granted by the relevant PRC tax authority.

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

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

In addition, certain PRC subsidiaries were officially endorsed as High and New Technology Enterprises ("**HNTE**") till the date ranging from 2023 to 2024 (2021: 2022 to 2023). Pursuant to the EIT Law, those PRC subsidiaries endorsed as HNTE shall be entitled to a preferential tax rate of 15% till the expiry of the HNTE status for the respective PRC subsidiaries.

Pursuant to relevant laws and regulations in Singapore, one of the Group's subsidiaries is entitled to a concessionary tax rate under Development and Expansion Incentive program which is granted based on the fulfilment of carrying out qualifying business activities. This incentive program is effective from 1 January 2019 for 10-year period.

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

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

7. TAXATION - continued

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

	2022 *RMB'000*	2021 *RMB'000*
Profit before taxation	**860,679**	1,412,876
Tax at the applicable income tax rate (Note a)	**215,170**	353,219
Tax effect of income not taxable for tax purpose	**(76,212)**	(47,241)
Tax effect of expenses not deductible for tax purpose	**108,574**	75,368
Tax effect of tax holiday and concession	**(136,089)**	(181,292)
Tax effect of tax losses not recognised	**369,845**	152,895
Tax effect on temporary differences for which no deferred income tax assets were recognised	**1,690**	23,107
Recognition of deductible temporary differences previously not recognised	**(43,332)**	(73,027)
Utilisation/recognition of tax losses previously not recognised	**(17,087)**	(67,330)
Effect of super deduction for research and development cost (Note b)	**(129,090)**	(98,417)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(44,857)**	(36,867)
(Over) under provision in prior years	**(21,747)**	25,552
PRC and overseas withholding tax	**151**	(4,174)
Others	**4,480**	(2,026)
Tax charge for the year	**231,496**	119,767

Notes:

(a) The PRC EIT rate of 25% (2021: 25%) is the domestic tax rate in the jurisdiction where the operations of the Group are substantially based.

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

8. DIVIDENDS

	2022 *RMB'000*	2021 *RMB'000*
Dividends recognised as distribution during the year:		
2021 final dividend of HK$ nil (2020: HK$0.20) per ordinary share	**-**	201,892
2022 interim dividend of HK$ nil (2021: HK$0.20) per ordinary share	-	201,360
	-	403,252

8. DIVIDENDS - continued

Subsequent to the end of the reporting period, a final dividend of HK$0.12 (2021: Nil) per share has been proposed by the Directors and is subject to approval by the Shareholders in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31 December 2022 is based on the profit for the year attributable to owners of the Company of RMB821,305,000 (2021: RMB1,316,279,000) and on the weighted average number of 1,198,193,000 (2021: 1,206,381,000) shares in issue after taken into account the effect of shares repurchased and the shares held by the trustee (as disclosed in note 26) during the year.

The calculation of diluted earnings per share for the year ended 31 December 2022 is based on the profit for the year attributable to the owners of the Company for diluted earnings per share of RMB790,648,000 (resulting from the profit for the year attributable to owners of Company of RMB821,305,000 for the purpose of calculating basic earnings per share and reduced by the adjustment to the share of loss of subsidiaries based on dilution of their loss per share arising from the effect of contingent settlement provision of RMB30,657,000), and the weighted average number of shares for diluted earnings per share of 1,201,305,000 shares (resulting from the weighted average number of 1,198,193,000 shares and added the effect of dilutive potential shares arising from the Scheme (as defined in note 26) of 3,112,000 shares). The computation of diluted earnings per share for the year ended 31 December 2022 did not consider the effect arising from the unvested restricted shares granted by a subsidiary as set out in note 26 as the exercise would result in an increase in earnings per share.

For the year ended 31 December 2021, the computation of diluted earnings per share did not assume the unvested restricted shares granted by a subsidiary and the contingent settlement provision as the Directors consider the effect was insignificant or antidilution.

10. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of RMB1,948,180,000 (2021: RMB3,817,218,000). Part of the consideration of RMB317,127,000 (2021: RMB576,467,000) was paid up in advance in prior year.

Also, during the year, the Group disposed/write-off of certain property, plant and equipment with an aggregate carrying amount of RMB81,751,000 (2021: RMB71,469,000) for proceeds of RMB5,825,000 (2021: RMB25,923,000) and resulting in a loss on disposal of RMB75,926,000 (2021: RMB45,546,000).

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

Impairment assessment

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

10. PROPERTY, PLANT AND EQUIPMENT - continued

Impairment assessment - continued

The recoverable amount of cash-generated unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the respective subsidiary covering the following 5 years with a pre-tax discount rate is 11.7% as at 31 December 2022. The cash flows beyond 5-year period are extrapolated using 3% growth rate for the relevant industry. Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on the cash-generating units' past performance and management expectations for the market development.

Based on the result of the assessment, management of the Group determined that the carrying amount of the relevant assets does not exceed the recoverable amount based on the value in use and no impairment loss has been recognised for the year ended 31 December 2022 (2021: Nil).

11. RIGHT-OF-USE ASSETS

	Leasehold land *RMB'000*	Buildings *RMB'000*	Machineries *RMB'000*	Total *RMB'000*
As at 31 December 2022				
Carrying amount	1,337,031	622,086	-	1,959,117
As at 31 December 2021				
Carrying amount	1,380,374	580,577	72,722	2,033,673
For the year ended 31 December 2022				
Depreciation charge	41,239	165,792	5,865	212,896
Capitalised in construction in progress	(25,128)	(3,732)	-	(28,860)
	16,111	162,060	5,865	184,036
For the year ended 31 December 2021				
Depreciation charge	40,045	149,412	8,192	197,649
Capitalised in construction in progress	(30,489)	(9,953)	-	(40,442)
	9,556	139,459	8,192	157,207

	2022 ***RMB'000***	2021 *RMB'000*
Expense relating to short-term leases	**40,588**	32,263
Expense relating to leases of low-value assets, excluding short-term leases of low value assets	**705**	741
Total cash outflow for leases	**198,318**	508,414
Acquisition of a subsidiary	**56**	25,792
Additions to right-of-use assets	**219,148**	394,032

11. RIGHT-OF-USE ASSETS - continued

For both years, the Group leases various leasehold land, buildings and machineries for its operations. Lease contracts are entered into for fixed term of 1 year to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

As at 31 December 2022, the Group has obtained the land use right certificates for all leasehold lands. As at December 2021, the Group has obtained the land use right certificates for all leasehold lands except for leasehold lands with a carrying amount of RMB730,150,000 in which the Group is in the process of obtaining. The land was acquired in 2020 in which the balance payment of the acquisition amounting to RMB373,000,000 was paid in 2021 and the Group has obtained the land use right certificate in 2022.

The Group regularly entered into short-term leases for certain building premises and machineries, etc. As at 31 December 2022 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense is disclosed above.

During the year, the Group entered into new lease agreements for the use of leasehold land, buildings and machineries from 2 years to 50 years (2021:13 months to 50 years). On the lease commencement, the Group recognised right-of-use asset of RMB209,469,000 and lease liabilities of RMB208,901,000 (2021: right-of-use assets of RMB371,263,000 and lease liabilities of RMB370,755,000). Except for the payment made on the acquisition of leasehold land of RMB9,679,000 (2021: RMB395,767,000), the recognition of the remaining newly added right-of-use assets constitutes non-cash transactions.

During the year ended 31 December 2022, the Group returned the leasehold land with the carrying amount of RMB20,926,000 to the government at a consideration of RMB23,762,000, and a gain on derecognition of right-of-use assets of RMB2,836,000 is recognised in profit or loss (2021: Nil). In addition, during the year ended 31 December 2022, the Group early terminated certain leases which constitutes lease modification. As a result, the Group has derecognised right-of-use assets of RMB8,815,000 (2021: RMB75,709,000) and lease liabilities of RMB9,244,000 (2021: RMB77,498,000), and a gain of lease termination of RMB429,000 (2021: RMB1,789,000) is recognised in profit or loss.

During the year ended 31 December 2022, the Group has obtained the ownership of the leased machineries and the carrying amount of RMB66,857,000 is transferred to property, plant and equipment (2021: Nil).

11. RIGHT-OF-USE ASSETS - continued

Restrictions or covenants on leases

As at 31 December 2022, lease liabilities of RMB744,017,000 are recognised with related right-of-use assets of RMB622,086,000 (2021: lease liabilities of RMB694,470,000 are recognised with related right-of-use assets of RMB653,299,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

12. INVESTMENT PROPERTIES

	RMB'000
CARRYING VALUES	
At 1 January 2021	12,466
Depreciation during the year	(1,194)
At 31 December 2021	11,272
Depreciation during the year	(1,194)
At 31 December 2022	10,078

13. EQUITY INSTRUMENTS AT FVTOCI

	2022 *RMB'000*	2021 *RMB'000*
Unlisted shares	**424,798**	800,553
Listed shares	**42,259**	47,400
	467,057	847,953

These investments are not held for trading, instead, they are held for long-term strategic purposes. The Directors of the Company have elected to designate these investments in equity instruments at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

Unlisted shares

The unlisted equity investments represent the Group's equity interest in private entities. The equity instruments comprise of equity interests in companies which engaged in (i) producing semiconductor components in integrated circuits and development of intellectual properties, (ii) research, development and manufacturing of sensor and semiconductor business, (iii) producing high technology products, (iv) solid state Light Detection And Ranging ("**LiDAR**") sensor for automotive series use, and (v) research, development, manufacturing and marketing of electronic equipment in the field of high-end audio.

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

13. EQUITY INSTRUMENTS AT FVTOCI - continued

During the year ended 31 December 2021, the Group acquired certain equity interests in private entities, mainly comprising the investment in a Germany based company which engaged in solid state LiDAR senor for automotive series use at a consideration of Euro59,992,000 (equivalent to RMB473,821,000).

Listed shares

The amount represents the Group's investment in a company listed in Japan. As at 31 December 2022, the fair value of the investment determined by reference to the quoted market bid prices available was RMB42,259,000 (2021: RMB47,400,000).

14. FINACIAL ASSET AT FVTPL

	2022	2021
	RMB'000	*RMB'000*
Convertible loans	**39,012**	-
Unlisted shares	**147,291**	50,349
	186,303	50,349

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

During the year ended 31 December 2022, the Group (i) made contribution of United States dollars("**US$**")12,454,000 (equivalent to approximately RMB85,980,000) to Fund A, including the addition of US$419,000 (equivalent to approximately RMB2,674,000) that was called upon by the fund before the year ended 31 December 2021, (ii) subscribed a convertible loan amounted to Euro5,000,000 (equivalent to approximately RMB37,594,000) issued by a private entity in Finland, and (iii) entered into a subscription agreement with Fund B pursuant to which the Group agreed to make a capital commitment of GBP5,000,000 to Fund B and the Group made payment of GBP938,000 (equivalent to approximately RMB7,916,000). As the convertible loan contains derivative feature for the holder to convert the outstanding amount into equity interest of the issuer, it is accounted for as financial assets at FVTPL.

During the year ended 31 December 2021, the Group entered into a subscription agreement with Fund A pursuant to which the Group agreed to make a capital commitment of US$60,000,000 to Fund A and the Group made payment of US$2,478,000 (equivalent to approximately RMB16,020,000) and an addition of US$419,000 (equivalent to approximately RMB2,674,000) was called upon by the fund before the year ended 31 December 2021 and included in other payables. In addition, the Group made a preferred shares investment of US$5,000,000 (equivalent to approximately RMB31,879,000) in a private entity which engaged in sensor and semiconductor business.

The above investments are classified as financial assets at FVTPL and presented under non-current assets as they are not held for trading, instead, they are held for long-term strategic purpose. As at 31 December 2022, no significant change in fair value of the financial assets at FVTPL was recognised (2021: Nil).

15. DERIVATIVE FINANCIAL INSTRUMENTS

	Current		Non-current	
	2022	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Derivatives financial liabilities				
Interest rate swap contracts	**-**	5,014	**-**	-
Cross currency swap contract	**8,326**	8,575	**7,706**	17,003
	8,326	13,589	**7,706**	17,003

The Group entered into the interest rate swap contracts with commercial banks to minimise its exposure to cash flow changes of its floating-rate US$ denominated bank loans by swapping floating interest rates to fixed interest rates. The terms of this contract were negotiated to match with those of the hedged bank loans with the same notional amount as the principal amount of bank loans, and 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 purposes. During the year ended 31 December 2021, the Group repaid the floating-rate US-denominated bank loans. As a result, the hedge accounting was discontinued and the accumulated hedging reserve of RMB23,661,000 was released to profit or loss. During the year ended 31 December 2022, gain on fair value change of interest rate swap contracts of RMB5,308,000 was recognised in "other income, gains and losses, and other expenses" line item in profit or loss.

The Group entered into a cross currency swap contract with total notional amount of US$50,000,000 (2021: US$50,000,000) with a commercial bank to minimise the exposure to fluctuations in foreign currency exchange rates of US$ denominated unsecured notes, with details set out in note 20. The critical terms of the cross currency swap contract and the corresponding US$ denominated unsecured notes were closely aligned and the management considers that the cross currency swap contract is highly effective hedging instrument and qualified as cash flow hedge. Fair value change on this hedging instrument in cash flow hedge of loss of RMB17,619,000 for the year ended 31 December 2022 (2021: loss of RMB3,067,000) has been recognised in other comprehensive income and accumulated in the hedging reserve. Gain of RMB21,324,000 (2021: loss of RMB14,211,000) on cash flow hedge was reclassified to profit or loss and included in "other income, gains and losses, and other expenses".

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

			Interest rate		Exchange frequency	
Notional amount	Range of maturity	Forward contract rate	Receive	Pay	Receive	Pay
At 31 December 2022						
Cross currency swap contract						
US$50,000,000	27 November 2024	US$1 to RMB6.7345	3.00%	5.38%	Semi-annually	Semi-annually
At 31 December 2021						
Cross currency swap contract						
US$50,000,000	27 November 2024	US$1 to RMB6.7345	3.00%	5.38%	Semi-annually	Semi-annually

The above derivatives are measured at fair value. The classification of the measurement of the above derivatives at 31 December 2022 and 2021 is Level 2 under the fair value hierarchy (details set out in note 28).

15. DERIVATIVE FINANCIAL INSTRUMENTS - continued

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

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

16. TRADE AND OTHER RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**4,089,490**	4,062,457
Bank acceptance and commercial bills	**189,168**	434,863
	4,278,658	4,497,320
Prepayments	**314,409**	373,853
Value-added tax recoverable	**666,099**	836,684
Other receivables	**263,471**	292,900
Loan and interest receivables*	**8,523**	11,970
	5,531,160	6,012,727

* Loans of RMB8,359,000 (2021: RMB11,609,000) made to certain suppliers of the Group, which are unsecured, and carry interest rates at 1% to 4.35% (2021: 4.35%) per annum. The amounts are repayable in 1 year.

As at 1 January 2021, trade receivables from contracts with customers amounted to RMB3,519,570,000.

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

	2022	2021
	RMB'000	*RMB'000*
Age		
0 - 90 days	**4,098,361**	4,133,170
91 - 180 days	**169,795**	293,704
Over 180 days	**10,502**	70,446
	4,278,658	4,497,320

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.

16. TRADE AND OTHER RECEIVABLES - continued

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB191,749,000 (2021: RMB170,160,000) which are past due as at the reporting date. Included in the past due balances, RMB11,126,000 has been past due 90 days or more (2021: RMB34,062,000).

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:

	2022	2021
	RMB'000	*RMB'000*
US$	**195,325**	154,662

17. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

Trade and other payables

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**2,131,255**	2,626,140
Notes payables - guaranteed	**1,111,657**	1,637,537
	3,242,912	4,263,677
Payroll and welfare payables	**444,049**	476,776
Payables for acquisition of property, plant and equipment	**673,133**	599,105
Other payables and accruals	**613,509**	545,434
Payable for acquisition of a subsidiary	-	169,605
Payables related to Restricted Shares (as defined in note 26) granted to employees	**87,116**	92,923
	5,060,719	6,147,520
Less: Trade and other payables for settlement after 12 months shown under non-current liabilities	**(101,976)**	-
	4,958,743	6,147,520

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

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

	2022	2021
	RMB'000	*RMB'000*
Age		
0 - 90 days	**2,576,830**	3,300,438
91 - 180 days	**654,872**	949,924
Over 180 days	**11,210**	13,315
	3,242,912	4,263,677

17. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES - continued

Trade and other payables – continued

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:

	2022	2021
	RMB'000	*RMB'000*
US$	**645,563**	686,669
Japanese Yen	**3,037**	15,210
Euro	**19,938**	21,546

Contract liabilities

	2022	2021
	RMB'000	*RMB'000*
Contract liabilities on sales of miniaturised components	**30,435**	22,324

As at 1 January 2021, contract liabilities amounted to RMB14,734,000. The contract liabilities at the beginning of the year are recognised as revenue during the year.

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

18. LEASE LIABILITIES

	2022	2021
	RMB'000	*RMB'000*
Lease liabilities payable:		
Within one year	**292,087**	242,035
Within a period of more than one year but not more than two years	**123,251**	149,531
Within a period of more than two years but not more than five years	**191,280**	143,555
Within a period of more than five years	**170,564**	159,349
	777,182	694,470
Less: Amount due for settlement with 12 months shown under current liabilities	**(292,087)**	(242,035)
Amount due for settlement after 12 months shown under non-current liabilities	**485,095**	452,435

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

No extension options are included in all lease agreements entered by the Group. The weighted average incremental borrowing rates applied to lease liabilities is 4.26% (2021: 4.56%). These lease liabilities were measured at the present value of the lease payments that are not yet paid.

18. LEASE LIABILITIES - continued

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

	EURO *RMB'000*	Singapore Dollar ("SGD") *RMB'000*	US$ *RMB'000*
As at 31 December 2022	98,922	22	-
As at 31 December 2021	101,279	252	1,003

19. BANK LOANS

	2022 ***RMB'000***	2021 *RMB'000*
Bank loans	**3,559,803**	3,232,389
Less: Amount due within one year included in current liabilities	**(1,832,603)**	(2,902,389)
Amount due after one year	**1,727,200**	330,000
The carrying amounts of the above bank loans are repayable*:		
Within one year	**1,832,603**	2,902,389
Within a period of more than one year but not exceeding two years	**1,727,200**	330,000
	3,559,803	3,232,389

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

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

	2022 ***RMB'000***	2021 *RMB'000*
US$	**-**	277,515
RMB	**54,000**	-

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

	2022 ***RMB'000***	2021 *RMB'000*
Fixed-rate borrowings	**2,969,523**	2,052,884
Variable-rate borrowings	**590,280**	1,179,505
	3,559,803	3,232,389

19. BANK LOANS - continued

As at 31 December 2022, the Group's variable loans carry interest at mainly LIBOR and other relevant interbank offered rates plus a certain basis point adjustment (2021: LIBOR, HIBOR and other relevant interbank offered rates plus a certain basis point adjustment). The management considers that the interest rate benchmark reform will not have a material impact on the Group's variable loans carry interest at LIBOR as these loans will be fully repaid before the cessation of LIBOR variable-rate borrowings.

The variable rate bank loans carry interest rate ranging from 2.55% to 4.90% per annum (31 December 2021: 0.70% to 1.00% per annum). The fixed rate bank loans carry interest rate ranging from 1.75% to 3.80% per annum (31 December 2021: 0.90% to 4.30% per annum). The Company issued guarantees to respective banks to secure these borrowings.

During the year ended 31 December 2021, certain non-current bank loans of RMB1,034,369,000 were early repaid due to strategic plan (2022: Nil).

20. UNSECURED NOTES

Unsecured notes issued in 2019

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

As at 31 December 2022, the principal amounts of the outstanding unsecured notes include 2024 Notes of US$276,818,000 (2021: US$388,000,000) with the carrying amount is RMB1,921,798,000 (2021: RMB2,462,010,000).

Unsecured notes issued in 2021

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

As at 31 December 2022, the principal amounts of the outstanding unsecured notes include 2026 Notes of US$252,604,000 (2021: US$300,000,000) with the carrying amount is RMB1,753,985,000 (2021: RMB1,905,365,000) and 2031 Notes of US$350,000,000 (2021: US$350,000,000) with the carrying amount is RMB2,412,062,000 (2021: RMB2,205,807,000).

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

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

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

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

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

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

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

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

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

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

22. GOVERNMENT GRANTS

During the year, the Group received government grants of RMB172,408,000 (2021: RMB307,144,000) in aggregate from various PRC government authorities as an incentive for leasing factories, constructing electronic plants and acquiring machineries. As the grants related to assets, the amount received is to be amortised and released to profit or loss on a systematic basis over the useful lives of the related assets.

During the year, RMB235,550,000 (2021: RMB152,601,000) of the grants have been released to profit or loss.

23. DEFERRED TAX ASSETS/LIABILITIES

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

Deferred tax assets

	Tax losses *RMB'000*	Inventories *RMB'000* (Note a)	Government grants *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 1 January 2021	63,000	32,000	-	-	95,000
Credit to profit or loss	36,301	6,717	71,312	1,715	116,045
At 31 December 2021	99,301	38,717	71,312	1,715	211,045
Credit (charge) to profit or loss	12,969	(1,022)	6,077	(981)	17,043
Acquisition of subsidiary	-	-	-	232	232
Currency realignment	-	81	-	-	81
At 31 December 2022	112,270	37,776	77,389	966	228,401

Deferred tax liabilities

	Depreciation/ amortisation *RMB'000* (Note b)	PRC withholding tax on undistributed earnings *RMB'000*	Total *RMB'000*
At 1 January 2021	43,729	5,157	48,886
Reversal of withholding tax upon distribution	-	(4,338)	(4,338)
Credit to profit or loss	(2,031)	-	(2,031)
Currency realignment	(963)	(819)	(1,782)
At 31 December 2021	40,735	-	40,735
Charge to profit or loss	1,160	-	1,160
Currency realignment	952	-	952
At 31 December 2022	42,847	-	42,847

Notes:

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

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

23. DEFERRED TAX ASSETS/LIABILITIES - continued

At the end of the reporting period, the Group has unused tax losses of approximately RMB5,842,781,000 (2021: RMB3,729,369,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB636,663,000 (2021: RMB662,008,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately RMB5,206,118,000 (2021: RMB3,067,361,000) due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward for up to 5 or 10 years to various years up to 2032 (2021: year 2031) from the year when the losses are incurred.

At 31 December 2022 and 2021, 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.

24. SHARE CAPITAL

	Number of shares	Amount
		US$'000
Shares of US$0.01 each		
Authorised:		
Ordinary shares at 1 January 2021, 31 December 2021 and 31 December 2022	5,000,000,000	50,000
Issued and fully paid:		
Ordinary shares at 1 January 2021 and 31 December 2021	1,208,500,000	12,085
Shares repurchased and cancelled	(5,250,000)	(52)
Ordinary shares at 31 December 2022	1,203,250,000	12,033

	RMB'000
At 1 January 2021 and 31 December 2021	98,135
Shares repurchased and cancelled	(427)
At 31 December 2022	97,708

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

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

24. SHARE CAPITAL - continued

During the year ended 31 December 2022, the Company repurchased a total of 7,455,500 issued ordinary shares of the Company in the market for a consideration of HK$110,860,000 (equivalent to approximately RMB100,052,000) (2021: Nil) and the consideration for share repurchased in December 2022 amounting to RMB34,604,000 is included in other payables. Out of these repurchased shares, 5,250,000 ordinary shares were cancelled during the year (2021: Nil).

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

25. ACQUISITION OF SUBSIDIARIES

(A) Acquisition of Suzhou Speed

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

Consideration transferred

	RMB'000
Cash	**65,000**

The acquisition-related costs are insignificant and have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition

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

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

25. ACQUISITION OF SUBSIDIARIES - continued

(A) Acquisition of Suzhou Speed - continued

Goodwill arising on acquisition:

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

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

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

Net cash outflow on acquisition of Suzhou Speed

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

Impact of acquisition on the results of the Group

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

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

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

(B) Acquisition of Toyo Precision

On 14 December 2021, the Group acquired 100% interest in Toyo Precision. Toyo Precision is principally engaged in design, development and manufacturing of material for metal frame of intelligent technology products and was acquired with the objective to achieve inorganic growth by strategically pursing partnership and acquisition opportunities. The acquisition has been accounted for as acquisition of business using the acquisition method.

25. ACQUISITION OF SUBSIDIARIES - continued

(B) Acquisition of Toyo Precision - continued

Consideration transferred

	RMB'000
Cash	273,630
Escrow deposit for acquisition of a subsidiary	169,443
Total	443,073

Acquisition-related costs amounting to RMB2,620,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	206,432
Right-of-use assets	25,792
Deposits made for acquisition of property, plant and equipment	1,908
Inventories	89,943
Trade and other receivables	105,034
Taxation recoverable	2,330
Bank balances and cash	121,263
Trade and other payables	(119,551)
Bank loans	(38,500)
Lease liabilities	(7,574)
	387,077

The receivables acquired (which principally comprised trade receivables) with a fair value of RMB78,922,000 at the date of acquisition had gross contractual amounts of RMB78,922,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to nil.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	443,073
Less: recognised amounts of net assets acquired	(387,077)
Goodwill arising on acquisition	55,996

Goodwill arose on the acquisition of Toyo Precision because the acquisition included the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Toyo Precision. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisition is expected to be deductible for tax purpose.

25. ACQUISITION OF SUBSIDIARIES – continued

(B) Acquisition of Toyo Precision - continued

Net cash outflow on acquisition of Toyo Precision

	RMB'000
Total consideration	443,073
Less: Cash and cash equivalents balances acquired	(121,263)
Escrow deposit for acquisition of a subsidiary*	(169,443)
	152,367

* The escrow deposit for the acquisition of a subsidiary had been transferred to the seller as at 30 May 2022 upon the issuance of the completion account and the confirmation of the final adjustment to the total consideration as stated in the agreement.

26. SHARE AWARD SCHEME

Share award scheme of the Company

The Company on 23 March 2016 had adopted the AAC Share Award Scheme (the "**Scheme**") constituted by a Trust Deed between the Company and Bank of Communications Trustee Limited (the "**Trustee**"), in which employees may be selected by the Board of Directors to participate. Pursuant to the Scheme, shares of the Company will be subscribed for at a subscription price as determined by the Board of the Company, or purchased on the Hong Kong Stock Exchange, by the Trustee of the trusts declared in the Trust Deed.

On the grant of the share awards, the relevant number of shares is legally issued or transferred to the Trustee who holds the shares for the benefit of the selected employees. A grantee shall not have any interest or rights (including the right to receive dividends) in the shares prior to the vesting of the shares.

The expenses in relation to the share awards are charged to profit or loss over the relevant vesting periods with a corresponding increase in share award reserve.

On 26 August 2021, the Trustee purchased an aggregate of 6,042,500 shares at prices ranging from HK$40.20 to HK$42.95 per share at a total consideration of HK$253,288,000 (equivalent to RMB211,211,000) on the Hong Kong Stock Exchange for the purpose of the Scheme.

As at 31 December 2021, an aggregate of 6,042,500 shares of the Company had been purchased by the Trustee. Since the date of adoption of the Scheme up to 31 December 2021, no new shares had been issued to the Trustee and no shares had been granted to selected employee(s) under the Scheme.

26. SHARE AWARD SCHEME - continued

Share award scheme of the Company - continued

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

On 25 March 2022, the Trustee purchased an aggregate of 4,188,500 shares at prices ranging from HK$17.9 to HK$19.2 per share at a total consideration of HK$77,283,000 (equivalent to RMB62,477,000) on the Hong Kong Stock Exchange for the purpose of the Scheme.

As at 31 December 2022, an aggregate of 10,231,000 shares of the Company had been purchased by the Trustee. Since the date of adoption of the Scheme up to 31 December 2022, no new shares had been issued to the Trustee.

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

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

The terms and conditions of the grants are as follows:

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

During the year ended 31 December 2022, the Group recognised total expenses of RMB68,651,000 (2021: Nil) in relation to the Scheme shares granted by the Company.

26. SHARE AWARD SCHEME - continued

Subsidiary Scheme

AAC Optics, a subsidiary of the Company, entered into a capital increase agreement with three limited partnerships ("**Platforms**"), with the purpose to create share incentive platforms. The Subsidiary Scheme entitles selected employees of AAC Optics ("**Eligible Scheme Participants**") to subscribe the shares of AAC Optics, accounted for approximately 2.0% of the enlarged share capital or 135,377,918 shares of AAC Optics, corresponding to a consideration of RMB135,377,918 or at the subscription price of RMB1 per share of AAC Optics at the time of grant, which is payable at the same time. Under the Subsidiary Scheme, the Eligible Scheme Participants would settle the subscription price of shares by cash or by combination of cash and related approved loans from the Group or Platforms at market interest rate. During the year ended 31 December 2022, the net cash payment to the Eligible Scheme Participants under the Subsidiary Scheme is RMB4,025,000. (2021: fund raised from the Subsidiary Scheme is RMB135,378,000. After deducting the loans of RMB35,663,000 from the Group to certain Eligible Scheme Participants, the net cash proceeds is RMB99,715,000.)

Except for 11,163,857 shares which were granted and vested immediately in 2021, the remaining shares would be vested over a requisite service period of up to three-and-a-half year subject to the relevant key performance targets of AAC Optics during the vesting period ("**Restricted Shares**"). Upon the issue of new shares that are vested under the Subsidiary Scheme, the Group's interest in AAC Optics has been changed. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity (retained profits) and attributed to owners of the Company. For the Restricted Shares granted in 2022, the repurchase of 21,571,493 Restricted Shares at the subscription price of RMB1 per share of AAC Optics from and the grant of 12,524,147 Restricted Shares at the subscription price of RMB1 per share of AAC Optics to the Eligible Scheme Participants. The shares would be vested over a requisite service period from the date of grant in 2022 to the end of 2024 subject to the relevant key performance targets of AAC Optics during the vesting period.

As at 31 December 2022, the net cash proceed of unvested portion of Restricted Shares, amounting to RMB87,116,000, is recorded as other payables as the shares are contingently returnable (31 December 2021: RMB92,923,000).

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

	Number of restricted shares	Fair value of share incentive at grant date *RMB'000*
Unvested as at 1 January 2021	-	-
Granted during the year	135,377,918	227,847
Vested during the year	(11,163,857)	(18,890)
Unvested as at 31 December 2021	124,214,061	208,957
Granted during the year	12,524,147	20,856
Repurchased during the year	(21,571,493)	(35,922)
Unvested as at 31 December 2022	115,166,715	193,891

26. SHARE AWARD SCHEME - continued

Subsidiary Scheme - continued

As of 31 December 2022, there are 9,047,346 Restricted Shares arising from the repurchased during the year (31 December 2021: no shares) held under the Platforms which are available to be granted to the eligible employees under the Subsidiary Scheme.

During the year ended 31 December 2022, the subsidiary recognised total expenses of RMB53,828,000 (2021: RMB50,203,000) in relation to the shares granted by the subsidiary under Subsidiary Scheme and the amount is credited to the non-controlling interests in the Group.

In the opinion of the Directors of the Company, the estimated compensation cost of Restricted Shares was based on the consideration of the latest transaction price of AAC Optics in 2022 (2021: the fair value of shares of AAC Optics at the date of grant by reference to the consideration of the latest share issue of AAC Optics in October 2020). At the end of each reporting period, the Group revises its estimates of the Restricted Shares that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to share-based payments reserve including in the non-controlling interests.

27. OPERATING LEASE ARRANGEMENTS

The Group as a lessor

The properties held for rental purposes have committed lessees for the next 1 years (2021: 2 years).

Undiscounted lease payments receivable on leases are as follows:

	2022	2021
	RMB'000	*RMB'000*
Within one year	**6,380**	15,220
In the second year	**-**	8,066
	6,380	23,286

28. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

28. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - continued

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

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

Financial assets/ liabilities	**Fair value as at**		**Fair value hierarchy**	**Valuation technique(s) and key input (s)**	**Significant unobservable input(s)**	**Sensitivity/relationship of unobservable inputs to fair value**
	2022	2021				
	RMB'000	*RMB'000*				
Equity instruments at FVTOCI - Listed shares	**42,259**	47,400	Level 1	Quoted bid prices in an active market.	N/A	N/A
Equity instruments at FVTOCI - Unlisted equity investments	**46,342**	450,362	Level 3	Income approach. The discounted cash flow method was used to capture future economic benefits or the present value of the future expected cash flows to be derived from the ownership of these investments.	Discount rate, taking into account of weighted average cost of capital determined using a Capital Asset Pricing Model. Forecasted future cash flows	The higher the discount rate, the lower the fair value, and vice versa. The higher the forecast future cash flow, the higher the fair value, and vice versa.
Equity instruments at FVTOCI - Unlisted equity investments	**233,115**	336,717	Level 3	Market approach. The market approach was used to determine the valuation based on the recent transaction prices of underlying investments or using trailing-twelve-month ("TTM") Price-to-Sales (" P/S") multiples of selected comparable listed companies in a similar business and similar business model and adjusted for the lack of marketability.	The lack of marketability discount. 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.
Equity instruments at FVTOCI - Unlisted equity investments	**145,341**	13,474	Level 3 (2021: Level 2*)	Recent transaction prices of underlying investments. (2021: N/A*)	N/A	N/A
Total equity instruments for FVTOCI	**467,057**	847,953				
Financial assets at FVTPL	**112,468**	18,471	Level 3 (2021: Level 2*)	Market approach. The market approach was used to determine the valuation based on the recent transaction prices of underlying investments or using TTM P/S multiples of selected comparable listed companies in a similar business and similar business model and adjusted for the lack of marketability. (2021: N/A*)	The lack of marketability discount. TTM P/S multiples of selected comparable companies. (2021: N/A)	The higher the lack of marketability discount, the lower the fair value. The higher the TTM P/S multiples, the higher the fair value. (2021: N/A)

28. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - continued

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

Financial assets/ liabilities	**Fair value as at**		**Fair value hierarchy**	**Valuation technique(s) and key input (s)**	**Significant unobservable input(s)**	**Sensitivity/relationship of unobservable inputs to fair value**
	2022 *RMB'000*	2021 *RMB'000*				
Financial assets at FVTPL	**34,823**	31,878	Level 3 (2021: Level 2*)	Income approach. The discounted cash flow method was used to capture future economic benefits or the present value of the future expected cash flows to be derived from the ownership of these investments. (2021: N/A*)	Discount rate, taking into account of weighted average cost of capital determined using a Capital Asset Pricing Model. Forecasted future cash flows. (2021: N/A)	The higher the discount rate, the lower the fair value, and vice versa. The higher the forecast future cash flow, the higher the fair value, and vice versa. (2021: N/A)
Financial assets at FVTPL	**39,012**	-	Level 3	Binomial Option Pricing Model	Volatility of 69.78%	The higher the volatility, the higher the fair value, and vice versa
Total financial assets at FVTPL	**186,303**	50,349				
Interest rate swap contracts	-	5,014 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
Cross currency swap contract	**16,032 Liabilities (under hedge accounting)**	25,578 Liabilities (under hedge accounting)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable yield curves at the end of the reporting period) and contracted exchange rates, discounted at an applicable discount rate taking into account the credit risk of the counter-parties and of the Group as appropriate.	N/A	N/A

* As at 31 December 2021, the investments were made near the end of reporting period or still in the initial setup stage since the capital contribution, the management is of the opinion that the carrying amounts of the investments as at the year ended date approximate their fair values.

28. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - continued

(ii) Reconciliation of level 3 fair value measurements

	Equity instruments at FVTOCI *RMB'000*	Financial assets at FVTPL *RMB'000*
At 1 January 2021	303,995	-
Purchase made	518,821	-
Total losses:		
- in other comprehensive income	(25,795)	-
Currency realignment	(9,942)	-
At 31 December 2021	787,079	-
Transfer from level 2 to level 3	13,474	50,349
Purchase made	141,952	128,816
Total losses:		
- in other comprehensive income	(569,851)	-
Currency realignment	52,144	7,138
At 31 December 2022	424,798	186,303

Included in other comprehensive income is an amount of RMB569,851,000 loss (2021: RMB25,795,000 loss) relating to unlisted equity securities classified as equity instruments at FVTOCI held at the end of the current reporting period and is reported as changes of FVTOCI.

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

Except for listed unsecured notes in which there is fair value based on the quoted bid price in an active market, amounting to RMB4,971,698,000 (31 December 2021: RMB6,575,029,000), the management considers that the carrying amounts of the other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

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, which is at the centre of our corporate governance structure, has regularly reviewed and refined principles, policies and practices on the conduct with an aim to support the growth of the Group's operations. Our sound corporate governance structure includes a quality Board, high standards of corporate responsibility and sustainability awareness, a high degree of transparency, accountability and independence, and an effective design, implementation and enforcement of risk management as well as internal control systems. Based on regular reviews of the Company's actual performance against the Corporate Governance Code (the "**CG Code**") in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Hong Kong Listing Rules**"), the Board is satisfied that throughout the financial year ended 31 December 2022, the Company has complied with all the code provision(s).

In addition, the Board in 2022 reviewed and updated/adopted the Company's policies and practices on corporate governance, the terms of reference of the Board and Board Committees, and published its Sustainability Report for the year ended 31 December 2021 in April 2022. We believe that the Sustainability Report, together with the Corporate Governance Report, will help to better explain our environmental, social and governance ("**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 Enterprise Risk Management ("**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 2022. 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 (if any) identified in the external auditor's planning memorandum were discussed and special internal audit procedures were agreed where deemed appropriate. Two meetings with the external auditors were held during 2022. 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 2022.

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 2022 financial year. The audit & risk management 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 key updates on business operations, financial results and strategic matters that are provided to the Board on a timely basis.

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.

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:

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

SUSTAINABILITY

2022 marked another year of challenges brought on by the COVID-19 pandemic in its third year. Nevertheless, we remain steadfast in our commitment to the sustainable development of the Group, with some of the improvements and measures taken during the year highlighted below.

Amidst the challenging economic environment, we have placed emphasis on safeguarding our valuable asset – our employees. This year, we achieved a reduction of employees' monthly total number of work hours whilst maintaining the same wage level, and providing flexible working arrangements under the COVID-19 pandemic, with the aim of enhancing overall employee satisfaction at the workplace. Amongst others, we believe this effort will maintain the holistic well-being of employees, which is important to attracting and retaining key talents, and encouraging the innovative output of our talents. Furthermore, internally, the Group has migrated to a new HR online digitalised platform with administrative, procedures and services fully integrated for employees' use, allowing timely dissemination of important information, promoting seamless collaboration to enhance work efficiency.

Furthermore, the following are extracts of our other sustainability efforts:

- ESG training session was arranged and participated by the Board on the development of a new global sustainability disclosures baseline to improve the efficacy of Board oversight on creating and protecting the Group's long-term ESG values;

- The Sustainability Working Group continued to review and update identified material topics and their materiality, ESG performance, and targets to ensure they align with the Group's long-term goals; and

- Large-scale energy-saving projects have expanded to more premises of the Group which would help reduce the reliance on conventional energy and cost, such as our new factory in Yangzhou: "Green elements" of installation of solar PV panels, external wall thermal insulation and heat recovery system are incorporated.

Last but not least, our consistent effort in sustainability-related performance and disclosures has been recognised by various ESG professional awards organisations and, importantly, improvement in some of the ratings has been encouraging and provided the right direction for the Group.

SHARE AWARD SCHEME

As announced by the Company on 23 March 2016, the Board resolved to adopt a share award scheme (the "**Scheme**") in which Employees (other than Excluded Employees) may be selected by the Board to participate. The purpose of the Scheme is to permit the Company to grant Awards to selected employees as incentives for their contributions to the Group and to attract suitable personnel for further development of the Group. The maximum number of shares that may be awarded under the Scheme during its term is limited to 1.65% (i.e. 19,775,250 shares as at 23 March 2023) of the issued share capital of the Company from time to time. The maximum number of Awarded Shares that may be granted to any one selected employee shall not exceed 0.5% (i.e. 5,992,500 shares as at 23 March 2023) 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 Hong Kong 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.

Since the date of adoption of the Scheme and up to 31 December 2022, no new shares had been issued to the Trustee pursuant to the rules and trust deed of the Scheme. In August 2021, March 2022 and January 2023, the Trustee of the Scheme purchased 6,042,500, 4,188,500 and 3,276,000 shares, respectively, on the Hong Kong Stock Exchange for the purpose of the Scheme, funded by the Company's internal resources. Details of the aforementioned purchases and the information about the shares held by the Trustee are as follows:

Date of purchases:	26 August 2021
Aggregate number of shares purchased:	6,042,500
Percentage of issued share capital of the Company:	0.5%
Consideration per share:	Ranging from HK$40.20 to HK$42.95
Total consideration, excluding transaction costs:	HK$253,287,800
Date of purchases:	25 March 2022
Aggregate number of shares purchased:	4,188,500
Percentage of issued share capital of the Company:	0.3%
Consideration per share:	Ranging from HK$17.9 to HK$19.2
Total consideration, excluding transaction costs:	HK$77,283,190
Date of purchases:	13,17,18 and 20 January 2023
Aggregate number of shares purchased:	3,276,000
Percentage of issued share capital of the Company:	0.3%
Consideration per share:	Ranging from HK$17.34 to HK$21.50
Total consideration, excluding transaction costs:	HK$65,009,100
Balance of number of shares held by the Trustee as at the date of this announcement:	**13,507,000**

On 24 March 2022, a total of 10,230,593 Awarded Shares were granted to 340 employees and no shares have been vested to employees. As at 31 December 2022, a total of 9,591,390 Awarded Shares had been granted to selected employee(s) under the Scheme, other than those awards which automatically lapsed resulting from certain grantees ceasing to be employees of the Group 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

Share Repurchase

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

At the annual general meeting (the **"AGM"**) on 12 May 2022, 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.

During the year ended 31 December 2022, the Company had repurchased, under the Repurchase Mandate, a total of 7,455,500 shares, representing approximately 0.6% of the issued 1,208,500,000 shares as at 31 December 2021. The aggregate consideration for the shares repurchased in 2022 was HK$110.86 million. Out of the consideration of HK$64.32 million for shares repurchased in December 2022, RMB34.6 million was included in other payables. Out of the 7,455,500 shares, 5,250,000 ordinary shares were cancelled during the year and 2,205,500 ordinary shares were cancelled in January 2023. In January 2023, the Company had repurchased, under the Repurchase Mandate, a total of 2,544,500 shares, representing approximately 0.2% of the issued 1,203,250,000 shares as at 31 December 2022.

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)***
September 2022	3,750,000	12.72	11.90	46,544
December 2022	3,705,500	17.90	16.76	64,316
January 2023	2,544,500	18.02	16.40	42,766

Note:

(1) Including brokerage, transaction levy, stamp duty and transaction cost of HK$487,000.

Bond Purchase

The Company issued: (i) US$388,000,000 3.00 per cent. notes due 2024 (2024 Notes, stock code: 40075) in 2019; (ii) US$300,000,000 2.625 per cent. notes due 2026 (2026 Notes, stock code: 40699) in 2021; and (iii) US$350,000,000 3.750 per cent. notes due 2031 (2031 Notes, stock code: 40700) in 2021, to Professional Investors.

From 14 September 2022 to 12 October 2022, the Company conducted an offer to purchase for cash up to certain maximum acceptance amount of its outstanding 2024 Notes and 2026 Notes (the "**Tender Offer**") for the purpose of optimizing its debt structure and proactive management of its liabilities.

Through the Tender Offer, the Company successfully completed the purchase of US$111,182,000 of the 2024 Notes and US$47,396,000 of the 2026 Notes, with aggregate amount of US$133,766,000 paid by the Company, thereby reducing the outstanding aggregate principal amounts of the 2024 Notes and the 2026 Notes to US$276,818,000 and US$252,604,000, respectively.

Subsequently in January 2023, the Company had purchased from open market US$1,000,000 of the 2026 Notes and US$1,000,000 of the 2031 Notes, with aggregate amount of US$1,620,000 paid by the Company, thereby reducing the outstanding aggregate principal amounts of the 2026 Notes and the 2031 Notes to US$251,604,000 and US$349,000,000, respectively.

Save as disclosed above, during the year ended 31 December 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

HUMAN RESOURCES

As at 31 December 2022, the Group employed 27,798 permanent employees, a 26% decrease from 37,591 employees as at 31 December 2021. The reduction in total work force was the result of the Group's continuous improvement in employees' competencies, investment in automation and advanced production methodologies, whereas pandemic situation also caused uncertainties in the market.

Employees of the Group are remunerated based on their individual performance, professional qualifications, experience in the industry and relevant market trends. Management from time to time reviews the Group's remuneration policy based on benchmarking results, and fairly rewards its employees based on individual performance. In addition to basic salaries, allowances, social insurance and mandatory pension fund contribution, certain employees and employee groups are also eligible for the Group's bonus plan and share schemes.

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

The Company is committed to invest in talents to develop innovative products for next generation designs. The Company has already established and continues to expand its various R&D centers in Asia, Europe and North America, including a long-established collaboration with universities, and others, on many different projects.

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 Hong Kong Listing Rules.

On specific enquiries made, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code and the Company's code of conduct regarding the Directors' securities transactions during the year ended 31 December 2022.

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 Monday, 8 May 2023 to Thursday, 11 May 2023, 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 Friday, 5 May 2023.

ii. **For entitlement of proposed final dividend**

The registers of members of the Company will be closed from Wednesday, 31 May 2023 to Friday, 2 June 2023, 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 Tuesday, 30 May 2023.

DESPATCH OF ANNUAL REPORT

The Company's annual report containing the Directors' report and consolidated financial statements for the year ended 31 December 2022 will be published on the Company's website at www.aactechnologies.com and the website of the Hong Kong Stock Exchange in April 2023.

The annual report and the notice of annual general meeting will be dispatched to Shareholders in April 2023. All of these will be made available on the Company's website.

IMPORTANT NOTE

The Company may have an investors' webcast and media conference after trading hours of the Hong Kong Stock Exchange on the date of this announcement. Please visit the Company's website www.aactechnologies.com for the Company's regular investor relations update.

Potential investors and shareholders of the Company are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
AAC Technologies Holdings Inc.
Zhang Hongjiang
Chairman

Hong Kong, 23 March 2023

As at the date of this announcement, the Board comprises Mr. Pan Benjamin Zhengmin, Mr. Mok Joe Kuen Richard and Ms. Wu Ingrid Chun Yuan, together with three Independent Non-executive Directors, namely Mr. Zhang Hongjiang, Mr. Kwok Lam Kwong Larry and Mr. Peng Zhiyuan.