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瑞聲科技控股有限公司
AAC Technologies Holdings Inc.

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 02018)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2014

FINANCIAL HIGHLIGHTS

| | 2014 | 2013 | Change |
|---|-----------------------|----------------|----------|
| | <u>RMB'000</u> | <u>RMB'000</u> | <u>%</u> |
| Revenue | 8,879,300 | 8,095,889 | +9.7% |
| Gross profit | 3,678,033 | 3,458,736 | +6.3% |
| Net profit attributable to owners of the Company: | | | |
| Underlying recurring net profit | 2,317,695 | 2,254,563 | +2.8% |
| Reported net profit | 2,317,695 | 2,577,583 | -10.1% |
| Underlying EPS | RMB1.89 | RMB1.84 | +2.8% |
| Reported EPS | RMB1.89 | RMB2.10 | -10.1% |

Revenue of AAC Technologies Holdings Inc. (“**AAC Technologies**” or the “**Company**” and together with its subsidiaries, collectively the “**Group**”) for the year ended 31st December, 2014 amounted to RMB8,879.3 million, representing an increase of 9.7% from RMB8,095.9 million for the previous year. Underlying recurring net profit of the Company for the year ended 31st December, 2014 amounted to RMB2,317.7 million, representing a rise of 2.8% year-on-year after adjusting for non-cash items from net gain on deemed disposal of partial interest in an associate and gain on deemed disposal of an associate in the year ended of 31st December, 2013.

RESULTS

The board (the “**Board**”) of directors (the “**Director(s)**”) of the Company is pleased to announce the audited consolidated financial statements of the Group for the year ended 31st December, 2014 together with the audited comparative figures for the corresponding period in 2013. These audited consolidated financial statements have been reviewed by the Company’s audit committee (the “**Audit Committee**”) and approved by the Board on 25th March, 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2014

| | <i>NOTES</i> | 2014 <i>RMB'000</i> | 2013 <i>RMB'000</i> |
|--|--------------|------------------------|------------------------|
| Revenue | | 8,879,300 | 8,095,889 |
| Cost of goods sold | | (5,201,267) | (4,637,153) |
| Gross profit | | 3,678,033 | 3,458,736 |
| Other income | | 114,190 | 90,013 |
| Net fair value gain (loss) on foreign currency forward contracts | | 346 | (444) |
| Distribution and selling expenses | | (198,811) | (181,943) |
| Administrative expenses | | (337,747) | (348,534) |
| Research and development costs | | (656,183) | (552,637) |
| Share of results of associates | | (1,374) | 12,286 |
| Net gain on deemed disposal of partial interest in an associate | 4 | - | 82,869 |
| Gain on deemed disposal of an associate | | - | 240,151 |
| Exchange (loss) gain | | (4,195) | 45,508 |
| Finance costs | 5 | (13,692) | (11,466) |
| Profit before taxation | 6 | 2,580,567 | 2,834,539 |
| Taxation | 7 | (270,166) | (263,081) |
| Profit for the year | | 2,310,401 | 2,571,458 |
| Other comprehensive expense: | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences arising on translation | | (3,385) | (25,184) |
| Total comprehensive income for the year | | 2,307,016 | 2,546,274 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | 2,317,695 | 2,577,583 |
| Non-controlling interests | | (7,294) | (6,125) |
| | | 2,310,401 | 2,571,458 |
| Total comprehensive income and expense attributable to: | | | |
| Owners of the Company | | 2,314,348 | 2,551,838 |
| Non-controlling interests | | (7,332) | (5,564) |
| | | 2,307,016 | 2,546,274 |
| Earnings per share - Basic | 9 | RMB1.89 | RMB2.10 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2014

| | NOTES | 2014 RMB'000 | 2013 RMB'000 |
|---|-------|------------------|------------------|
| Non-current assets | | | |
| Property, plant and equipment | 10 | 5,285,248 | 3,968,788 |
| Goodwill | | 32,931 | 32,931 |
| Prepaid lease payments | | 180,801 | 110,643 |
| Deposits made for acquisition of property, plant and equipment | | 485,521 | 199,260 |
| Available-for-sale investments | 11 | 364,531 | 364,531 |
| Interests in associates | 12 | 15,688 | 4,768 |
| Intangible assets | | 139,660 | 179,333 |
| Deposits paid for acquisition of additional interests in a subsidiary | | 7,717 | - |
| Loan receivable from a non-controlling shareholder of a subsidiary | 13 | 17,075 | 14,579 |
| | | <u>6,529,172</u> | <u>4,874,833</u> |
| Current assets | | | |
| Inventories | | 1,267,191 | 831,559 |
| Trade and other receivables | 14 | 3,850,382 | 2,580,539 |
| Amounts due from related companies | | 18,216 | 16,229 |
| Taxation recoverable | | 7,511 | 17,191 |
| Pledged bank deposits | | 3,990 | 2,358 |
| Bank balances and cash | | 1,602,687 | 2,354,313 |
| | | <u>6,749,977</u> | <u>5,802,189</u> |
| Current liabilities | | | |
| Trade and other payables | 16 | 2,388,466 | 1,616,701 |
| Amounts due to related companies | | 48,469 | 22,645 |
| Taxation payable | | 146,050 | 130,301 |
| Foreign currency forward contracts | 15 | - | 820 |
| Short-term bank loans | 17 | 1,417,806 | 904,701 |
| Other short-term borrowings | | 307 | 3,723 |
| | | <u>4,001,098</u> | <u>2,678,891</u> |
| Net current assets | | <u>2,748,879</u> | <u>3,123,298</u> |
| Total assets less current liabilities | | <u>9,278,051</u> | <u>7,998,131</u> |
| Non-current liabilities | | | |
| Government grants | 18 | 34,894 | 10,613 |
| Deferred tax liabilities | 19 | 40,356 | 41,596 |
| Loan payable to a non-controlling shareholder of a subsidiary | 13 | 11,158 | 14,133 |
| | | <u>86,408</u> | <u>66,342</u> |
| Net assets | | <u>9,191,643</u> | <u>7,931,789</u> |
| Capital and reserves | | | |
| Share capital | | 99,718 | 99,718 |
| Reserves | | 9,038,377 | 7,776,399 |
| Equity attributable to owners of the Company | | 9,138,095 | 7,876,117 |
| Non-controlling interests | | 53,548 | 55,672 |
| Total equity | | <u>9,191,643</u> | <u>7,931,789</u> |

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

1. GENERAL

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

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

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

In the current year, the Group has applied all new IFRSs which are effective for the Group’s accounting period beginning on 1st January, 2014.

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

New and revised IFRSs in issue but not yet effective

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

| | |
|---|--|
| IFRS 9 | Financial instruments ¹ |
| IFRS 14 | Regulatory deferral accounts ² |
| IFRS 15 | Revenue from contracts with customers ³ |
| Amendments to IFRS 11 | Accounting for acquisitions of interests in joint operations ⁵ |
| Amendments to IAS 1 | Disclosure initiative ⁵ |
| Amendments to IAS 16 and IAS 38 | Clarification of acceptable methods of depreciation and amortisation ⁵ |
| Amendments to IAS 19 | Defined benefit plans: Employee contributions ⁴ |
| Amendments to IFRSs | Annual improvements to IFRSs 2010 - 2012 cycle ⁶ |
| Amendments to IFRSs | Annual improvements to IFRSs 2011 - 2013 cycle ⁴ |
| Amendments to IFRSs | Annual improvements to IFRSs 2012 - 2014 cycle ⁵ |
| Amendments to IAS 16 and IAS 41 | Agriculture: Bearer plants ⁵ |
| Amendments to IAS 27 | Equity method in separate financial statements ⁵ |
| Amendments to IFRS 10 and IAS 28 | Sale or contribution of assets between an investor and its associate or joint venture ⁵ |
| Amendments to IFRS 10, IFRS 12 and IAS 28 | Investment entities: Applying the consolidation exception ⁵ |

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

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

- ¹ Effective for annual periods beginning on or after 1st January, 2018.
- ² Effective for first annual IFRS financial statements beginning on or after 1st January, 2016.
- ³ Effective for annual periods beginning on or after 1st January, 2017.
- ⁴ Effective for annual periods beginning on or after 1st July, 2014.
- ⁵ Effective for annual periods beginning on or after 1st January, 2016.
- ⁶ Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions.

IFRS 9 Financial instruments

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

Key requirements of IFRS 9 are described below:

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

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

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

IFRS 15 Revenue from contracts with customers

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 “Revenue”, IAS 11 “Construction contracts” and the related interpretations when it becomes effective.

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

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

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

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

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

3. SEGMENT INFORMATION

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

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

3. SEGMENT INFORMATION - CONTINUED

Information regarding these segments is presented below.

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

| | 2014 <i>RMB'000</i> | 2013 <i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Operating and reportable segments | | |
| Segment revenue from external customers | | |
| Dynamic components | 5,967,414 | 6,414,541 |
| Haptics & RF | 1,803,938 | 92,522 |
| MEMS components | 852,215 | 815,906 |
| Other products | 255,733 | 772,920 |
| | <hr/> | <hr/> |
| Revenue | 8,879,300 | 8,095,889 |
| | <hr/> | <hr/> |
| Segment results | | |
| Dynamic components | 2,617,188 | 2,985,700 |
| Haptics & RF | 823,581 | 17,811 |
| MEMS components | 206,382 | 264,096 |
| Other products | 30,882 | 191,129 |
| | <hr/> | <hr/> |
| Total profit for operating and reportable segments | 3,678,033 | 3,458,736 |
| Unallocated amounts: | | |
| Interest income | 23,591 | 17,402 |
| Other income | 90,599 | 72,611 |
| Net fair value gain (loss) on foreign currency forward contracts | 346 | (444) |
| Distribution and selling expenses | (198,811) | (181,943) |
| Administrative expenses | (337,747) | (348,534) |
| Research and development costs | (656,183) | (552,637) |
| Share of results of associates | (1,374) | 12,286 |
| Net gain on deemed disposal of partial interest in an associate | - | 82,869 |
| Gain on deemed disposal of an associate | - | 240,151 |
| Exchange (loss) gain | (4,195) | 45,508 |
| Finance costs | (13,692) | (11,466) |
| | <hr/> | <hr/> |
| Profit before taxation | 2,580,567 | 2,834,539 |
| | <hr/> | <hr/> |

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

3. SEGMENT INFORMATION - CONTINUED

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

| | 2014 <i>RMB'000</i> | 2013 <i>RMB'000</i> |
|----------------------------|-------------------------------|------------------------|
| Dynamic components | 310,642 | 277,989 |
| Haptics & RF | 30,040 | 2,432 |
| MEMS components | 30,321 | 25,623 |
| Other products | 9,954 | 16,085 |
| | 380,957 | 322,129 |
| Other unallocated expenses | 143,970 | 130,031 |
| | 524,927 | 452,160 |

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

Over 86% of the Group's non-current assets were located in the People's Republic of China (the "PRC"), the place of domicile of the relevant group entities that hold those assets.

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

| | 2014 <i>RMB'000</i> | 2013 <i>RMB'000</i> |
|--------------------------------------|-------------------------------|------------------------|
| Greater China* (country of domicile) | 2,219,282 | 1,364,613 |
| Other foreign countries: | | |
| Other Asian countries | 1,263,988 | 1,264,788 |
| America | 5,295,547 | 4,724,170 |
| Europe | 100,483 | 742,318 |
| | 8,879,300 | 8,095,889 |

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

The geographical information of the Group's revenue from external end customer by individual countries in Europe and America is not available. 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 RMB4,329,472,000 (2013: RMB4,667,621,000). No disclosure of the total amount of revenue by each customer and number of customers are disclosed, as in the opinion of the Directors such disclosure is harmful to the Group's business.

4. NET GAIN ON DEEMED DISPOSAL OF PARTIAL INTEREST IN AN ASSOCIATE

During the year ended 31st December, 2013, certain employees of an associate of the Company have exercised share options granted by the associate resulting in a dilution of the Group's equity interest in the associate from 20.0% to 19.1%. The Group's share of net assets in the associate decreased and resulted in a loss on dilution in the interest in associate of RMB2,746,000 (the "Diluted Loss"). In August 2013, the associate issued new shares to other shareholders, resulting in a further dilution of the Group's equity interest in the associate from 19.1% to 15.5%. In spite of the dilution, because of the premium of the new shares issued, the Group's share of net assets in the associate increased and resulted in a gain on dilution in the interest in associate of RMB85,615,000 (the "Diluted Gain").

The net effect of the Diluted Loss and Diluted Gain of RMB82,869,000 was recognised in profit or loss as net gain on deemed disposal of partial interest in an associate for the year ended 31st December, 2013. Also, during the year ended 31st December, 2013, all of the Group's appointed Directors have resigned from the board of the associate and the Group's right to nominate representatives to the board has been waived. As a result, the Directors have determined that the Group's significant influence over the associate was lost. See note 11 for details.

5. FINANCE COSTS

| | 2014 <i>RMB'000</i> | 2013 <i>RMB'000</i> |
|---|--------------------------------------|------------------------|
| Interest on bank borrowings wholly repayable within five years | <u>13,692</u> | <u>11,466</u> |

6. PROFIT BEFORE TAXATION

| | 2014 <i>RMB'000</i> | 2013 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Profit before taxation has been arrived at after charging: | | |
| Directors' emoluments | 14,622 | 13,496 |
| Other staff's retirement benefits scheme contributions | 235,900 | 196,874 |
| Other staff costs | <u>1,984,772</u> | <u>1,526,297</u> |
| Total staff costs | 2,235,294 | 1,736,667 |
| Less: Staff costs included in research and development costs | <u>(349,245)</u> | <u>(284,083)</u> |
| | <u>1,886,049</u> | <u>1,452,584</u> |
| Depreciation | 510,660 | 437,117 |
| Less: Depreciation included in research and development costs | <u>(72,165)</u> | <u>(59,081)</u> |
| | <u>438,495</u> | <u>378,036</u> |
| Amortisation of intangible assets | 14,267 | 15,043 |
| Net allowance for bad and doubtful debts | - | 334 |
| Allowance for obsolete inventories, included in cost of goods sold | 30,689 | 36,785 |
| Auditor's remuneration | 2,671 | 2,416 |
| Cost of inventories recognised as expense | 5,170,578 | 4,600,368 |
| Cost of raw materials included in research and development costs | 116,059 | 76,587 |
| Impairment losses recognised in respect of property, plant and equipment (note 10) | 3,671 | 63,567 |
| Impairment losses recognised in respect of intangible assets | 30,238 | - |
| Loss on disposal of property, plant and equipment | - | 10,600 |
| Impairment loss recognised in respect of interest in an associate (note 12) | - | 13,014 |
| Operating lease rentals in respect of | | |
| - building premises | 46,195 | 40,381 |
| - prepaid lease payments | 2,421 | 2,402 |
| and after crediting: | | |
| Amortisation of government grants (note 18) | 1,419 | 1,147 |
| Gain on disposal of property, plant and equipment | 5,734 | - |
| Government grants included in other income * | 36,153 | 37,114 |
| Interest income | 23,591 | 17,402 |
| Rental income | 1,035 | 1,432 |
| Net reversal of allowance for bad and doubtful debts | <u>383</u> | <u>-</u> |

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

7. TAXATION

| | 2014 <i>RMB'000</i> | 2013 <i>RMB'000</i> |
|--|------------------------|------------------------|
| The current tax charge (credit) comprises: | | |
| PRC Enterprise Income Tax | 188,358 | 164,091 |
| Other jurisdictions | 89,471 | 74,434 |
| Overprovision of taxation in prior years | (6,423) | (9,381) |
| | 271,406 | 229,144 |
| PRC withholding tax | - | 11,478 |
| Deferred tax (see note 19) | (1,240) | 22,459 |
| | 270,166 | 263,081 |

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

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

In addition, certain PRC subsidiaries were officially endorsed as High-New Technology Enterprises (“HNTE”) till the dates ranging from 5th August, 2015 to 29th September, 2017. Pursuant to the EIT Law, those PRC subsidiaries entitled as HNTE shall be entitled to a preferential tax rate of 15% till the expiry of the HNTE status for the respective PRC subsidiaries.

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

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

7. TAXATION - CONTINUED

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

| | 2014 <i>RMB'000</i> | 2013 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Profit before taxation | <u>2,580,567</u> | <u>2,834,539</u> |
| Tax at the applicable income tax rate* | 645,142 | 708,635 |
| Tax effect of income not taxable for tax purpose | (3,847) | (89,355) |
| Tax effect of expenses not deductible for tax purpose | 13,714 | 32,825 |
| Tax effect of tax holiday | (299,949) | (303,608) |
| Tax effect of tax losses not recognised | 81,584 | 31,914 |
| Utilisation of tax losses previously not recognised | (11,872) | (5,646) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | (146,814) | (133,989) |
| Overprovision in prior years | (6,423) | (9,381) |
| PRC withholding tax on undistributed earnings | - | 23,522 |
| PRC withholding tax | - | 11,478 |
| Others | <u>(1,369)</u> | <u>(3,314)</u> |
| Tax charge for the year | <u>270,166</u> | <u>263,081</u> |

* The PRC EIT rate of 25% (2013: 25%) is the domestic tax rate in the jurisdiction where the operations of the Group are substantially based.

8. DIVIDENDS

| | 2014 <i>RMB'000</i> | 2013 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Dividends recognised as distribution during the year: | | |
| 2013 final dividend of HK\$0.83 (2012: HK\$0.508) per ordinary share | 809,073 | 496,938 |
| 2014 interim dividend of HK\$0.25 (2013: HK\$0.25) per ordinary share | <u>243,297</u> | <u>243,420</u> |
| | <u>1,052,370</u> | <u>740,358</u> |

Subsequent to the end of the reporting period, 2014 proposed final dividend of HK\$0.71(2013: HK\$0.83) per share, approximate to RMB687,826,000 (2013: RMB809,073,000), has been proposed by the Board of 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 31st December, 2014 is based on the profit for the year attributable to owners of the Company of RMB2,317,695,000 (2013: RMB2,577,583,000) and on the number of ordinary shares of 1,228,000,000 shares in issue during the year (2013: 1,228,000,000 shares).

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

10. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the year, the Group made additions to property, plant and equipment of approximately RMB1,866 million (2013: RMB865 million) on acquisition of property, plant and equipment, including transfers from deposits of approximately RMB199 million (2013: RMB159 million). The Group had impaired certain property, plant and equipment of RMB3,671,000 (2013: RMB63,567,000) due to termination of production on certain products that were not part of the Group's core business and due to replacement of some other machineries by more advanced models as part of the Group's automation plan.

11. AVAILABLE-FOR-SALE INVESTMENTS

| | 2014 <i>RMB'000</i> | 2013 <i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Unlisted shares, at cost (note a) | 364,531 | 3,254 |
| Unlisted shares, at fair value (note b) | <u>-</u> | <u>361,277</u> |
| | <u>364,531</u> | <u>364,531</u> |

Notes:

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

During the year ended 31st December, 2014, in the opinion of the Directors, an available-for-sale investment that was previously carried at fair value at 31st December, 2013 of RMB361,277,000 has been reclassified as available-for-sale investment carried at cost as in the opinion of the Directors they were no longer able to determine its fair value.

The Directors use their judgment in assessing impairment of available-for-sale investment as at 31st December, 2014 which is carried at cost. In estimating whether available-for-sale investment is impaired, the Group adopted an assessment by referencing to market comparable companies multiples and multiplied to the underlying financial information of the available-for-sale investment. To the extent that the carrying amount exceeded the amount of the result of the assessment, impairment loss would be recognised.

- (b) During the year ended 31st December, 2013 all of the Group's appointed Directors have resigned from the board of an associate and the Group's right to nominate representatives to the board has been waived. As a result, the Directors have determined that the Group's significant influence over the associate was lost. Consequently, the associate was ceased to be recognised as an associate and was recognised as available-for-sale investment at fair value. The fair value of the available-for-sale investment at initial recognition was arrived at with reference to a transaction of the associate's shares with other participants. The difference of RMB240,151,000 between the carrying value and the fair value of the interest in the associate was recognised as gain on deemed disposal of an associate in profit or loss during the year ended 31st December, 2013.

11. AVAILABLE-FOR-SALE INVESTMENTS - CONTINUED

Note: (b) - continued

The fair value of the investment at 31st December, 2013 was arrived at with reference to a recent transaction between the Group and certain independent third parties. In the opinion of the Directors of the Company, fair value hierarchy of the available-for-sale investment is at level 2 at 31st December, 2013.

During the year ended 31st December, 2014, the Directors have considered that they were unable to determine a reliable measure of fair value for the investee as they were no longer able to have access to certain key financial information of the investee. Consequently, the Directors consider it appropriate to carry the investment at cost rather than at fair value. The carrying amount of RMB361,277,000 at the date of change in measurement of the investee, was determined to be the cost of the investment (see note a above) and has been reclassified as available-for-sale investment carried at cost.

12. INTERESTS IN ASSOCIATES

| | 2014 | 2013 |
|--|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Cost of investments in associates, unlisted | 71,185 | 58,891 |
| Impairment loss recognised in respect of interest in an associate | (13,014) | (13,014) |
| Share of post-acquisition (loss) profit and other comprehensive (expense) income | (42,483) | (41,109) |
| | 15,688 | 4,768 |

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

| Name of associate | Place of incorporation | Percentage equity interest | | Principal activity |
|---|--------------------------|----------------------------|-------|--|
| | | 2014 | 2013 | |
| | | % | % | |
| Xenon Technology (Cayman) Limited ("Xenon") | Cayman Islands | 39.2% | 39.2% | Design and manufacture of Xenon-based flash lamp and flash modules |
| Vesper Technologies Inc. ("Vesper") | United States of America | 25% | - | Research and develop of MEMS products |

During the year, the Group acquired Vesper for a total consideration of RMB12,294,000. According to the shareholders agreement, the Group has the right to appoint 1 out of 4 directors. The Directors have determined that it has significant influence on Vesper, and hence the investment was accounted for as an associate as at 31st December, 2014.

12. INTERESTS IN ASSOCIATES - CONTINUED

During the year, the management assessed its associates for impairment with reference to their recoverable amounts. The recoverable amounts were determined based on the value in use calculations using the cashflow projections based on financial budget for the next 3 to 5 years approved by management. Cash flows beyond the budgeted period have extrapolated using a rate of 0-3%. Discount rate of 14.1% (2013: 12.7%) was used, which was determined based on the weighted average cost of capital of the investees. Based on the estimated recoverable amount, an impairment loss of RMB13,014,000 was recognised and charged to profit or loss during the year ended 31st December, 2013. No impairment loss is recognised in current year.

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

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

| | 2014 <i>RMB'000</i> | 2013 <i>RMB'000</i> |
|--|-------------------------------|------------------------|
| Total assets | 22,399 | 9,540 |
| Total liabilities | (7,815) | (5) |
| | 14,584 | 9,535 |
| Revenue | 6,582 | - |
| (Loss) profit for the year | (6,479) | 138 |
| Group's share of profit of associates for the year | (1,374) | 12,286 |

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

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

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

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

At 31st December, 2013, the loan receivable from a non-controlling shareholder of a subsidiary was interest bearing, secured by the portion of all issued shares of the subsidiary that owned by the non-controlling shareholder and has no fixed maturity date. The former associate became a subsidiary during the year, see note 20, and consequently portion of the loan receivable was assigned to a non-controlling shareholder of the subsidiary.

14. TRADE AND OTHER RECEIVABLES

| | 2014 <i>RMB'000</i> | 2013 <i>RMB'000</i> |
|--------------------------------------|-------------------------|-------------------------|
| Trade receivables | 3,250,107 | 2,229,304 |
| Bank acceptance and commercial bills | <u>78,438</u> | <u>72,322</u> |
| | 3,328,545 | 2,301,626 |
| Advance payment to suppliers | 74,928 | 39,244 |
| Prepayments | 123,838 | 97,371 |
| Value-added tax recoverable | 168,138 | 64,443 |
| Other receivables | <u>154,933</u> | <u>77,855</u> |
| | <u>3,850,382</u> | <u>2,580,539</u> |

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

| | 2014 <i>RMB'000</i> | 2013 <i>RMB'000</i> |
|---------------|-------------------------|-------------------------|
| Age | | |
| 0 - 90 days | 3,015,864 | 2,049,383 |
| 91 - 180 days | 282,070 | 246,967 |
| Over 180 days | <u>30,611</u> | <u>5,276</u> |
| | <u>3,328,545</u> | <u>2,301,626</u> |

Payment terms with customers are mainly on credit. Invoices are normally payable within 30 days to 120 days of issuance. The Group accepts bank acceptance and commercial bills with maturities ranging from 30 to 180 days at the end of the credit terms in lieu of immediate cash payment. The following is an aged analysis of trade receivables and bank acceptance and commercial bills which are past due but not impaired:

| | 2014 <i>RMB'000</i> | 2013 <i>RMB'000</i> |
|-----------------------|------------------------|------------------------|
| Age | | |
| Overdue 0 - 90 days | 324,070 | 528,519 |
| Overdue 91 - 180 days | 30,947 | 4,634 |
| Overdue over 180 days | <u>3,340</u> | <u>2,382</u> |
| | <u>358,357</u> | <u>535,535</u> |

14. TRADE AND OTHER RECEIVABLES - CONTINUED

Management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good credit quality. Included in the Group's trade receivables balance are debtors with an aggregate carrying amount of RMB358,357,000 (2013: RMB535,535,000) which are past due at the reporting date for which the Group has not provided for impairment loss. Based on historical experience the Group considers the amounts which are past due and which impairment loss has not been provided for to be of good credit quality and they are expected to be recoverable. The Group does not hold any collateral over these balances.

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

| | 2014 <i>RMB'000</i> | 2013 <i>RMB'000</i> |
|--|-------------------------------|------------------------|
| Balance at beginning of the year | 14,577 | 14,527 |
| Currency realignment | 44 | (284) |
| Allowance for bad and doubtful debts | 1,378 | 3,980 |
| Write-off of bad and doubtful debts | (202) | - |
| Reversal of allowance for bad and doubtful debts | (1,761) | (3,646) |
| Balance at end of the year | 14,036 | 14,577 |

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

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

| | 2014 <i>RMB'000</i> | 2013 <i>RMB'000</i> |
|------|-------------------------------|------------------------|
| US\$ | 192,717 | 244,092 |
| Euro | 6,761 | 52,202 |
| HK\$ | 1 | 911 |

15. FOREIGN CURRENCY FORWARD CONTRACTS

| | Liabilities | |
|------------------------------------|--------------------|----------------|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 |
| Foreign currency forward contracts | <u>-</u> | <u>820</u> |

Details of the foreign currency forward contracts entered into by the Group with certain banks outstanding as at the end of the reporting period (the “Forward Contracts”) are as follows:

At 31st December, 2013:

| Description | Settlement date | Exchange rate |
|---|--|--|
| 3 contracts to sell in aggregate US\$3 million for JPY | Settled monthly on various dates from 29th January, 2014 until 27th March, 2014 | At exchange rate JPY100.30 for US\$ |

At any time prior to maturity of certain of Forward Contracts, if the spot rate between the US\$ and JPY falls below an agreed rate, the Forward Contracts will be automatically terminated. The Forward Contracts are not designated and effective as a hedging instrument. Therefore, the fair value gains or losses are recognised in profit or loss in the period in which they arise. At 31st December, 2013, the fair value of the Forward Contracts are determined by the respective issuing banks with reference to forward rates. No Forward Contracts are outstanding at 31st December, 2014.

16. TRADE AND OTHER PAYABLES

| | 2014 | 2013 |
|--|-------------------------|------------------|
| | RMB'000 | RMB'000 |
| Trade payables | 1,120,700 | 874,198 |
| Notes payables - secured | <u>665,590</u> | <u>300,770</u> |
| | 1,786,290 | 1,174,968 |
| Payroll and welfare payables | 343,664 | 273,298 |
| Payables for acquisition of property, plant and equipment | 86,468 | 51,707 |
| Other payables and accruals | 165,732 | 109,629 |
| Contingent consideration payable | <u>6,312</u> | <u>7,099</u> |
| | <u>2,388,466</u> | <u>1,616,701</u> |

16. TRADE AND OTHER PAYABLES - CONTINUED

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

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

| | 2014 <i>RMB'000</i> | 2013 <i>RMB'000</i> |
|---------------|-------------------------------|------------------------|
| Age | | |
| 0 - 90 days | 1,577,470 | 1,044,579 |
| 91 - 180 days | 208,285 | 129,221 |
| Over 180 days | 535 | 1,168 |
| | 1,786,290 | 1,174,968 |

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

| | 2014 <i>RMB'000</i> | 2013 <i>RMB'000</i> |
|--------------|-------------------------------|------------------------|
| US\$ | 79,024 | 83,129 |
| Japanese Yen | 9,165 | 8,619 |
| Euro | 1,609 | 2,198 |

17. SHORT-TERM BANK LOANS

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

| | 2014 <i>RMB'000</i> | 2013 <i>RMB'000</i> |
|--------------|-------------------------------|------------------------|
| US\$ | 112,230 | 354,233 |
| Japanese Yen | - | 181,152 |

The Group's short-term bank loans denominated in functional currencies of the respective entities is set out below:

| | 2014 <i>RMB'000</i> | 2013 <i>RMB'000</i> |
|------|-------------------------------|------------------------|
| US\$ | 706,012 | 369,316 |
| HK\$ | 599,564 | - |

The Group's short-term bank loans, carry interest ranging from 0.75% to 2.74% per annum (as at 31st December, 2013: carry interest ranging from 0.76% to 2.37% per annum). The Company issued guarantees to the banks to secure these borrowings.

18. GOVERNMENT GRANTS

During the year, the Group received government grants of RMB25,700,000 (2013: RMB2,360,000) in aggregate from various PRC government authorities as an incentive for constructing electronic plants and acquiring machineries. The amount received is to be amortised and released to profit or loss over the useful lives of the relevant assets. During the year, RMB1,419,000 (2013: RMB1,147,000) of the grants have been released to profit or loss.

19. DEFERRED TAX LIABILITIES

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

| | Intangible assets RMB'000 | PRC withholding tax on undistributed earnings RMB'000 | Total RMB'000 |
|---|--|--|--------------------------|
| At 1st January, 2013 | 14,921 | 20,000 | 34,921 |
| Acquisition through business combinations | 4,216 | - | 4,216 |
| (Credited) charged to profit or loss | (1,063) | 23,522 | 22,459 |
| Payment made for the year | <u>-</u> | <u>(20,000)</u> | <u>(20,000)</u> |
| At 31st December, 2013 | 18,074 | 23,522 | 41,596 |
| (Credited) to profit or loss | <u>(1,240)</u> | <u>-</u> | <u>(1,240)</u> |
| At 31st December, 2014 | <u>16,834</u> | <u>23,522</u> | <u>40,356</u> |

At 31st December, 2014, the Group has unrecognised deferred tax liability in relation to PRC withholding tax on undistributed earnings in certain of its PRC subsidiaries, as it is the intention of the Directors to retain the earnings within these subsidiaries.

At the end of the reporting period, certain subsidiaries of the Group has unused tax losses of RMB433,116,000 (2013: RMB154,268,000) available for offset against future profits. These losses may be carried forward for five years from the year when the losses are incurred. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

The deferred tax liability recognised in respect of the intangible assets of RMB4,216,000 was related to the acquisition of Mems Technology Pte. Ltd. ("MemsTech") during the year ended 31st December, 2013 as a result of the fair value adjustment on patents and technical knowhow in relation to MEMS product design and manufacture.

20. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of assets and liabilities through acquisition of a subsidiary

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

RMB'000

Analysis of assets and liabilities acquired:

| | |
|-------------------------------|----------------|
| Property, plant and equipment | 16,867 |
| Other receivables | 241 |
| Bank balances and cash | 2 |
| Other payables | (9,323) |
| | <hr/> |
| | 7,787 |
| | <hr/> |

Net cash outflow arising from the acquisition:

| | |
|---------------------------------------|----------------|
| Cash consideration paid | (7,787) |
| Less: Bank balances and cash acquired | 2 |
| | <hr/> |
| | (7,785) |
| | <hr/> |

(b) Step acquisition from associate to subsidiary

The Group held 50% equity interest in an associate, Memstech, as at 31st December, 2012. Pursuant to an agreement entered between the Company and other shareholder of Memstech, the Company acquired a further 10% equity interest in Memstech for a consideration of RMB5,598,000 by discharging the same amount of loan advanced to Memstech. The transaction was completed on 31st May, 2013 and Memstech is treated as a subsidiary of the Company from that date.

Memstech is a private company incorporated in Singapore and engaged in research and development and manufacture and sale of MEMS products. The goodwill of RMB21,128,000 arising from the acquisition is attributable to the future economic benefits that are expected to accrue to the Group from operating synergies and revenue growth incurred by the joint contributions of technology from Memstech and business management skills from the Group. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

20. ACQUISITION OF SUBSIDIARIES - CONTINUED

(b) Step acquisition from associate to subsidiary - continued

The amount of the non-controlling interests is measured on the basis of its proportionate interests in the acquiree's identifiable net assets.

The following table summarises the consideration transferred for Memstech and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

| | Fair values RMB'000 |
|--|------------------------|
| The assets acquired and liabilities recognised at the date of acquisition were as follows: | |
| Property, plant and equipment | 4,044 |
| Intangible assets | 24,803 |
| Inventories | 1,407 |
| Trade and other receivables | 2,187 |
| Bank balances and cash | 1,608 |
| Trade and other payables | (3,154) |
| Borrowings* | (33,312) |
| Deferred tax liabilities | (4,216) |
| | <u>(6,633)</u> |
| Goodwill arising on acquisition: | |
| Consideration | 5,598 |
| Add: Non-controlling interests (40% of Memstech) | (2,653) |
| Fair value of previously held interest in Memstech | 11,550 |
| Net liabilities recognised | 6,633 |
| | <u>21,128</u> |
| Net cash inflow arising on acquisition: | |
| Cash and cash equivalents acquired | <u>1,608</u> |

* Included in the borrowings recognised at the date of acquisition represent loan payable to the Group of RMB14,543,000, loan payable to a non-controlling interest of RMB12,222,000 and other short-term borrowings of RMB6,547,000.

20. ACQUISITION OF SUBSIDIARIES - CONTINUED

(b) Step acquisition from associate to subsidiary - continued

The intangible assets represent patents and technical know-how in relation to MEMS products design and manufacture. The fair value is estimated by an independent and professionally qualified valuer and calculated using multi-period excess earnings method based on the cash flow projection, attrition rate and discount rate adopted by the management.

The fair value of the previously held interest held by the Group was estimated by an independent and professionally qualified valuer. The fair value estimates are calculated using discounted cash flow method based on cash flow projection, growth rate and discount rate adopted by the management. The Group recognised a gain of RMB2,179,000 as a result of the remeasurement of previously held interest. The gain was included in other income for the year ended 31st December, 2013. The Group recognised the non-controlling interest at the proportionate share of net liabilities of Memstech.

The trade and other receivables acquired amounting to RMB2,187,000 represents the gross contractual amount and is approximate to the fair value. The best estimate at the date of acquisition is that all receivables will be collected.

Memstech contributed no revenue and a loss of RMB272,000 to the Group since the acquisition. Had Memstech been consolidated from 1st January, 2013, the impact of the Group's revenue and the profit attributable to the equity holders of the Company for the year ended 31st December, 2013 would have been insignificant.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

AAC Technologies is an established designer, developer and manufacturer of a broad range of miniaturized acoustic and non-acoustic components. Acoustic components include speakers, receivers and microphones. Non-acoustic components include haptics vibrators, RF and antennas, and optical lenses. The Company also provides a range of innovative technology solutions integrating acoustic and non-acoustic designs. The Company serves a large number of geographically diverse customers in the consumer electronics market. The Company's products are found in mobile devices, including smartphones, tablets, wearables, ultrabooks, notebooks and electronic book-readers. The Company is global in scope with research and development centers in the PRC, Singapore, Japan and Denmark, testing laboratories in Singapore and Korea, manufacturing facilities in the PRC, Vietnam and the Philippines, and sales offices throughout the world.

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

MARKET REVIEW

Holiday seasonality, strong end-user demand, and a wide selection of models propelled smartphone sales volumes to a new record level for the fourth quarter and for the full year of 2014. According to an independent industry research, the worldwide smartphone market grew about 28% from 2013. Mature markets have become increasingly dependent on replacement purchases rather than first-time buyers, leading to slower growth. In emerging markets, first-time buyers continue to provide market momentum, but the focus has shifted toward lower-priced devices, creating a different dynamic for both international and local vendors.

Chinese handset makers are disrupting markets with high-specs but competitively-priced products. Market share gains and rapid growth are pursued by these Chinese players. Competition is driving handset manufacturers to deliver devices best suited to what the market desires. As a leading total solutions provider, AAC Technologies embraces the challenges in form factor changes and delivers better solutions based on new requirements from different customers for different tiers of models.

Especially in this fast changing environment, customers require both time- and cost-saving solutions. Our strong design and production capabilities, aligned with high automation and efficiency, backed by a consistent high level of investment in R&D, allow us to provide solutions that fit diverse needs from customers in terms of technology upgrades and innovation. Furthermore, our integrated cross-platform solutions such as RF mechanical structures incorporating acoustic components, multiple antennas, NFC plus wireless charger, allow us to add value to our customers and secure a competitive edge in the market.

FINANCIAL REVIEW

The Company has achieved solid financial results in 2014 and generated RMB1,967.3 million in net cash flow from operations. For the year ended 31st December, 2014, the Group's total revenue reached RMB8,879.3 million, representing an increase of RMB783.4 million, or 9.7%, compared with 2013. Gross profit of RMB3,678.0 million was RMB219.3 million, or 6.3%, higher than 2013. Gross profit margin was 41.4%, 1.3 percentage points lower than the corresponding period of last year. The change in gross profit margin was mainly due to a reduction of average selling price in mature products and an increase in direct costs, including higher labour costs and ramp-up costs of new platforms, offset by better product mix and improved production efficiency. Underlying recurring net profit amounted to RMB2,317.7 million, representing a rise of 2.8% year-on-year after adjusting for non-cash items from net gain on deemed disposal of partial interest in an associate and gain on deemed disposal of an associate in the year ended of 31st December, 2013. Basic earnings per share amounted to RMB1.89, down 10.1% from RMB2.10 for 2013, which included non-recurring items.

The turnover days of trade receivables was 116 days, 22.1% more compared with 2013. Aging of trade receivables which is net of allowance for doubtful debts based on invoice dates between 0-90 days, 91-180 days and over 180 days were RMB3,015.8 million, RMB282.1 million and RMB30.6 million respectively, compared with RMB2,049.4 million, RMB247.0 million and RMB5.2 million in 2013. The quality of receivables remained sound as there was no specific or general bad debt provision required during the period, and total subsequent settlement received up to 28th February, 2015 amounts to RMB2,099.2 million representing 63.1% of the total amounts outstanding, net of allowances, as at the end of the reporting period.

As for tax, the Group's operating subsidiaries fall under the taxation regimes in Hong Kong, the PRC and Singapore where different laws and regulations, and specific concessionary incentives apply.

GEARING RATIO AND INDEBTEDNESS

The gearing ratio of the Group, computed by dividing total loans and borrowings by total assets, was 10.8% as at 31st December, 2014 compared with 8.6% as at 31st December, 2013.

As at 31st December, 2014, the Group had RMB1,417.8 million of bank loans, all short term, compared with RMB904.7 million as at 31st December, 2013.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's financial position remained solid and continued to maintain a strong and steady cash inflow from operating activities. As at 31st December, 2014, the Group had RMB1,602.7 million in unencumbered cash and cash equivalents. Management believes that the Group's current cash and cash equivalents, together with available credit facilities and expected cash flow from operations, will be sufficient to satisfy the current operational requirements of the Group.

FOREIGN EXCHANGE

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

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

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

CHARGES ON GROUP ASSETS

Apart from bank deposits amounting to RMB4.0 million and RMB2.4 million that were pledged to banks respectively as at 31st December, 2014 and 31st December, 2013, no other Group assets were charged to any financial institutions.

EMPLOYEE INFORMATION

As at 31st December, 2014, the Group employed 32,172 permanent employees, an increase from a total of 23,011 as at 31st December, 2013, brought about by the Company's ongoing business development in PRC and in other regions in Asia, especially for new projects of all product segments. Employees of the Group are remunerated based on their individual performance, professional qualifications, experience in the industry and relevant market trends. Management regularly reviews the Group's remuneration policy and appraises the work performance of its staff. Employee remuneration includes salaries, allowances, bonuses, social insurance and mandatory pension fund contribution. As required by the relevant regulations in the PRC, the Group participates in the social insurance schemes operated by the relevant local government authorities. The Group also participates in the mandatory pension fund and social insurance schemes for our employees in Hong Kong, Taiwan, Singapore, South Korea, Vietnam, Philippines, USA and various countries in Europe.

PROSPECTS

Growth in smartphone markets are projected to outpace that for consumer electronics overall, as this single device class evolves to be the central control for daily life on the back of increased processing power, greater wireless bandwidth and the proliferation of mobile ready media, applications and games. The overall percentage growth of smartphones sales is forecasted to be in the mid-teens in 2015, but as smartphone brand competition intensify, new models with higher specifications and innovative designs continue to be launched.

Simultaneously, a new addressable market - wearables, is highly anticipated to take off this year. The wearables are designed to surround the smartphone with innovative interesting applications to monitor personal metrics and to facilitate interactions with the world at large. These designs present both challenges and opportunities.

The wave of innovation in both the smartphone itself and all the surrounding sensors and devices will continue without any doubt. Whichever devices gain market traction and dominate, the opportunity to provide hardware solutions to enable these innovations is compelling. As the devices get thinner and lighter, performance, design and mechanical integration become essential considerations. AAC Technologies offers our clients a unique perspective on how to innovate and differentiate their products.

As a total solutions provider, AAC Technologies not only delivers innovative products for technological transition, but also offers feasible options for customers to adopt. For instance, consumers' demand for sound quality increases as smartphones and tablets are becoming entertainment platforms, speakers need to deliver high resolution acoustic while remaining as small as possible in form factor. In addition, we work with Smart Power Amplifier and audio signal processing companies to boost loudness and audio quality without affecting the speaker's operating lifetime. This strengthens our leading position by setting audio standards providing customers with total solutions. In the non-acoustic areas, the market increasingly appreciates our design and production capabilities. Our new design and integrated solutions of RF and haptics have gained good customer traction and we hope to see more contribution from optics segment soon. Sales from these new segments are expected to continue to grow for the years to come.

PROSPECTS - CONTINUED

AAC Technologies is well-prepared for growth with a clear solutions roadmap and will stay focused on technology development for both acoustic and non-acoustic segments, supported by vertically integrated production and automation processes. The enrichment of our product portfolio would help us further advance on our goal to become a comprehensive miniature components solutions provider.

With our attention to customers, focused investment in R&D, good execution track record and effective cost control, AAC Technologies is well positioned for increased market competitiveness and sustainable profit growth.

Our ultimate goal is to become one of the world's leading micro components solution provider for electronic products in the consumer and industrial markets.

DIVIDENDS

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

For the year ended 31st December, 2014, an interim dividend of HK\$0.25 per ordinary share for the six months ended 30th June, 2014 (2013: HK\$0.25 per ordinary share) was paid to shareholders of the Company.

The Board resolved to recommend the payment of a final dividend of HK\$0.71 (2013: HK\$0.83) per ordinary share in respect of the year ended 31st December, 2014. This proposed final dividend together with the interim dividend already paid amount to total dividends of HK\$0.96 (2013: HK\$1.08) an unchanged payout ratio of about 40% of the profit attributable to owners of the Company for the year.

Subject to shareholders' approval at the forthcoming annual general meeting to be held on 18th May, 2015, the said final dividend will be payable to shareholders of the Company, whose names appear on the register of members of the Company on 27th May, 2015. Payment will be made on or about 8th June, 2015.

FORWARD-LOOKING STATEMENTS

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 of Directors of the Company regarding the industry and markets in which it operates. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this final results announcement or the forthcoming annual report of the Company; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

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 14th May, 2015 to 18th May, 2015, 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 13th May, 2015.

ii For entitlement of proposed final dividend

The registers of members of the Company will be closed from 22nd May, 2015 to 27th May, 2015, 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 21st May, 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31st December, 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

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

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

Throughout the financial year ended 31st December, 2014, the Company complied with the Code Provisions as set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities of the Stock Exchange ("CG Code"). The Company has a track record of adopting governance best practices even though they were not required by the prevailing regulations where the Board deemed adoption would enhance the Company's governance standards. Some examples of this are quarterly financial results reporting, a significant proportion of executive directors' remuneration linked rewards to corporate and individual performance, the Board conducted a regular evaluation of its performance, and the adoption of whistle-blowing policy. In addition, the Board in 2014 reviewed the Company's policies and practices with regard to environmental, social and governance ("ESG") issues and has published its first Sustainability Report for the year ended 31st December, 2013 in October 2014. We believe that the Sustainability Report, together with the Corporate Governance Report, will help to better explain the discharge of our ESG responsibilities to our stakeholders.

CORPORATE GOVERNANCE - CONTINUED

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

During 2014, the Company has consistently conducted its work on ERM which has assisted the legal department, finance department, automation production department and quality department to identify the risks and enhance and implement the related internal controls during the year. In year 2015, the Company will still adopt the risk-driven approach for its audit plan and continue to assist each department to establish an internal control self-review system.

Executive management owns the risk management and internal control processes and practices. The Audit Committee receives quarterly updates on risk management and internal audit reports from management and Internal Audit, in addition to monthly management accounts and business updates that are received by all Board members. External audit observations and recommendations are also discussed and followed up. The Audit Committee oversees three-year cycle audit plans and cumulative progress reports on implementation of corrective and preventative measures arising from internal and external audit findings. Through this process, the Board had an ongoing review and assessment of the Company's systems of internal controls over financial, operational, and compliance matters during 2014, and opined that they were adequate and effective for the 2014 financial year. The Board and management recognise that ERM will need ongoing refinement and reinforcement in terms of risk-culture, risk appetite and risk management practices before it becomes effectively embedded in business decisions, whether strategic or operational, which is our ultimate objective.

CORPORATE GOVERNANCE - CONTINUED

A more comprehensive Corporate Governance report covering the following key components of the Company's governance framework will be incorporated in the Annual Report for dispatch to shareholders and will also be made available on the Company's website www.aactechnologies.com, both around 16th April, 2015:

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted codes of conduct regarding securities transactions by Directors and by relevant employees (as defined in the CG Code) on terms not less exacting than the required standards set out in the Model Code as set out in Appendix 10 of the Listing Rules.

On specific enquiries made, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code and the Company's code of conduct regarding the Directors' securities transactions during the year ended 31st December, 2014.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st December, 2014 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu in this announcement.

APPRECIATION

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

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

Hong Kong, 25th March, 2015

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