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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: 2018)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

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 2024 together with the comparative figures for the corresponding period in 2023.

These consolidated financial statements have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu and the Company's audit and risk committee (the "**Audit and Risk Committee**") and approved by the Board on 20 March 2025.

2024 FINAL RESULTS HIGHLIGHTS:

(RMB Million)	**2024**	2023	*YoY%*	**2H 2024**	2H 2023	*YoY%*
Revenue	**27,328**	20,419	*+33.8%*	**16,081**	11,200	*+43.6%*
Gross Profit	**6,042**	3,452	*+75.0%*	**3,624**	2,155	*+68.2%*
Gross Profit Margin	***22.1%***	*16.9%*	*+5.2ppts*	***22.5%***	*19.2%*	*+3.3ppts*
Net Profit*	**1,797**	740	*+142.7%*	**1,260**	590	+113.6%
Net Profit Margin	***6.6%***	*3.6%*	*+3.0ppts*	***7.8%***	*5.3%*	*+2.5ppts*
Basic EPS (RMB)	**1.53**	0.63	*+142.9%*	**1.08**	0.50	*+116.0%*
Proposed Final Dividend (HKD)	**0.24**	0.10	*+140.0%*	**N/A**	N/A	*N/A*
Share Numbers (Weighted average, million)	**1,173**	1,178		**1,172**	1,174	

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

CEO STATEMENT

"Through our dedication to technological innovation across various application scenarios, including acoustics, optics, electromagnetics, and precision mechanics, the Group leverages its strengths in both hardware and software to provide global partners with customised solutions in specific application scenarios. We will continue to deliver superior sensory experiences in consumer electronics, automotive, augmented reality ("**AR**"), virtual reality ("**VR**"), robotics, and other AI-driven technologies."

2024 marked a year of significant progress in the Group's core businesses. With a more supportive industry backdrop, combined with a continuous focus on technological innovation and operational efficiency, the Group has returned to a healthy growth trajectory. The Group's revenue has reached a historical new high, and profitability has also regained a notable growth momentum. The Group has enabled the continuous incubation of technology platforms through an efficient and streamlined organizational structure, achieving significant breakthroughs across all core businesses. These include innovative advancements in the acoustics business, improved profitability in the optics business, rapid revenue growth in the electromagnetic drives and precision mechanics business, the heat dissipation business unlocking even greater growth potential, and progress in both consumer electronics and automotive sectors. Meanwhile, key financial indicators remained robust, with operating cash inflows of RMB5.20 billion and historically lowest inventory turnover days, contributing to greater stability in the Group's business foundation.

Apart from the recovery in the global smartphone market and trend in specification upgrades, the successful completion of the first tranche of the acquisition of Premium Sound Solutions ("**PSS**") in February 2024 also positively contributed to the Group's profit and provided new momentum for the Group's development in the automotive market.

In the consumer electronics sector, innovation is boundless. The Group has capitalised on the trend and is committed to staying at the forefront of technological development and driving product upgrades. Our acoustic-electromagnetic products have maintained a leadership position, with ultra-thin products gaining significant customer recognition. The Group also pursued opportunities in new strategic markets, accelerating the deployment of our products in retractable camera modules and robotic joints. Optics business revenue surged by 37.9% year-on-year ("**YoY**"), driven by the sustained growth of high-value product shipments, such as high-end plastic lenses, glass-plastic hybrid lenses, micro-prisms, and optical image stabilization ("**OIS**") modules. Simultaneously, several subsegments of the precision mechanics business have made good progress. The Group deployed a range of ultra-thin high-performance vapor chambers by aligning with customers' innovation roadmaps. In addition, the laptop enclosure business has experienced strong revenue growth, and the Group's exclusive supply of tri-fold smartphone metal casings highlights our advanced precision manufacturing capabilities. In the automotive sector, the Group partnered with PSS to expand key businesses and accelerate market penetration in the global automotive sector. Our high-value, differentiated automotive algorithms have secured key projects, continuously providing customers with thinner, more immersive vertical integrated solutions.

In the area of robotics, as a leader in sensory experience solutions with extensive expertise in speakers, microphones, heat dissipation, and camera modules, the Group has successfully supplied microphones to top-tier robotics customers. The Group is also actively expanding into the robot actuator market, including dexterous hands, linear actuators, rotary actuators, and coreless motors, while building vertical integration capabilities encompassing components, system-level large-scale modules and software algorithms.

Looking ahead, We will actively embrace the opportunities presented by emerging technological trends, such as artificial intelligence ("**AI**"), new energy vehicles ("**NEVs**"), AR/VR, robotics, etc. We will accelerate the incubation of new product forms and build a diversified business growth engine. We will continue to develop our internal and external capabilities, promote lean management, and enhance operational efficiency. By adhering to technological innovation, we will strengthen our core competitiveness. While promoting the high-quality development of the industry, we will create greater value for customers and bring long-term and stable returns to shareholders.

BUSINESS AND MARKET REVIEW

In 2024, the global smartphone market saw a demand rebound, with leading smartphone Original Equipment Manufacturer ("**OEM**") brands driving continuous innovation through AI technologies. According to preliminary statistics from International Data Corporation ("**IDC**"), global smartphone shipments in 2024 increased by 6.4% YoY, reaching approximately 1.24 billion units. The Group achieved a record total revenue of RMB27.33 billion, representing a 33.8% growth YoY. This was driven by significant contributions from the optics business, the precision mechanics business, and the acoustics business. The new automotive & consumer acoustics products business also contributed revenue of RMB3.52 billion, further expanding the Group's business scope and revenue streams. The Group's gross profit margin expanded to 22.1%, reflecting a 5.2 percentage points ("**ppts**") increase YoY. This improvement stemmed from an optimized product mix across all business segments, coupled with the Group's efforts in lean operations. By refining the management of production processes, supply chains, and internal operations, the Group enhanced operational efficiency notably and optimized expenses continuously. Net profit attributable to owners of the Group increased by 142.7% YoY, reaching RMB1.80 billion, highlighting the Group's notable improvement in profitability.

For the year under review, the Group's operating cash inflow amounted to RMB5.20 billion, improving by 12.3% YoY, with capital expenditure ("**CAPEX**") totaling RMB2.33 billion. As at 31 December 2024, the Group's net gearing ratio stood at 3.8%, with cash on book of RMB7.54 billion. The inventory turnover days improved to approximately 60 days, representing a reduction of around 20 days from 80 days as of 31 December 2023. The strong operating cash inflow on the back of continued improvement in operational efficiency, along with stringent CAPEX policy, helps to boost the liquidity position post PSS acquisition.

In line with the dividend payout ratio of 15%, the Board of Directors proposed to declare a final dividend of HK$0.24 per share for FY 2024 (FY 2023: HK$0.10 per share), implying a total annual dividend amounted to HK$0.24 per share for FY 2024 (FY 2023: HK$0.10 per share). The Group will remain prudent in financial management and strong in cash flow for business development, to create long-term value for shareholders.

PERFORMANCE AND DEVELOPMENT OF BUSINESS SEGMENTS

Acoustics Business

For the second half of 2024 ("**2H 2024**"), the Group's acoustics business revenue was RMB4.75 billion, up 13.8% YoY and 37.4% half-year-on-half-year ("**HoH**"), respectively. The gross profit margin was 30.4%, up 0.5 ppts HoH. In 2024, the Group's acoustics business achieved revenue of RMB8.21 billion, up 9.5% YoY, mainly driven by the recovery in downstream demand, increased market share among key customers, and the integration of high-end acoustic platforms into more major smartphone models. The gross profit margin in 2024 was 30.2%, up 1.8 ppts YoY.

The Group has demonstrated a strong edge in the mid-to high-end acoustic market, with its market share steadily expanding and its leading market position further consolidated. With years of dedication and continuous investment in acoustic technology innovation, the Group has continued to expand the breadth of the acoustics offering, developing comprehensive capabilities that integrate hardware, algorithm optimization, and professional tuning services. This adaptability to the complex application requirements of smart devices in various scenarios has become a key driver for the Group to lead the ongoing advancements in the acoustics industry.

Additionally, the Group has achieved remarkable results in optimizing the product mix. The master-level super linear speakers ("**SLS**"), known for their slim design and exceptional sound quality, have seen rapid growth, with the annual shipment volume close to 30 million units, representing a YoY increase of over 120%. The Group has also launched the first coaxial speaker, the Ultimate Speaker, which features Hi-Fi sound quality, improving performance in both high and low frequencies by innovatively sharing the magnetic circuit. These products have further strengthened the Group's position in the premium acoustics market. Moreover, the Combo series, which integrates acoustic and electromagnetic technologies, has achieved a shipment volume of approximately 5.3 million units, with a YoY growth of nearly 140%, offering customers both innovative and practical solutions, and meeting diverse needs in product design and functionality.

Furthermore, the Group is strategically expanding into non-smartphone acoustics. For example, with the accelerated promotion of AI glasses in 2024, the Group launched a series of distinctive speaker products. These acoustic products, tailored to a broad array of downstream application scenarios and technical requirements, are being adopted by various smart glasses brands. They not only deliver a clear, layered stereo sound, but also address end consumers' needs for private calls and sound leakage prevention, laying a solid foundation for the Group's future expansion into the multi-category smart device market.

Automotive Acoustics Business
(PSS - automotive & consumer acoustics products Business)

In 2024, the Group's automotive acoustics business made significant strides in a fiercely competitive automotive market, achieving a revenue of RMB3.52 billion and a gross profit margin of 24.8%. This accomplishment reflects the substantial synergy between the Group and PSS. Following the completion of the acquisition, the Group has consolidated resources to establish a vertically integrated solution encompassing loudspeakers, amplifiers, algorithms, and professional tuning services. This comprehensive solution delivers one-stop services spanning product development, manufacturing, and post-deployment optimization, significantly enhancing customer retention rates while accelerating business expansion within the automotive acoustics market. With PSS' high-quality products and extensive customer network, it has secured a significant market share among top-tier European and U.S. automakers, cementing the Group's strong presence in the global automotive acoustics industry. In the meantime, in the domestic market, the Group and PSS' automotive acoustic products have been continuously delivered to flagship models of leading NEV brands including Li Auto, Geely, Xiaomi, and XPeng, etc. Notably, the automotive-grade non-linear control ("**NLC**") Pro algorithm has also won its first design-win with a leading global luxury automotive brand.

Optics Business

In 2H 2024, the optics business revenue was RMB2.79 billion, up 50.2% YoY and 26.0% HoH, benefitting from the continuous upgrades in the smartphone optics industry, a notable rise in market share within the camera module business, and the successful premiumization of the plastic lens. The gross profit margin was 7.9%, improving by 17.1 ppts YoY and increasing by 3.2 ppts HoH. For 2024, the optics business recorded a revenue of RMB5.0 billion, up 37.9% YoY. The gross profit margin saw a significant increase of 19.5 ppts YoY, reaching 6.5%.

In 2024, shipments of 6P and above lenses continued to rise, with the shipment share of 6P lenses exceeding 18% in the second half of 2024. It is expected that the shipment share of high-end lenses with 6P or higher will continue to increase in 2025. Among these, shipments of 7-element lenses (including plastic lenses and G+P hybrid lenses) reached around 3.50 million units in 2024, and will grow by multiple times in 2025, further strengthening the Group's presence in the high-end optics market. In terms of camera modules, significant increases in both shipment volume and average selling price ("**ASP**") led to a notable revenue growth of 55.2% YoY in 2024. Modules with over 32 megapixels accounted for 32.0% of the total shipment volume, up nearly 4 ppts YoY. Furthermore, the Group is actively planning its future roadmap and closely collaborating with customers to research more advanced camera modules, such as periscope modules and Sensor Shift modules. In 2024, the yield rate of the wafer-level-glass ("**WLG**") increased steadily, laying a solid foundation for the Group to secure more design-wins for smartphone models. With benefits including larger aperture sizes, higher resolution, reduced thickness, and structural advantages, WLG continues to deliver exceptional optical performance to end consumers. WLG also offers a unique advantage in integrated unibody molding for manufacturing micro-prisms, significantly enhancing production efficiency and precision. Related products have gained customer recognition and obtained new design-wins. Going forward, the Group is expected to introduce micro-prism products to more smartphone models as periscope modules become more widely adopted in smartphones. The Group also made headway in non-smartphone optics: in automotive optics, the Group developed lenses for intelligent driving applications, such as Advanced Driver Assistance Systems ("**ADAS**") and surround-view systems, as well as lenses for intelligent cockpits, including Driver Monitoring Systems ("**DMS**") and Occupant Monitoring Systems ("**OMS**"). A high-specification project in collaboration with overseas leading NEV customers is about to enter mass production, laying a solid foundation for the Group to achieve leapfrog growth in the automotive optics sector. Regarding XR optics, the Group is actively exploring opportunities in diffractive waveguides and optical engines. Notably, the Group has established an exclusive strategic partnership with a leading global design company in optical waveguides. A mass production line for optical waveguides based on semiconductor etching processes has completed mass production adjustment, with multiple customer projects already designated and currently under development and delivery. Additionally, products like AI cameras and wide field-of-view ("**FOV**") AR modules have also been selected for multiple customer projects and are set to enter mass production within the year.

Electromagnetic Drives, Precision Mechanics, and Other Related Business

In 2H 2024, the revenue of this consolidated segment increased by 31.3% YoY and 67.0% HoH to RMB6.07 billion. The gross profit margin was 23.4%, up 2.7 ppts YoY and 0.4 ppts HoH, respectively. In 2024, this combined segment recorded a revenue of RMB9.71 billion, up 17.8% YoY, driven by the large-scale adoption of products such as x-axis motors, smartphone casings, metal hinges, and vapor chambers ("**VCs**") in customers' flagship and foldable phones. The gross profit margin stood at 23.3%, up 3.2 ppts YoY, mainly driven by a significant enhancement in the gross profit margin of the smartphone casing business and increased revenue contribution from other high-margin products.

During the reporting period, the Group exclusively supplied the industry's first retractable lens motor module to a key customer and participated in the side button upgrade for a major customer. Simultaneously, development of products such as dexterous hands, joint motors, and reducers based on electromagnetic drive platform technology is in good progress, demonstrating the Group's ability to expand our technology in highly integrated compound modules. In the area of optical transmission, the Group focused on advanced stabilisation functions such as OIS and Sensor Shift, and is currently conducting preliminary research on VCM products for three-axis closed-loop OIS modules with large sensor size, aiming to drive the vertical integration of the camera module business.

In 2024, the revenue of the precision mechanics business witnessed substantial growth, with a continuous improvement in the gross profit margin driven by enhanced lean operations. The Group's smartphone casing business continued to penetrate more mid-to high-end models and foldable phones, achieving revenue growth of nearly 24% YoY. This positions the Group as a leading supplier of metal casings for Android smartphones. In 2024, the Group's revenue from heat dissipation products reached RMB326 million, up 40.1% YoY. As a leading global provider of smartphone thermal management solutions, the Group capitalizes on its advanced technologies and strong delivery capabilities. The Group's ultra-thin, multi-layered, and high-performance VC products have gained high recognition from major customers. The Group will further strengthen technological innovation, actively respond to major customers' upgrading needs, and foster tremendous new growth drivers for heat dissipation solutions. the For laptop enclosure business, driven by significant advancement in new high-value projects and the rebounding PC market demand, the revenue reached RMB1.35 billion, up 53.3% YoY.

Sensor and Semiconductor Business

In 2H 2024, the sensor and semiconductor ("**SSE**") business revenue was RMB384 million, down by 27.7% YoY. The gross profit margin was 14.9%, down slightly by 0.8 ppts YoY. In 2024, the SSE business achieved revenue of RMB773 million, a decline of 24.6% YoY, mainly due to the product strategy adjustment and the transition cycle between old and new projects, with an emphasis on promoting high-performance products in the future. The gross profit margin improved to 15.6%, up 2.0 ppts YoY, benefiting from the increased revenue contribution from high-margin products utilizing the Group's in-house technology.

The Group has focused on high signal-to-noise ratio ("**SNR**") microphones, maintaining a leading market share in mid-to-high-end smartphones while successfully starting shipments in emerging sectors including humanoid robots, AI glasses, and automotives. During the reporting period, the Group successfully implemented high-value projects with key overseas customers, further establishing new growth drivers for the business. Meanwhile, the Group's premiumisation strategy has proven successful, with the shipment proportion of mid-to high-end Android MEMS microphones increasing significantly YoY and reaching over 60%. Going forward, the Group's high-SNR microphone solutions are poised for new growth opportunities, driven by escalating demand for voice-enabled interactions in intelligent devices as AI technology continues to mature and proliferate across applications.

STRATEGY OUTLOOK

Looking ahead, the accelerated deployment of "edge AI" directly on local edge devices presents major opportunities for technological transformation in the consumer electronics sector. Additionally, the markets for NEVs, AR/VR, and robotics will also exhibit a diversified and high-growth trend, with the importance of sensing technology products becoming increasingly prominent and presenting even broader development prospects. Aligned with this trend, the Group remains committed to technological innovation and will leverage AI to deepen its market presence and explore new frontiers. Through global layout and diversified product line expansion, the Group aims to lead innovation in sensing technologies, reach new heights, and deliver greater value to shareholders and customers.

FINANCIAL REVIEW

Revenue

In 2024, the Group's revenue increased YoY by 33.8% to RMB27.33 billion. Owing to the factors discussed under "BUSINESS AND MARKET REVIEW" above, the substantial revenue growth was primarily driven by an additional RMB3,494.6 million in revenue from PSS-related business and an increase of RMB3,414.7 million from existing business (excluding PSS-related activities). Revenue from the electromagnetic drives and precision mechanics, optics, and acoustics business increased by RMB1,464.5 million, RMB1,373.0 million, and RMB714.9 million respectively, while revenue from sensor and semiconductor business declined by RMB251.7 million.

Gross Profit and Gross Profit Margin

In 2024, gross profit reached RMB6.04 billion, reflecting a 75.0% increase from the gross profit of RMB3.45 billion in 2023. This growth was primarily driven by an additional gross profit of RMB875 million from PSS-related business, along with an improved gross profit margin and higher revenue from existing business.

Gross profit margin increased to 22.1% in 2024 as compared with 16.9% in 2023. This improvement was supported by margin improvement across all business segments, with the optics segment notably achieving a positive gross margin.

Other Income and Expenses, Gains and Losses

Net other income and expenses, gains and losses decreased by RMB437 million, primarily due to a reduction in gains from the repurchase of unsecured notes by RMB138 million, a decrease in government grants by RMB123 million, an increase in disposal losses on property, plant, and equipment by RMB44 million, and a loss of RMB26 million from fair value changes in derivative financial instruments.

Administrative Expenses

Administrative expenses in 2024 were RMB1,270 million, 29.9% higher compared with RMB978 million in 2023. The increase was mainly contributed by the PSS acquisition and the increase in discretionary bonus as a result of improved performance.

Distribution and Selling Expenses

Distribution and selling expenses in 2024 were RMB670 million, 51.3% higher compared with RMB443 million in 2023. The increase was mainly contributed by enhanced sales force for new business development.

Research and Development Expenses

Research and Development ("**R&D**") expenses in 2024 were RMB2,022 million, increased by 28.5% compared with RMB1,573 million in 2023. The increase was mainly contributed by additional investment in new R&D projects for product upgrades and new businesses like automotive acoustics and AR/VR.

Finance Costs

Finance costs in 2024 were RMB417 million, 6.7% higher compared with RMB391 million in 2023. The increase was mainly due to interests on additional bank loans under PSS.

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 2024 amounted to RMB227 million, representing a decrease of 10.0% from RMB252 million in 2023. The reduction was primarily driven by the utilization and recognition of previously unrecognized tax losses, partially offset by higher profit taxes.

Profit attributable to the Owners of the Company

Reported profit attributable to the owners of the Company for 2024 was RMB1,797 million, an increase of 142.7% compared with RMB740 million in 2023. The increment was mainly due to the raise of gross profit, whilst partly offset by the increase in operating costs, the decrease in net other income/gains and loss attributed to non-controlling interests.

Earnings before Interest, Taxes, Depreciation and Amortization

As compared with last year, the EBITDA for 2024 increased by 32.8% to RMB5,553 million compared with RMB4,183 million in 2023.

Final Dividend

In line with the dividend payout ratio of 15%, the Board of Directors proposed to declare a final dividend of HK$0.24 per share for FY 2024 (FY 2023: HK$0.10 per share), implying a total annual dividend amounted to HK$0.24 per share for FY 2024 (FY 2023: HK$0.10 per share). The Group will remain prudent in financial management and strong in cash flow for business development, to create long-term value for shareholders.

Subject to Shareholders' approval at the forthcoming annual general meeting to be held on 22 May 2025, the said final dividend will be payable to Shareholders of the Company, whose names appear on the register of members of the Company on 30 May 2025. Payment will be made on or about 19 June 2025.

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	
	2024	2023
	RMB million	*RMB million*
Net cash from operating activities	**5,202.8**	4,632.5
Net cash used in investing activities	**(3,485.0)**	(1,511.8)
Net cash used in financing activities	**(1,024.8)**	(3,170.6)

Operating Activities

Cash inflows from operating activities were 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 RMB5,202.8 million for 2024 (2023: RMB4,632.5million).

i. Trade Receivables and Payables

As at 31 December 2024, turnover days of trade receivables increased by 1 day to 87 days as compared to 31 December 2023. Trade receivables increased by RMB2.38 billion to RMB7.74 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 RMB7,571.5 million (31 December 2023: RMB5,197.8 million), RMB152.8 million (31 December 2023: RMB150.0 million) and RMB14.5 million (31 December 2023: RMB14.3 million) respectively. The Company has received subsequent settlement totaling RMB3,822.2 million up to 28 February 2025, representing 49.4% of the total amount outstanding, net of allowances, as at the end of the reporting period.

The Group's trade payables turnover days increased by 16 days to 95 days as compared to 31 December 2023. Trade payables increased by RMB2.90 billion to RMB6.96 billion. Aging of trade payables based on invoice dates between 0–90 days, 91–180 days and over 180 days were RMB5,831.3 million (31 December 2023: RMB3,366.3 million), RMB1,055.9 million (31 December 2023: RMB674.0 million) and RMB76.5 million (31 December 2023: RMB20.4 million) respectively.

ii. Inventory Turnover

As at 31 December 2024, the inventories have increased by RMB0.95 billion compared to 31 December 2023. The inventory turnover days decreased to approximately 60 days as at 31 December 2024 from 80 days for 31 December 2023.

Investing Activities

Net cash used in investing activities in 2024 amounted to RMB3,485.0 million (2023: RMB1,511.8 million). It mainly represented the cash used in CAPEX of RMB2,070.9 million (2023: RMB1,363.9 million), and acquisition of a subsidiary of RMB1,472.8 million (2023: Nil), and addition of intangible assets of RMB139.1 million (2023: RMB176.0 million), offsetted by the cash inflows arising from the interest received of RMB186.5 million (2023: RMB191.7 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 2024 and 2023, total CAPEX incurred were RMB2,331.5 million and RMB1,378.5 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 is 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 RMB1,024.8 million for 2024 (2023: RMB3,170.6 million), which was due to major outflows from repayment of bank loans and unsecured notes of RMB5,575.4 million (2023: RMB5,644.6 million), interest paid of RMB370.9 million (2023: RMB310.8 million), return of capital contributions from non-controlling interests of a subsidiary and settlement of contingent settlement provision of RMB235.7 million (2023: RMB1,449.0 million), shares repurchased of RMB203.2 million (2023: RMB353.8 million), repayment of lease liabilities of RMB114.4 million (2023: RMB74.0 million), and dividends paid of RMB103.6 million (2023: RMB130.3 million), and major inflows was due to bank loans raised of RMB5,551.0 million (2023: RMB4,824.6 million).

Cash and Cash Equivalents

As at 31 December 2024, the unencumbered cash and cash equivalents of the Group amounted to RMB7,538.2 million (31 December 2023: RMB6,824.5 million), of which 48.7% (31 December 2023: 65.2%) was denominated in US dollar, 44.6% (31 December 2023: 30.5%) in RMB, 2.6% (31 December 2023: 0.5%) in Euros, 1.6% (31 December 2023: 0.5%) in Vietnamese Dong, 1.1% (31 December 2023: 1.7%) in Singapore dollar, 0.5% (31 December 2023: 0.6%) in Hong Kong dollar, and 0.9% (31 December 2023: 1.0%) in other currencies.

Gearing Ratio and Indebtedness

As at 31 December 2024, the Group's gearing ratio, defined as total loans and unsecured notes divided by total assets, was 20.0% (31 December 2023: 22.6%). Netting off cash and cash equivalents, net gearing ratio was 3.8% (31 December 2023: 5.1%).

As at 31 December 2024, the unsecured notes of the Group amounted to RMB3,720.5 million (31 December 2023: RMB5,619.7 million), the short-term bank loans and long-term bank loans of the Group amounted to RMB1,728.0 million (31 December 2023: RMB1,463.9 million) and RMB3,883.1 million (31 December 2023: RMB1,726.0 million) respectively.

Charges on Group Assets

Apart from pledged bank deposits amounting to RMB0.5 million as at 31 December 2024 (31 December 2023: RMB15.1 million) and restricted bank deposits amounting to RMB5.0 million as at 31 December 2024 (31 December 2023: RMB6.2 million), no other group assets were charged to any financial institutions.

OFF-BALANCE SHEET TRANSACTIONS

As at 31 December 2024, the Group had not entered into any material off-balance sheet transactions.

KEY RISK FACTORS

Key Risk Factors

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.

Our Risk Governance Structure

The Board recognizes its joint responsibility for supervising the risk management and internal control systems, including the ESG (Environmental, Social, and Governance) risks of the Group, and for annually reviewing their effectiveness via the Audit and Risk Committee and the Sustainability Committee (collectively referred to as "**The Two Committees**"). The Audit and Risk Committee helps the Board carry out its corporate governance duties in overseeing the Group's strategic, market, operational, financial, and compliance risks, as well as the resourcing of both financial and internal audit functions. Meanwhile, the Sustainability Committee is in charge of climate, health and safety, and cyber - security risks, along with ESG performance and reporting compliance.

The Company has set up an ERM (Enterprise Risk Management) framework to effectively identify, evaluate, mitigate, and monitor the sustainability risks. The Board and The Two Committees are committed to improving their governance practices by making sure that there are robust mechanisms for comprehensive risk supervision. Through continuous commitment to the ERM framework, the Group aims to foster a culture of accountability and transparency in managing sustainability risks.

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 China and other geographic regions, may affect our operating results and financial performance. To tackle this, the Group is continuously widening its products and technologies platforms to extend its reach to different end applications, including a recent major acquisition made in automotive market, so as to diversify the sources of revenue and profit to reduce its dependency on any single market segment. According to the climate scenario analysis, shifting market preferences with low-carbon products is one of the most important opportunities. The growth of electric vehicle (EV) market and existing strategic partnerships with EV brands will lead to new revenue streams.

Reliance on a Number of Key Customers

The Group's five largest customers, which accounted for 69.9% of the Group's total revenue for 2024, 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 long-standing customers with good credit records.

Production Disruption due to Unforeseeable Events and Supply Chain Adversities

Geopolitical events among 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. Any 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.

Supply chain challenges to meet environmental, health and safety standards, may also adversely affect production schedule which may potentially result in customer dissatisfaction, reputational damage and financial losses. These are the transition risks in relation to policy and legal risk and market risk.

To address these risks, the Group established the Quality and Operations Committee. The committee actively monitors the regulatory environment and allocates resources to plan and comply with regulatory requirements and customer demands. A robust quality management system has been implemented to ensure that all production facilities are certified under the International Organization for Standardization (ISO) standards for quality management and the International Electrotechnical Commission Quality Assessment System for Electronic Components (IECQ) standards for electronic component quality. The Company conducts internal and external audits every year to ensure the efficacy of its product quality and procurement channels. Additionally, the Group has established a robust supplier management process and adopted long-standing Supplier Code of Conduct, requiring suppliers to maintain compliance with various standards, including labor and human rights protections, health and safety regulations, and environmental safeguards. Ultimately, this will lead to the development of low-carbon supply chain. This proactive approach not only mitigates risks but also enhances the overall resilience of the supply chain.

Operational, Technology Obsolescence and ESG Considerations

The Group's operations comprised design and delivery of innovative technology solutions. Our business remains dedicated to advancing miniature components while developing cutting-edge products and technologies platforms. However, changes in technological design and performance specifications or related external factors linked with environmental, social, and governance (ESG) considerations may have various levels of negative impact on our operational outcome. In meeting future design specifications and production quality requirements, the Group has implemented robust processes to ensure standards are met.

The Group ensures that its new technology solutions and miniature components align with sustainability standards. This includes applying eco-friendlier materials, and ceasing the use of conflict minerals, promoting energy efficiency, and considering the recyclability of products. Changes in environmental regulations or shifts in consumer preferences towards more sustainable products could impact the Group's operations and lead to product obsolescence, necessitating a proactive approach to environmental considerations in product design and development. The Group has established a quality management system that ensures all products undergo thorough testing to meet customer requirements, hazardous waste management requirement and international standards. This system, part of our operational "big data" system, is continuously evaluated and improved internally.

The Group's annual budget includes significant investment in R&D in order to build sustainable technology roadmaps, explore more sustainable revenue stream products and intellectual property portfolios. As data security is a critical concern, the Group treats information security as a strategic priority. The Group has implemented comprehensive measures to protect data assets from breaches, leaks, and hacks, which are also essential for maintaining customer trust and avoiding reputational damage. Moreover, adhering to social standards and regulations, such as the Ethical Trading Initiative and Social Accountability 8000 International Standard, the Group constantly considers social impact of its technologies, ensuring social equalities and that positive contributions are made to society.

Climate Resilience and Adaption

Many governments, regulators, investors, employees, customers and other stakeholders are increasingly focused on ESG considerations relating to businesses, such as climate change, suppliers' complying with ESG criteria and human resources management. In addition, the Company makes statements about its goals and initiatives through its various non-financial reports, information provided on its website, press statements and other communications. Responding to these ESG considerations and implementation of these initiatives involves risks and opportunities.

The Company has published stand-alone annual Sustainability Reports since 2012. Continuously, ESG-related reporting obligations and compliance practices are to evolve, which may expose the Group to increased costs, reputational aspects and other potential adverse effects, such as attention on climate change. Climate change presents significant acute and transition risks to businesses and communities globally. Prolonged and extreme weather increase operational complexities, as well as manufacturing and maintenance cost. Furthermore, employees' health may also be impacted. Trending customers' preference for green products may impact revenue due to change in product demands. And, enactment of more stringent laws and regulations to environmental impact may also increase our compliance costs.

The Group has this year established the Sustainability Committee and reorganized the Sustainability Working Group. A comprehensive Climate Change Policy has been implemented to drive sustainability progress and manage climate impacts through mitigation, adaptation, and resilience strategies. Our commitment to integrating climate-related issues into our sustainability management system includes the ISO standard of environmental management and energy management. To enhance long-term energy conservation opportunities, the Group continues to adopt energy-saving technologies, establish energy-efficiency facilities and develop sustainable products.

Liquidity and Interest Rate Risk

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. As at 31 December 2024, over 88% of debts were fixed rate debts.

The Group's financial assets include cash and cash equivalents, short term fixed deposit, pledged bank deposits, restricted 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 current reporting currency is RMB and our sales outside China 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.

On-going Global Trade Frictions

Prolonged trade frictions might lead to a slowdown of the global consumer electronic and automotive markets and a decline in 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, other related regulations and government measures including tariff, export controls, economic sanctions and similar regulations may include additional costs, 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 is committed to complying with applicable laws and regulations related to export controls and economic sanctions. As at the date of this announcement, the Group's results of operations have not been materially affected by the expansion of relevant laws and regulations such as export control and economic sanctions, or the new 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 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.

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.

FINANCIAL INFORMATION

The financial information relating to the years ended 31 December 2024 and 2023 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 2024 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 2023 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 2024 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 2024 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 audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 20 March 2025. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2024

	NOTES	**2024**	2023
		RMB'000	*RMB'000*
Revenue	*3*	**27,328,304**	20,419,072
Cost of goods sold		**(21,286,405)**	(16,967,406)
Gross profit		**6,041,899**	3,451,666
Other income and other expenses	*5*	**410,979**	590,618
Other gains and losses	*6*	**(105,212)**	151,883
Share of results of an associate		**(59)**	(265)
Distribution and selling expenses		**(670,248)**	(443,066)
Administrative expenses		**(1,270,097)**	(978,066)
Research and development costs		**(2,022,001)**	(1,573,435)
Exchange gain		**22,395**	14,350
Finance costs	*4*	**(417,160)**	(390,824)
Profit before taxation	*7*	**1,990,496**	822,861
Taxation	*8*	**(226,935)**	(252,254)
Profit for the year		**1,763,561**	570,607
Loss for the year attributable to non-controlling interests		**(33,669)**	(169,763)
Profit for the year attributable to owners of the Company		**1,797,230**	740,370
Earnings per share			
- Basic	*10*	**RMB1.53**	RMB0.63
- Diluted	*10*	**RMB1.53**	RMB0.60

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

	2024	2023
	RMB'000	*RMB'000*
Profit for the year	**1,763,561**	570,607
Other comprehensive income (expense):		
Item that will not be subsequently reclassified to profit or loss:		
Fair value changes on equity instruments at fair value through other comprehensive income ("**FVTOCI**")	**152,171**	(9,886)
Remeasurement to defined benefit obligations	**(1,952)**	-
Items that may be subsequently reclassified to profit or loss:		
Fair value changes on derivative financial instruments	**(78,724)**	11,782
Net (gain) loss reclassified to profit or loss on hedged items	**(2,273)**	1,906
Exchange differences arising on translation of foreign operations	**40,591**	38,193
Total comprehensive income for the year	**1,873,374**	612,602
Total comprehensive income (expense) attributable to:		
Owners of the Company	**1,908,522**	780,075
Non-controlling interests	**(35,148)**	(167,473)
	1,873,374	612,602

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2024

	NOTES	**2024**	2023
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment	*11*	**17,884,356**	18,070,355
Right-of-use assets	*12*	**2,044,533**	1,798,372
Goodwill		**2,093,389**	275,365
Deposits made for acquisition of property, plant and equipment		**267,592**	162,589
Escrow deposit for acquisition of a subsidiary		-	283,308
Investment properties	*13*	**267,474**	127,576
Interest in an associate		**2,973**	3,033
Equity instruments at FVTOCI	*14*	**598,414**	457,011
Financial assets at fair value through profit and loss ("**FVTPL**")	*15*	**449,662**	413,301
Intangible assets		**1,705,925**	588,623
Deferred tax assets	*24*	**414,107**	204,242
Contract costs		**68,343**	-
Derivative financial instruments	*16*	**1,494**	-
		25,798,262	22,383,775
Current assets			
Inventories		**3,937,805**	2,992,360
Trade and other receivables	*17*	**9,370,703**	6,653,431
Amounts due from related companies		**2,725**	9,892
Taxation recoverable		**44,046**	22,639
Derivative financial instruments		**2,661**	2,869
Pledged bank deposits		**524**	15,085
Restricted bank deposits		**5,000**	6,207
Cash and cash equivalents		**7,538,204**	6,824,525
		20,901,668	16,527,008
Current liabilities			
Trade and other payables	*18*	**9,557,816**	5,796,468
Contract liabilities	*18*	**62,674**	15,868
Amounts due to related companies		**52,746**	32,323
Taxation payable		**251,640**	100,542
Bank loans	*20*	**1,727,966**	1,463,885
Unsecured notes	*21*	-	1,957,575
Government grants	*23*	**71,527**	122,928
Lease liabilities	*19*	**488,572**	389,309
Derivative financial instruments	*16*	**95,015**	-
Gross obligation liabilities	*25*	**574,920**	-
Contingent consideration payables	*26*	**1,260,837**	-
Contingent settlement provision	*22*	**259,370**	250,490
		14,403,083	10,129,388
Net current assets		**6,498,585**	6,397,620
Total assets less current liabilities		**32,296,847**	28,781,395

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2024

	NOTES	**2024**	2023
		RMB'000	*RMB'000*
Non-current liabilities			
Bank loans	*20*	**3,883,107**	1,726,000
Unsecured notes	*21*	**3,720,540**	3,662,120
Government grants	*23*	**480,590**	508,806
Lease liabilities	*19*	**634,446**	380,886
Deferred tax liabilities	*24*	**370,383**	47,108
Derivative financial instruments	*16*	**28,070**	-
Defined benefit obligations		**10,183**	-
Other payables	*18*	**52,649**	85,206
		9,179,968	6,410,126
Net assets		**23,116,879**	22,371,269
Capital and reserves			
Share capital	*25*	**97,321**	97,321
Reserves		**22,657,151**	21,784,131
Equity attributable to owners of the Company		**22,754,472**	21,881,452
Non-controlling interests		**362,407**	489,817
Total equity		**23,116,879**	22,371,269

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 NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

Amendments to IFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRS Accounting Standards issued by the International Accounting Standards Board ("**IASB**") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The application of the amendments to IFRS Accounting Standards 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 NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS - continued

New and amendments to IFRS Accounting Standards in issue but not yet effective

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

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards - Volume 11[3]
Amendments to IAS 21	Lack of Exchangeability[2]
IFRS 18	Presentation and Disclosure in Financial Statements[4]

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2025.
[3] Effective for annual periods beginning on or after 1 January 2026.
[4] Effective for annual periods beginning on or after 1 January 2027.

Except for the new IFRS Accounting Standard mentioned below, the Directors of the Company anticipate that the application of all amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 18 "Presentation and Disclosure in Financial Statements" ("IFRS 18")

IFRS 18, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 "Presentation of Financial Statements" ("**IAS 1**"). This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and IFRS 7 "Financial Instruments: Disclosures". Minor amendments to IAS 7 "Statement of Cash Flows" and IAS 33 "Earnings per Share" are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of IFRS 18 on the Group's consolidated financial statements.

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.

During the current year, the Group acquired 80% of the issued shares in Acoustics Solutions International B.V. and its subsidiaries (collectively referred to as the "**PSS Group**"), from Acoustics Solutions Holding B.V. and Stichting Administratiekantoor Acoustics Solutions International (collectively, the "**Sellers**"), which is principally engaged in trading of automotive & consumer acoustics products, and integrated it with the Group's original business in this sector commenced in prior years. The "PSS - automotive & consumer acoustics products" segment is considered as a new operating and reportable segment by the Group's key operating decision makers and the prior year segment disclosures have been represented to conform with current year presentation.

The Group's operating and reportable segments under IFRS 8 "Operating Segments" are acoustics products, electromagnetic drives and precision mechanics, optics products, PSS - automotive & consumer acoustics 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.

Information regarding these segments is presented below.

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

	2024	2023
	RMB'000	*RMB'000*
		(restated)
Operating and reportable segments		
Segment revenue-recognised at a point in time		
Acoustics products	**8,213,816**	7,498,965
Electromagnetic drives and precision mechanics	**9,709,775**	8,245,314
Optics products	**4,999,937**	3,626,935
PSS - automotive & consumer acoustics products*	**3,516,297**	21,726
Sensor and semiconductor products	**773,377**	1,025,076
Other products	**115,102**	1,056
Revenue	**27,328,304**	20,419,072

3. REVENUE AND SEGMENT INFORMATION - continued

Operating and reportable segments - continued

	2024 *RMB'000*	2023 *RMB'000* (restated)
Segment results		
Acoustics products	**2,479,431**	2,130,145
Electromagnetic drives and precision mechanics	**2,258,615**	1,656,075
Optics products	**322,535**	(471,644)
PSS-automotive & consumer acoustics products*	**872,457**	(2,210)
Sensor and semiconductor products	**121,030**	139,251
Other products	**(12,169)**	49
Total profit for operating and reportable segments	**6,041,899**	3,451,666
Unallocated amounts:		
Other income and other expenses	**410,979**	590,618
Other gains and losses	**(105,212)**	151,883
Share of results of an associate	**(59)**	(265)
Distribution and selling expenses	**(670,248)**	(443,066)
Administrative expenses	**(1,270,097)**	(978,066)
Research and development costs	**(2,022,001)**	(1,573,435)
Exchange gain	**22,395**	14,350
Finance costs	**(417,160)**	(390,824)
Profit before taxation	**1,990,496**	822,861

* The amounts included revenue and result of the Group's automotive & consumer acoustic products business commenced in prior years and the amounts in the prior year included in the other products are represented to align with the current year presentation.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment results represent the profit (loss) earned by each segment without allocation of other income, other expenses, other gains and losses, share of results of an associate, distribution and selling expenses, administrative expenses, research and development costs, exchange 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 segment. The Group analysed its assets and liabilities and other financial information at group level. Therefore, only segments 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

Amortisation and depreciation included in measure of segment results are as follows:

	2024	2023
	RMB'000	*RMB'000*
		(restated)
Acoustics products	**1,108,702**	1,070,453
Electromagnetic drives and precision mechanics	**663,565**	700,821
Optics products	**554,121**	583,342
PSS - automotive & consumer acoustics products*	**80,241**	2,406
Sensor and semiconductor products	**57,729**	59,734
Other products	**8,993**	2,825
Amounts included in cost of inventories	**2,473,351**	2,419,581
Unallocated portion	**672,373**	549,236
	3,145,724	2,968,817

* The amounts included revenue and result of the Group's automotive & consumer acoustic products business commenced in prior years and the amount in the prior year is represented to align with the current year presentation.

Geographical information

Information about the Group's revenue from external customers is presented based on the location of end customers.

	2024	2023
	RMB'000	*RMB'000*
Greater China* (country of domicile)	**14,507,142**	10,313,354
Other foreign countries:		
America	**10,017,645**	8,852,858
Other Asian countries	**1,618,398**	1,205,073
Europe	**1,175,275**	47,787
Others	**9,844**	-
	27,328,304	20,419,072

Information about the Group's non-current assets# is presented based on the geographical location of the assets.

	2024	2023
	RMB'000	*RMB'000*
Greater China* (country of domicile)	**18,214,443**	18,777,238
Europe	**4,001,872**	974,595
Other foreign countries^	**2,118,270**	1,557,388
	24,334,585	21,309,221

3. REVENUE AND SEGMENT INFORMATION - continued

Geographical information - continued

* 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 amounts of non-current assets in America and other Asian countries does not exceed 10% of the Group's total non-currents assets and amounts are included in "Other foreign countries".

Non-current assets excluded financial instruments and deferred tax assets.

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 RMB15,173,018,000 (2023: RMB15,137,352,000). The total amount of revenue by each customer and number of customers is not disclosed, as in the opinion of the management such disclosure is harmful to the Group's business.

4. FINANCE COSTS

	2024	2023
	RMB'000	*RMB'000*
Interest on bank loans	**176,525**	102,892
Interest on unsecured notes	**197,916**	214,385
Interest on lease liabilities	**33,839**	26,910
Interest on contingent settlement provision	**8,880**	46,637
	417,160	390,824

5. OTHER INCOME AND OTHER EXPENSES

Other income mainly comprises of:

	2024	2023
	RMB'000	*RMB'000*
Government grants (Note)	**206,216**	329,554
Interest income	**198,258**	207,819
Rental income	**10,930**	10,972

Note: Included in the amount is RMB143,833,000 (2023: RMB213,023,000) representing the amortisation of government grants as detailed in note 23. 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 during the year of recognition with no unfulfilled conditions/ contingencies.

6. OTHER GAINS AND LOSSES

Other gains and losses mainly comprise of:

	2024 *RMB'000*	2023 *RMB'000*
Gain on repurchase of unsecured notes (note 21)	-	138,433
(Loss) gain on disposal/write-off of property, plant and equipment	**(35,471)**	8,601
Loss on fair value change of financial assets at FVTPL	**(21,075)**	(6,724)
Loss from changes in fair value of derivative financial instruments, net	**(25,847)**	-
Change in fair value of contingent consideration payables	**(23,846)**	-
Gain on termination of leases	**1,027**	847

7. PROFIT BEFORE TAXATION

	2024 *RMB'000*	2023 *RMB'000*
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments	**10,492**	11,200
Other staff's retirement benefits scheme contributions	**739,968**	582,858
Other staff costs	**5,399,918**	3,980,006
Total staff costs (Note a)	**6,150,378**	4,574,064
Depreciation of property, plant and equipment	**2,608,695**	2,626,221
Depreciation of right-of-use assets	**251,066**	214,295
Total depreciation (Note b)	**2,859,761**	2,840,516
Depreciation of right-of-use assets capitalised in qualifying assets	**(25,127)**	(25,127)
	2,834,634	2,815,389
Allowance for (reversal of allowance for) inventories net, included in cost of goods sold	**158,680**	(1,810)
Amortisation of intangible assets (Note c)	**301,216**	149,318
Auditor's remuneration	**4,070**	3,674
Cost of inventories recognised as expense	**21,127,725**	16,969,216
Cost of raw materials included in research and development costs	**118,445**	144,828
Depreciation of investment property	**9,874**	4,110
Allowance for (reversal of allowance for) impairment loss on trade receivables	**196**	(23)
Short-term and low value asset leases expense	**88,475**	53,069

7. PROFIT BEFORE TAXATION - continued

Notes:

(a) Staff costs of RMB1,410,066,000 (2023: RMB979,975,000) had been included in research and development costs.

(b) Depreciation of RMB292,916,000 (2023: RMB264,830,000) had been included in research and development costs.

(c) Included in the amortisation of intangible assets, RMB181,539,000 (2023: RMB111,104,000) had been capitalised in inventories while the remaining balances had been included in research and development costs, distribution and selling expenses, and administrative expenses, respectively.

8. TAXATION

	2024	2023
	RMB'000	*RMB'000*
The current tax charge (credit) comprises:		
PRC Enterprise Income Tax	**220,722**	149,032
Singapore	**90,478**	59,951
Vietnam	**47,969**	18,340
Europe	**22,654**	682
Other jurisdictions	**13,608**	591
PRC and overseas withholding tax	**22,728**	1,181
Under/(over) provision in respect of prior years	**3,937**	(5,419)
	422,096	224,358
Deferred tax (see note 24)	**(195,161)**	27,896
	226,935	252,254

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.

Pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Implementation Regulation, dividend distributed out of the profits generated by foreign invested enterprise to foreign investor shall be subject to EIT at 10% and withheld by the PRC subsidiary. 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.

8. TAXATION - continued

In addition, certain PRC subsidiaries were officially endorsed as High and New Technology Enterprises ("**HNTE**") till the date ranging from 2024 to 2026 (2023: 2023 to 2025). 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.

Taxation in Europe mainly represents the corporate income tax calculated at the rate of 25% on the estimated assessable profits of the subsidiaries of the Company which was incorporated in Belgium.

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.

OECD pillar two model rules

The Group is operating in certain jurisdictions where the Pillar Two Rules are effective. However, as the Group's estimated effective tax rates of most of the jurisdictions in which the Group operates are higher than 15 per cent, after taking into account the adjustments under The Global Anti-Base Erosion Rules ("**GloBE Rules**"), the management of the Group has not made relevant disclosures of qualitative and quantitative information about the potential tax impact of Pillar Two implementation rules; while for the Group's estimated effective tax rate of a jurisdiction in which the Group operates is lower than 15 per cent, after taking into account the adjustments under GloBE Rules, the management considers the exposure to the top-up tax is insignificant to the Group.

8. TAXATION - continued

OECD pillar two model rules - continued

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

	2024	2023
	RMB'000	*RMB'000*
Profit before taxation	**1,990,496**	822,861
Tax at the applicable income tax rate (Note a)	**497,624**	205,715
Tax effect of income not taxable for tax purpose	**(73,906)**	(116,893)
Tax effect of expenses not deductible for tax purpose	**55,862**	43,455
Tax effect of tax holiday and concession	**(123,399)**	(99,147)
Tax effect of tax losses not recognised	**350,514**	440,694
Tax effect of deductible temporary differences not recognised	**35,311**	1,270
Utilisation/recognition of tax losses previously not recognised	**(300,250)**	(15,592)
Effect of super deduction for research and development cost (Note b)	**(196,359)**	(143,275)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(61,485)**	(62,242)
Under/(over) provision in respect of prior years	**3,937**	(5,419)
PRC and overseas withholding tax	**22,728**	1,181
Others	**16,358**	2,507
Tax charge for the year	**226,935**	252,254

Notes:

(a) The PRC EIT rate of 25% (2023: 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 2023 and 2024.

9. DIVIDENDS

	2024	2023
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2023 final dividend of HK$0.10 (2022: HK$0.12) per ordinary share	108,932	130,330

Subsequent to the end of the reporting period, a final dividend of HK$0.24 (2023: HK$0.10) per share has been proposed by the Directors and is subject to approval by the Shareholders in the forthcoming annual general meeting.

10. EARNINGS PER SHARE

The calculation of basic and diluted earnings per attributable to owners of the Company is based on the following data:

	2024	2023
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share	**1,797,230**	740,370
Effect of share of loss of subsidiaries (Note a)	-	(29,790)
Earnings for the purpose of diluted earnings per share	**1,797,230**	710,580

	2024	2023
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue during the period for the purpose of calculating basic earnings per share (Note b)	**1,172,677**	1,177,973
Effect of dilutive potential ordinary shares:		
Adjustment in relation to share awards granted by the Company	**3,216**	5,008
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,175,893**	1,182,981

Notes:

(a) During the year ended 31 December 2024, the computation of diluted earnings per share did not assume the effect of contingent settlement provision as the Directors of the Company consider the effect is anti-dilutive (2023: Adjustment to the share of loss of subsidiaries based on dilution of their loss per share arising from the effect of contingent settlement provision).

(b) The weighted average number of ordinary shares has been calculated taking into account the shares repurchased by the Group or held by the 2016 Trustee and 2023 Trustee (as defined in note 27) under share award scheme.

The computation of diluted earnings per share for both years ended 31 December 2024 and 2023 did not assume the effect arising from the unvested restricted shares granted by a subsidiary as set out in note 27 as the exercise would result in an increase in earnings per share.

11. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of RMB2,192,386,000 (2023: RMB1,472,902,000). Part of the consideration of RMB162,589,000 (2023: RMB231,906,000) was paid up in advance in prior year.

During the year, the Group disposed/write-off of certain property, plant and equipment with an aggregate carrying amount of RMB46,994,000 (2023: RMB4,132,000) for proceeds of RMB11,523,000 (2023: RMB12,733,000) and resulting in a loss on disposal of RMB35,471,000 (2023: gain on disposal of RMB8,601,000).

Also, during the year, property, plant and equipment with an aggregate carrying amount of RMB138,432,000 is transferred to investment properties (2023: RMB113,590,000).

Impairment assessment

During the year ended 31 December 2024, the management of the Group concluded there was no indication for impairment.

During the year ended 31 December 2023, due to the loss from the optics products segment, the management of the Group conducted impairment assessment on certain property, plant and equipment, right-of-use assets and intangible assets with finite useful lives with carrying amounts of RMB5,382,981,000, RMB342,511,000 and RMB91,558,000 respectively related to the optics products segment. The Group estimated the recoverable amounts of the cash-generating units of optics product segment to which the assets belongs when it was not possible to estimate the recoverable amount individually, including allocation of corporate assets when reasonable and consistent basis can be established.

The recoverable amount of cash-generated unit was determined based on a value in use calculation. That calculation used 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 15.8% as at 31 December 2023. The cash flows beyond 5-year period were extrapolated using 2.5% growth rate for the relevant industry. Another key assumption for the value in use calculated was the budgeted gross margin, which was determined based on the cash-generating units' past performance and management expectations for the market development. The estimated cash flows and discount rate were subject to higher degree of estimation uncertainties in both years due to uncertainty on the volatility in financial markets, including potential disruptions of the Group's operations.

Based on the result of the assessment, management of the Group determined that the carrying amount of the relevant assets did not exceed the recoverable amount based on the value in use and believed that any reasonably possible change in any of these assumptions would not result in significant impairment loss, and concluded that no impairment loss was recognised for the year ended 31 December 2023.

12. RIGHT-OF-USE ASSETS

	Leasehold land *RMB'000*	Buildings *RMB'000*	Cars and machineries *RMB'000*	Total *RMB'000*
As at 31 December 2024				
Carrying amount	1,295,400	719,164	29,969	2,044,533
As at 31 December 2023				
Carrying amount	1,289,143	509,229	-	1,798,372
For the year ended 31 December 2024				
Depreciation charge	41,506	199,686	9,874	251,066
Capitalised in construction in progress	(25,127)	-	-	(25,127)
	16,379	199,686	9,874	225,939
For the year ended 31 December 2023				
Depreciation charge	40,909	173,386	-	214,295
Capitalised in construction in progress	(25,127)	-	-	(25,127)
	15,782	173,386	-	189,168

	2024 ***RMB'000***	2023 *RMB'000*
Expense relating to short-term leases	**87,570**	52,262
Expense relating to leases of low-value assets, excluding short-term leases of low value assets	**905**	807
Total cash outflow for leases	**289,624**	149,042
Additions to right-of-use assets	**206,112**	62,408
Acquisition of subsidiaries (note 26)	**316,112**	-

For both years, the Group leases various leasehold land, buildings and cars 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.

12. RIGHT-OF-USE ASSETS - continued

As at 31 December 2024 and 2023, the Group has obtained the land use right certificates for all leasehold lands.

The Group regularly entered into short-term leases for certain building premises and machineries, etc. As at 31 December 2024 and 2023, 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 44 years (2023: 1.5 years to 6 years). On the lease commencement, the Group recognised right-of-use asset of RMB146,856,000 and lease liabilities of RMB146,157,000 (2023: right-of-use asset of RMB62,408,000 and lease liabilities of RMB61,987,000). Except for the payment made on the acquisition of leasehold land of RMB59,256,000 during the year ended 31 December 2024 (2023: nil), the recognition of the remaining newly added right-of-use assets constitutes non-cash transactions.

During the year ended 31 December 2024, leasehold land of RMB11,340,000 is transferred to investment properties (2023: RMB8,018,000) upon the end of owner-occupation.

During the year ended 31 December 2024, the Group early terminated certain leases which constitutes lease modification. As a result, the Group has derecognised right-of-use assets of RMB8,888,000 (2023: RMB6,063,000) and lease liabilities of RMB9,915,000 (2023: RMB6,910,000), and a gain of lease termination of RMB1,027,000 (2023: RMB847,000) was recognised in profit or loss.

Restrictions or covenants on leases

As at 31 December 2024, lease liabilities of RMB1,011,437,000 are recognised with related right-of-use assets of RMB749,133,000 (2023: lease liabilities of RMB736,325,000 are recognised with related right-of-use assets of RMB509,229,000). 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.

13. INVESTMENT PROPERTIES

	RMB'000
CARRYING VALUES	
At 1 January 2023	10,078
Transfer from property, plant and equipment	113,590
Transfer from right-of-use assets	8,018
Depreciation during the year	(4,110)
At 31 December 2023	127,576
Transfer from property, plant and equipment	138,432
Transfer from right-of-use assets	11,340
Depreciation during the year	(9,874)
At 31 December 2024	267,474

14. EQUITY INSTRUMENTS AT FVTOCI

	2024	2023
	RMB'000	*RMB'000*
Unlisted shares	**566,990**	427,528
Listed shares	**31,424**	29,483
	598,414	457,011

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) solid state Light Detection And Ranging ("**LiDAR**") sensor for automotive series use; and
(iv) research, development, manufacturing and marketing of electronic equipment in the field of high-end audio.

During the year ended 31 December 2024, the Group received return on capital from a private entity engaged in research, development and manufacturing of sensor and semiconductor business amounted to United States dollars ("**US$**") 739,000 (equivalent to approximately RMB5,246,000). In addition, the Group entered into the agreement to exit from a private entity engaged in research, development and manufacturing of sensor and semiconductor business at a consideration of US$642,000 (equivalent to approximately RMB4,618,000) and the amount is included in other receivables.

During the year ended 31 December 2023, the Group invested in private entities engaged in producing semiconductor components in integrated circuits at the aggregate considerations of RMB18,200,000. In addition, the Group received return on capital from a private entity engaged in research, development and manufacturing of sensor and semiconductor business amounted to US$2,761,000 (equivalent to approximately RMB18,666,000).

Listed shares

The amount represents the Group's investment in a company listed in Japan. As at 31 December 2024, the fair value of the investment determined by reference to the quoted market bid prices available was RMB31,424,000 (2023: RMB29,483,000).

15. FINANCIAL ASSETS AT FVTPL

	2024	2023
	RMB'000	*RMB'000*
Convertible loans	**51,264**	43,711
Unlisted shares/funds	**398,398**	369,590
	449,662	413,301

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) preferred shares investment in two private entities in sensor and semiconductor business;
(iv) a preferred shares investment in a private entity in automotive business; and
(v) a private entity in augmented reality displays manufacturing business.

During the year ended 31 December 2024, the Group invested in private entities engaged in sensor and semiconductor business at a consideration of Euro4,039,000 (equivalent to approximately RMB31,161,000).

During the year ended 31 December 2024, the Group (i) made addition contribution of US$1,298,000 (equivalent to approximately RMB9,200,000) and GBP859,000 (equivalent to approximately RMB7,913,000) to the private equity funds and (ii) further subscribed the convertible loan amounted to Euro350,000 (equivalent to approximately RMB2,691,000) issued by a private entity during the year ended 31 December 2024.

During the year ended 31 December 2023, the Group invested in private entities engaged in (i) automotive business at a consideration of RMB100,000,000 and (ii) sensor and semiconductor business at a consideration of US$4,500,000 (equivalent to approximately RMB32,087,000).

In addition, the Group (i) made addition contribution of US$13,212,000 (equivalent to approximately RMB94,537,000) and GBP614,000 (equivalent to approximately RMB5,515,000) to the private equity funds mentioned above during the year ended 31 December 2023.

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.

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. During the year ended 31 December 2024, the loss in fair value of the financial assets at FVTPL of RMB21,075,000 was recognised in profit or loss (2023: RMB6,724,000).

16. DERIVATIVE FINANCIAL INSTRUMENTS

	Current		Non-current	
	2024	2023	**2024**	2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Derivatives financial assets				
Cross currency swap contract	-	2,869	-	-
Foreign currency forward contracts not under hedge accounting	**2,661**	-	**1,494**	-
	2,661	2,869	**1,494**	-
Derivatives financial liabilities				
Foreign currency forward contracts	**93,489**	-	**28,070**	-
Interest rate swap contracts	**1,526**	-	-	-
	95,015	-	**28,070**	-

The management considers the following hedging instruments are highly effective hedging instrument and has designated them as cash flow hedging instrument for hedge accounting purposes:

- Cross currency swap contract to minimise the exposure to fluctuations in foreign currency exchange rates of US$ denominated unsecured notes, and the hedge accounting was discontinued upon the repayment of the corresponding US$ denominated unsecured notes during the current year.
- Foreign currency forward contracts to minimise its exposure to fluctuations in foreign currency denominated forecast sales to the Group.
- Interest rate swap contracts to minimise its exposure to cash flow changes of its floating-rate bank loans.

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

During the current year, the hedge accounting for the cross currency swap contract was discontinued upon the repayment of the hedged item and the accumulated hedging reserve of RMB26,395,000 was released and credit to profit or loss.

16. DERIVATIVE FINANCIAL INSTRUMENTS – continued

The major terms of the outstanding derivative contracts under cash flow hedges are as follows:

At 31 December 2024

Foreign currency forward contracts - cash flow hedges

Notional amount	Range of maturity	Forward contract rate	Exchange frequency
US$286,000,000	31 January 2025 to 31 December 2025	US$1 to RMB7 - RMB7.05	Monthly

Interest rate swap contracts - cash flow hedges

	Range		Interest rate		
Notional amount	of maturity	Trade date	Pay	Receive	Maturity frequency
Euro11,064,000	9 November 2025	14 December 2022	2.8125%	EURIBOR	Semi-annually
Euro14,752,000	9 November 2025	14 December 2022	2.8125%	EURIBOR	Semi-annually
Euro11,064,000	10 November 2025	14 December 2022	2.8125%	EURIBOR	Semi-annually

At 31 December 2023

Cross currency swap contract - cash flow hedges

		Forward	Interest rate		Exchange frequency	
Notional amount	Maturity	contract rate	Receive	Pay	Receive	Pay
US$50,000,000	27 November 2024	US$1 to RMB6.7345	3.00%	5.38%	Semi-annually	Semi-annually

Gains and losses recognised in the hedging reserve in equity on the foreign currency forward contracts and the interest rate swap contracts will be continuously released to the profit or loss until completing the relevant transactions or the repayment of the relevant borrowings.

The above derivatives are measured at fair value. The classification of the fair value measurement of the above derivatives at 31 December 2024 and 2023 are Level 2 under the fair value hierarchy (details set out in note 29).

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

The Group has entered into cross currency swap contracts 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.

17. TRADE AND OTHER RECEIVABLES

	2024	2023
	RMB'000	*RMB'000*
Trade receivables	**7,656,089**	5,292,857
Bank acceptance and commercial bills	**82,776**	69,194
	7,738,865	5,362,051
Prepayments	**333,575**	295,336
Value-added tax recoverable	**780,607**	642,320
Other receivables	**513,303**	349,369
Loan and interest receivables*	**4,353**	4,355
	9,370,703	6,653,431

* Loans of RMB4,347,000 (2023: RMB4,347,000) made to certain suppliers of the Group, which are unsecured, and carry interest rates at 1% (2023: 1%) per annum. The amounts are repayable in 1 year.

As at 1 January 2023, trade receivables from contracts with customers amounted to RMB4,278,658,000.

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.

	2024	2023
	RMB'000	*RMB'000*
Age		
0 - 90 days	**7,571,489**	5,197,770
91 - 180 days	**152,849**	149,996
Over 180 days	**14,527**	14,285
	7,738,865	5,362,051

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.

As at 31 December 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB138,132,000 (2023: RMB52,955,000) which are past due as at the reporting date. Included in the past due balances, RMB4,152,000 (2023: RMB20,002,000) has been past due 90 days or more.

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:

	2024	2023
	RMB'000	*RMB'000*
US$	**332,302**	233,652

18. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

Trade and other payables

	2024	2023
	RMB'000	*RMB'000*
Trade payables	**5,089,711**	3,054,954
Notes payables - guaranteed	**1,873,930**	1,005,818
	6,963,641	4,060,772
Payroll and welfare payables	**682,839**	423,731
Payables for acquisition of property, plant and equipment and intangible assets	**968,765**	794,541
Other payables and accruals	**936,852**	540,649
Payables related to Restricted Shares (as defined in note 27) granted to employees	**58,368**	61,981
	9,610,465	5,881,674
Less: Other payables due for settlement after 12 months shown under non-current liabilities	**(52,649)**	(85,206)
Amounts shown under current liabilities	**9,557,816**	5,796,468

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:

	2024	2023
	RMB'000	*RMB'000*
Age		
0 - 90 days	**5,831,250**	3,366,334
91 - 180 days	**1,055,865**	674,020
Over 180 days	**76,526**	20,418
	6,963,641	4,060,772

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:

	2024	2023
	RMB'000	*RMB'000*
US$	**1,201,277**	754,529
Japanese Yen	**12,385**	24,642
Euro	**35,287**	26,831

18. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES - continued

Contract liabilities

	2024	2023
	RMB'000	*RMB'000*
Contract liabilities on sales of miniaturised components and tooling	**62,674**	15,868

The significant increase in contract liabilities in the current year was mainly due to the acquisition of PSS Group, which resulted in the recognition of contract liabilities of RMB57,821,000, as detailed in note 26.

As at 1 January 2023, contract liabilities amounted to RMB30,435,000. 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.

19. LEASE LIABILITIES

	2024	2023
	RMB'000	*RMB'000*
Lease liabilities payable:		
Within one year	**488,572**	389,309
Within a period of more than one year but not more than two years	**160,832**	83,155
Within a period of more than two years but not more than five years	**291,693**	209,216
Within a period of more than five years	**181,921**	88,515
	1,123,018	770,195
Less: Amount due for settlement with 12 months shown under current liabilities	**(488,572)**	(389,309)
Amount due for settlement after 12 months shown under non-current liabilities	**634,446**	380,886

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 4.27% (2023: 4.36%). These lease liabilities were measured at the present value of the lease payments that are not yet paid.

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

	EURO	US$
	RMB'000	*RMB'000*
As at 31 December 2024	87,249	1,122
As at 31 December 2023	97,989	2,155

20. BANK LOANS

	2024	2023
	RMB'000	*RMB'000*
Bank loans	**5,611,073**	3,189,885
Less: Amount due within one year included in current liabilities	**(1,727,966)**	(1,463,885)
Amount due after one year	**3,883,107**	1,726,000
The carrying amounts of the above bank loans are repayable*:		
Within one year	**1,727,966**	1,463,885
Within a period of more than one year but not exceeding two years	**1,736,684**	1,600,000
Within a period of more than two years but not exceeding five years	**2,146,423**	126,000
	5,611,073	3,189,885

* 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:

	2024	2023
	RMB'000	*RMB'000*
RMB	**3,084,463**	1,098,600

The exposure of the Group's bank loans are as follows:

	2024	2023
	RMB'000	*RMB'000*
Fixed-rate bank loans	**4,558,313**	3,189,885
Variable-rate bank loans	**1,052,760**	-
	5,611,073	3,189,885

The fixed-rate bank loans carry interest rate ranging from 2.40% to 4.23% per annum (2023: 2.30% to 3.35% per annum) and variable rate bank loans carry interest rate ranging from 2.50% to 5.05% per annum (2023: nil). The Company issued guarantees to respective banks to secure these borrowings.

In respect of bank loans with carrying amount of RMB416,760,000 as at 31 December 2024 (2023: nil), the Group is required to comply with the financial covenants which are tested on a quarterly basis. The PSS Group is subject to regular reporting to the bank and has a covenant to adhere to which is based on the leverage of the PSS Group.

The Group has complied with the relevant covenants at each test date on or before the end of the reporting period and classified the related bank loans balances as current and non-current according to the scheduled repayment dates set out in the loan agreements.

21. 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 3.1506% (2023: 3.1506%) per annum.

During the year ended 31 December 2024, the principal amounts of the 2024 Notes was fully repaid. As at 31 December 2023, the principal amounts of the outstanding unsecured notes include 2024 Notes of US$276,818,000 with the carrying amount of RMB1,957,575,000. The amount was shown under current liabilities as at 31 December 2023.

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% (2023: 2.7023% and 3.8656%) respectively.

As at 31 December 2024, the principal amounts of the outstanding unsecured notes include 2026 Notes of US$230,154,000 (2023:US$230,154,000) with the carrying amount of RMB1,652,309,000 (2023: RMB1,626,590,000) and 2031 Notes of US$290,123,000 (2023:US$290,123,000) with the carrying amount of RMB2,068,231,000 (2023: RMB2,035,530,000). The amount is repayable in 2026 and 2031 shown under non-current liabilities as at 31 December 2024 (2023: non-current liabilities).

During the year ended 31 December 2024, there was no repurchase of unsecured notes. During the year ended 31 December 2023, the Group repurchased the 2026 Notes with the principal amount of US$22,450,000 and carrying amount of RMB159,636,000 at a consideration of US$19,464,000 and 2031 Notes with the principal amount of US$59,877,000 and carrying amount of RMB422,641,000 at a consideration of US$42,801,000 from open market and the notes were 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 RMB138,433,000 was recognised in the profit or loss. The repurchase of its outstanding 2026 Notes and 2031 Notes was for the purpose of optimising its debt structure and proactive management of its liabilities.

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

In accordance with the shareholders agreements entered into between the Group and certain non-controlling interests of AAC Optics (Changzhou) Co., Ltd. ("**AAC Optics**"), subject to occurrence or non-occurrence of future events including the separate listing condition, those non-controlling interests were granted the rights 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.

According to the Company's announcement dated 15 September 2023, AAC Technology Information Consultancy (Changzhou) Co., Ltd. ("**AAC TIC**"), an indirectly wholly owned subsidiary of the Company, AAC Optics and certain non-controlling interests ("**2023 Selling Investors**") entered into separate share transfer agreements, and the 2023 Selling Investors agreed to sell their entire equity interest in AAC Optics to AAC TIC. The 2023 Selling Investors in aggregate held approximately 7.1670% of the equity interest in AAC Optics, and the aggregate consideration under the share transfer agreements was approximately RMB1,448,990,000. Completion under each of the share transfer agreements was taken place immediately upon AAC TIC having paid the consideration in full in September 2023 to each of the 2023 Selling Investors pursuant to the share transfer agreements. As a result of these transactions, the contingent settlement provision amounted to RMB1,448,990,000, which represents the considerations paid by AAC TIC, were derecognised. The amount by which the non-controlling interests were adjusted, amounting to RMB141,868,000, was credited directly in equity and attributed to owners of the Company in 2023.

After completion of the share transfer agreements in 2023 and as at 31 December 2023, AAC Optics is held (i) as to approximately 88.2620% indirectly by the Company; (ii) 2% by the share incentive platforms of AAC Optics, of which 0.1649% of the shares are vested but still held under the platforms; and (iii) approximately 9.7380% by the 5 remaining strategic investors in aggregate.

According to the Company's announcement dated 26 July 2024, AAC (China) Investment Co., Ltd ("**AAC Investment**"), an indirectly wholly owned subsidiary of the Company and AAC Optics entered into separate share transfer agreements with certain non-controlling interests ("**2024 Selling Investors**"), in which the 2024 Selling Investors agreed to sell a portion of their equity interest in AAC Optics to AAC Investment. The 2024 Selling Investors in aggregate sell approximately 1.408% of the equity interest in AAC Optics at the aggregate consideration of RMB235,700,000. The difference between the amounts of the non-controlling interests adjusted and the consideration paid amounting to RMB165,890,000 is credited directly in equity and attributed to owners of the Company.

After the completion of the share transfer agreements in 2024 and as at 31 December 2024, AAC Optics is held (i) as to approximately 89.6696% indirectly by the Company; (ii) 2% by the share incentive platforms of AAC Optics, of which 0.1374% of the shares are vested but still held under the platforms; and (iii) approximately 8.3304% by the 3 remaining strategic investors in aggregate.

For the details of the arrangement, please refer to the information disclosed in the prior years' annual reports of the Company.

23. GOVERNMENT GRANTS

During the year, the Group received government grants of RMB89,538,000 (2023: RMB22,437,000) 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, RMB143,833,000 (2023: RMB213,023,000) of the grants have been released to profit or loss.

24. DEFERRED TAX ASSETS/LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2024 *RMB'000*	2023 *RMB'000*
Deferred tax assets	**414,107**	204,242
Deferred tax liabilities	**(370,383)**	(47,108)
	43,724	157,134

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/liabilities

	Tax losses *RMB'000*	Inventories *RMB'000* (Note a)	Government grants *RMB'000*	Right-of-use assets *RMB'000*	Lease liabilities *RMB'000*	Depreciation/ amortisation *RMB'000* (Note b)	Others *RMB'000*	Total *RMB'000*
At 1 January 2023	112,270	37,776	77,389	(81,179)	81,492	(42,847)	653	185,554
Credit (charge) to profit or loss	22,438	(13,984)	(32,159)	4,256	(4,384)	(3,713)	(350)	(27,896)
Currency realignment	-	24	-	-	-	(548)	-	(524)
At 31 December 2023	134,708	23,816	45,230	(76,923)	77,108	(47,108)	303	157,134
Acquisition of subsidiaries	5,003	-	-	(66,460)	68,810	(327,409)	7,745	(312,311)
Credit (charge) to profit or loss	145,683	23,396	5,893	5,754	(4,759)	19,618	(424)	195,161
Credit to other comprehensive income	-	-	-	-	-	-	1,131	1,131
Currency realignment	(122)	(4)	-	1,294	(1,449)	1,327	1,563	2,609
At 31 December 2024	285,272	47,208	51,123	(136,335)	139,710	(353,572)	10,318	43,724

24. DEFERRED TAX ASSETS/LIABILITIES - continued

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.

At the end of the reporting period, the Group has unused tax losses of approximately RMB8,937,169,000 (2023: RMB8,282,264,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB1,258,932,000 (2023: RMB651,313,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately RMB7,678,237,000 (2023: RMB7,630,951,000) 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 2034 (2023: year 2033) from the year when the losses are incurred.

At 31 December 2024 and 2023, 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.

25. SHARE CAPITAL

	Number of shares	Amount *US$'000*
Shares of US$0.01 each		
Authorised:		
Ordinary shares at 1 January 2023, 31 December 2023 and 31 December 2024	5,000,000,000	50,000
Issued and fully paid:		
Ordinary shares at 1 January 2023	1,203,250,000	12,033
Shares repurchased and cancelled	(4,750,000)	(48)
Ordinary shares at 31 December 2023 and 31 December 2024	1,198,500,000	11,985

	RMB'000
At 1 January 2023	97,708
Shares repurchased and cancelled	(387)
At 31 December 2023 and 31 December 2024	97,321

25. SHARE CAPITAL - continued

During the year ended 31 December 2023, 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*
January	2,544,500	18.02	16.40	42,766

During the year ended 31 December 2023, the Company repurchased a total of 2,544,500 issued ordinary shares of the Company in the market for a consideration of HK$42,766,000 (equivalent to approximately RMB38,057,000) and the consideration for share repurchased in December 2022 amounting to RMB34,604,000 was paid during the year ended 31 December 2023. During the year ended 31 December 2023, 2,544,500 ordinary shares repurchased in 2023 and 2,205,500 ordinary shares repurchased in December 2022 were cancelled.

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

Gross obligation liabilities for share buy-back program

On 16 December 2024, the Company entered into an agreement with an independent broker (the "**Broker**") under which the Broker is appointed to operate the automatic share buy-back program, in which the Company has agreed parameters for the Broker to buy back up to HK$778,000,000 of the Company's shares on the Hong Kong Stock Exchange from the commencement date of the share buy-back program up to 16 May 2025. Since the Broker is considered as the principal of the share buy-back program and the Company has the obligation to pay the Broker for the share buy-back with a maximum amount up to HK$778,000,000 (equivalent to approximately RMB718,405,000), the amount is initially recognised as gross obligation liabilities and the corresponding debit to other reserve. During the year ended 31 December 2024, the Company had paid HK$155,388,000 (equivalent to approximately RMB143,485,000) to the Broker as the prepayment to execute the share buy-back program, out of which consideration of HK$79,589,000 (equivalent to approximately RMB73,493,000) is paid for the repurchase of 2,130,500 issued ordinary shares of the Company. As at 31 December 2024, the outstanding gross obligation liabilities was RMB574,920,000.

During the year ended 31 December 2024, the Company repurchased its own ordinary shares through the Broker on 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***
December	**2,130,500**	**38.85**	**35.70**	**79,589**

Further details of the share buy-back program were set out in the Company's announcement dated 16 December 2024.

26. ACQUISITION OF SUBSIDIARIES

On 10 August 2023, the Group entered into the sale and purchase agreement pursuant to which the Group agreed to purchase all of the issued shares of the PSS Group. Pursuant to such agreement, the Group will purchase the sale shares from the Sellers in two tranches, with the First Tranche Transaction and the Second Tranche Transaction comprising 80% and 20%, respectively, of the issued shares in the capital of the PSS Group.

The First Tranche Transaction purchase price comprises the sum of US$320,000,000 (the "**Initial Purchase Price**") (representing an equity value of US$400,000,000 for 100% of the sale shares) together with interest thereon from 1 April 2023 to the date of first tranche completion less the price adjusting leakage (if any) (the "**First Tranche Consideration**").

The Second Tranche Transaction purchase price will comprise the sum of: (i) an agreed multiple of the target earnings before interest, taxes, depreciation and amortisation (the "**EBITDA**") plus (ii) the target adjusted net financial debt (cash) multiplied by 20% together with interest thereon from the second tranche effective date (being 1 April 2025) (or the postponed second tranche effective date, being 1 April 2026 or 1 April 2027) to the date of second tranche completion. The Sellers or the Group have the right to postpone the second tranche effective date from 1 April 2025 up to two times by one year each time, that is, to 1 April 2026 or 1 April 2027. If the postponement right is exercised by one of the parties and the other party disagrees with the postponement, the Group will purchase the second tranche shares at an agreed fixed purchase price together with interest thereon (the "**Second Tranche Consideration**").

The First Tranche Transaction is completed on 9 February 2024. After considering the terms under the sale and purchase agreement and shareholders' agreement dated 10 August 2023, the Directors of the Company considered that the Group has consolidated 100% interest in the PSS Group upon the completion of the First Tranche Transaction. The Second Tranche Consideration is considered to be deferred consideration. The consideration and PSS Group's financial information represented below are as at acquisition date of 9 February 2024.

Acquisition Consideration as at 9 February 2024

	RMB'000
First Tranche Transaction - Cash consideration at completion	**1,924,223**
Escrow deposit for acquisition of subsidiaries paid in 2023	**284,156**
First Tranche Consideration (note a)	**2,208,379**
Second Tranche Consideration - Contingent consideration payables (note b)	**1,236,991**
	3,445,370

26. ACQUISITION OF SUBSIDIARIES - continued

Acquisition Consideration as at 9 February 2024 - continued

Notes:

a. The First Tranche Consideration comprise of:

   (i) the First Tranche Transaction purchase price of US$320,000,000 (equivalent to RMB2,273,252,000);
   (ii) plus the interest thereon from 1 April to 2023 to 9 February 2024 calculated on a daily basis at the rate of 6.75% per annum, amounting to US$18,641,000 (equivalent to approximately RMB132,424,000);
   (iii) less the price leakage adjustment of US$27,773,000 (equivalent to approximately RMB197,297,000).

b. The amount represents the Second Tranche Consideration which could be (a) US$136,409,000 (equivalent to RMB969,036,000) if the Sellers exercise their postponement right and the Group disagrees, or (b) US$204,613,000 (equivalent to RMB1,453,550,000) if the Group exercises its postponement right and the Sellers disagree, or (c) an agreed multiple of the PSS Group's EBITDA plus the PSS Group's adjusted net financial debt (cash) multiplied by 20% plus interest on the Second Tranche Purchase Price calculated on a daily basis at the rate of 6.75% per annum from the second tranche effective date (being 1 April 2025) (or the postponed second tranche effective date, being 1 April 2026 or 1 April 2027) to the date of second tranche completion. The Directors of the Company have estimated the Second Tranche Purchase Price to be US$174,128,500 (equivalent to approximately RMB1,236,991,000), which is determined based on the fair value of the identified assets and liabilities with reference to the valuation carried out by an independent qualified professional valuer to purchase remaining 20% of the issued shares of the PSS Group. As at 31 December 2024, the latest fair value of the contingent consideration payables amounted to US$175,399,000 (equivalent to approximately RMB1,260,837,000)).

Acquisition-related costs amounting to RMB37,131,000 have been excluded from the consideration transferred, in which RMB6,461,000 have been recognised directly as an expense in the current year, while the remaining were recognised during the year ended 31 December 2023, within the "administrative expenses" line item in the consolidated statement of profit or loss.

26. ACQUISITION OF SUBSIDIARIES - continued

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	**440,348**
Right-of-use assets	**316,112**
Intangible assets (note a)	**1,299,025**
Deferred tax assets	**23,022**
Derivative financial instruments - assets	**28,396**
Contract costs	**45,429**
Cash and cash equivalents	**451,422**
Trade and other receivables	**788,051**
Inventories	**533,765**
Taxation recoverable	**14,779**
Trade and other payables	**(1,081,920)**
Contract liabilities	**(57,821)**
Lease liabilities	**(328,727)**
Taxation payable	**(27,575)**
Deferred tax liabilities (note b)	**(335,333)**
Derivative financial instruments - liabilities	**(9,680)**
Bank loans	**(464,181)**
Defined benefit obligations	**(7,766)**
Net assets	**1,627,346**

Notes:

(a) The amounts mainly represent the fair value of customer base of RMB968,971,000 and technology of RMB266,396,000 acquired in the acquisition of the PSS Group. The useful life of the intangible assets is determined by reference to the comparable market information.

(b) The deferred tax liabilities mainly relating to the fair value adjustment of property, plant and equipment and intangible assets which deferred tax liabilities amounted to approximately RMB321,967,000, which is calculated at the Belgium corporate income tax rate of 25%.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	**3,445,370**
Less: recognised amounts of net assets acquired	**(1,627,346)**
Goodwill arising on acquisition	**1,818,024**

None of the goodwill arising on this acquisition was expected to be deductible for tax purposes.

26. ACQUISITION OF SUBSIDIARIES - continued

Net cash outflows arising on acquisition of PSS Group

	RMB'000
Total consideration	**3,445,370**
Less: Cash and cash equivalents acquired	**(451,422)**
Escrow deposit for acquisition of a subsidiary	**(284,156)**
Contingent consideration payables	**(1,236,991)**
	1,472,801

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2024 is RMB239,439,000 attributable to the additional business generated by the PSS Group. Revenue for the year ended 31 December 2024 includes RMB3,359,569,000 generated from the PSS Group.

Had the acquisition of PSS Group been completed on 1 January 2024, revenue for the year ended 31 December 2024 of the Group (including PSS Group) would have been RMB27,615,934,000, and the profit for the year ended 31 December 2024 of the Group (including PSS Group) would have been RMB1,817,517,000. 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 2024, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had PSS Group been acquired at the beginning of the year ended 31 December 2024, the Directors of the Company calculated depreciation and amortisation of property, plant and equipment, right-of-use assets and intangible assets based on their recognised amounts at the date of the acquisition.

27. SHARE AWARD SCHEME

Share award scheme of the Company

2016 share award scheme of the Company

The Company on 23 March 2016 had adopted the AAC Share Award Scheme (the "**2016 Scheme**") constituted by a Trust Deed between the Company and Bank of Communications Trustee Limited (the "**2016 Trustee**"), in which employees may be selected by the Board of Directors to participate. Pursuant to the 2016 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 2016 Trustee of the trusts declared in the Trust Deed.

On the grant of the share awards, the relevant number of shares may be legally issued or transferred to the 2016 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 based payments reserve.

On 24 March 2022, the Company granted a total of 10,230,593 shares ("**Awarded Shares**") to 340 selected employees pursuant to the 2016 Scheme at nil consideration. The fair value of the shares granted pursuant to the 2016 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 subject to the relevant key performance targets.

During the year ended 31 December 2023, the 2016 Trustee purchased an aggregate of 9,544,000 shares at prices ranging from HK$15.3 to HK$21.5 per share at a total consideration of HK$174,746,000 (equivalent to RMB154,042,000) on the Hong Kong Stock Exchange for the purpose of the 2016 Scheme (2024: nil).

As at 31 December 2024, an aggregate of 14,752,257 shares (2023: 17,210,645 shares) of the Company had been purchased and held by the 2016 Trustee, in which 327,574 Awarded Shares are vested (2023: 158,444 Awarded Shares) and were still held under the 2016 Trustee. Since the date of adoption of the 2016 Scheme up to 31 December 2024, no new shares had been issued to the 2016 Trustee.

Movement of the shares vested and granted to selected employee(s) under the 2016 Scheme during the years ended 31 December 2024 and 2023 are as follows:

For the year ended 31 December 2024

		Number of shares			
Date of grant	**Vesting period**	**At 1 January 2024**	**Vested on 24 March 2024**	**Shares entitlement forfeited**	**At 31 December 2024**
24 March 2022	**24 March 2022 to 24 March 2024**	**2,790,916**	**(2,627,518)**	**(163,398)**	**-**
24 March 2022	**24 March 2022 to 24 March 2025**	**2,799,296**	**-**	**(186,058)**	**2,613,238**
		5,590,212	**(2,627,518)**	**(349,456)**	**2,613,238**

27. SHARE AWARD SCHEME - continued

Share award scheme of the Company - continued

2016 share award scheme of the Company - continued

For the year ended 31 December 2023

		Number of shares			
Date of grant	Vesting period	At 1 January 2023	Vested on 24 March 2023	Shares entitlement forfeited	At 31 December 2023
24 March 2022	24 March 2022 to 24 March 2023	3,193,933	(2,722,799)	(471,134)	-
24 March 2022	24 March 2022 to 24 March 2024	3,193,933	-	(403,017)	2,790,916
24 March 2022	24 March 2022 to 24 March 2025	3,203,524	-	(404,228)	2,799,296
		9,591,390	(2,722,799)	(1,278,379)	5,590,212

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

Movements of Awarded Share purchased are as follows:

	Number of shares purchased	Cost of purchase *RMB'000*
At 1 January 2023	10,231,000	273,688
Shares purchased from the market during the year	9,544,000	154,042
Awarded Shares vested	(2,722,799)	(77,894)
Awarded Shares vested and held by the 2016 Trustee	158,444	4,533
At 31 December 2023	17,210,645	354,369
Awarded Shares vested	(2,627,518)	(75,664)
Awarded Shares vested and held by the 2016 Trustee	169,130	4,870
At 31 December 2024	14,752,257	283,575

During the year ended 31 December 2024, the Group recognised total expenses of RMB17,391,000 (2023: RMB32,021,000) in relation to the 2016 Scheme for shares granted by the Company.

27. SHARE AWARD SCHEME - continued

Share award scheme of the Company - continued

2023 share award scheme of the Company

The Company on 17 April 2023 had adopted the share award scheme (the "**2023 Scheme**") constituted by a Trust Deed between the Company and BOCI Trustee (Hong Kong) Limited (the "**2023 Trustee**"), in which employees may be selected by the Board of Directors to participate. Pursuant to the 2023 Scheme, shares of the Company will be purchased on the Hong Kong Stock Exchange, by the 2023 Trustee of the trusts declared in the trust deed.

On the grant of the share awards, the relevant number of shares may be transferred to the 2024 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-based payments reserve.

During the year ended 31 December 2024, the 2023 Trustee purchased an aggregate of 2,700,000 shares at price ranging from HK$23.45 to HK$25.00 per share at a total consideration of HK$65,646,000 (equivalent to RMB59,666,000) (2023: an aggregate of 9,119,000 shares at price ranging from HK$13.18 to HK$17.46 per share at a total consideration of HK$142,743,000 (equivalent to RMB127,050,000)) on the Hong Kong Stock Exchange for the purpose of the 2023 Scheme.

As at 31 December 2024, an aggregate of 11,819,000 shares (2023: 9,119,000 shares) of the Company had been purchased and held by the 2023 Trustee. Since the adoption of 2023 Scheme up to 31 December 2024, no new shares had been issued to the 2023 Trustee.

No share awards have been granted to any employees since adoption of the 2023 Scheme.

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 2024, the net cash payment to the Eligible Scheme Participants under the Subsidiary Scheme is RMB997,000 (2023: RMB25,032,000).

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.

27. SHARE AWARD SCHEME - continued

Subsidiary Scheme - continued

During the year ended 31 December 2023, the Group repurchased of 72,407,113 Restricted Shares, out of which 15,929,000 Restricted Shares amounted to RMB15,929,000 remain unpaid and is recorded as other payables, at the subscription price of RMB1 per share of AAC Optics and further grant 3,292,326 Restricted Shares at the subscription price of RMB1 per share of AAC Optics to the Eligible Scheme Participants. The granted shares would be vested over a requisite service period from the date of grant in 2023 to the end of 2026 subject to the relevant key performance targets of AAC Optics during the vesting period.

During the year ended 31 December 2024, the Group repurchased of 22,131,333 Restricted Shares at the subscription price of RMB1 per share of AAC Optics from the Eligible Scheme Participants and no shares were granted in 2024.

As at 31 December 2024, the net cash proceed of unvested portion of Restricted Shares, amounting to RMB23,921,000 (2023: RMB46,052,000), is recorded as other payables as the shares are contingently returnable. In addition, as at 31 December 2024, for the consideration of repurchased share amounted to RMB34,447,000 (2023: RMB15,929,000) is not yet repaid and is recorded as other payables.

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 2023	115,166,715	193,891
Granted during the year	3,292,326	5,543
Repurchased during the year	(72,407,113)	(121,902)
Unvested as at 31 December 2023	46,051,928	77,532
Repurchased during the year	(22,131,333)	(37,260)
Unvested as at 31 December 2024	23,920,595	40,272

As of 31 December 2024, there are 100,293,466 Unvested Restricted Shares (2023: 78,162,133 Unvested Restricted Shares) arising from the repurchased and 1,866,630 Restricted Shares (2023: nil) vested in prior years that repurchased during the year ended 31 December 2024, and held under the Platforms which are available to be granted to the eligible employees under the Subsidiary Scheme.

During the year ended 31 December 2024, the subsidiary reversed share-based payment expense of RMB22,452,000 (2023: reversed share-based payment expense of RMB19,490,000) in relation to the shares granted by the subsidiary under Subsidiary Scheme and the amount is debited (2023: debited) to the non-controlling interests in the Group.

27. SHARE AWARD SCHEME - continued

Subsidiary Scheme - continued

In the opinion of the Directors of the Company, the fair value of Restricted Shares granted during the year ended 31 December 2023 was based on discounted cash flow. 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 included in the non-controlling interests.

28. OPERATING LEASE ARRANGEMENTS

The Group as a lessor

The properties held for rental purposes have committed lessees for the next 17 years (2023: 15 year).

Undiscounted lease payments receivable on leases are as follows:

	2024	2023
	RMB'000	*RMB'000*
Within one year	**25,582**	13,959
In the second year	**32,037**	15,216
In the third year	**34,804**	18,285
In the fourth year	**37,485**	18,822
In the fifth year	**35,650**	19,150
After five years	**326,042**	85,562
	491,600	170,994

29. 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.

29. 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 2024 *RMB'000*	Fair value as at 2023 *RMB'000*	Fair value hierarchy	Valuation technique(s) and key input (s)	Significant unobservable input(s)	Sensitivity/ relationship of unobservable inputs to fair value
Equity instruments at FVTOCI - Listed shares	**31,424**	29,483	Level 1	Quoted bid prices in an active market.	N/A	N/A
Equity instruments at FVTOCI - Unlisted equity investments	**92,601**	75,477	Level 3	Income approach. The discounted cash flow method was used to capture future economic benefits to be derived from the ownership of these investments.	Discount rate, taking into account of weighted average cost of capital determined using a Capital Asset Pricing Model.	The higher the discount rate, the lower the fair value, and vice versa.
					Forecasted future cash flows	The higher the forecast future cash flow, the higher the fair value, and vice versa.
Equity instruments at FVTOCI - Unlisted equity investments	**464,698**	318,829	Level 3	Market approach. The market approach was used to determine the valuation using trailing-twelve-month ("**TTM**") Price-to-Sales ("**P/S**") multiples of selected comparable listed companies in a similar business and similar business model and adjusted for the lack of marketability.	The lack of marketability discount.	The higher the lack of marketability discount, the lower the fair value.
					TTM P/S multiples of selected comparable companies.	The higher the TTM P/S multiples, the higher the fair value.
Equity instruments at FVTOCI - Unlisted equity investments	**9,691**	33,222	Level 3	Recent transaction prices of underlying investments.	N/A	N/A
Total equity instruments at FVTOCI	**598,414**	457,011				

29. 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 2024 RMB'000	Fair value as at 2023 RMB'000	Fair value hierarchy	Valuation technique(s) and key input (s)	Significant unobservable input(s)	Sensitivity/ relationship of unobservable inputs to fair value
Financial assets at FVTPL	**31,499**	21,248	Level 3	Recent transaction prices of underlying investments	N/A	N/A
Financial assets at FVTPL	**366,899**	348,342	Level 3	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.	The lack of marketability discount. TTM P/S multiples of selected comparable companies.	The higher the lack of marketability discount, the lower the fair value. The higher the TTM P/S multiples, the higher the fair value.
Financial assets at FVTPL	**51,264**	43,711	Level 3	Binomial Option Pricing Model	Volatility	The higher the volatility, the higher the fair value, and vice versa
Total financial assets at FVTPL	**449,662**	413,301				
Cross currency swap contract	-	Assets - 2,869 (designated for hedging)	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 a rate that reflects the credit risk of various counterparties.	N/A	N/A
Foreign currency forward contracts	**Assets - 4,155 (not under hedge accounting)** **Liabilities - 71,593 (under hedge accounting)** **Liabilities - 49,966 (not 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 a rate that reflects the credit risk of various counterparties.	N/A	N/A
Interest rate swap contracts	**Liabilities - 1,526 (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
Contingent consideration payables	**1,260,837**	-	Level 3	The discounted cash flow method was used to estimate future economic outflow to the sellers.	Discount rate, taking into account incremental borrowing rate. 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.

29. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - continued

(ii) Reconciliation of level 3 fair value measurements

	Contingent consideration payables *RMB'000*	Equity instruments at FVTOCI *RMB'000*	Financial assets at FVTPL *RMB'000*
At 1 January 2023	-	424,798	186,303
Capital return	-	(18,666)	-
Purchase made	-	18,200	232,139
Total gain (losses):			
- in other comprehensive income	-	1,033	-
- in profit and loss	-	-	(6,724)
Currency realignment	-	2,163	1,583
At 31 December 2023	-	427,528	413,301
Capital return	-	(9,864)	-
Purchase made	-	-	50,965
Acquisition of subsidiaries	(1,236,991)		
Total gain (losses):			
- in other comprehensive income	-	147,458	-
- in profit and loss	(23,846)	-	(21,075)
Currency realignment	-	1,868	6,471
At 31 December 2024	(1,260,837)	566,990	449,662

Of the total gains or losses for the period included in profit or loss, RMB21,075,000 (2023: RMB6,724,000) relates to financial assets at FVTPL at the end of the current reporting period. Fair value loss on financial assets at FVTPL are included in "other gains and losses".

Included in other comprehensive income is an amount of RMB145,374,000 gain (2023: RMB1,033,000 gain) 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 RMB3,441,301,000 (2023: RMB4,889,467,000), 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 C1 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 2024, the Company has complied with all the code provision(s).

In addition, the Board in 2024 reviewed the Company's policies and practices on corporate governance, the terms of reference of the Board and committees of the Board, and published its Sustainability Report for the year ended 31 December 2023 in April 2024. 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 2024. The Audit and Risk Committee met twice during the year in advance of Board meetings that considered the 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 2024. 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 2024.

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 2024 financial year. The internal audit department carries out independent analyses and appraisals of the adequacy and effectiveness of prescribed risk management and internal controls. The Audit and Risk Committee receives regular 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 the shareholders of the Company (the "**Shareholders**") and will also be made available on the Company's website at www.aactechnologies.com:

I. Board, Executive Management and Corporate Culture
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. Sustainability Governance
IX. Shareholders Engagement and Value
X. Shareholders' Rights

SUSTAINABILITY

In 2024, the Group has strengthened its leadership and integrated ESG more into the business in addressing environmental and social challenges. The sustainable development of the Group's business is now driven by a two-level governance structure: the Sustainability Committee ("**the SC Committee**"), established in May 2024, for reviewing and endorsing the Company’s sustainability strategies, policies, practices, and goals, and reporting them to the Board; and the Sustainability Work Group ("**SWG**"), led by Executive Vice President with officers responsible for different functions of the Group, for review and evaluation of the adequacy and effectiveness of group-level policies associated with sustainability. The SWG proactively reviews and updates identified material ESG topics and their materiality, performance and targets to ensure they align with the Group's long-term business targets and global ESG laws, regulations and recommendations.

In expanding the Group’s diversified business, the Group continue to leverage Premium Sound Solutions ("**PSS**") to offer high-value algorithms to secure automotive customers with comprehensive perceptual solutions. The Group is also ready to embrace the emerging business technology opportunities such as artificial intelligence, AR/VR and robotics.

In our efforts on climate change, the Group has also taken proactive measures and will set environmental and social targets - moderate as they are, representing our gradual effort of learning and participating. In addition to Ma'anshan and Yangzhou factories, adoption of solar photovoltaic power system (PV systems) will be extended. By 2030, over 60% of the Group's factories in China, Vietnam, and Malaysia will have PV systems installed; and further resources will be committed to exploring potential energy reduction. The Group's climate change policy, based on professional analysis of the climate's physical and transition risks and opportunities, has been updated to serve as our roadmap to sustainable development.

The full 2024 Sustainability Report covering operational, talent management, environmental impacts, community care and other sustainability governance topics will be made available along with the publication of the annual report in April 2024 on the Company's website at www.aactechnologies.com.

As in previous years, the Group's sustainability-related performance and disclosures have been recognized by various global ESG professional awards organizations. The Group is committed to enhancing communications and disclosures on improving such ratings.

SHARE AWARD SCHEMES

2016 Share Award Scheme

As announced by the Company on 23 March 2016, the Board resolved to adopt a share award scheme (the "**2016 Share Award Scheme**") in which the Employees (other than the Excluded Employees) may be selected by the Board to participate. The purpose of the 2016 Share Award Scheme is to permit the Company to grant awards to the Selected Employees as incentives for their contributions to the Group and to attract suitable personnel for further development of the Group. Subject to any early termination as may be determined by the Board pursuant to the scheme rules of the 2016 Share Award Scheme (the "**2016 Scheme Rules**"), the 2016 Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on 23 March 2016.

In this section, Employee(s) refers to any employee (including without limitation any executive Director but excluding any non-executive Director or independent non-executive Director) of any member of the Group; Excluded Employee(s) refers to any Employee who is resident in a place where the award of the awarded shares and/or the vesting and transfer of the awarded shares pursuant to the terms of the 2016 Share Award Scheme is not permitted under the laws or regulations of such place or where in the view of the Board or Bank of Communications Trustee Limited (the "**2016 Scheme Trustee**") (as the case may be), compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such Employee; Selected Employee(s) refers to Employee(s) selected by the Board pursuant to the 2016 Scheme Rules for participation in the 2016 Share Award Scheme.

Subject to the provisions of the 2016 Scheme Rules, the Board may, from time to time, exercise its absolute discretion in selecting any Employee (other than any Excluded Employee) for participation in the 2016 Share Award Scheme as a Selected Employee, and grant such number of awarded shares to any Selected Employee at no consideration. The 2016 Scheme Rules do not provide for any amount which will be payable on acceptance of the award or period within which payments must be made.

The maximum number of shares of the Company (the "**Share(s)**") that may be awarded under the 2016 Share Award Scheme during its term is limited to 1.65% (i.e., 19,775,250 Shares as at 20 March 2025) 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 under the 2016 Share Award Scheme during its term shall not exceed 0.5% (i.e., 5,992,500 Shares as at 20 March 2025) of the issued share capital of the Company from time to time. Pursuant to the 2016 Share Award Scheme, Shares will be subscribed for at a subscription price as determined by the Board, or purchased on the Hong Kong Stock Exchange, by the 2016 Scheme Trustee at the cost of the Company and will be held by the 2016 Scheme Trustee on trust for Selected Employee(s) under the 2016 Share Award Scheme before vesting.

Since the date of adoption of the 2016 Share Award Scheme and up to 31 December 2024, no new Shares have been issued to the 2016 Scheme Trustee pursuant to the 2016 Scheme Rules and trust deed of the 2016 Share Award Scheme. During the year ended 31 December 2024, no Shares were purchased by the 2016 Scheme Trustee on the Hong Kong Stock Exchange for the purpose of the 2016 Share Award Scheme. The total number of Shares available for issue to, or purchase by, the 2016 Scheme Trustee under the 2016 Share Award Scheme are 250 Shares, representing approximately 0.00002% of the issued share capital (excluding treasury Shares) of the Company as at 19 March 2025.

Since the date of adoption of the 2016 Share Award Scheme and up to 31 December 2024, a total of 10,230,593 awarded Shares were granted to 340 employees at nil consideration, in which 2,722,799 and 2,627,518 awarded Shares had been vested to employees on 24 March 2023 and 24 March 2024, respectively. The awarded Shares shall be vested in the grantees at nil consideration subject to the terms of the 2016 Share Award Scheme and the vesting conditions as set out in the respective grant notice to each grantee (including a period of continued service within the Group after the grant of the award and performance targets which must be attained).

No awarded Shares were granted under the 2016 Share Award Scheme during the year ended 31 December 2024. The number of Shares that may be issued in respect of the awarded Shares granted under the 2016 Share Award Scheme during the year ended 31 December 2024 divided by the weighted average number of Shares in issue for the year ended 31 December 2024 was nil.

As at 31 December 2024, the 2016 Scheme Trustee held a total of 14,752,257 unvested Shares under the 2016 Share Award Scheme, and the remaining Shares which could be further awarded under the 2016 Share Award Scheme were 11,811,695 Shares.

2023 Share Award Scheme

As announced by the Company on 17 April 2023, the Board resolved to adopt a share award scheme (the "**2023 Share Award Scheme**") in which the Employees (other than the Excluded Employees) may be selected by the Board to participate. The purposes of the 2023 Share Award Scheme are: (i) to achieve the long-term business objectives of the Group; (ii) to implement the Group's long-term business strategy; (iii) to enhance the value of the Group; (iv) to advance the growth and achieve sustainable development of the Group; and (v) to enable the Employees to share the success in the growth of the Group. Subject to any early termination as may be determined by the Board pursuant to the scheme rules of the 2023 Share Award Scheme (the "**2023 Scheme Rules**"), the 2023 Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on 17 April 2023.

In this section, Employee(s) refers to any employee (including without limitation any executive Director but excluding any non-executive Director or independent non-executive Director) of any member of the Group; Excluded Employee(s) refers to any Employee who is resident in a place where the award of the awarded Shares and/or the vesting and transfer of the awarded Shares pursuant to the terms of the 2023 Share Award Scheme is not permitted under the laws or regulations of such place or where in the view of the Board or BOCI Trustee (Hong Kong) Limited (the "**2023 Scheme Trustee**") (as the case may be), compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such Employee; Selected Employee(s) refers to Employee(s) selected by the Board pursuant to the 2023 Scheme Rules for participation in the 2023 Share Award Scheme.

Subject to the provisions of the 2023 Scheme Rules, the Board may, from time to time, exercise its absolute discretion in selecting any Employee (other than any Excluded Employee) for participation in the 2023 Share Award Scheme as a Selected Employee, and grant such number of awarded Shares to any Selected Employee at no consideration. The 2023 Scheme Rules do not provide for any amount which will be payable on acceptance of the award or period within which payments must be made.

The maximum number of Shares that may be awarded under the 2023 Share Award Scheme during its term is limited to 45,000,000 Shares, representing approximately 3.75% of the issued share capital of the Company as at 20 March 2025. The maximum number of awarded Shares that may be granted to any one Selected Employee under the 2023 Share Award Scheme during its term shall not exceed 0.5% (i.e., 5,992,500 Shares as at 20 March 2025) of the issued share capital of the Company from time to time. Pursuant to the 2023 Share Award Scheme, Shares will be purchased on the Hong Kong Stock Exchange by the 2023 Scheme Trustee at the cost of the Company, and will be held by the 2023 Scheme Trustee on trust for Selected Employee(s) under the 2023 Share Award Scheme before vesting. Save from above, there is no material difference between the terms of the 2016 Share Award Scheme and the 2023 Share Award Scheme.

In May and June 2024, the 2023 Scheme Trustee purchased 2,450,000 and 250,000 Shares, respectively, on the Hong Kong Stock Exchange for the purpose of the 2023 Share Award Scheme, funded by the Company's internal resources. As at 31 December 2024, the 2023 Scheme Trustee held a total of 11,819,000 Shares under the 2023 Share Award Scheme.

Since the date of adoption of the 2023 Share Award Scheme and up to 31 December 2024, no awarded Shares had been granted to Selected Employee(s) under the 2023 Share Award Scheme.

Subsidiary Share Incentive Scheme

In addition to the above Share Award Schemes, AAC Optics, a subsidiary of the Company, operates a subsidiary share incentive (the "**Subsidiary Share Incentive Scheme**"). The purpose of the Subsidiary Share Incentive Scheme is to provide the selected employees of AAC Optics and relevant personnel a market oriented incentive scheme and attract top talents. AAC Optics intends to incentivise and reward them for their commitment and dedication to its business expansion. The fair value of the restricted shares of AAC Optics granted is measured on basis of a transaction price.

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 23 May 2024, 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.

On 16 December 2024, the Company entered into an agreement (the "**Broker Agreement**") with an independent broker (the "**Broker**") under which the Broker was appointed to operate the Automatic Share Buy-back Program (as defined below). Pursuant to the Broker Agreement, the Company agreed parameters for the Broker to buy back up to HK$778 million (being the HKD equivalent of US$100 million) of the Shares on the Hong Kong Stock Exchange. The Broker would execute all buy-backs of the Shares in accordance with the parameters as set out under the Broker Agreement and act independently from and not influenced by the Company and its connected persons (as defined under the Hong Kong Listing Rules) (the "**Automatic Share Buy-back Program**").

During the year ended 31 December 2024, the Company repurchased, under the Repurchase Mandate and the Automatic Share Buy-back Program, a total of 2,130,500 Shares on the Hong Kong Stock Exchange, representing approximately 0.17% of the total issued Shares (i.e., 1,198,500,000 Shares) as at 31 December 2024, with the aggregate consideration paid (before expenses) amounting to approximately HK$79.59 million which was paid out from the Company's retained profits. All Shares repurchased during the year ended 31 December 2024 were held as treasury Shares which are intended to be used for satisfying any future grants of Awarded Shares of the Share Award Schemes as at the date of this announcement. During the year ended 31 December 2024, no treasury Shares have been resold and accordingly, there were 2,130,500 Shares held by the Company in treasury as at 31 December 2024.

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.

Details of the Shares repurchased during the year ended 31 December 2024 are as follows:

		Purchase price paid per Share		
Month	**Total number of the Shares repurchased**	**Highest** *(HK$)*	**Lowest** *(HK$)*	**Aggregate Consideration** [1] *(HK$'000)*
December 2024	2,130,500	38.85	35.70	79,589

Note:

(1) Including brokerage, transaction levy, stamp duty and transaction cost of HK$86,000.

(2) Subsequently after the year ended 31 December 2024 and up to 19 March 2025, the Company further repurchased an addition of 7,577,500 Shares under the Repurchase Mandate and the Automatic Share Buy-Back Program. All such repurchased Shares have been held as treasury Shares.

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. As at 1 January 2023, the outstanding aggregate principal amounts of the 2024 Notes, the 2026 Notes and the 2031 Notes were US$276,818,000, US$230,154,000 and US$290,123,000, respectively.

In November 2024, the 2024 Notes were matured and were fully redeemed. As at 31 December 2024, the outstanding aggregate principal amounts of the 2026 Notes and the 2031 Notes remained the same at US$230,154,000 and US$290,123,000, respectively.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury Shares) during the year ended 31 December 2024.

HUMAN RESOURCES

As at 31 December 2024, the Group employed 37,273 permanent employees, a 25% increase from 29,922 employees as at 31 December 2023. In 2024, 11% workforce came from acquisition of PSS and the remaining from increased business volume of the Group's various product lines. The Group's human capital efficiency continued to improve with advanced production methodologies and automation.

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; and during this period adding from the acquisition of PSS, Belgium, Germany, Hungary and Mexico.

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 C3 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 2024.

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, 19 May 2025 to Thursday, 22 May 2025, 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, 16 May 2025.

ii. For entitlement of proposed final dividend

The registers of members of the Company will be closed from Wednesday, 28 May 2025 to Friday, 30 May 2025, 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, 27 May 2025.

DESPATCH OF ANNUAL REPORT

The annual report of the Company containing the Directors' report and consolidated financial statements for the year ended 31 December 2024, will be published on the Company's website at www.aactechnologies.com and the website of the Hong Kong Stock Exchange in April 2025.

The annual report and the notice of annual general meeting will also be dispatched to Shareholders in April 2025.

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, 20 March 2025

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.