瑞聲科技控股有限公司
AAC Technologies Holdings Inc.
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 02018)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2012

FINANCIAL HIGHLIGHTS

Revenue of the AAC Technologies Holdings Inc. ("**AAC Technologies**" or the "**Company**" and together with its subsidiaries, collectively the "**Group**") for the year ended 31st December, 2012 amounted to RMB6,282.9 million, representing an increase of 54.8% from RMB4,059.7 million for the previous year. Profit attributable to owners of the Company for the year ended 31st December, 2012 amounted to RMB1,762.6 million, representing an increase of 70.1% from RMB1,036.2 million for the previous year.

RESULTS

The board (the "**Board**") of directors (the "**Director(s)**") of the Company is pleased to announce the audited consolidated financial statements of the Group for the year ended 31st December, 2012 together with the audited comparative figures for the corresponding period in 2011. These audited consolidated financial statements have been reviewed by the Company's audit committee (the "**Audit Committee**") and approved by the Board on 26th March, 2013.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2012

	NOTES	**2012** **RMB'000**	2011 RMB'000
Revenue		**6,282,946**	4,059,687
Cost of goods sold		**(3,508,741)**	(2,275,273)
Gross profit		**2,774,205**	1,784,414
Other income		**71,139**	66,828
Net fair value gain (loss) on foreign currency forward contracts		**1,206**	(3,829)
Distribution and selling expenses		**(186,273)**	(136,875)
Administrative expenses		**(277,468)**	(153,482)
Research and development costs		**(461,568)**	(358,238)
Share of results of associates		**25,800**	(19,154)
Gain on deemed disposal of partial interest in an associate	*4*	**35,407**	-
Exchange gain (loss)		**45,103**	(32,592)
Finance costs	*5*	**(12,033)**	(5,513)
Profit before taxation	*6*	**2,015,518**	1,141,559
Taxation	*7*	**(258,945)**	(108,626)
Profit for the year		**1,756,573**	1,032,933
Other comprehensive expense:			
Exchange differences arising from translation		**(7,331)**	(20,035)
Total comprehensive income for the year		**1,749,242**	1,012,898
Profit for the year attributable to:			
Owners of the Company		**1,762,625**	1,036,192
Non-controlling interests		**(6,052)**	(3,259)
		1,756,573	1,032,933
Total comprehensive income and expense attributable to:			
Owners of the Company		**1,754,741**	1,017,289
Non-controlling interests		**(5,499)**	(4,391)
		1,749,242	1,012,898
Earnings per share - Basic	*9*	**RMB143.54 cents**	RMB84.38 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2012

	NOTES	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	*10*	**3,624,281**	2,697,120
Goodwill		**11,803**	11,803
Prepaid lease payments		**113,045**	109,290
Deposits made for acquisition of property, plant and equipment		**158,556**	123,428
Available-for-sale investment	*11*	**3,254**	3,254
Interests in associates	*12*	**241,849**	181,882
Intangible assets		**144,451**	162,144
Loan receivable from an associate	*13*	**21,408**	-
		4,318,647	3,288,921
Current assets			
Inventories		**957,511**	558,780
Trade and other receivables	*14*	**2,329,222**	1,487,575
Amounts due from a related company		**4**	-
Foreign currency forward contracts	*15*	**544**	1,139
Taxation recoverable		**-**	2,868
Pledged bank deposits		**5,919**	874
Bank balances and cash		**1,313,959**	1,374,069
		4,607,159	3,425,305
Current liabilities			
Trade and other payables	*16*	**1,575,442**	898,742
Amounts due to related companies		**25,730**	19,656
Taxation payable		**115,351**	77,475
Foreign currency forward contracts		**-**	65
Short-term bank loans	*17*	**1,034,881**	891,128
		2,751,404	1,887,066
Net current assets		**1,855,755**	1,538,239
Total assets less current liabilities		**6,174,402**	4,827,160
Non-current liabilities			
Government grants	*18*	**9,400**	-
Deferred tax liabilities	*19*	**34,921**	15,738
		44,321	15,738
Net assets		**6,130,081**	4,811,422
Capital and reserves			
Share capital		**99,718**	99,718
Reserves		**5,978,524**	4,650,352
Equity attributable to owners of the Company		**6,078,242**	4,750,070
Non-controlling interests		**51,839**	61,352
Total equity		**6,130,081**	4,811,422

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

1. GENERAL

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

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

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

In the current year, the Group has applied the following amendments to standards:

Amendments to IAS 12	Deferred tax: Recovery of underlying asset; and
Amendments to IFRS 7	Financial instruments: Disclosures - Transfers of financial assets.

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

New and revised standards and interpretations issued but not yet effective

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

Amendments to IFRSs	Annual improvements to IFRSs 2009 - 2011 cycle[1]
Amendments to IFRS 1	Government Loans[1]
Amendments to IFRS 7	Disclosures - Offsetting financial assets and financial liabilities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory effective date of IFRS 9 and transition disclosures[3]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment entities[2]
IFRS 9	Financial instruments[3]
IFRS 10	Consolidated financial statements[1]
IFRS 11	Joint arrangements[1]
IFRS 12	Disclosure of interests in other entities[1]
IFRS 13	Fair value measurement[1]
IAS 19 (as revised in 2011)	Employee benefits[1]
IAS 27 (as revised in 2011)	Separate financial statements[1]
IAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]
Amendments to IAS 1	Presentation of items of other comprehensive income[4]
Amendments to IAS 32	Offsetting financial assets and financial liabilities[2]
IFRIC 20	Stripping costs in the production phase of a surface mine[1]

1 Effective for annual periods beginning on or after 1st January, 2013.
2 Effective for annual periods beginning on or after 1st January, 2014.
3 Effective for annual periods beginning on or after 1st January, 2015.
4 Effective for annual periods beginning on or after 1st July, 2012.

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

IFRS 9 Financial instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 "Financial instruments: Recognition and measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The Directors anticipate that the adoption of IFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

IFRS 10 replaces the parts of IAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and SIC 12 "Consolidation - Special purpose entities". IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 "Interests in joint ventures" and SIC 13 "Jointly controlled entities - Non-monetary contributions by venturers". IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these five IFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1st January, 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January, 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of IFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated (e.g. the Group's investments in associates may become the Group's subsidiaries based on the new definition of control and the related guidance in IFRS 10). The Directors are currently assessing the impact on the adoption of these standards and is yet to quantify the impact.

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

IFRS 13 Fair value measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 "Financial instruments: Disclosures" will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted.

The Directors anticipate that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January, 2013 and that the application of the new standard will result in more extensive disclosures in the consolidated financial statements.

Amendments to IAS 1 Presentation of items of other comprehensive income

The amendments to IAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'.

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to IAS 1 are effective for annual periods beginning on or after 1st July, 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the further accounting period.

3. SEGMENT INFORMATION

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

Information reported to the CEO for the purposes of resource allocation and assessment of performances focuses specifically on the type of products sold. This is also the basis upon which the Group is organised and managed. The Group's operating and reportable segments under IFRS 8 are dynamic components (mainly including speaker boxes, receivers and polyphonic speakers), microphones, headsets and other products (mainly including vibrators), which represent the major types of products manufactured and sold by the Group.

Information regarding these segments is presented below.

3. SEGMENT INFORMATION - CONTINUED

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

	2012	2011
	RMB'000	*RMB'000*
Operating and reportable segments		
Segment revenue from external customers		
Dynamic components	**5,052,272**	3,228,298
Microphones	**773,823**	423,321
Headsets	**69,882**	119,314
Other products	**386,969**	288,754
Revenue	**6,282,946**	4,059,687
Segment results		
Dynamic components	**2,409,144**	1,557,151
Microphones	**265,438**	147,819
Headsets	**10,964**	10,438
Other products	**88,659**	69,006
Total profit for operating and reportable segments	**2,774,205**	1,784,414
Unallocated amounts:		
Interest income	**15,743**	27,913
Other income	**55,396**	38,915
Net fair value gain (loss) on foreign currency forward contracts	**1,206**	(3,829)
Distribution and selling expenses	**(186,273)**	(136,875)
Administrative expenses	**(277,468)**	(153,482)
Research and development costs	**(461,568)**	(358,238)
Share of results of associates	**25,800**	(19,154)
Gain on deemed disposal of partial interest in an associate	**35,407**	-
Exchange gain (loss)	**45,103**	(32,592)
Finance costs	**(12,033)**	(5,513)
Profit before taxation	**2,015,518**	1,141,559

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

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

	2012	2011
	RMB'000	*RMB'000*
Dynamic components	**218,979**	132,434
Microphones	**21,110**	20,335
Headsets	**1,958**	4,704
Other products	**15,064**	10,522
	257,111	167,995
Other unallocated expenses	**85,900**	91,293
	343,011	259,288

3. SEGMENT INFORMATION - CONTINUED

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

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

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

	2012	2011
	RMB'000	*RMB'000*
Greater China* (country of domicile)	**902,690**	609,074
Other foreign countries:		
Other Asian countries	**496,812**	147,455
America	**3,996,667**	2,197,562
Europe	**886,777**	1,105,596
	6,282,946	4,059,687

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

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

During the year, the aggregate amount of revenue derived from the Group's top customers which individually has contributed to over 10% of the Group's revenue and included in all of the Group's segments, amounted to RMB4,036,919,000 (2011: RMB2,224,268,000). No disclosure of the total amount of revenue by each customer and number of customers are disclosed, as in the opinion of the Directors such disclosure is harmful to the Group's business.

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

During the year, an associate of the Company issued new shares to other shareholders in April 2012 and December 2012, resulting in dilutions of the Group's equity interest in the associate from 26.7% to 20.5% and 20.5% to 20.0%, respectively. In spite of the dilutions, because of the premium of the new shares issued, the Group's share of net assets in the associate increased from RMB67,709,000 to RMB101,071,000 in April 2012 and from RMB146,466,000 to RMB148,511,000 in December 2012 and the increases in share of net assets of the associate were recognised in profit and loss as a gain on deemed disposal of partial interest in an associate.

5. FINANCE COSTS

	2012	2011
	RMB'000	*RMB'000*
Interest on bank borrowings wholly repayable within five years	**12,033**	5,513

6. PROFIT BEFORE TAXATION

	2012	2011
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Directors' emoluments	**10,208**	10,683
Other staff's retirement benefits scheme contributions	**118,283**	38,384
Other staff costs	**1,345,528**	873,682
Total staff costs	**1,474,019**	922,749
Less: Staff costs included in research and development costs	**(228,908)**	(145,945)
	1,245,111	776,804
Depreciation	**326,176**	243,343
Less: Depreciation included in research and development costs	**(40,183)**	(36,614)
	285,993	206,729
Amortisation of intangible assets	**16,835**	15,945
Net allowance for bad and doubtful debts	**8,793**	908
Allowance for obsolete inventories, included in cost of goods sold	**33,412**	6,223
Auditor's remuneration	**2,346**	2,305
Cost of inventories recognised as expense	**3,475,329**	2,269,050
Cost of raw materials included in research and development costs	**84,650**	98,510
Impairment loss recognised in respect of property, plant and equipment	**32,391**	-
Write-off of intangible assets	**12,856**	-
Loss on disposal of property, plant and equipment	**1,130**	6,112
Operating lease rentals in respect of		
- building premises	**22,333**	24,719
- prepaid lease payments	**2,382**	2,283
- equipment	**-**	87
and after crediting:		
Amortisation of government grants (note 18)	**1,100**	-
Government grants included in other income *	**20,108**	24,796
Interest income	**15,743**	27,913
Rental income	**1,386**	931

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

7. TAXATION

	2012	2011
	RMB'000	*RMB'000*
The current tax charge (credit) comprises:		
PRC income tax	**139,292**	75,512
Other jurisdictions	**65,729**	34,061
Overprovision of taxation in prior years	**(2,908)**	(333)
	202,113	109,240
PRC withholding tax	**37,649**	-
Deferred tax (see note 19)	**19,183**	(614)
	258,945	108,626

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries are entitled to exemption from PRC income tax for two years commencing from their first profit making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC income tax for the following three years ("Tax Holiday"). The Tax Holiday will expire gradually for these subsidiaries up to 2012.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group's PRC subsidiaries is 25% from 1st January, 2008 onwards.

According to a joint circular of Ministry of Finance and the State Administrative of Taxation of the PRC, Cai Shui 2008 No. 1, only the profits earned by foreign-investment enterprise prior to 1st January, 2008, when distributed to foreign investors, can be grandfathered and exempted from withholding tax. Whereas, dividend distributed out of the profits generated thereafter, shall be subject to EIT at 5% and withheld by the PRC subsidiary, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Detailed Implementation Rules. Deferred tax liability on the undistributed profits earned has been accrued at the tax rate of 5% on the expected dividend stream determined by the Directors of the Company.

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

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

7. TAXATION - CONTINUED

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

	2012 *RMB'000*	2011 *RMB'000*
Profit before taxation	**2,015,518**	1,141,559
Tax at the applicable income tax rate*	**503,880**	285,389
Tax effect of income not taxable for tax purpose	**(29,600)**	(8,718)
Tax effect of expenses not deductible for tax purpose	**42,405**	1,059
Tax effect of Tax Holiday	**(206,335)**	(156,210)
Tax effect of tax losses not recognised	**11,239**	4,618
Utilisation of tax losses previously not recognised	**(3,558)**	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(111,478)**	(17,095)
Overprovision in prior years	**(2,908)**	(333)
PRC withholding tax on undistributed earnings	**20,000**	-
PRC withholding tax	**37,649**	-
Others	**(2,349)**	(84)
Tax charge for the year	**258,945**	108,626

* The PRC Enterprise Income Tax rate of 25% (2011: 25%) is the domestic tax rate in the jurisdiction where the operations of the Group are substantially based.

8. DIVIDENDS

	2012 *RMB'000*	2011 *RMB'000*
Dividends recognised as distribution during the year:		
2011 final dividend of HK21.6 cents (2010: HK23.7 cents) per ordinary share	**216,228**	242,025
2012 interim dividend of HK20.0 cents (2011: HK20.0 cents) per ordinary share	**200,928**	200,017
	417,156	442,042

Subsequent to the end of the reporting period, 2012 proposed final dividend of HK50.8 cents (2011: HK21.6 cents) per share, approximate to RMB505,796,000 (2011: RMB216,228,000), has been proposed by the Board of Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31st December, 2012 is based on the profit for the year attributable to owners of the Company of RMB1,762,625,000 (2011: RMB1,036,192,000) and on the number of ordinary shares of 1,228,000,000 shares in issue during the year (2011: 1,228,000,000 shares).

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

10. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the year, the Group made additions to property, plant and equipment of approximately RMB1,293 million (2011: RMB1,193 million) on acquisition of property, plant and equipment, including transfers from deposits of approximately RMB123 million (2011: RMB153 million). The Group had impaired certain property, plant and equipment of RMB32,391,000 due to termination of production on certain products that were not part of the Group's core business and due to replacement of some other machineries by more advanced models as part of the Group's automation plan.

11. AVAILABLE-FOR-SALE INVESTMENT

	2012 *RMB'000*	2011 *RMB'000*
Unlisted shares, at cost	**3,254**	3,254

In year 2011, the Group acquired 4.6% equity interest in an unlisted company which was incorporated in Korea. The Company is engaged in research and development of integrated circuits. The investment is measured at cost less impairment as the range of reasonable fair value estimates is so significant that the Directors are of the opinion that the fair value cannot be measured reliably.

12. INTEREST IN ASSOCIATES

	2012 *RMB'000*	2011 *RMB'000*
Cost of investments in associates, unlisted	**200,226**	200,226
Gain on deemed disposal of partial interest in an associate (note 4)	**35,407**	-
Share of post-acquisition profits (loss) and other comprehensive income (expense)	**6,216**	(18,344)
	241,849	181,882

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

Name of associate	**Place of incorporation**	**Percentage equity interest 2012 %**	**2011 %**	**Principal activity**
Heptagon Advance Micro-Optics Pte. Ltd.	Singapore	20.0%	26.7%	Micro-optics business
Xenon Technology (Cayman) Limited	Cayman Islands	39.2%	39.2%	Design and manufacture of Xenon-based flash lamp and flash modules
Mems Technology Pte. Ltd.	Singapore	50.0%	50.0%	Design and manufacture of MEMS products

Included in the cost of investment in associates is goodwill of RMB41.71 million (2011: RMB41.71 million) arising on acquisitions of associates.

During the year, the management assessed the associates for impairment with reference to its recoverable amount. The recoverable amount was determined based on the value in use calculations using the cash flow projections based on financial budget for the next 3 to 5 years approved by management. Cash flows beyond the budgeted period have extrapolated using a rate of 2%. Discount rates of 16% to 19.4% were used, which were determined based on the weighted average cost of capital of the investees. Based on the estimated recoverable amount, no impairment loss was considered necessary.

12. INTEREST IN ASSOCIATES - CONTINUED

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

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

	2012	2011
	RMB'000	*RMB'000*
Total assets	**1,301,521**	583,867
Total liabilities	**(429,685)**	(178,389)
	871,836	405,478
Revenue	**1,287,977**	473,132
Profit (loss) for the year	**215,108**	(61,616)
Group's share of profit (loss) of associates for the year	**25,800**	(19,154)

13. LOAN RECEIVABLE FROM AN ASSOCIATE

During the year, the Group has advanced loans of RMB5,694,000 (2011: nil) bears fixed interest rate at 2.06% per annum and RMB15,714,000 (2011: nil) bears interest rate at Singapore Interbank Offering Rate plus 1% per annum to an associate. The loans are secured by all issued shares of the associate with no fixed contractual maturity date.

14. TRADE AND OTHER RECEIVABLES

	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**1,854,053**	1,178,212
Bank acceptance bills	**53,734**	40,971
	1,907,787	1,219,183
Advance payment to suppliers	**163,365**	114,729
Prepayments	**92,885**	39,402
Other receivables	**165,185**	114,261
	2,329,222	1,487,575

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

	2012	2011
	RMB'000	*RMB'000*
Age		
0 - 90 days	**1,509,361**	1,064,770
91 - 180 days	**386,431**	131,535
Over 180 days	**11,995**	22,878
	1,907,787	1,219,183

14. TRADE AND OTHER RECEIVABLES - CONTINUED

Payment terms with customers are mainly on credit. Invoices are normally payable within 45 days to 120 days of issuance. The Group accepts bank acceptance bills with maturities ranging from 30 to 180 days at the end of the credit terms in lieu of immediate cash payment. The following is an aged analysis of trade receivables and bank acceptance bills which are past due but not impaired:

	2012	2011
	RMB'000	*RMB'000*
Age		
Overdue 0 - 90 days	**516,036**	103,710
Overdue 91 - 180 days	**4,983**	9,954
Overdue over 180 days	**708**	4,945
	521,727	118,609

Management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good credit quality. Included in the Group's trade receivables balance are debtors with an aggregate carrying amount of RMB521,727,000 (2011: RMB118,609,000) which are past due at the reporting date for which the Group has not provided for impairment loss. Based on historical experience the Group considers the amounts which are past due and which impairment loss has not been provided for to be of good credit quality and they are expected to be recovered. The Group does not hold any collateral over these balances.

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

	2012	2011
	RMB'000	*RMB'000*
Balance at beginning of the year	**5,757**	4,970
Currency realignment	**(23)**	(121)
Allowance for bad and doubtful debts	**10,998**	3,722
Reversal of allowance for bad and doubtful debts	**(2,205)**	(2,814)
Balance at end of the year	**14,527**	5,757

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

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

	2012	2011
	RMB'000	*RMB'000*
US$	**171,538**	179,550
Euro	**76,529**	101,944
HK$	**27**	9

15. FOREIGN CURRENCY FORWARD CONTRACTS

	Assets		**Liabilities**	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Foreign currency forward contracts	**544**	1,139	**-**	65

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

At 31st December, 2012:

Description	**Settlement date**	**Exchange rates**
4 contracts to sell in aggregate US$4 million for RMB	Settled monthly on various dates from 28th January, 2013 until 29th April, 2013	At exchange rates ranging from RMB6.3725 to RMB6.3885 for US$.
1 contract to purchase in aggregate US$1 million for RMB	Settled on 14th November, 2013	At exchange rate RMB6.336 for US$.
1 contract to sell in aggregate US$1 million for RMB	Settled on 14th November, 2013	At exchange rate RMB6.382 for US$.

At 31st December, 2011:

Description	**Settlement date**	**Exchange rates**
4 contracts to sell in aggregate Euro 3 million for US$	Settled monthly on various dates from 19th January, 2012 until 29th February, 2012	At exchange rates ranging from US$1.395 to US$1.43 for Euro 1.
4 contracts to purchase in aggregate US$4 million for RMB	Settled monthly on various dates from 1st February, 2012 until 27th April, 2012	At exchange rates ranging from RMB6.3494 to RMB6.38 for US$.
4 contracts to sell in aggregate US$4 million for RMB	Settled monthly on various dates from 19th January, 2012 until 23th April, 2012	At exchange rates ranging from RMB6.3784 to RMB6.406 for US$.

At any time prior to maturity of certain of Forward Contracts, if the spot rate between the US$ falls below an agreed rate, the Forward Contracts will be automatically terminated. The Forward Contracts are not designated and effective as a hedging instrument. Therefore, the fair value gains or losses are recognised in profit or loss in the period in which they arise. At 31st December, 2012, the fair value of the Forward Contracts are determined by the respective issuing banks with reference to forward rates.

16. TRADE AND OTHER PAYABLES

	2012	2011
	RMB'000	*RMB'000*
Trade payables	**808,623**	431,925
Notes payables - secured	**319,367**	204,544
	1,127,990	636,469
Payroll and welfare payables	**247,457**	82,265
Payables for acquisition of property, plant and equipment	**56,260**	82,675
Other payables and accruals	**134,759**	87,511
Contingent consideration payable	**8,976**	9,822
	1,575,442	898,742

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

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

	2012	2011
	RMB'000	*RMB'000*
Age		
0 - 90 days	**1,028,106**	556,916
91 - 180 days	**98,457**	78,607
Over 180 days	**1,427**	946
	1,127,990	636,469

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

	2012	2011
	RMB'000	*RMB'000*
US$	**62,390**	74,563
Japanese Yen	**7,113**	6,029
Euro	**97**	2,369

17. SHORT-TERM BANK LOANS

The Group's short-term bank loans are set out below:

	2012	2011
	RMB'000	*RMB'000*
US$	**513,623**	603,596
Japanese Yen	**521,258**	287,532

These loans carry interest ranging from 0.59% to 1.8% per annum (as at 31st December, 2011: carry interest ranging from 0.55% to 1.13% per annum). The Company issued guarantees to the banks to secure the borrowings.

18. GOVERNMENT GRANTS

During the year, the Group received government grants of RMB10,500,000 in aggregate from various PRC government authorities as an incentive for constructing electronic plants and acquiring machineries. The amount received is to be amortised and released to profit or loss over the useful lives of the relevant assets. During the year, RMB1,100,000 (2011: nil) of the grants have been released to profit or loss and the remaining of RMB9,400,000 (2011: nil) are deferred.

19. DEFERRED TAX LIABILITIES

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

	Intangible assets *RMB'000*	**PRC withholding tax on undistributed earnings** *RMB'000*	**Total** *RMB'000*
At 1st January, 2011	-	-	-
Credited to profit or loss	(614)	-	(614)
Acquisition through business combinations	16,352	-	16,352
At 31st December, 2011	15,738	-	15,738
(Credited) charged to profit or loss	(817)	20,000	19,183
At 31st December, 2012	14,921	20,000	34,921

Prior to the year ended 31st December, 2012, no deferred tax liability has been recognised in respect of temporary differences associated with undistributed earnings of subsidiaries because the Group was in a position to control the timing of the reversal of the temporary differences and the Group has no plan to reverse such differences.

During current year, certain PRC subsidiaries of the Group has distributed dividend to their foreign investors due to the Group's strategic business plan. Accordingly, deferred tax liability has been recognised in respect of the undistributed profits that expected to be distributed in future periods.

At the end of the reporting period, certain subsidiaries of the Group has unused tax losses of RMB49,196,000 (2011: RMB18,472,000) available for offset against future profits. These losses may be carried forward for five years from the year when the losses are incurred.

No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

The deferred tax liability recognised in respect of the intangible assets was related to the acquisition of Kaleido Technology ApS ("Kaleido") during the year ended 31st December, 2011 as a result of the fair value adjustment of RMB65,407,000 on technical knowhow related to wafer-level glass molding.

20. ACQUISITION OF A BUSINESS

Acquisition in 2011

The Group held 31.95% equity interest in an associate, Kaleido, as at 31st December, 2010. Pursuant to an agreement entered between the Company and other shareholders of Kaleido, the Company acquired a further 38.95% equity interest in Kaleido for a consideration of RMB43,839,000. The transaction was completed on 31st March, 2011 and Kaleido is treated as a subsidiary of the Company from that date.

Kaleido is a private company incorporated in Denmark and engaged in wafer-level glass molding. The goodwill of RMB8,705,000 arising from the acquisition is attributable to the future economic benefits that are expected to accrue to the Group from operating synergies and revenue growth.

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

	Fair values *RMB'000*
The assets acquired and liabilities recognised at the date of acquisition were as follows:	
Property, plant and equipment	4,214
Intangible assets	74,623
Inventories	380
Trade and other receivables	15,479
Bank balances and cash	4,424
Trade and other payables	(2,912)
Deferred tax liabilities	(16,352)
	79,856
Goodwill arising on acquisition:	
Consideration	43,839
Add: Non-controlling interest	23,238
Fair value of previously held interest in Kaleido	21,484
Less: Net assets acquired	(79,856)
Goodwill arising on acquisition	8,705
Net cash outflow arising on acquisition:	
Cash consideration	(43,839)
Cash and cash equivalents acquired	4,424
Net outflow of cash and cash equivalents arising on acquisition	(39,415)

20. ACQUISITION OF A BUSINESS - CONTINUED

Acquisition in 2011 - continued

The non-controlling interest in Kaleido recognised at acquisition date was determined with reference to the proportionate share of the acquiree's net assets at the acquisition date.

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

The intangible assets represent technical know-how in relation to wafer-level glass molding which is used to enhance the Group's current products. The fair value is estimated by an independent and professionally qualified valuer and calculated using relief from royalty method based on the cash flow projection, royalty rate and discount rate adopted by the management.

The trade and other receivables acquired amounting to RMB15,479,000 represents the fair value and the gross contractual amount. The best estimate at the date of acquisition is that all receivables will be collected.

Acquisition-related costs amounting to RMB158,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in the period and included in the administrative expenses.

The fair value of the previously held interest held by the Group was estimated by an independent and professionally qualified valuer. The fair value estimates are calculated using discounted cash flow method based on cash flow projection, growth rate and discount rate adopted by the management. The Group recognised the non-controlling interests at the proportionate share of net assets of Kaleido.

The Group recognised a gain of RMB111,000 as a result of the remeasurement of previously held interest. The gain was included in other income for the period ended 30th June, 2011.

Kaleido contributed a revenue of RMB7,338,000 and a loss of RMB664,000 to the Group since the step acquisition.

Had Kaleido been consolidated from 1st January, 2011, the Group's consolidated statement of comprehensive income would have shown a revenue of RMB4,061,634,000 and the profit attributable to the equity holders of the Company would not be materially different.

21. EVENT AFTER THE END OF THE REPORTING PERIOD

On 10th January, 2013, the Group acquired additional interests in a non-wholly owned subsidiary of the Company. As a result of the acquisition, the difference of RMB14,482,000 between the consideration paid of RMB20,664,000 and the amount of non-controlling interests of RMB6,182,000 acquired was directly recognised in equity. The Group's equity interest in the subsidiary has been increased from 81.3% to 88.9% after the acquisition.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

AAC Technologies is one of the world's foremost vertically integrated manufacturers of miniature components. Our Company designs, manufactures and distributes a comprehensive suite of acoustic and non-acoustic products. Acoustic products include receivers, speakers, microphones and headsets, and non-acoustic products include antennas, optical lenses, vibrators and ceramics products for use in mobile handsets, tablets, game consoles, ultrabooks, notebook computers and other consumer electronics devices such as electronic book-readers and MP4 players. We offer wide-ranging innovative technology design solutions covering mobile telecommunications, IT products, consumer electronics, home appliances, automobile and medical applications markets.

We will continue to deploy significant research and development resources on initiatives in the targeted technology segments, with the objective to develop and strengthen our intellectual property portfolio. Our management team is committed to identify and evaluate appropriate opportunities in forming alliances, investing or mergers and acquisitions in global technologies companies that will further reinforce the Company's existing technology capabilities.

MARKET REVIEW

There has been significant growth in our core smart devices market in the year 2012 mainly driven by the replacement of feature phone by smartphone and the growing demand of tablets and new entrants in coming up with their own designs. Consumers' emphasis on better multimedia user-experience encourages devices makers to redesign and roll out new models in a quicker manner. Shorter design cycle, flexible and readily available quality production capability and quick responsive time have become more important in supplier selection. We are able to leverage on our technology know-how to meet our customers' requirements, and, in grasping these business opportunities, deliver strong growth and financial performance in the year 2012.

The continued pursuits of audio excellence to enhance consumers' acoustic user experience has and will continue to present opportunities for the Company to apply its technological edge and maintain its market leadership. With our solid foundation in acoustic design technology, we are expanding our footprint into the non-acoustic arena. During 2012, we have successfully obtained 259 additional acoustic and non-acoustic patents, bringing our total portfolio to 908 patents. In the same period, we filed another 223 patent, which brings patents pending to a total of 435.

FINANCIAL REVIEW

The Group continued to deliver strong organic growth in 2012. With the solid performance this year, we generated RMB1,535.1 million in net cash flow from operations. For the year ended 31st December, 2012, the Group's total revenue reached RMB6,282.9 million, representing an increase of RMB2,223.2 million, or 54.8%, compared with 2011. Gross profit of RMB2,774.2 million was RMB989.8 million, or 55.5%, higher than 2011. Profit attributable to owners of the Company amounted to RMB1,762.6 million, a 70.1% increase from RMB1,036.2 million reported in last year. Basic earnings per share amounted to RMB143.54 cents, up 70.1% from RMB84.38 cents for 2011.

GEARING RATIO AND INDEBTEDNESS

The gearing ratio of the Group, computed by dividing short-term bank loans by total assets, was 11.6% as at 31st December, 2012 compared with 13.3% as at 31st December, 2011.

As at 31st December, 2012, the Group had RMB1,034.9 million of short-term bank loans compared with RMB891.1 million as at 31st December, 2011.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group had a solid financial position and continued to maintain a strong and steady cash inflow from operating activities. As at 31st December, 2012, the Group had RMB1,314.0 million in cash and cash equivalents. In addition, the Group had restricted short-term bank deposits of RMB5.9 million. Management believes that the Group's current cash and cash equivalents, together with available credit facilities and expected cash flow from operations, will be sufficient to satisfy the current operational requirements of the Group.

FOREIGN EXCHANGE

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

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

The Group will not enter into derivative transactions for trading or speculative purposes.

CHARGES ON GROUP ASSETS

Apart from the bank deposits amounts of RMB5.9 million and RMB0.9 million pledged to banks respectively as at 31st December, 2012 and 31st December, 2011, no other Group asset was under charge to any financial institution.

ACQUISITION OF A SUBSIDIARY

In June 2010, the Group acquired a 31.95% equity interest in Kaleido, a private company incorporated in Denmark and engaged in wafer-level glass molding. In accordance with the shareholders' agreement, the Company made further investment in Kaleido in March 2011 to acquire an additional 38.95% shareholding for a total consideration of DKK35.1 million (RMB43.8 million). Furthermore, the Group acquired an additional 10.4% shareholding with total consideration of DKK12.6 million (RMB13.4 million) in May 2012, thereby increased our equity interest in Kaleido to 81.3%.

A goodwill of RMB8.7 million was attributed to the anticipated profitability arising from new distribution channels and the future Group's operating synergies.

EMPLOYEE INFORMATION

As at 31st December, 2012, the Group employed 26,575 permanent employees. Employees of the Group are remunerated based on their individual performance, professional qualifications, experience in the industry and relevant market trends. Management regularly reviews the Group's remuneration policy and appraises the work performance of its staff. Employee remuneration includes salaries, allowances, social insurance and mandatory pension fund. As required by the relevant regulations in the PRC, the Group participates in the social insurance schemes operated by the relevant local government authorities. The Group also participates in the mandatory pension fund and social insurance schemes for our employees in Hong Kong, Taiwan, Singapore, South Korea, USA and various countries in Europe.

PROSPECTS

Although the global economy is facing challenging times, smart mobile multimedia devices is one of the few bright spots remain flourishing. Industry analysts forecast that these devices will continue to grow in the years to come and we expect that smartphone and tablet will provide the driving force and remain our major business focus.

Technology leadership, production efficiencies and strong solid execution have led to our success and would be our keys for sustainable growth in the future. We will aim to further increase our market shares through innovative solutions and strong R&D, and, manufacturing excellence with both automation and workflow optimization.

We will also seek to extend the scope of our product offerings to new miniature components solutions including optics, haptics and wireless technologies. During the year, we saw positive progress for our innovative design of integrated speaker box and antenna solutions where customers readily adopted in their latest high-end devices.

The enrichment of product portfolio, in both acoustic and non-acoustic segments, would help us further advance on achieving to become a comprehensive miniature components solutions provider. Our ultimate goal is to become one of the world's leading micro components solution provider for consumer and industrial products.

DIVIDENDS

From time to time, the Company will consider the declaration of dividends based on its financial position, results of operations, debt repayment ability, capital expenditures, earnings and other factors as the Board may deem appropriate. The Board may recommend the amount of dividend to be declared and the declaration and payment of dividends will be determined by the shareholders in general meeting. The Board may also from time to time pay to shareholders such interim dividends to be justified by the profits of the Company.

During the six months ended 31st December, 2012, an interim dividend in respect of the six months ended 30th June, 2012 of HK20.0 cents (2011: HK20.0 cents) per share was paid to shareholders of the Company.

The Board resolved to recommend the payment of a final dividend of HK50.8 cents (2011: HK21.6 cents) per ordinary share in respect of the year ended 31st December, 2012. This proposed final dividend together with the interim dividend already paid amount to total dividends of HK70.8 cents (2011: HK41.6 cents) representing a growth of 70.2% at an unchanged payout ratio of about 40% of the profit attributable to owners of the Company for the year.

Subject to the shareholders' approval at the forthcoming annual general meeting to be held on 23rd May, 2013, the said final dividend will be payable to shareholders of the Company, whose names appear on the register of members of the Company on 31st May, 2013 and payable on or about 7th June, 2013.

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 21st May, 2013 to 23rd May, 2013, both days inclusive, during which period no transfer of shares will be registered. In order to 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 20th May, 2013.

ii. For entitlement of proposed final dividend

The registers of members of the Company will be closed from 29th May, 2013 to 31st May, 2013, 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 28th May, 2013.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31st December, 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

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

Our Board is at the centre of our corporate governance structure regularly reviewing, refining and overseeing enforcement of the Company's corporate governance practices. The Board is of the view that the current framework and internal established processes will enable the Company to comply with applicable statutory and regulatory requirements and the latest best corporate governance practices. In addition, the key components of our corporate governance framework will promote continued renewal of evolving policies and practices.

CORPORATE GOVERNANCE PRACTICES - CONTINUED

The Board has from time to time reviewed its corporate governance practices and ensured that they are in compliance with the Code on Corporate Governance Practices (effective until 31st March, 2012) and the Corporate Governance Code (effective from 1st April, 2012) (the "CG Code") as set out in the Appendix 14 of the Listing Rules of the Stock Exchange.

For the year ended 31st December, 2012, the Company had complied with all the code provisions as set out in the CG Code except that a non-executive Director and two independent non-executive Directors were unable to attend the annual general meeting of the Company held in May 2012 as provided for in the code provision A.6.7 of the CG Code as these Directors were not based in Hong Kong and had other overseas business commitments that could not be rescheduled. However, the Board has ensured that all Board Committees were represented through the Directors in attendance at that annual general meeting to answer questions that might be raised. To ensure a balanced understanding of the views of shareholders is maintained by all independent non-executive Directors, the Company provides regular shareholders' feedback from the Company's investor relations programme.

In addition, the Company has long sought to exceed minimum code provisions. Since the first date of listing in Hong Kong, the Chairman has been an independent non-executive Director holding this role separate from the CEO's role. The Audit Committee has consistently met at least four times a year to review internal control and financial reporting matters ahead of Board meetings. To keep all non-executive Directors informed on a timely basis, updates on business operations and financial results are provided on a monthly basis. The Company already fulfilled the new Listing Rule of having at least one-third of the Board comprising independent non-executive Directors well before the effective date on 31st December, 2012. Since listing, the Company has adopted quarterly financial reporting providing financial and operational details. A significant proportion of executive Directors' remuneration is linked to corporate and individual performances. A whistleblowing policy and system is in place.

Furthermore, the Company has already adopted these past recommended best practices that are now code provisions:

- appropriate insurance cover in respect of legal action against the Directors has been arranged by the Company to cover them against costs, charges, expenses and liabilities incurred arising out of the corporate activities;

- the Company has facilitated the Chairman to execute his responsibilities towards the Board and shareholders of the Company;

- the Company has established a nomination committee which was chaired by an independent non-executive Director and all three members are independent non-executive Directors; and

- the Company has disclosed details of remuneration payable to members of senior management by bands in our annual reports.

The Company seeks to abide strictly by the governing laws and regulations of the jurisdictions where it operates and observes the applicable guidelines and rules issued by regulatory authorities. The Board has adopted a corporate disclosure policy to ensure that the continuous disclosure standards and procedures are in compliance with the requirements of the Companies Laws of the Cayman Islands, Listing Rules, Securities and Futures Ordinance and applicable laws and regulations of the Companies Ordinance of Hong Kong, including the new "Inside Information" legislation.

DIRECTORS' SECURITIES TRANSACTIONS

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

On specific enquiries made, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code and the Company's code of conduct regarding the Directors' securities transactions during the year ended 31st December, 2012.

AUDIT COMMITTEE

An Audit Committee has been properly constituted by the Board since April 2005 with clear terms of reference which are disclosed in our Company's website.

The Audit Committee's responsibilities include the oversight of the integrity of the Company's financial statements and of the Company's system of internal control and risk management. The Audit Committee needs to oversee management while ensuring that it does not step into the management's role. The Audit Committee relies heavily on internal audit to provide an objective view on how well the Company is handling a number of key risks and controls. The external auditors also provide the Audit Committee with assurance regarding the Company's financial reporting and any material weaknesses in internal control and risk management that they might come across as part of their review considered relevant to the audit. The Audit Committee oversees the relationship and coordination between the Company, internal auditor and external auditors. The Audit Committee meets at least four times a year and when required, and meets the external auditors at least twice a year.

The Audit Committee comprises two independent non-executive Directors, namely Mr. Poon Chung Yin Joseph and Mr. Koh Boon Hwee and a non-executive Director, Ms. Ingrid Chunyuan Wu. Mr. Poon Chung Yin Joseph is the chairman of the Audit Committee.

The Audit Committee and the auditor of the Company, Deloitte Touche Tohmatsu, have reviewed and discussed with the management regarding the Company's audited consolidated financial statements for the year ended 31st December, 2012.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") was established in April 2005 and is chaired by Mr. Koh Boon Hwee (Chairman of the Board and an independent non-executive Director) with two other members, Dato' Tan Bian Ee (an independent non-executive Director) and Ms. Chang Carmen I-Hua (an independent non-executive Director).

The responsibilities of the Remuneration Committee are to advise the Board in relation to the remuneration policy and structure of the executive Directors and senior management, and to review the fees and remuneration of the Chairman and other non-executive Directors prior to the annual general meeting. In addition, the Remuneration Committee considers management recommendation for key terms of new compensation and benefits plans and reviews management's remuneration proposals with reference to the Board's corporate goals and objectives.

NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") was established in April 2005 and is chaired by Dato' Tan Bian Ee (an independent non-executive Director) with two other members, Mr. Poon Chung Yin Joseph (an independent non-executive Director) and Ms. Chang Carmen I-Hua (an independent non-executive Director).

The Nomination Committee is responsible for reviewing, advising and making recommendations to the Board on matters in relation to the structure, size and composition of the Board, the appointment and re-appointment of Directors and the assessment on independence of independent non-executive Directors, and ensuring the proper and transparent procedures for the appointment and re-appointment of Directors.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December, 2012 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu in this announcement.

APPRECIATION

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

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

Hong Kong, 26th March, 2013

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