IMPORTANT

If you are in doubt about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in AAC Technologies Holdings Inc. (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

MAJOR TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF ACOUSTICS SOLUTIONS INTERNATIONAL B.V. AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company

DBS

A resolution will be proposed at the extraordinary general meeting of the Company to be held at 10:00 a.m. on Tuesday, 6 February 2024 (the "EGM") at Victoria & Edinburgh Room, 2/F, Mandarin Oriental Hong Kong, 5 Connaught Road Central, Hong Kong to approve the matter referred to in this circular. A notice convening the EGM is set out on pages EGM-1 and EGM-2 of this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the form of proxy enclosed with this circular in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

Hong Kong, 18 January 2024

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meaning:

"1H2023"	the six months ended 30 June 2023
"2016 Share Award Scheme"	the share award scheme adopted by the Company on 23 March 2016
"2023 Share Award Scheme"	the share award scheme adopted by the Company on 17 April 2023
"Belgian GAAP"	Belgian Generally Accepted Accounting Principles
"Board"	the board of Directors of the Company
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Company"	AAC Technologies Holdings Inc., a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed to it in the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held at 10:00 a.m. on Tuesday, 6 February 2024 at Victoria & Edinburgh Room, 2/F, Mandarin Oriental Hong Kong, 5 Connaught Road Central, Hong Kong for the purpose of considering and, if thought fit, approving the Proposed Transaction
"Enlarged Group"	the Group after the First Tranche Completion and the Second Tranche Completion
"First Tranche Completion"	completion of the sale and purchase of the First Tranche Shares
"First Tranche Effective Date"	1 April 2023
"First Tranche Shares"	80% the issued share capital of the Target
"Group"	the Company and its subsidiaries
"Guarantor"	AAC Technologies Pte. Ltd., a private company incorporated in Singapore with limited liability and a wholly-owned subsidiary of the Company

"IFRS"	International Financial Reporting Standards
"IOSCO MMOU"	International Organisation of Securities Commissions Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information
"Latest Practicable Date"	11 January 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Long Stop Date"	30 April 2024
"Postponed Second Tranche Effective Date"	1 April 2026 or 1 April 2027 (as the case may be)
"Professional Accountants Ordinance"	the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)
"Proposed Transaction"	the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement and the Shareholders' Agreement
"Purchaser"	AAC Technologies (Belgium) BV, a private company incorporated in Belgium with limited liability and a wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the agreement for the sale and purchase of the Sale Shares dated 10 August 2023 entered into between the Sellers, the Purchaser and the Guarantor
"Sale Shares"	the First Tranche Shares and the Second Tranche Shares
"Second Tranche Completion"	completion of the sale and purchase of the Second Tranche Shares
"Second Tranche Effective Date"	1 April 2025
"Second Tranche Shares"	20% the issued share capital of the Target
"Seller 1"	Acoustics Solutions Holding B.V., a private company incorporated in the Netherlands with limited liability

"Seller 2"	Stichting Administratiekantoor Acoustics Solutions International, a foundation administrative office incorporated in the Netherlands
"Sellers"	Seller 1 and Seller 2
"Sellers Group and Related Parties"	the Sellers and their affiliates and related parties (including shareholders, beneficial owners, directors, officers, managers, partners and immediate family members)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	the holder(s) of Shares
"Share(s)"	the ordinary share(s) of US$0.01 each in the share capital of the Company
"Shareholders' Agreement"	the shareholders' agreement to be entered into on First Tranche Completion between the Sellers, the Purchaser, the Guarantor and the Target
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target"	Acoustics Solutions International B.V., a private company incorporated in the Netherlands with limited liability
"Target Adjusted Net Financial Debt (Cash)"	the pro forma net financial debt (cash) of the Target Group calculated based on an agreed methodology and taking into account pre-agreed adjustments
"Target EBITDA"	the pro forma normalised earnings before interest, taxation, depreciation and amortisation of the Target Group calculated based on an agreed methodology and taking into account pre-agreed adjustments
"Target Group"	the Target and its subsidiaries
"Target Shares"	shares in the capital of the Target
"Trustees"	Bank of Communications Trustee Limited, being the trustee of the 2016 Share Award Scheme, and BOCI Trustee (Hong Kong) Limited, being the trustee of the 2023 Share Award Scheme

"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

Note:

(1) All references in this Circular to times and dates are references to Hong Kong times and dates.

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)

Executive Directors:
Mr. Pan Benjamin Zhengmin *(Chief Executive Officer)*
Mr. Mok Joe Kuen Richard *(Managing Director)*

Non-executive Director:
Ms. Wu Ingrid Chun Yuan

Independent Non-executive Directors:
Mr. Zhang Hongjiang *(Chairman of the Board)*
Mr. Kwok Lam Kwong Larry
Mr. Peng Zhiyuan

Registered office in the Cayman Islands:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Unit 1605-7, YF Life Centre
38 Gloucester Road
Wanchai
Hong Kong

Hong Kong, 18 January 2024

To the Shareholders,

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO
THE PROPOSED ACQUISITION OF
ACOUSTICS SOLUTIONS INTERNATIONAL B.V.
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

The Company refers to the announcement made by the Company on 10 August 2023 in respect of the Proposed Transaction.

The purpose of this circular is to provide you with, among others, (i) further information on the Proposed Transaction and financial information of the Group and the Target Group and (ii) the notice of the EGM to consider and, if thought fit, approve the Proposed Transaction.

2. THE PROPOSED TRANSACTION AND THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out below:

(a) Date

10 August 2023

(b) Parties

The Sellers, the Purchaser and the Guarantor

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Sellers and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

(c) Sale and Purchase of the Sale Shares

The Purchaser will purchase the Sale Shares from the Sellers in two tranches as follows:

(1) the Purchaser will purchase the First Tranche Shares, representing 80% of the issued shares in the capital of the Target, on First Tranche Completion pursuant to the terms of the Sale and Purchase Agreement; and

(2) the Purchaser will purchase the Second Tranche Shares, representing 20% of the issued shares in the capital of the Target, on Second Tranche Completion pursuant to the terms of the Sale and Purchase Agreement and the Shareholders' Agreement.

Seller 1 and Seller 2 own 85% and 15%, respectively, of the issued shares in the capital of the Target and they will sell the First Tranche Shares and the Second Tranche Shares in proportion to their respective shareholding in the Target.

The Guarantor has agreed to guarantee to the Sellers the payment and performance obligations of the Purchaser under the Sale and Purchase Agreement.

(d) Purchase Price for the Sale Shares

Purchase Price for the First Tranche Shares

The total purchase price for the First Tranche Shares (the "First Tranche Purchase Price") will be payable by the Purchaser in cash and will comprise the sum of: (i) US$320,000,000 (the "Initial Purchase Price") (representing an equity value of US$400,000,000 for 100% of the Sale Shares) plus (ii) interest on the Initial Purchase Price calculated on a daily basis at the rate of 6.75% per annum from the First Tranche Effective Date (being 1 April 2023) to the date of First Tranche Completion less (iii) the Price Adjusting Leakage (if any) (as further explained below).

The Initial Purchase Price was determined after negotiations on an arm's length basis with the Sellers, with reference to, among other things, the overall financial position and performance of the Target Group, the strategic fit with the Group's business and the Target Group's growth prospects, potentially realisable by the implementation of strategic synergies arising from the Proposed Transaction.

Purchase Price for the Second Tranche Shares

The total purchase price for the Second Tranche Shares will be payable by the Purchaser in cash and, subject as provided below, will comprise the sum of: (i) an agreed multiple of the Target EBITDA plus (ii) the Target Adjusted Net Financial Debt (Cash) multiplied by 20% (being the percentage of the issued share capital of the Target which the Second Tranche Shares represent) (together, the "Second Tranche Purchase Price") plus (iii) 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 agreed multiple of the Target EBITDA was determined after taking into consideration precedent transactions in the automotive sector, comparable publicly traded companies, the Target's future growth prospects and financial performance and strategic fit with the Company's business, the return on equity for the Sellers for the Second Tranche Shares, the advice of the Purchaser's professional advisers and arm's length negotiations between the parties.

Pursuant to the Shareholders' Agreement, the Sellers and the Purchaser will engage a financial adviser to determine the Second Tranche Purchase Price as set out above by reference to the audited consolidated financial information of the Target for the financial year ending 31 March 2025.

The Sellers or the Purchaser have the right to postpone the Second Tranche Effective Date from 1 April 2025 by up to two times by one year each time, that is, to 1 April 2026 or 1 April 2027 (being the Postponed Second Tranche Effective Date).

If the postponement right is exercised by either the Sellers or the Purchaser and both parties agree to the postponement, the Second Tranche Purchase Price will be determined as set out above by reference to the audited consolidated financial information of the Target for the financial year ending 31 March 2026 or 31 March 2027 (as the case may be) and Second Tranche Completion will occur after the determination of the Second Tranche Purchase Price in accordance with the Shareholders' Agreement.

If (1) the Sellers exercise their postponement right and the Purchaser disagrees with the postponement or (2) the Purchaser exercises its postponement right and the Sellers disagree with the postponement, the Purchaser will purchase the Second Tranche Shares at a fixed purchase price of US$136,409,000 or US$204,613,000, respectively, in each case together with interest on that amount calculated on a daily basis at the rate of 6.75% per annum from the Second Tranche Effective Date or the Postponed Second Tranche Effective Date (as the case may be) until the date of Second Tranche Completion. The fixed purchase price amounts referred to above were determined by reference to the estimated range of the Target's financial performance and represent the minimum and maximum amounts which the parties have commercially agreed would be acceptable to the relevant party in the event of a postponement of the date of Second Tranche Completion.

The Purchaser agreed to pay interest at the rate of 6.75% per annum on the purchase price to compensate the Sellers for the time value of money during the period from the relevant effective date for determining the equity value of the Target until the relevant completion date (as referred to above). The rate of interest payable on the purchase price was determined after taking into consideration the prevailing market interest rates, similar transactions in Europe, an acceptable hurdle rate for the Sellers on their invested capital, the advice of the Purchaser's professional advisers and arm's length negotiations between the parties.

The purchase price amount of US$204,613,000, together with interest thereon, is the maximum price the Purchaser will pay for the Second Tranche Shares.

Funding of the Purchase Price

The purchase price payable for the Proposed Transaction will be funded by the Group's internal resources and, if needed, by additional external financing. The Company has obtained a senior debt facility which could be utilised, if required, to partially finance the Proposed Transaction and such facility will consist of an up to twelve months senior unsecured bridge loan facility in an aggregate amount of up to US$200 million. The bridge facility could be fully refinanced with a five year, up to US$200 million syndicated senior unsecured term facility upon the satisfaction of the required conditions precedent including, but not limited to, the approval of the National Development and Reform Commission (which approval has been obtained).

(e) Locked Box and Leakage

The Sellers have undertaken to the Purchaser that from 1 April 2023 until First Tranche Completion, save for payments permitted under the Sale and Purchase Agreement, the Target Group will not, among other things (together, the "Leakage"):

(1) declare, make or pay any dividend or other distribution of profits or assets for the benefit of the Sellers Group and Related Parties;

(2) redeem, repurchase or repay any share capital of the Target Group;

(3) make any payments to the Sellers Group and Related Parties;

(4) pay any management, shareholder or director's fees or bonuses to the Sellers Group and Related Parties;

(5) lend any amounts to the Sellers Group and Related Parties which is not repaid on or before First Tranche Completion or guarantee any financial debt or liabilities owed by the Sellers Group and Related Parties; or

(6) purchase any assets from or transfer any assets to the Sellers Group and Related Parties which are not for value and not on arm's length terms.

To the extent there is any Leakage, the amount of the Leakage together with the relevant tax amount (the "Price Adjusting Leakage") will be deducted from the purchase price to be paid by the Purchaser at First Tranche Completion. There is no cap on the amount of the Leakage.

(f) Break Fee and Escrow Amount

The Purchaser has agreed that if:

(1) the Purchaser fails to comply with certain of its obligations as set out in the Sale and Purchase Agreement, which failure is solely attributable to the Purchaser and if capable of being remedied, has not been remedied by the Purchaser within a reasonable time after having been notified thereof by the Sellers;

(2) First Tranche Completion does not take place because the Purchaser fails to comply with its completion obligations as set out in the Sale and Purchase Agreement; or

(3) any Condition is not satisfied on or before the Long Stop Date other than solely as a result of the Sellers' material failure to comply with certain of their obligations as set out in the Sale and Purchase Agreement,

and the Sale and Purchase Agreement is terminated by the Sellers, the Purchaser will pay a lump sum break fee in the amount of US$40,000,000 (the "Break Fee") to the Sellers.

The Purchaser has paid a deposit in the amount of US$40,000,000 to an escrow agent (the "Escrow Amount"). The Escrow Amount will be released by the escrow agent to the Sellers on the earlier of (i) the date of First Tranche Completion (which will be used to partly settle the First Tranche Purchase Price) and (ii) the date on which the Break Fee is payable to the Sellers.

(g) Conditions to Completion

The Proposed Transaction is conditional on:

(1) the approval of the Proposed Transaction by the Shareholders in accordance with the requirements of the Listing Rules at an EGM of the Company to be convened (the "Shareholder Approval");

(2) the Antimonopoly Office of the Slovak Republic and the State Administration for Market Regulation in China (the "Competition Authorities") deciding that the purchase of the First Tranche Shares does not give rise to a concentration falling within the scope of the relevant competition laws;

(3) the Competition Authorities authorising the purchase of the First Tranche Shares under the relevant competition laws;

(4) the Competition Authorities not deciding within the time limits set by the relevant competition laws, as a result of which the unconditional approval of the purchase of the First Tranche Shares is deemed to be granted (the "Regulatory Condition" and together with the Shareholder Approval, the "Conditions"); and

(5) the Sellers and the Purchaser agreeing to waive the Conditions (either partially or completely).

If the Conditions are not satisfied by 30 April 2024 (being the Long Stop Date), the Sellers or the Purchaser may serve notice on the other to terminate the Sale and Purchase Agreement and in that event:

(i) at any time prior to 11:59 CET on the Long Stop Date, the Sellers and the Purchaser may agree to waive any Condition or extend the Long Stop Date; or

(ii) if no waiver or extension is agreed upon, the Sale and Purchase Agreement will lapse and cease to have affect,

provided that the Sellers or the Purchaser (as the case may be) may not terminate the Sale and Purchase Agreement unilaterally if the non-satisfaction of the Conditions on or before the Long Stop Date is caused solely by the Sellers' or the Purchaser's (as the case may be) material failure to comply with certain obligations as set out in the Sale and Purchase Agreement.

As at the Latest Practicable Date, save for the Shareholder Approval, all of the other Conditions referred to above have been satisfied. At the EGM to be held on Tuesday, 6 February 2024, a resolution will be proposed to obtain the Shareholder Approval.

(h) Irrevocable Voting Undertakings

In relation to the Shareholder Approval, the controlling shareholders of the Company, being Mr. Pan Benjamin Zhengmin and Ms. Wu Ingrid Chun Yuan, who, in aggregate, have an interest in approximately 41.54% of the issued Shares as at the Latest Practicable Date (as beneficial owners and founders of certain discretionary trusts who can influence how the trustees of those trusts exercise their discretion) have irrevocably undertaken to, among other things, vote or appoint a proxy to vote or procure the trustees of those trusts to vote all such Shares in favour of the resolution to approve the Proposed Transaction at the EGM.

(i) Pre-Completion Obligations

From the date of the Sale and Purchase Agreement until First Tranche Completion, the Sellers will use their best efforts to ensure that, except with the prior consent of the Purchaser or in other circumstances as described in the Sale and Purchase Agreement:

(1) the business activities of the Target Group are in all material respects conducted in the ordinary course of business; and

(2) the Target Group does not, among other things, allot or issue any shares other than to a member of the Target Group, declare, make or pay any dividend or other distribution to the Sellers and its affiliates, incur any financial debt or capital expenditure, create any encumbrance over a material part of its assets or sell any part of its business, unless permitted under the Sale and Purchase Agreement.

(j) Warranty Insurance Policy

The Sale and Purchase Agreement contains customary fundamental warranties and business warranties made by the Sellers in respect of, among others, their title to the Sale Shares, their capacity to enter into the transaction documents, their solvency and the business and financial position of the Target Group.

The Purchaser has obtained a warranty insurance policy (the "Warranty Insurance Policy") from Ryan Transactional Risk and other excess policy providers (the "W&I Insurers") to protect itself against claims relating to the Sellers' warranties and tax covenant that are not recoverable under the Sale and Purchase Agreement from the Sellers. The Purchaser's sole recourse arising in respect of claims relating to the Sellers' warranties and tax covenant will be to the Warranty Insurance Policy (except in the case of fraud by the Sellers). The aggregate maximum liability of the W&I Insurers will not exceed 30% of the Initial Purchase Price and will be subject to a de minimis claim threshold of US$100,000. All costs and expenses in relation to obtaining the Warranty Insurance Policy will be borne by the Purchaser.

(k) Completion

First Tranche Completion will take place no later than five business days after the date on which the Conditions are satisfied (but no later than the Long Stop Date), or such other date as the Sellers and the Purchaser may agree. Subject to the Shareholder Approval being obtained, it is currently expected that First Tranche Completion will take place in or around February 2024.

Second Tranche Completion will take place within five business days of the date on which the Second Tranche Purchase Price has been determined and has become final and binding on the Sellers and the Purchaser in accordance with the Shareholders' Agreement. As noted above, if the Second Tranche Effective Date is not postponed, Second Tranche Completion is expected to take place in or around mid 2025 and if the Second Tranche Effective Date is postponed to 1 April 2026 or 1 April 2027, Second Tranche Completion is expected to take place in or around mid 2026 or mid 2027 (as the case may be).

3. THE SHAREHOLDERS' AGREEMENT

On First Tranche Completion, the parties to the Sale and Purchase Agreement and the Target will enter into the Shareholders' Agreement. The Guarantor has agreed to guarantee to the Sellers the payment and performance obligations of the Purchaser under the Shareholders' Agreement. The Company has also entered into a guarantee agreement on 10 August 2023 with the Sellers, the Purchaser and the Target pursuant to which the Company has agreed to guarantee to the Sellers the payment and performance obligations of the Purchaser under the Shareholders' Agreement.

The Shareholders' Agreement will govern the relationship of the Sellers and the Purchaser as shareholders of the Target with effect from First Tranche Completion and also sets out details of how the Second Tranche Purchase Price will be determined (as described above).

Under the terms of the Shareholders' Agreement, the Purchaser and the Target have agreed that the Target Group will consult with the Sellers prior to taking certain actions (the "Sellers' Reserved Matters"), including, among other things, issuing any new shares in any member of the Target Group, distributing any dividend or other kind of profit distributions, changing the nature or scope of the Target Group's business or acquiring or disposing of any business of the Target Group, unless permitted under the Shareholders' Agreement.

The Shareholders' Agreement sets out certain transfer restrictions in relation to the Target Shares. The Purchaser has agreed not to transfer any Target Shares before Second Tranche Completion (the "Purchaser Lock-up"), except for certain permitted transfers, including a transfer to affiliates of the Purchaser which does not result in a change of control of the Target. If the Purchaser transfers any Target Shares to a third party within two years of First Tranche Completion, the Purchaser will pay to the Sellers an agreed portion of the positive difference between the price per share paid by the third party and the purchase price per share received by the Sellers under the Sale and Purchase Agreement multiplied by the number of such Target Shares. Any payment by the Purchaser shall be deemed to be an adjustment to the First Tranche Purchase Price.

The Shareholders' Agreement further provides that if (a) the Purchaser overrules the Sellers in relation to a Sellers' Reserved Matter, (b) the Purchaser breaches the Purchaser Lock-up, (c) the Sellers do not consent to the transfer of the Target Shares by the Purchaser to a third party (the "Third Party Transfer Put"), (d) there is a change of control of entities controlled by the Guarantor which control the Target Group or (e) the Purchaser breaches its obligations at Second Tranche Completion or certain other provisions of the Shareholders' Agreement, the Sellers have the right to transfer the Second Tranche Shares (the "Put Option") to the Purchaser. The purchase price payable upon the exercise of the Put Option will be the sum of (i) the fixed amount of US$170,511,000 plus (ii) interest on that amount calculated on a daily basis at the rate of 6.75% per annum from the date of the Put Option notice until the date of receipt of the purchase price plus (iii) (if the Sellers exercise the Third Party Transfer Put and the Purchaser transfers Target Shares to a third party within one year) the positive difference between the Put Option purchase price and the price per share paid by the third party multiplied by the number of such Target Shares. Further, upon the occurrence of any liquidation, administration, dissolution, receivership, arrangement or scheme with creditors, interim or provisional supervision by the court or court appointee, and/or similar proceedings under any applicable insolvency or business continuity laws with respect to any party to the Shareholders' Agreement, the Sellers (if the Purchaser is the defaulting party) or the Purchaser (if any Seller is a defaulting party) have the right, subject to applicable law, to purchase all the Target Shares held by the defaulting party for an aggregate consideration of US$1.

The Shareholders' Agreement will be for a term of six years from the date of First Tranche Completion and may be automatically renewed for consecutive one year periods, unless terminated by the parties to the Shareholders' Agreement. The Shareholders' Agreement will automatically terminate (1) on the date of Second Tranche Completion, (2) if all the Target Shares are held by one party, (3) in respect of a party if that party ceases to hold any Target Shares or (4) by mutual agreement of the parties.

4. REASONS FOR, AND BENEFITS OF, THE PROPOSED TRANSACTION

The Board considers that the Proposed Transaction will enhance shareholder value and is in the interests of the Company and the Shareholders as a whole. The Group commenced its business in automotive in 2021 and the Proposed Transaction is a strategic move designed to expedite the Group's diversification and enhancement of its audio solution portfolio in the automotive industry. The Proposed Transaction is not merely an addition to the Group's offerings but a significant transformation that will synergise with the Group's current strengths and enhance its position in the dynamic mobility market. By integrating the Group's existing capabilities with the Target Group's rich products portfolio, global manufacturing operations as well as solid established supply relationships with global Original Equipment Manufacturers ("OEM(s)"), the Group is set to deliver a broad set of innovative, both branded and unbranded, system solutions that will elevate the infotainment and sensory experience for users, marking a leap forward in the Group's offerings.

The Group has a clear vision to uphold the Target Group's operational independence and corporate culture, aiming to preserve the unique identity and market position of the Target Group while strategically boosting its business position across all the automotive segments and setting the stage for continuous growth. Firstly, the Group is looking to extend the product range to include a comprehensive array of audio system architectures equipped with the latest innovations, including energy-efficient and compact form-factor premium loudspeakers, embedded electronics and customisable software solutions which are able to provide differentiated and engaging set of audio features. Secondly, the Group is set to upgrade its operational efficiencies by continuing to adopt environmentally friendly, highly automated, and advanced smart manufacturing practices, aiming for production processes that are not only more efficient and scalable, but also in line with the Group's drive for sustainability and technological progress excellence. Thirdly, the Group will provide the Target Group with the strategic resources to enhance its ability to penetrate and serve fast-growing new energy vehicles OEM customers both in the Asia-Pacific and Western regions.

In essence, by reinforcing the Target Group's market standing and its commitment to innovation, the Group intends to expand its operational capabilities effectively across all key business areas on a global scale, ultimately laying a strong foundation for growth that not only supports the clients' ambitions but also extends the Group's influence and reach in the industry.

5. INFORMATION ON THE TARGET GROUP

The Target Group owns and operates the Premium Sounds Solutions business ("PSS") which is a leading global provider of acoustic components and sound systems with an over 50-year operating history. PSS produced over 110 million loudspeakers last year and maintains a diversified global manufacturing footprint across several countries. With a rich history of innovation and strong track record of delivering quality products, PSS is a Tier 1 supplier to a diversified base of global automotive original equipment manufacturers, which include a growing selection of electric vehicles and plug-in hybrid electric vehicles. In addition, PSS retains a sizeable portfolio of commercial relationships in the premium and branded consumer audio segment. Supported by a strong and diversified pool of talent alongside technology capabilities, the existing business of the Target Group is well-positioned to continue capitalising on strong growth and increasing demand for advanced premium sound solutions across segments in the coming years.

The table below sets out selected financial information on the Target Group based on the audited consolidated accounts of the Target Group prepared in accordance with Belgian GAAP and IFRS for the two financial years ended 31 March 2023:

	For the year ended 31 March	
Euro	**2022**	**2023**
Based on Belgian GAAP		
Net profit before tax	13,715,000	36,876,000
Net profit after tax	9,473,000	27,030,000
Based on IFRS		
Net profit before tax	21,569,000	40,460,000
Net profit after tax	16,780,000	30,588,000

The audited consolidated net asset value of the Target Group as at 31 March 2023 based on Belgian GAAP was Euro 80,000,000 and based on IFRS was Euro 102,453,000.

6. INFORMATION ABOUT THE GROUP AND THE SELLERS

(a) The Group

The Group is a leading smart devices solutions provider as well as a pioneer in the design and development of a wide range of components and embedded solutions for application in consumer electronics, mobility and automobile markets. The Group combines excellence in hardware design and manufacturing with software development and integration capabilities to provide end-to-end support to customers in their innovation solution. The Group continuously reinforces its technological leadership through strategic investments, and dynamic ecosystem partnerships strategy, in order to foster research and development across diverse fundamental fields such as innovative materials and processing technologies, automation and software development and integration.

(b) Seller 1

Acoustics Solutions Holding B.V. is the majority shareholder of the Target which (directly or indirectly) holds the shares in the Target Group. Acoustics Solutions Holding B.V. is owned by Dutch private equity firm Value Enhancement Partners alongside Ardent Equity, and functions as a holding company for both their interests in the Target Group.

(c) Seller 2

Stichting Administratiekantoor Acoustics Solutions International, a foundation administrative office incorporated and organised under the laws of the Netherlands is the minority shareholder of the Target. Stichting Administratiekantoor Acoustics Solutions International is a management pooling vehicle through which both Value Enhancement Partners and management (in the framework of the management incentive package currently in place) hold participations in the Target Group.

7. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

Upon completion of the Proposed Transaction, the Target will become an indirect wholly-owned subsidiary of the Company and its results will be consolidated with that of the Group.

As set out in the accountants' report on the Target Group in Appendix II to this circular, the revenue and net profit after tax of the Target Group for the year ended 31 March 2023 were approximately Euro 463,812,000 and Euro 30,588,000, respectively. On this basis, the Directors expect the Proposed Transaction would have a positive impact on the Group's revenue and earnings following completion of the Proposed Transaction.

Appendix IV to this circular sets out certain unaudited pro forma financial information of the Enlarged Group which illustrates the financial effects of the Proposed Transaction on the assets and liabilities of the Group, assuming completion of the Proposed Transaction had taken place on 30 June 2023.

As set out in Appendix IV to this circular, as a result of the Proposed Transaction:

(a) the total assets of the Group would increase from approximately RMB39,420 million to approximately RMB43,030 million for the Enlarged Group; and

(b) the total liabilities of the Group would increase from approximately RMB17,492 million to approximately RMB21,129 million for the Enlarged Group.

The Directors are of the view that the Proposed Transaction is not expected to have any material adverse impact on the financial position of the Group.

Shareholders should note that the earnings contribution from the Target Group after completion of the Proposed Transaction will depend on the future performance of the Target Group, and the actual effect of the Proposed Transaction on the assets, liabilities and earnings of the Group will depend on the financial position and performance of the Target Group as of the date of completion, which cannot be quantified as at the Latest Practicable Date. The unaudited pro forma financial information of the Enlarged Group set out in Appendix IV to this circular has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position and performance of the Group and the Enlarged Group at any future date.

8. WAIVER IN RELATION TO QUALIFICATIONS OF REPORTING ACCOUNTANTS AND AUDITORS OF THE TARGET

Pursuant to Rule 4.03 of the Listing Rules, all accountants' reports must normally be prepared by certified public accountants who are qualified under the Professional Accountants Ordinance for appointment as auditors of a company and who are independent both of the issuer and of any other company concerned to the same extent as that required of an auditor under the Companies Ordinance and in accordance with the requirements on independence issued by the Hong Kong Institute of Certified Public Accountants or the International Federation of Accountants.

Rule 4.03 of the Listing Rules also provides that in the case of a circular issued by a listed issuer in connection with the acquisition of an overseas company, the Stock Exchange may be prepared to permit the accountants' report to be prepared by a firm of practicing accountants which is not so qualified but which is acceptable to the Stock Exchange. Such a firm must normally have an international name and reputation and be a member of a recognised body of accountants.

The Company has applied to, and has been granted a waiver by, the Stock Exchange from strict compliance with Rule 4.03 of the Listing Rules to permit KPMG Bedrijfsrevisoren BV/SRL ("KPMG Belgium") to prepare the accountants' report on the Target Group which is included in Appendix II to this circular for the following reasons:

(a) **International name and reputation:** KPMG Belgium is a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited. The KPMG network of member firms is one of the "big four" global accounting firms and has an international name and reputation.

(b) **Member of a recognised body of accountants:** KPMG Belgium (under its legal form KPMG Bedrijfsrevisoren BV/SRL) is a member of the Instituut van de Bedrijfsrevisoren ("IBR"), which is the Belgian Institute of Registered Auditors. IBR is a mandatory membership organisation for auditors established under Belgian law and a member of the International Federation of Accountants, a global organisation for the accountancy profession. The Belgian Audit Oversight Board supervises auditors and audit firms in Belgium and is part of the Belgian Financial Services and Markets Authority, which is a full signatory to the IOSCO MMOU.

(c) **Independence:** KPMG Belgium is independent from the Target Group in accordance with the general ethical rules applicable to the registered auditor under the Belgian Audit Act of 2016 and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

(d) **Reporting standards:** KPMG Belgium will report on the historical financial information of the Target Group which will be set out in the accountants' report to be included in this circular in accordance with the Hong Kong Standard on Investment Circular Reporting Engagements 200 – Accountants' Reports on Historical Financial Information in Investment Circulars. KPMG Belgium will apply International Auditing Standards for its report on the historical financial information of the Target Group.

(e) **Unduly burdensome to engage the Company's current auditors:** The Target was incorporated in the Netherlands in 2019 and its headquarters and operations are managed from Belgium. The Target is the holding company of PSS Holding NV and its subsidiaries and does not carry on any other business or hold any other assets and does not have an auditor. PSS Holding NV, was incorporated in Belgium and is the holding company of the subsidiaries of the Target Group through which substantially all of the Target Group's operations are conducted. KPMG Belgium has been the auditor of PSS Holding NV and its subsidiaries since 2019. Accordingly, KPMG Belgium is familiar with the PSS business and financial recording system. The key financial reporting staff and accounting work papers of PSS are primarily located in Belgium. The relevant audit team of KPMG Belgium is familiar with and also has geographical proximity to the relevant personnel and records of PSS. KPMG Belgium had previously audited the consolidated accounts of PSS Holding NV and its subsidiaries for the financial years ended 31 March 2020, 2021, 2022 and 2023. The Company's current auditor, Deloitte Touche Tohmatsu, Hong Kong ("Deloitte"), has not been the auditor of the Target or PSS and does not have the familiarity or geographical proximity to the Target or PSS as KPMG Belgium. The Company therefore considers that it would be unduly burdensome, impractical, costly and would involve a significant amount of time for Deloitte or another accountant who is qualified under the Professional Accountants Ordinance to act as the reporting accountants to prepare the accountants' report on the Target Group in a timely matter.

(f) **Assistance from KPMG Hong Kong:** KPMG, Certified Public Accountants (Hong Kong) will assist KPMG Belgium in performing its duties as the reporting accountants of the Target Group by advising KPMG Belgium in respect of the applicable requirements of the Listing Rules.

9. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Proposed Transaction exceeds 25% but is less than 100%, the Proposed Transaction constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Proposed Transaction is subject to the reporting, announcement and shareholders' approval requirement under Chapter 14 of the Listing Rules.

10. EXTRAORDINARY GENERAL MEETING

The notice convening the EGM to be held at 10:00 a.m. on Tuesday, 6 February 2024 is set out on pages EGM-1 and EGM-2 of this circular. At the EGM, a resolution will be proposed to the Shareholders to consider and, if thought fit, approve the Proposed Transaction.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.aactechnologies.com). In order to be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited at the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of authority, not less than 48 hours before the time appointed for holding the EGM or adjourned meeting. The completion and return of the form of proxy will not preclude any Shareholder from attending and voting at the EGM if so wished.

According to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the resolution as set out in the notice of the EGM will be put to the vote at the EGM by way of poll. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

As far as the Directors are aware, none of the Shareholders has a material interest in the Proposed Transaction which is different from those of other Shareholders and which would require them to abstain from voting on the resolution to approve the Proposed Transaction at the EGM.

However, pursuant to Rule 17.05A of the Listing Rules, the Trustees holding unvested Shares of the 2016 Share Award Scheme and the 2023 Share Award Scheme, whether directly or indirectly, will abstain from voting on matters that require Shareholders' approval under the Listing Rules, unless otherwise required by law.

11. CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 1 February 2024 to Tuesday, 6 February 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited of 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 Wednesday, 31 January 2024.

12. RECOMMENDATION

After taking into consideration the reasons for, and the benefits of, the Proposed Transaction and the terms of the Proposed Transaction (including the basis for and the factors taken into consideration in determining the purchase price for the Proposed Transaction which the Directors consider to be fair and reasonable), the Directors consider that the Proposed Transaction to be fair and reasonable and in the interests of the Company and the Shareholders taken as a whole. **Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Proposed Transaction.**

13. ARRANGEMENTS UNDER ADVERSE WEATHER CONDITIONS

Shareholders should note that the EGM will be held as scheduled when amber or red rainstorm warning signal is in force. In the event that typhoon signal no.8 (or above) or "black" rainstorm warning is hoisted on the day and before the time of the EGM, Shareholders may call the EGM hotline (852) 3150 6769/3150 6723 for arrangement of holding the EGM under such adverse weather condition. This EGM hotline is restricted to be used for the enquiries of adverse weather arrangement only.

Shareholders should make their own decision as to whether they would attend the EGM under bad weather conditions bearing in mind their own situations and if they should choose to do so, they are advised to exercise care and caution.

14. ADDITIONAL INFORMATION

DBS Bank Ltd. acted as the financial adviser to the Company on the Proposed Transaction.

Your attention is also drawn to the additional information set out in the appendices to this circular.

The Proposed Transaction is subject to all of the Conditions being satisfied (or, if applicable, waived) and therefore may or may not become unconditional. If any of the Conditions is not satisfied (or, if applicable, waived), the Proposed Transaction will not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares and other securities of the Company.

By order of the Board
AAC TECHNOLOGIES HOLDINGS INC.
Zhang Hongjiang
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.aactechnologies.com) and can be accessed at the website addresses below:

(i) the 2020 annual report of the Company for the year ended 31 December 2020 which was published on 15 April 2021 (available at: www1.hkexnews.hk/listedco/listconews/sehk/2021/0415/2021041500741.pdf);

(ii) the 2021 annual report of the Company for the year ended 31 December 2021 which was published on 6 April 2022 (available at: https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0406/2022040601786.pdf);

(iii) the 2022 annual report of the Company for the year ended 31 December 2022 which was published on 17 April 2023 (available at: https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0417/2023041700664.pdf); and

(iv) the 2023 interim report of the Company for the six months ended 30 June 2023 which was published on 21 September 2023 (available at: https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0921/2023092100414.pdf).

2. INDEBTEDNESS

As at the close of business on 30 November 2023, being the latest practicable date for the purposes of ascertaining the indebtedness of the Enlarged Group prior to the printing of this circular, the Enlarged Group had aggregate indebtedness of approximately RMB10,929 million comprising:

Indebtedness of the Enlarged Group

RMB'000	**As at 30 November 2023** *(unaudited)*
Borrowings	
Unsecured and Unguaranteed	
Unsecured notes	5,634,384
Unsecured and Guaranteed	
Bank loans[(1)]	4,220,439
Total borrowings	**9,854,823**
Lease liabilities	
Secured and Unguaranteed[(2)]	385,391
Unsecured and Unguaranteed	689,190
Total lease liabilities	**1,074,581**
Total indebtedness	**10,929,404**

Note:

(1) The amounts are unsecured and guaranteed by the Company and subsidiaries of the Enlarged Group.

(2) The lease liabilities are secured by rental deposits.

The Group is defendants in a number of litigation proceedings in respect of alleged infringement of certain invention patents and utility model patents. The Directors of the Company consider that no provision is required because the aforesaid legal proceedings are still at early evidence examination stage and based on the advice from the Company's PRC legal advisers, there are valid grounds to defend.

In the Target Group, there is an ongoing customs case which could result in a fine to be paid. However, the board of directors of the Group and the Target Group decided that provision is not required given the small possibility of a cash outflow due to this case.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Enlarged Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 30 November 2023.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the completion of the Proposed Transaction and the financial resources available to the Enlarged Group, including internally generated funds and the currently available banking facilities, the working capital available to the Enlarged Group is sufficient for the Enlarged Group's requirements for at least 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is committed to offering advanced and proprietary technologies and driving growth through innovation and smart manufacturing capabilities, in order to achieve diversified development in the fields of smart phones, intelligent vehicles, artificial intelligence or virtual reality, industry and semiconductors. The Group continuously reinforces its technological leadership through strategic investments and dynamic ecosystem partnerships strategy in order to foster research and development across diverse fundamental fields, and will continue to solidify its market-leading position in the smartphone industry while explore the broader and more diversified non-smartphone market space.

Acoustics Business

For 1H2023, the Group's acoustics business segment recorded a revenue of RMB3.32 billion, representing a year-on-year decrease of 19.9%, mainly due to the weaker-than-expected recovery of the global smartphone market demand causing continued destocking by downstream handset manufacturers, which posed a negative impact on the Group's Android-related acoustic business.

Facing the uncertain market environment, the Group will continue to focus its effort in reducing cost and improving operational efficiency, as well as ramping up revenue contribution from new products, thereby creating a broader product portfolio in the acoustics business segment. The Group has launched the proprietary integrated acoustic solutions with a full range of audio system design services to create an immersive sound experience for users during 1H2023, and will continue to create superior audio experiences for consumers in more diversified applications with a more diversified product portfolio.

Optics Business

For 1H2023, the Group's optics business segment recorded a revenue of RMB1.77 billion, representing a year-on-year decrease of 4.4%, primarily due to the weak market demand.

Despite the competitive landscape, the Group will continue to implement the strategy of premiumisation and optimise its product portfolio by improving the shipment proportion of high-end products, strengthen inventory management and improve internal management and operational efficiency to reduce cost. The Group has consolidated its market share and improved its market position and will continue achieving the market share gain in the mid-to-high end products.

Electromagnetic Drives and Precision Mechanics Business

For 1H2023, the consolidated electromagnetic drives and precision mechanics business segment recorded a revenue of RMB3.62 billion, representing a year-on-year increase of 23.4%. The significant increase was mostly attributable to the steady growth in electromagnetic drives business on the back of rapid development of the smartphone and notebook metal casing business.

With respect to the electromagnetic drives business, the Group has maintained a stable and constantly expanding market share in overseas customers. The Group's x-axis haptics motors have been adopted in more models launched by major global smartphone brands and other haptics products have also been expanding into other non-smartphone dimensions such as trackpads, game controllers and virtual reality devices. Against the global trend of hardware intelligence, the Group expects that there will be a broader application of its haptics products in more strategic new markets as a result of the increasing demand for superior haptics feedback.

Benefitting from the Group's relentless efforts throughout the years in advancing in precision manufacturing, production line automation and quality control, the Group's precision mechanics business is continuing to expand and maintaining a leading market share among high-end and flagship models of major customers. The Group will persist in the strategy of premiumisation for the metal casing business and continue to explore high-value projects to enhance profitability. The Group will also keep on deepening its cooperation with overseas customers, actively acquire new projects, and accelerate its pace in expanding its domestic and overseas production capacities, with the aim of further ramping up the revenue contribution from and the overall profitability of this business segment.

Sensor and Semiconductor Business

For 1H2023, revenue from the sensor and semiconductor business segment amounted to RMB494 million, representing a year-on-year increase of 3.2%.

The Group will continue to promote its proprietary MEMS (Micro Electro-Mechanical Systems) microphones through its structured design to enhance product reliability, and through its differentiated design to satisfy customer's various design specification requirements. The Group's MEMS microphone has ranked top among its competitors in terms of shipment volume in 1H2023 and it is expected that the MEMS business will foresee an expansion in market demand and more market development opportunities as the demand for intelligent audio interaction in fields such as artificial intelligence and smart home appliances gradually increases. The Group has already started cooperation with global leading automotive manufacturers and expects to mass produce the relevant new products in the near future.

5. NO MATERIAL ADVERSE CHANGE

The Directors confirm that to the best of the Directors' knowledge, there was no material adverse change in the financial or trading position of the Group since 31 December 2022 (being the date to which the latest published audited financial statements of the Company were made up) up to the Latest Practicable Date.

The following is the text of a report as set out on page II-1 to page II-64 received from the reporting accountants, KPMG Bedrijfsrevisoren, certified Public Accountants, Brussels for the purpose of incorporation in this circular.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF ACOUSTICS SOLUTIONS INTERNATIONAL B.V. TO THE DIRECTORS OF AAC TECHNOLOGIES HOLDINGS INC.

Introduction

We report on the historical financial information of Acoustics Solutions International B.V. (the "Target Company") and its subsidiaries (together, the "Target Group") set out on pages II-4 to II-64, which comprises the consolidated statements of financial position of the Target Group as at 31 March 2021, 31 March 2022, 31 March 2023 and 31 August 2023 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 March 2021, 31 March 2022, 31 March 2023 and for the 5-month period ended 31 August 2023 (the "Relevant Periods"), and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-64 forms an integral part of this report, which has been prepared for inclusion in the circular of AAC Technologies Holdings Inc. (the "Company") dated 18 January 2024 (the "Circular") in connection with the acquisition of 100% equity interests of the Target Company by the Company.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

The Underlying Financial Statements of the Target Group as defined on page II-4, on which the Historical Financial Information is based, were prepared by the directors of the Target Company. The directors of the Target Company are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Target Company's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Target Group's financial position as at 31 March 2021, 31 March 2022, 31 March 2023 and 31 August 2023 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 5 months period ended 31 August 2022 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board ("IAASB"). A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

KPMG Bedrijfsrevisoren
Certified Public Accountants
18 January 2024

ACOUSTICS SOLUTIONS INTERNATIONAL BV

HISTORICAL FINANCIAL INFORMATION OF TARGET COMPANY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Bedrijfsrevisoren under separate terms of engagement with the Target Company in accordance with International Standards on Auditing issued by the IAASB ("Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 March 2021 EUR'000	2022 EUR'000	2023 EUR'000	Five months ended 31 August 2022 EUR'000 (Unaudited)	2023 EUR'000
Profit for the year/period						
Revenue	*5*	299,817	352,155	463,812	181,739	191,530
Cost of goods sold		(235,116)	(291,315)	(368,015)	(154,994)	(148,930)
Gross profit		64,701	60,840	95,797	26,745	42,600
Distribution and selling expenses		(7,661)	(7,391)	(10,392)	(4,601)	(4,162)
Administrative expenses		(23,541)	(25,508)	(28,830)	(10,897)	(14,863)
Research and development costs		(10,344)	(12,698)	(14,432)	(5,803)	(7,390)
Other income and expenses	*7*	214	258	280	112	283
Other gains and losses	*7*	(13)	(6)	(41)	(71)	(2)
Operating result		23,356	15,495	42,382	5,485	16,466
Exchange gain (loss)		(1,451)	1,565	366	3,429	(896)
Finance expenses	*6*	(2,406)	(1,850)	(3,672)	(870)	(1,831)
Hedging gains (losses)	*26*	9,870	6,359	1,384	(3,906)	(554)
Profit before taxation		29,369	21,569	40,460	4,138	13,185
Income tax expense	*10*	(6,576)	(4,789)	(9,872)	(979)	(2,299)
Profit for the year/period		22,793	16,780	30,588	3,159	10,886
Other comprehensive income (expense)						
Item that will not be reclassified to profit or loss:						
– Remeasurement to defined benefit plans, net of income tax	*28*	(21)	1,272	802	932	(18)
Item that may be subsequently reclassified to profit or loss:						
– exchange differences arising on translation of foreign operations		(1,606)	3,144	(2,337)	1,993	(2,743)
– fair value changes on derivative financial instruments, net of income tax	*26*	–	–	332	–	148
Other comprehensive income (expense)		(1,627)	4,416	(1,203)	2,925	(2,613)
Total comprehensive income for the year/period		21,166	21,196	29,385	6,084	8,273

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 March			At 31 August
		2021	**2022**	**2023**	**2023**
	NOTES	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
Non-current assets					
Property, plant and equipment	*12*	33,364	41,774	45,864	47,594
Right-of-use assets	*13*	25,318	24,315	31,991	37,993
Goodwill	*14*	9,159	9,159	9,159	9,159
Intangible assets	*15*	11,336	11,134	10,415	10,212
Deferred tax assets	*22*	1,949	1,838	2,613	3,509
Derivative financial instruments	*26*	2,917	1,937	3,333	1,316
Long term deposits		661	890	869	833
Non-current assets		84,704	91,047	104,244	110,616
Current assets					
Inventories	*16*	41,190	50,855	49,995	50,580
Trade and other receivables	*17*	69,607	94,022	96,144	95,178
Contract Assets	*17*	2,037	3,822	5,252	5,281
Derivative financial instruments	*26*	2,674	5,037	4,072	4,188
Cash and cash equivalents	*18*	45,601	33,913	70,873	98,958
Current assets		161,109	187,649	226,336	254,185
Total assets		245,813	278,696	330,580	364,801

		At 31 March			At 31 August
		2021	2022	2023	2023
	NOTES	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
Current liabilities					
Trade and other payables	*19*	89,203	109,349	117,317	127,505
Contract liabilities	*19*	9,672	4,079	3,846	5,211
Lease liabilities	*20*	4,290	4,326	4,970	4,694
Income tax liability	*10*	2,024	3,953	6,820	7,220
Derivative financial instruments	*26*	187	82	516	1,350
Provisions	*36*	2,212	1,577	1,478	2,989
Bank loans	*21*	3,998	5,445	1,877	10,476
Current liabilities		111,586	128,811	136,824	159,445
Net current assets		49,523	58,838	89,512	94,740
Total assets less current liabilities		134,227	149,885	193,756	205,356
Non-current liabilities					
Bank loans	*21*	51,448	47,889	59,125	57,250
Lease liabilities	*20*	21,388	20,671	28,028	34,559
Long term employee benefits	*28*	4,235	2,440	1,110	989
Derivative financial instruments	*26*	907	366	1,324	817
Deferred tax liabilities	*22*	376	1,450	1,716	1,014
Non-current liabilities		78,354	72,816	91,303	94,629
Net assets		55,873	77,069	102,453	110,727
Capital and reserves					
Share capital and share premium	*23*	32,459	32,459	32,459	32,459
Retained Earnings		24,703	41,483	68,070	78,957
Reserves		(1,289)	3,127	1,924	(689)
Total equity		55,873	77,069	102,453	110,727

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of Target Company					
		Share Capital and share premium	**Retained earnings**	**Hedging Reserves**	**Pension reserves**	**Translation reserves**	**Total**
		EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
	NOTES	*23*		*26*	*28*		
At 1 April 2021		32,459	24,703	–	(21)	(1,268)	55,873
Profit for the period		–	16,780	–	–	–	16,780
Other comprehensive income (expense) of the period		–	–	–	1,272	3,144	4,416
Profit and other comprehensive income for the period		–	16,780	–	1,272	3,144	21,196
At 31 March 2022		32,459	41,483	–	1,251	1,876	77,069
At 1 April 2022		32,459	41,483	–	1,251	1,876	77,069
Profit for the period		–	30,588	–	–	–	30,588
Other comprehensive income (expense) of the period		–	–	332	802	(2,337)	(1,203)
Profit and other comprehensive income for the period		–	30,588	332	802	(2,337)	29,385
Dividend		–	(4,000)	–	–	–	(4,000)
At 31 March 2023		32,459	68,070	332	2,053	(461)	102,453

		Attributable to owners of Target Company					
		Share Capital and share premium	**Retained earnings**	**Hedging Reserves**	**Pension reserves**	**Translation reserves**	**Total**
		EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
	NOTES	*23*		*26*	*28*		
At 1 April 2022		32,459	41,483	–	1,251	1,876	77,069
Other		–	–	–	–	–	–
Profit for the year		–	3,159	–	–	–	3,159
Other comprehensive income of the year		–	–	–	932	1,993	2,925
Profit and total comprehensive income for the year		–	3,159	–	932	1,993	6,084
At 31 August 2022 (unaudited)		32,459	44,642	–	2,183	3,869	83,153
At 1 April 2023		32,459	68,070	332	2,053	(461)	102,453
Profit for the period		–	10,886	–	–	–	10,886
Other comprehensive income (expense) of the period		–	–	148	(18)	(2,743)	(2,613)
Profit and other comprehensive income for the period		–	10,886	148	(18)	(2,743)	8,273
At 31 August 2023		32,459	78,957	480	2,035	(3,204)	110,727

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 March			Five months ended 31 August	
		2021	2022	2023	2022	2023
	NOTES	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
					(Unaudited)	
Operating activities						
Profit before taxation		29,369	21,569	40,460	4,138	13,185
Adjustments for:						
Loss (Gain) on changes in fair value of derivatives	*26*	(8,464)	(2,030)	1,321	5,221	2,523
Finance expenses	*6*	2,406	1,850	3,672	870	1,831
Depreciation of property, plant and equipment	*12*	7,037	7,465	10,458	4,675	4,106
Depreciation of right-of-use assets	*13*	4,541	4,861	5,222	2,165	2,212
Amortisation of intangible assets	*15*	2,501	3,026	3,359	1,377	1,099
Impairment allowance recognised for trade receivables	*17*	(10)	35	199	339	(31)
Net allowance for inventories	*16*	(208)	(768)	(28)	117	(115)
Loss (gain) on disposals, other expenses (income) non-cash	*7*	(171)	(44)	(44)	54	(277)
Provisions and employee benefits	*36 & 28*	(25)	(488)	(561)	(70)	1,269
Operating cash flows before movements in working capital		36,976	35,476	64,058	18,886	25,802
(Increase) decrease in inventories	*16*	(973)	(6,496)	304	(3,735)	(1,390)
(Increase) decrease in trade and other receivables	*17*	(13,063)	(20,498)	(6,817)	(8,236)	(1,767)
(Decrease) increase in trade and other payables	*19*	15,611	13,682	11,248	10,233	12,572
(Increase) decrease in contract assets	*17*	(1,602)	(1,785)	(1,430)	(715)	(29)
(Decrease) increase in contract liabilities	*19*	(2,340)	(5,813)	(197)	(189)	1,348
Cash generated from (used in) operations		34,609	14,566	67,166	16,244	36,536
Income tax (paid) refunded	*10*	(1,446)	(986)	(5,020)	(603)	(3,255)
Net cash from (used in) operating activities		33,163	13,580	62,146	15,641	33,281

		Year ended 31 March			Five months ended 31 August	
		2021	**2022**	**2023**	**2022**	**2023**
	NOTES	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
					(Unaudited)	
Investing activities						
Acquisition of property, plant and equipment	*12*	(8,175)	(14,355)	(16,086)	(5,510)	(7,143)
Additions to intangible assets	*15*	(4,832)	(2,532)	(2,788)	(1,201)	(1,112)
Reimbursements/(Payments) for rental deposits		(58)	(186)	45	(127)	14
Interest Income received		156	58	207	17	246
Net cash from (used in) investing activities		(12,909)	(17,015)	(18,622)	(6,821)	(7,995)
Financing activities						
Repayment of bank loans	*31*	(4,568)	(2,432)	(2,842)	–	–
Proceeds from new loans	*31*	–	–	9,912	1	6,726
Repayment of lease liabilities	*31*	(4,184)	(4,576)	(4,857)	(2,055)	(1,949)
Interest Expense paid	*31*	(2,193)	(1,471)	(2,782)	(496)	(792)
Other financial expenses paid	*31*	(51)	(52)	(63)	(23)	(26)
Dividend paid	*31*	–	–	(4,000)	–	–
Net cash from financing activities		(10,996)	(8,531)	(4,632)	(2,573)	3,959
Net increase (decrease) in cash and cash equivalents	*18*	9,258	(11,966)	38,892	6,247	29,245
Cash and cash equivalents at beginning of the year/period	*18*	35,832	45,601	33,913	33,913	70,873
Net effect of movement in FX-rates on cash and cash equivalents		511	278	(1,932)	(708)	(1,160)
Cash and cash equivalents at end of the year/period, representing cash and cash equivalents	*18*	45,601	33,913	70,873	39,452	98,958

NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE GROUP

1. GENERAL INFORMATION

Acoustic Solutions International (further referred as "the Company" or "Target Company") is a leading manufacturing group in the sound solutions industry with a significant expertise in research, development and manufacturing innovative sound solutions and is incorporated and domiciled in The Netherlands. Their registered office is located at Strawinskylaan 385, 1077 Amsterdam in The Netherlands

The principal activities of the Company and its subsidiaries (further referred as "the Group") are set out in note 5.

The presentation currency for the Group is the Euro ("EUR"), as is the functional currency of the Company. Subsidiaries within the group might have differing functional currencies. The Historical Financial Information is presented in thousands of EUR to facilitate the review of the consolidated financial position and performance of the Group by the directors of the Company.

2. BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

For the purpose of preparing the Historical Financial Information for the Relevant Periods, the Group has consistently applied the accounting policies which conform with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board (the 'IASB') that are effective at the last reporting date, 31 August 2023.

New and amendments to IFRSs issued but not yet effective as of 31 August 2023 are as follows:

Amendments to IAS 1	Presentation Financial statements: Classification of Liabilities as Current or Non-current with covenants[1]
Amendments to IFRS 16	Lease liability in a sale and leaseback[1]
Amendments to IAS 7	Statement of Cash Flows[1]
Amendments to IFRS 7	Financial Instruments: Disclosures: Suppliers arrangements[1]
Amendments to IAS 21	The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability[2]

The directors of the Group anticipate that the application of the amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by Rules Governing the Listing of Securities on The Stock Exchange of the Hong Kong Companies Limited.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

The Historical Financial Information has been prepared on the historical cost basis except for (i) the derivatives, which are measured at fair values at the end of each reporting period, and (ii) the net defined benefit liability for the long term employee benefits, which is calculated as the fair value of the plan assets less the present value of the defined benefit obligation, as explained in the accounting policies set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group considers the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis.

1. Applicable for annual periods beginning on or after 1 January 2024
2. Applicable for annual periods beginning on or after 1 January 2025

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. MATERIAL ACCOUNTING POLICIES

Basis of consolidation

The Historical Financial Information incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there might be changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Goodwill

Goodwill arising on an acquisition of a business or goodwill arising at the date of transition is carried at cost as established at the date of acquisition of business or the date of transition less accumulated impairment losses, if any.

As the Group currently has only one cash-generating-unit ("CGU"), goodwill is therefore allocated entirely to the CGU for impairment testing.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication of impairment. For goodwill arising on acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

Revenue from contracts with customers

In accordance with IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer (the OEM(s)). For the purpose of accounting for the contracts with the OEMs, the Group combines contracts for all phases (RFQ Phase, Nomination phase, pre-production engineering phase, industrialization or tooling phase, the serial production phase of the acoustic products itself) that typically take place when entering into a contract, as they are usually negotiated as a package with a single commercial objective (and where the amount of consideration to be paid might depend on the consideration already received in another phase) and are entered into, at, or near the same time with the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

All revenue is recognised at a point in time (when the customer obtains control of the distinct good or service). In accounting for the principal contract phases of the revenues of the Group, the following phases are relevant:

- Pre-Production engineering
- Tooling of the machinery
- Production phase

The **pre-production engineering** and development activities (e.g. creation of new technology or design) are a prerequisite to delivering the subsequent parts. We refer to the intangibles section for more information on these items, as well as the below information on the collaborative agreements as they are considered outside the scope of IFRS 15.

In the next phase, the Group will enter into **a tooling arrangement** under which custom plastic moulding tools are built in order to fulfil the orders of the OEM. Typically these tools will be unique to the product and cannot be used by other customers. For most cases the tooling arrangement also specifies that the ownership of the tool is transferred upon completion/sale of the tool and before the start of production. This is considered as a separate and distinct performance obligation. Using the cost-plus method a reasonable range of the standalone selling price has been determined. During construction, the tool will be accounted for as inventory (under IAS 2) and after construction, the tool will be transferred to the OEM and revenue will be recognized at a point in time, once serial production has commenced. Any (milestone) prepayments received from the client during this process and before the transfer of control will also be separately presented on the balance sheet as contract liabilities.

After the tool is accepted, production has a high probability to be started and the OEM enters into regular binding purchase orders (within the context of the earlier general supply agreements) where PSS provides customized sound systems designed to fit within a particular model of vehicles. Each of the subsequent purchase orders constitutes a separate purchase order which is considered as a performance obligation. For this serial production the **revenue of the Group arising from the sales of acoustic products** is recognised at a point in time. Under the transfer-of-control approach in IFRS 15 "Revenue from Contracts with Customers", revenue from these sales is recognised when customer has received the legal title, which is the point of time when the customer has the ability to direct the use of these products and obtain substantially all of the remaining benefits of these products, which is when the goods are delivered to the OEM.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

During the program execution phase the Group can be required to make payments to OEMs, either during the production phase or upon signing of the contract itself. On a case-by-case basis the Group will analyse whether the payments are recoverable through sufficient future purchases to recover the payment. If these payments are determined to be recoverable, they are capitalized as contract assets and recognized as a reduction of the transaction price.

The Group only promises product compliance within specifications of the contract and there is no separate performance obligation at contract inception. Warranties are accrued for as provisions under IAS 37 as they only relate to assurance type warranty.

Recognition of expenses – collaborative agreements:

With regard to the above mentioned pre-production engineering costs, the Group retains the right to the engineering and development output created during this process, such as the intellectual property and the designs, together with the OEM. The group is entitled to milestone payments for this activity, but not all costs related to pre-engineering are recovered from the OEM (since the group and the OEM share the financial risks from the development, which is a collaborative agreement). Based on these elements management concludes that pre-production engineering activities are considered as a collaborative agreement. As a result, any payments received from the OEMs are shown as a reduction of the research & development costs presented by the Group.

Foreign currencies

Foreign currency transactions

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise, on the line item exchange gain (loss).

Foreign currency operations

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. EUR) using exchange rate prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Long term employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

The Company has three active 'Branch 21' Belgian pension plans (for directors, management and for the white collar employees). Those plans provide a retirement lump sum with employer's contribution expressed as a percentage of a reference salary. There are employee contributions in one of the three plans.

Under Belgian law, defined contribution pension plans are subject to minimum guaranteed rates of return which are based on an average of 10-year government bond yields with a minimum of 1.75% and a maximum of 3.75% (currently, equal to 1.75%) for all contributions. Because of these minimum guaranteed rates of return, those pension plans are considered as a defined benefit plan under IFRS.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. In determining the present value of the Group's defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than earlier years, the Group attributes the benefit on a straight-line basis from:

(a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service) until; and

(b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained profits and will not be reclassified to profit or loss.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presented the first two components of defined benefit costs in profit or loss. The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by Company in respect of services provided by employees up to the reporting date. The other long-term employee benefits mainly relate to jubilee benefits. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

Income Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The current tax is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary differences arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the leasing transaction as a whole. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax is recognised in profit except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Leases

Definition of a lease

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components except for car leases as such allocation cannot be made reliably for all contracts.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets (below EUR 5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life, which is determined based on the same basis as those of Property, Plant and Equipment. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group generally uses the incremental borrowing rate as discount rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease, the type of the leased asset and the underlying contract currency.

The lease payments include:

- fixed payments less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Property, plant and equipment

Property, plant and equipment, other than freehold land and construction in progress, are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and any accumulated impairment losses, if any.

Freehold land and construction in progress is not depreciated and is measured at cost, less any recognised impairment loss.

Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets are functioning properly. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset such as the pre-production engineering and development activities that are a prerequisite to delivering subsequent parts (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it as evidenced in particular for the pre-production engineering and development activities by a nomination or similar document from the customer stating confirming that PSS has been retained as supplier for the parts supply program although the development activities do not cause the OEM to commit to purchase a minimum amount of parts;
- the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits;

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Any payments received from the OEMs are shown as a reduction of the costs presented by the Group. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, an internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately. Pre-production expenses are amortized from the moment serial production starts.

Impairment on property, plant and equipment, right-of-use assets and intangible assets (other than goodwill)

At the end of the reporting period the Group reviews the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. As the Group currently has only one cash generating unit, corporate assets are therefore allocated entirely to the CGU for impairment testing.

The recoverable amount is determined for the CGU to which the corporate asset belongs, and is compared with the carrying amount of the CGU. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the CGU. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the CGU. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the assets is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories (which include all purchase costs, production costs and conversion or other costs (incl. overhead) necessary to bringing the inventory to its present location and condition) are determined based on the FIFO-method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Cost necessary to make the sale include incremental costs directly attributable to the sale and non incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Accounting policies for finance costs, financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

i. Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

ii. Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset.

Impairment of financial assets subject to impairment assessment under IFRS 9 "Financial Instruments"

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets including trade and other receivables, short-term fixed deposits and bank balances. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on trade receivables are assessed individually for debtors with significant balances and the remaining debtors are assessed collectively.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

i. Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

ii. Definition of default

The Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

iii. Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

iv. Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

v. Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group estimates ECL for certain trade receivables collectively taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

The Group applies the simplified approach to provide for ECL prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for trade receivables.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire. Certain trade receivables are subject to a recourse factoring agreement for which the derecognition requirements are not met. Cash flows under these arrangements are presented as cash flow from financing activities in the statement of cash flows.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity and recognised as treasury shares. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instrument.

Financial liabilities at amortised cost

Financial liabilities excluding derivatives, which consist of trade and other payables and bank loans are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges. At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated under the heading of hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the "hedging gains (losses)" line item. Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated statement of profit or loss and other comprehensive income as the recognised hedged item.

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship). Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying The Group's accounting policies detailed in note 3, management is required to make judgements, estimates and assumptions that have significant effects on the amounts recognised in the Historical Financial Information. The following is the key assumptions concerning the application of accounting policies and assumptions on the future and other key sources of estimations uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Significant accounting judgements

Functional currencies

Management has determined that the functional currency of PSS Belgium NV is the euro. The determination of the functional currency is in principle a matter of fact. For PSS Belgium however, judgement has been applied to identify the functional currency. Management believes that the euro most faithfully portrays the economic results of the entity's operations primarily because:

(1) PSS Belgium NV uses local labor and the majority of materials and other costs to produce its products are euro-denominated, even though there are also imports in other currencies;

(2) There is an active euro sales market for PSS Belgium NV's products, although there are also significant amounts of exports, principally in USD. Sales prices of PSS Belgium's products for exports are determined from the cost base and generally are not responsive on a short-term basis to changes in exchange rates.

(3) Financing is denominated in euros.

Functional currency affects the reporting of currency gains and losses and exchange differences as well as hedging strategies and effects. Facts or circumstances may change in the future. We refer to the analyses presented in the financial instruments section of the notes where more information is presented (note 24).

Determination as a single cash generating unit for impairment testing:

At each reporting date, the Group reviews the carrying amounts of its goodwill, and other non-current fixed assets, to determine whether there is any indication of impairment (next to the annual impairment testing for goodwill). If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where the asset does not generate cash inflows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Management has applied judgement when determining if the production lines or production plants are able to generate cash inflows independent from each other, and whether there is an active market for the output of individual production lines or plants based on the current set-up and configuration of the production plants across all regions. Judgement was largely made around OEM requirements on global manufacturing footprint. Management has concluded that future cash inflows of individual production plants/lines cannot be determined individually and as such are not considered largely independent from one another.

Goodwill is monitored and managed centrally by the Company and its recoverable amount is based on the cash flows from the consolidated business.

As such management has concluded that there is only one applicable CGU for the entire group.

We refer to note 14 further for the disclosures on the goodwill impairment testing for additional disclosures.

Provision for uncertain tax position

The Group operates in numerous jurisdictions and is subject to country-specific tax laws. Management uses significant judgment when determining and estimating the provisions for uncertain tax positions, where the amounts expected to be paid are based on a qualitative assessment of the relevant factors. Management reviews the provisions as at each balance sheet date. The Group has recorded a provision for its uncertain tax positions for a total amount of EUR 1,057,000 for a maximum exposure of EUR 6,817,000. In estimating the provision, the Group applies judgement to assess the likelihood that the relevant tax authority will accept the Group's tax treatment for these uncertain tax positions. We refer to note 10 for additional information on the income taxes payable.

Key sources of estimation uncertainty

In the process of applying the Group's accounting policies detailed in the note above, management has not identified any estimations that have significant effects on the amounts recognised in the financial statements for which the key assumptions concerning the future (and other key sources of estimation uncertainty at the end of the respective periods) have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

5. REVENUE AND SEGMENT INFORMATION

PSS is producing sound systems. Resources are allocated taking into account all available production plants. There is no segment manager that reports discrete financial information to the CODM (which is the board of the Group). The information reported to the CODM is limited to the level of the gross margin split by Automotive products and Consumer products and by customer. However this information is not granular enough to take decisions on resource allocations. Therefore management concluded there is only one reportable segment.

The measure of profit and loss for the reportable segment is the same as for the entity wide measurement of profit and loss. The CODM directs his decision making regarding resource allocation and assesses performance on a high level by looking at the profit and loss statements as a whole on a regular basis.

Revenue can be summarized as follows:

	Year ended 31 March			Five months ended 31 August	
	2021	**2022**	**2023**	**2022**	**2023**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000* (Unaudited)	*EUR'000*
Revenues from serial production	289,668	341,917	456,660	178,617	189,909
Revenues from tooling	9,192	9,650	6,340	2,845	1,140
Other revenues	957	588	812	277	481
Total Revenues – recognised at a point in time	299,817	352,155	463,812	181,739	191,530

Revenue generated by the Group mainly represented income from the production and sale of automotive sound systems. The Group also generated income from tooling arrangements under which custom plastic moulding tools are built in order to fulfil orders of customers.

The Group recorded revenue of Euro 191.5 million and Euro 181.7 million for the five months ended 31 August 2023 and 2022. The increase in revenue during this period was mainly due to increased sales volume, market expansion into Asia, early development involvement with the Group's customers, and innovation and sustainability efforts.

The Group recorded revenue of Euro 463.8 million and Euro 352.2 million for the financial years ended 31 March 2023 and 2022. The increase in revenue during this period was mainly due to the expansion of the premium product portfolio to electric vehicles in the Asian market, the development and marketing of innovative products which capitalised on the Group's established relationships with existing Western brands, the increase in the number of blue-chip customers, and a shift in strategy towards more premium and innovative sound solutions.

The Group recorded revenue of Euro 352.2 million and Euro 299.8 million for the financial years ended 31 March 2022 and 2021. The increase in revenue during this period was mainly due to the Group's strategy to shift towards more premium and innovative sound solutions and increased number of blue-chip customers.

Revenue derived from The Group's top customers which individually contributed over 10% of the revenue in at least one of the periods reported is as follows:

	Year ended 31 March			Five months ended 31 August	
	2021	**2022**	**2023**	**2022**	**2023**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
				(Unaudited)	
Customer					
A	35,663	74,230	131,206	41,158	60,776
B	57,440	64,567	83,844	32,797	34,158
C	39,974	39,944	39,970	16,396	25,059
D	29,986	32,835	37,669	14,788	10,661
Total	163,063	211,576	292,689	105,139	130,654

Following table demonstrates the Group's revenue from external customers by location of end customers:

	Year ended 31 March			Five months ended 31 August	
	2021	**2022**	**2023**	**2022**	**2023**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
				(Unaudited)	
Greater China (*)	79,605	109,922	147,583	54,259	57,903
Rest of the world	220,212	242,233	316,229	127,480	133,627
	299,817	352,155	463,812	181,739	191,530

* 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 Group has production plants in China, Malaysia, Mexico, Germany, Hungary and Belgium. Non current assets by location are not reported separately to the CODM, but can be summarized based on their production location:

	Year ended 31 March			Five months ended 31 August	
Non-current assets by region	**2021**	**2022**	**2023**	**2022**	**2023**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
				(Unaudited)	
Greater China	26,198	30,973	30,278	31,241	36,986
Rest of the world	58,506	60,074	73,966	69,269	73,630

6. FINANCE EXPENSES

	Year ended 31 March			Five months ended 31 August	
	2021	2022	2023	2022	2023
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
				(Unaudited)	
Finance expenses:					
Interest expenses (excl. Leases)	(1,571)	(1,065)	(2,683)	(512)	(1,218)
Interest expenses on lease liabilities	(784)	(732)	(924)	(335)	(588)
Other financial expenses	(51)	(53)	(65)	(23)	(25)
	(2,406)	(1,850)	(3,672)	(870)	(1,831)

7. OTHER INCOME AND EXPENSES/GAINS AND LOSSES

	Year ended 31 March			Five months ended 31 August	
	2021	2022	2023	2022	2023
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
				(Unaudited)	
Other Income					
Interest income	156	86	207	17	246
Other non-operating income	93	306	473	95	38
Other expenses					
Other non-operating expenses	(35)	(134)	(400)	0	(1)
Other income and expenses	214	258	280	112	283
Other gains and losses					
Gain from sale of non-current assets	76	11	77	0	50
Loss from sale of non-current assets	(89)	(17)	(118)	(71)	(52)
Other gains and losses	(13)	(6)	(41)	(71)	(2)

8. OTHER DISCLOSURES ON EXPENSES

	Year ended 31 March			Five months ended 31 August	
	2021	**2022**	**2023**	**2022**	**2023**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
				(Unaudited)	
Total Staff Costs:					
Staff salaries	*(52,935)*	*(59,745)*	*(68,551)*	*(27,519)*	*(30,435)*
Staff retirement benefits scheme costs	*(1,747)*	*(1,635)*	*(1,580)*	*(680)*	*(676)*
Social security charges	*(8,154)*	*(11,018)*	*(12,128)*	*(4,907)*	*(5,380)*
Other staff benefits	*(4,521)*	*(5,875)*	*(6,332)*	*(1,472)*	*(2,296)*
Other personnel costs	*(3,090)*	*(3,628)*	*(3,939)*	*(1,670)*	*(1,923)*
Total staff costs	(70,447)	(81,901)	(92,530)	(36,248)	(40,710)
Depreciation tangible fixed assets	(7,037)	(7,465)	(10,458)	(4,675)	(4,106)
Depreciation of right-of-use assets	(4,541)	(4,861)	(5,222)	(2,165)	(2,212)
Amortisation of intangible assets	(2,501)	(3,026)	(3,359)	(1,377)	(1,099)
(Reversal of) allowance of impairment loss on trade receivables	10	(35)	(199)	(339)	31
Allowance for inventories, included in cost of goods sold	208	768	28	(117)	115
Auditor's remuneration	(221)	(225)	(246)	(90)	(455)
Cost of inventories recognised as expense	(225,133)	(283,209)	(354,280)	(148,900)	(143,996)

The Group recorded total staff costs of Cost of Goods Sold, Distribution, Administration and Research and Development personnel of Euro 40.7 million and 36.3 million for the five months ended at 31 August 2023 and 2022. This increase is result of increased operational activities and increased efforts in research and development personnel working on the new programs and new customer onboarding. The Group recorded total staff costs of Euro 92.5 million, 81.9 million and 70.4 million at year end 31 March 2023, 2022 and 2021. This increase is primarily connected to the sales and operational activities growth.

The Group recorded cost of inventories (which also contain the staff costs that are included in the COGS line item) recognised as expense Euro 144 million and Euro 148.9 million for the five months ended at 31 August 2023 and 2022. This decrease is mainly driven by declining raw material indexes, whereof the material Neodymium is the key contributor. The Group recorded cost of inventories recognised as expense Euro 354.3 million, Euro 283.2 million and Euro 225.1 million at year end 31 March 2023, 2022 and 2021. The increases are driven by the growth of the company throughout the periods as well raw material increasing indexes.

Staff costs of EUR 1,701,000 (5 months period ended per August 2023) and EUR 3,485,000 (YE March 2023) have been capitalized as development costs (intangible assets). Compared to the previous periods where this was respectively EUR 1,112,000 for August 2022, and EUR 2,577,000 and EUR 2,127,000 for 2022 and 2021.

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' emoluments

For the years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2023, the director of the Group was Acoustics Solutions Holding B.V., the immediate holding company of the Group. No fee was paid by the Group to ASH BV throughout the Relevant Periods.

(b) Five highest paid employees

The five highest paid employees of the Group during the years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2022 and 2023 did not included the directors of the Group (see above). Amounts disclosed as follows represent the remuneration of the highest paid employees of the Group.

	Year ended 31 March			Five months ended 31 August	
	2021	**2022**	**2023**	**2022**	**2023**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
				(Unaudited)	
Annual base salary	1,110	931	1,185	494	508
Bonus	331	338	245	102	176
Company Pension	210	183	130	54	70
Total	1,651	1,452	1,560	650	754

The salaries for each employee were within the following bands:

	Number of individuals				
	Year ended 31 March			Five months ended 31 August	
	2021	**2022**	**2023**	**2022**	**2023**
Nil to 2,000,000 HKD	0	0	0	0	0
2,000,001 HKD - 2,500,000 HKD	0	2	3	3	0
2,500,001 HKD - 3,000,000 HKD	4	3	1	1	4
3,000,001 HKD - 3,500,000 HKD	0	0	1	1	0
4,000,001 HKD - 4,500,000 HKD	0	0	0	0	1
4,500,001 HKD - 5,000,000 HKD	1	0	0	0	0

During the Relevant Periods, no emoluments were paid by the group to the five highest paid individuals, including the director of the group, as an inducement to join or upon joining the group, or as compensation for loss of office. In addition, no director has waived any emoluments during the Relevant Periods.

10. TAXATION

	Year ended 31 March			Five months ended 31 August	
	2021	**2022**	**2023**	**2022**	**2023**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
				(Unaudited)	
The income tax charge comprises:					
Total income taxes by jurisdiction					
– Belgium enterprise income tax	4,980	2,284	2,629	242	(1,879)
– PRC enterprise income tax	428	1,476	5,710	584	3,655
– USA enterprise income tax	967	726	1,183	121	230
– Other jurisdiction	201	303	350	32	293
Subtotal income taxes	**6,576**	**4,789**	**9,872**	**979**	**2,299**
Of which deferred tax (see note 22)	*3,968*	*764*	*(866)*	*27*	*(1,647)*
Current tax charges	2,608	4,025	10,738	952	3,946

The highest enterprise income tax rate is Mexico with a rate of 30%. A 25% tax rate is used for entities listed in Belgium, India and the PRC. 24% in Malaysia, 21% in the US, 16.50% in Hong Kong and 15% in Germany. The lowest applicable tax rate is in Hungary with a rate of 9%.

The taxation for the year/period can be reconciled to the product of the accounting profit multiplied by the applicable tax rate(s) as follows:

	Year ended 31 March			Five months ended 31 August	
	2021	**2022**	**2023**	**2022**	**2023**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000* (Unaudited)	*EUR'000*
Profit before taxation	29,369	21,569	40,460	4,138	13,185
Tax at the applicable income tax rate (*)	6,950	4,653	9,483	970	2,441
Tax effect of expenses not deductible for tax purpose	257	191	252	26	155
Tax effect of deductibles and income not taxable for tax purpose	(940)	(1,158)	(1,093)	(143)	(481)
Over(under)provision in prior year/period	130	706	622	64	(29)
US/Mexico state taxes	155	340	539	55	135
Other	24	57	69	7	78
Taxation for the year/period	6,576	4,789	9,872	979	2,299

(*) With regard to the tax at the applicable income tax rate, the amount shown is applicable tax rate for each of the jurisdictions, multiplied by the profit before tax in those respective jurisdictions. As a result, the weighted average applicable income tax rate for the respective periods fluctuates depending on the result realised per jurisdiction. For the periods ended at 31 March 2021, 2022 and 2023, this resulted in the following weighted average applicable tax rates for the relevant periods: 23.7%, 21.6% and 23.4%, and for the periods ended 31 August 2022, 2023 resulted in the weighted average applicable tax rates of 23.4% and 18.5%.

As part of the above analysis, for the relevant periods the following effect of tax deduction for research and development expenses was recognized for the PRC subsidiary in Dongguan: for the periods ended at 31 March 2021, 2022 and 2023 respectively EUR 130,000, EUR 305,000 and EUR 367,000, and for the periods ended 31 August 2022, 2022 respectively EUR 153,000 and EUR 105,000.

Provision for uncertain tax position

The Group operates in numerous jurisdictions and is subject to country-specific tax laws. Management uses significant judgment when determining and estimating the provisions for uncertain tax positions, where the amounts expected to be paid are based on a qualitative assessment of the relevant factors. Management reviews the provisions as at each balance sheet date. At 31 March 2021, the Group has recorded a new provision for its uncertain tax positions for a total amount of EUR 583,000. At 31 March 2022, the Group also recorded an additional EUR 487,000 provision up to a total of EUR 1,057,000. In estimating the provision, the Group performs estimates with regard to the likelihood that the relevant tax authority will accept the Group's tax treatment for these uncertain tax positions. At 31 August, 2023 the group has a total provision booked of EUR 1,057,000 for a maximum exposure of EUR 6,817,000.

11. DIVIDENDS

A EUR 4,000,000 dividend has been declared as dividend for the 2022 period, and was also paid by the group during the same year (FY 2022). We refer to the subsequent events note for the decision and the payout of a EUR 32,823,000 dividend payment after the reporting period, being October 2023, as part of the FY 2024 period.

12. PROPERTY, PLANT AND EQUIPMENT

PPE is initially recognised at cost (acquisition price or manufacturing price). The depreciation rates are calculated based on the estimated useful life of the asset and are applied on a straight-line basis. The following lifespan is used;

- Buildings: 20 years
- Plant, machinery and equipment: 5 to 10 years
- Furniture and vehicles: 3 to 5 years

Deferred taxes are recorded on the difference between the depreciation according to the tax base and the consolidated depreciation.

	Land, buildings & leasehold improvements	Furnitures & fixtures	Electronic equipment, machinery & molds	Motor vehicles	Construction in progress	Total
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
COST						
At 1 April 2020	7,457	5,132	66,282	153	6,137	85,161
Additions	–	–	–	–	9,197	9,197
Transfers	1,296	553	4,478	63	(6,386)	4
Disposals	(63)	(23)	(552)	28	–	(610)
Currency realignment	(110)	(32)	(1,550)	–	(80)	(1,772)
At 31 March 2021	8,580	5,630	68,658	244	8,868	91,980
Additions	–	–	–	–	13,712	13,712
Transfers	435	617	11,674	109	(12,836)	(1)
Disposals	(487)	(3)	(82)	(3)	–	(575)
Currency realignment	344	161	3,548	25	559	4,637
At 31 March 2022	8,872	6,405	83,798	375	10,303	109,753
Additions	–	–	–	–	16,171	16,171
Transfers	1,493	1,816	13,290	48	(16,647)	–
Disposals	(3)	(95)	(762)	(21)	–	(881)
Currency realignment	(293)	(136)	(1,487)	(18)	(121)	(2,055)
At 31 March 2023	10,069	7,990	94,839	384	9,706	122,988
Additions	–	–	–	–	7,122	7,122
Transfers	1,414	936	5,781	12	(8,143)	–
Disposals	(64)	(315)	(2,479)	(84)	–	(2,942)
Currency realignment	(169)	(140)	(1,828)	(18)	(183)	(2,338)
At 31 August 2023	11,250	8,471	96,313	294	8,502	124,830

	Land, buildings & leasehold improvements	Furnitures & fixtures	Electronic equipment, machinery & molds	Motor vehicles	Construction in progress	Total
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
ACCUMULATED DEPRECIATIONS						
At 1 April 2020	(3,419)	(4,693)	(45,259)	(127)	–	(53,498)
Provided for the period	(702)	(262)	(6,027)	(46)	–	(7,037)
Disposal	2	21	571	1	–	595
Currency realignment	85	32	1,206	1	–	1,324
At 31 March 2021	(4,034)	(4,902)	(49,509)	(171)	–	(58,616)
Provided for the period	(834)	(266)	(6,326)	(39)	–	(7,465)
Disposal	487	3	69	3	–	562
Currency realignment	(197)	(87)	(2,164)	(12)	–	(2,460)
At 31 March 2022	(4,578)	(5,252)	(57,930)	(219)	–	(67,979)
Provided for the period	(923)	(602)	(8,873)	(60)	–	(10,458)
Disposal	3	95	600	20	–	718
Currency realignment	80	51	456	8	–	595
At 31 March 2023	(5,418)	(5,708)	(65,747)	(251)	–	(77,124)
Provided for the period	(436)	(296)	(3,358)	(16)	–	(4,106)
Disposal	64	315	2,510	84	–	2,973
Currency realignment	96	61	854	10	–	1,021
At 31 August 2023	(5,694)	(5,628)	(65,741)	(173)	–	(77,236)
CARRYING VALUE						
At 31 March 2021	4,546	728	19,149	73	8,868	33,364
At 31 March 2022	4,294	1,153	25,868	156	10,303	41,774
At 31 March 2023	4,651	2,282	29,092	133	9,706	45,864
At 31 August 2023	5,556	2,843	30,572	121	8,502	47,594

The increase in PPE during the Reporting Periods was mainly due to the expansion of production lines and manufacturing capacity as sales volumes increased, investments into vertical integration of plastic injection, project-related tooling, and better local production capabilities.

13. RIGHT-OF-USE ASSETS

	Leased building *EUR'000*	Leased cars *EUR'000*	Leased logistic equipment *EUR'000*	TOTAL *EUR'000*
GROSS COST				
As at 31 March 2021				
At 1 April 2020	20,862	1,553	305	22,720
Additions	6,575	526	73	7,174
Disposals	–	–	–	–
Currency realignment	8	–	(2)	6
	27,445	2,079	376	29,900
As at 31 March 2022				
For the period ended 31 March 2021	27,445	2,079	376	29,900
Additions	270	1,303	824	2,397
Disposals	(293)	(139)	(186)	(618)
Currency realignment	1,768	7	8	1,783
	29,190	3,250	1,022	33,462
As at 31 March 2023				
For the period ended 31 March 2022	29,190	3,250	1,022	33,462
Additions	12,928	721	333	13,982
Disposals	–	(139)	(138)	(277)
Currency realignment	(1,405)	2	(5)	(1,408)
	40,713	3,834	1,212	45,759
As at 31 August 2023				
For the period ended 31 March 2023	40,713	3,834	1,212	45,759
Additions	8,241	573	–	8,814
Disposals	–	(376)	(6)	(382)
Currency realignment	(919)	8	(2)	(913)
At 31 August 2023	48,035	4,039	1,204	53,278

The Group recorded right-of-use gross assets of Euro 53.3 million as at 31 August 2023, and Euro 45.8 million, Euro 33.5 million, and Euro 29.9 million as at 31 March 2023, 2022, and 2021. The increase in right-of-use assets from 31 March 2022 to 31 March 2023 and subsequently to 31 August 2023 was mainly due to added warehouse space in Mexico and Malaysia, and renewal of lease contracts.

	Leased building *EUR'000*	Leased cars *EUR'000*	Leased logistic equipment *EUR'000*	TOTAL *EUR'000*
ACCUMULATED DEPRECIATIONS				
As at 31 March 2021				
At 1 April 2020	–	–	–	–
Depreciations of the period	(3,828)	(543)	(170)	(4,541)
Disposals	–	–	–	–
Currency realignment	(42)	–	1	(41)
	(3,870)	(543)	(169)	(4,582)
As at 31 March 2022				
For the period ended 31 March 2021	(3,870)	(543)	(169)	(4,582)
Depreciations of the period	(4,026)	(654)	(181)	(4,861)
Disposals	293	139	186	618
Currency realignment	(323)	(1)	2	(322)
	(7,926)	(1,059)	(162)	(9,147)
As at 31 March 2023				
For the period ended 31 March 2022	(7,926)	(1,059)	(162)	(9,147)
Depreciations of the period	(4,174)	(829)	(219)	(5,222)
Disposals	–	139	138	277
Currency realignment	314	(2)	12	324
	(11,786)	(1,751)	(231)	(13,768)
As at 31 August 2023				
For the period ended 31 March 2023	(11,786)	(1,751)	(231)	(13,768)
Depreciations of the period	(1,749)	(365)	(98)	(2,212)
Disposals	–	376	6	382
Currency realignment	319	(3)	(3)	313
At 31 August 2023	(13,216)	(1,743)	(326)	(15,285)
NET COST				
At 31 March 2021	23,575	1,536	207	25,318
At 31 March 2022	21,264	2,191	860	24,315
At 31 March 2023	28,927	2,083	981	31,991
At 31 August 2023	34,819	2,296	878	37,993

During the Relevant Periods, The Group leases various offices, production facilities including warehouses, equipment and vehicles for its operations and staff. Lease contracts are entered into for a fixed term of two to ten years, but may have extension and termination options. Lease terms are negotiated on an individual basis and contain different terms and conditions. The lease term is the non-cancellable period of the lease, together with optional renewable periods if the lessee is reasonably certain to extend, and periods after an optional termination date if the lessee is reasonably certain not to terminate early. Renewal and termination options are considered in the assessment of the lease term if they are enforceable. The enforceable period is the period for which enforceable rights and obligations exit between the lessee and the lessor. This is the maximum potential length of the lease term.

The Group leases low value items such as copiers, bicycles and IT equipment. For the periods ending 31 March 2021, 2022, 2023 and 31 August 2023 the expenses for these contracts amount to EUR 800,000, EUR 735,000, EUR 496,000 and EUR 805,000. Lease expense for short term agreements for items like logistical equipment and short term car rentals amount to EUR 205,000, EUR 290,000, EUR 204,000 and EUR 39,000. The group has elected not to recognise right-of-use assets and lease liabilities for these leases.

The Group has no variable lease payments that are not included in the measurement of lease liabilities, other than variable payments that depend on an index. All extension options have been considered reasonably certain, while termination options are not considered reasonably certain to be applied.

14. GOODWILL

At the end of the reporting period, the carrying amount of goodwill is summarized as follows:

	Total
	EUR'000
COST & CARRYING VALUE	
At 31 March 2021 and 1 April 2020	9,159
Arising on acquisition of a subsidiary *(note 34)*	–
At 31 March 2022	9,159
Arising on acquisition of a subsidiary *(note 34)*	–
At 31 March 2023	9,159
Arising on acquisition of a subsidiary *(note 34)*	–
At 31 August 2023	9,159

The Group did not apply IFRS 3 retrospectively, therefore the goodwill represents the net amount recorded in previous GAAP at date of transition.

The Group concluded that there is only one CGU as the different production lines or production plants are not able to generate cash flows independently from each other, nor is there an active market for the output of individual production lines/plants based on the current set-up of the production plants.

During the Relevant Periods, the directors of the Group determines that there is no impairment of the CGU containing goodwill.

The basis of the recoverable amounts of the CGU and its major underlying assumptions are summarised below:

The recoverable amount of each of the CGU is determined on the basis of value in use calculation. The recoverable amount is based on certain key assumptions. These calculations use cash flow projections based on latest financial budgets approved by management covering a five year period, using an applicable post-tax discount rate ranging from (based on the WACC%) 7.80% at opening balance, to 11.06% at the year ended 31 March 2023 (with discount rates of 7.89% and 9.74% for the years ended 31 March 2021 and 2022). The cash flows beyond the five-year period are extrapolated using a steady real growth rate of 1.5% (for all periods) based on the expected long-term growth rate (i.e. long-term inflation rates). Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the Group's past performance and management's expectations for the market development.

If the estimated post-tax discount rate applied to the discounted cash flows had been 1% higher than management's estimate, the group would not have recognized any impairment charge. Also a decrease of 10% of management's budgeted operating profits used in the value-in-use calculations would result in sufficient headroom.

Management therefore believes that any reasonably possible change in any of these assumptions would not result in significant impairment loss.

15. INTANGIBLE ASSETS

The Group undertakes to perform certain pre-production engineering and development activities for customers before serial production commences (e.g. creation of new technology). These pre-production and development activities are often a prerequisite to delivering the subsequent parts. The Group may be entitled to milestone payments for this activity.

The Group retains the rights to the engineering and development output, such as the intellectual property (IP) it produces. At the time of performance of the pre-production engineering activities, the customer is not committed to purchase a minimum quantity of parts., and enforceable rights and obligations related to the delivery of the parts do not exist. Pre-production engineering can't be combined with that future, contingent, good or service to form a combined performance obligation.

The Group is able to recover all its capitalized pre-production engineering costs from customers.

Based on these elements, the Group concludes that pre-production engineering activities are not a promised good or service, but are costs incurred to fulfil an anticipated contract. For costs incurred in fulfilling a contract with a customer that are within the scope of a standard other than IFRS 15, an entity shall account for those costs in accordance with those other standards [IFRS 15.96]. The Group controls the results of work and foreground IP it develops, and accounts for the related costs under IAS 38, intangible assets. The Group capitalizes development expenditure where it can demonstrate that:

- it has the intention and the technical and financial resources to complete the development, evidenced in particular by a nomination letter or similar document from the customer stating confirming that The Group has been retained as supplier for the parts supply program;

- the intangible asset will generate future economic benefits in excess of its carrying amount, i.e., based in particular on whether the anticipated contract to supply parts is expected to generate an adequate margin; and

- the cost of the intangible asset can be measured reliably.

  [IAS 38.57]

All projects are analysed on a case-by-case basis to ensure that they meet the criteria for capitalization as described above.

Costs incurred before the formal decision to develop the product are included in expenses for the period. Costs incurred after the launch of series production are considered production costs. Costs made that cannot be capitalized, due to no start of production or that cannot be linked to a PCP (Product Creation Process), are considered research and is expensed as incurred. Intervention by the OEM in the cost of development is recorded as a contra-asset (or as a contra-expense for those costs failing to meet the capitalization criteria).

Capitalized development expenditure is amortized on a straight-line basis over a maximum period of five years as from the start of series production, with the amortization expense being reported as part of the research & development costs.

Until that date, capitalized development expenditure (not yet available for use) is tested for impairment at least once a year and whenever there is an indication that it may be impaired. Following the start of series production, capitalized development expenditure is tested for impairment at the level of The Group's single cash-generating unit (CGU).

	Software	Customer relationships	Internally generated development expenditure	Total
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
COST				
At 1 April 2020	7,548	8,364	1,899	17,811
Currency realignment	(67)	(555)	41	(581)
Addition	1,972	–	2,860	4,832
Disposals	(26)	–	–	(26)
At 31 March 2021	9,427	7,809	4,800	22,036
Currency realignment	76	588	156	820
Addition	610	–	1,922	2,532
Disposals	(76)	–	–	(76)
At 31 March 2022	10,037	8,397	6,878	25,312
Currency realignment	10	164	(240)	(66)
Addition	170	–	2,618	2,788
Disposals	–	–	–	–
At 31 March 2023	10,217	8,561	9,256	28,034
Currency realignment	(7)	(16)	(240)	(263)
Addition	21	–	1,091	1,112
Disposals	–	–	–	–
At 31 August 2023	10,231	8,545	10,107	28,883

	Software	Customer relationships	Internally generated development expenditure	Total
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
ACCUMULATED AMORTISATIONS				
At 1 April 2020	(3,724)	(4,879)	–	(8,603)
Currency realignment	65	338	–	403
Provided for the period	(1,454)	(795)	(252)	(2,501)
Disposals	1	–	–	1
At 31 March 2021	(5,112)	(5,336)	(252)	(10,700)
Currency realignment	(73)	(450)	(5)	(528)
Provided for the period	(1,697)	(791)	(538)	(3,026)
Disposals	76	–	–	76
At 31 March 2022	(6,806)	(6,577)	(795)	(14,178)
Currency realignment	(12)	(99)	29	(82)
Provided for the period	(1,735)	(885)	(739)	(3,359)
Disposals	–	–	–	–
At 31 March 2023	(8,553)	(7,561)	(1,505)	(17,619)
Currency realignment	6	10	31	47
Provided for the period	(407)	(352)	(340)	(1,099)
Disposals	–	–	–	–
At 31 August 2023	(8,954)	(7,903)	(1,814)	(18,671)
CARRYING VALUE				
At 31 March 2021	4,315	2,473	4,548	11,336
At 31 March 2022	3,231	1,820	6,083	11,134
At 31 March 2023	1,664	1,000	7,751	10,415
At 31 August 2023	1,277	642	8,293	10,212

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Software	3-5 years
Customer relationships	10 years
Development expenses	5 years

16. INVENTORIES

	At 31 March			At 31 August
	2021	2022	2023	2023
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Spare parts	65	–	–	–
Raw materials	12,246	21,431	19,429	19,325
Work in progress	1,408	2,074	1,768	1,831
Prepaid expenses tooling	7,851	3,402	3,300	5,376
Goods in Transit	10,634	7,682	18,362	11,752
Finished goods	8,986	16,266	7,136	12,296
Total	41,190	50,855	49,995	50,580

The Group recorded inventories of Euro 50.6 million as at 31 August 2023, and Euro 50.0 million, Euro 50.9 million, and Euro 41.2 million as at 31 March 2023, 2022, and 2021. The increase in inventories from 31 March 2023 to 31 August 2023 was primarily a result of an increased number of finished goods as the Target Group expanded its operations and fluctuating raw material prices. The decrease in inventories from 31 March 2022 to 31 March 2023 was mainly due to a reduced number of finished goods, a reduced amount of work in progress as well as consumption of inventories stocked during the COVID-19 pandemic. The increase in inventories from 31 March 2021 to 31 March 2022 was mainly due to increased sales volumes, requiring the Target Group increase its raw material purchases.

Inventory written-off on the balance sheet amounted to EUR 1,552,000 for the year ended 31 August 2023 as compared to the following amounts for the respective periods ended on 31 March 2023: EUR 1,686,000; 2022: EUR 1,730,000; 2021: EUR 2,446,000. At the date of closing per 31 August 2022 the inventory written off amounted to EUR 1,876,000. The expenses (additions or reversals for written-off inventory) are recorded in Cost of Sales.

17. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

	At 31 March			At 31 August
	2021	2022	2023	2023
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Trade receivables	60,110	80,441	87,734	84,467
Less: Impairment allowance	(212)	(252)	(450)	(418)
	59,898	80,189	87,284	84,049
Income tax receivables	3,908	3,333	1,141	1,075
Value-added tax recoverable	3,585	6,394	6,240	7,232
Prepayments	598	238	523	1,614
Other receivables	1,618	3,868	956	1,208
Trade and other receivables	69,607	94,022	96,144	95,178

The Group recorded trade and other receivables of Euro 95.2 million as at 31 August 2023, and Euro 96.1 million, Euro 94.0 million, and Euro 69.6 million as at 31 March 2023, 2022, and 2021. The decrease of trade and other receivables from 31 March 2023 to 31 August 2023 was primarily a result of a reduced amount of trade and income tax receivables. The increase of trade and other receivables from 31 March 2021 to 31 March 2022 and subsequently to 31 March 2023 was mainly due to an increased amount of trade receivables as a result of the Group's increased operations and consequently growth in sales volumes.

The following is an analysis of trade receivables presented based on the invoice dates or notes issued dates at the end of the reporting period, which approximate the respective revenue recognition dates.

	At 31 March			At 31 August
	2021	2022	2023	2023
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Age				
0-90 days	57,720	74,378	81,400	78,481
91-180 days	1,782	5,359	5,278	4,617
Over 180 days	608	704	1,056	1,369
	60,110	80,441	87,734	84,467

Payment terms with customers are mainly on credit. Invoices are normally payable within 30 days to 90 days of issuance.

As at 31 March 2021, 2022, 2023 and 31 August 2023, included in the Group's trade receivables (net of impairment allowance) are debtors with aggregate carrying amount of EUR 6,084,000, EUR 9,564,000, EUR 8,319,000 and EUR 7,805,000 respectively which are past due as at the reporting date. Out of the past due balances, EUR 478,000, EUR 740,000, EUR 511,000 and EUR 1,736,000 has been past due 90 days or more and is not considered as in default based on historical repayment pattern from the specific debtors. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in note 24.

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

	At 31 March			At 31 August
	2021	2022	2023	2023
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
US$	4,108	7,367	10,136	4,229
RMB	10,126	24,250	6,315	6,061
HKD	14,387	9,080	25,478	26,220
MXN	4,523	2,031	2,859	2,119
Other currencies	312	1,062	1,797	2,630
	33,456	43,790	46,585	41,259

The total of the contract assets is related to the nomination fees paid to the OEM's, which are capitalized and recognized as a reduction of the transaction price over the term of the expected sales with a maximum duration of 5 years.

	At 31 March			At 31 August
	2021	2022	2023	2023
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Total contract assets	2,037	3,822	5,252	5,281

18. CASH AND CASH EQUIVALENTS AND SHORT-TERM FIXED DEPOSITS

Cash and cash equivalents do not include any demand or short term deposits.

	At 31 March			At 31 August
	2021	**2022**	**2023**	**2023**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
RMB	6,232	10,792	25,490	33,988
US$	9,491	13,650	33,680	19,570
INR	1,383	685	638	614
HUF	39	1,066	2,390	1,878
Other currencies	473	710	980	995
Total cash and cash equivalents denominated in other currencies	17,618	26,903	63,178	57,045

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

19. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

Trade and other payables

	At 31 March			At 31 August
	2021	**2022**	**2023**	**2023**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Trade payables	50,897	64,072	64,713	67,288
Other payables and accruals	29,201	32,274	37,842	49,486
Payroll and welfare payables	9,653	10,707	12,639	9,687
VAT and other payables	(548)	2,296	2,123	1,044
Total trade and other payables	89,203	109,349	117,317	127,505

The Group recorded trade and other payables of Euro 127.5 million as at 31 August 2023, and Euro 117.3 million, Euro 109.3 million, and Euro 89.2 million as at 31 March 2023, 2022, and 2021. The increase in other payables and accruals is a driven by increased outstanding pricing accruals to be settled with the customers. The increase of trade and other payables from 31 March 2023 to 31 August 2023 was primarily a result as a result of the Group's increased operations and consequently growth in purchase volumes.

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:

	At 31 March			At 31 August
	2021	**2022**	**2023**	**2023**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Age				
0-90 days	37,974	46,625	46,147	51,801
91-180 days	11,041	17,231	17,881	14,936
Over 180 days	1,882	216	685	551
	50,897	64,072	64,713	67,288

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:

	At 31 March			At 31 August
	2021	**2022**	**2023**	**2023**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
US$	6,223	7,654	3,494	320
MYR	2,725	2,470	4,892	3,292
HKD	1,002	666	1,609	11,743
RMB	22,026	28,887	31,473	14,076
Other	1,698	510	1,019	5,533
	33,674	40,187	42,487	34,964

Contract liabilities

	At 31 March			At 31 August
	2021	**2022**	**2023**	**2023**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Contract liabilities – prepayments on tooling	9,672	4,079	3,846	5,211
Total contract liabilities	9,672	4,079	3,846	5,211

When the Group receives a milestone payment before the tooling is finished and sold, this will give rise to contract liabilities. The Group does not receive deposits on the serial production purchase orders of its clients. The contract liabilities for the tooling at the beginning of the year are typically recognised as revenue within the next 9 to 18 months, when the tooling is finalized. The large increase over 2021 is due to a larger amount of unfinished toolings for that specific year-end (also see related increase in 'prepaid tooling expenses' under inventories) which are finished during the subsequent year.

20. LEASE LIABILITIES

These lease liabilities were measured at the present value of the lease payments that are not yet paid. The maturity analysis of the lease payments can be found in note 24 as part of the liquidity analysis.

21. BANK LOANS

	At 31 March			At 31 August
	2021	2022	2023	2023
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Bank senior facility agreement	55,446	53,332	61,000	61,000
Commercial finance agreement	0	2	2	6,726
Less: Amount due within one year included in current liabilities	3,998	5,445	1,877	10,476
Amount due after one year	51,448	47,889	59,125	57,250
The carrying amounts of the above bank loans are repayable*:				
Within one year	3,998	5,445	1,877	10,476
Within a period of more than one year but not exceeding two years	4,697	5,488	3,750	3,750
Within a period of more than two years but not exceeding five years	46,751	42,401	14,375	15,000
More than five years	0	0	41,000	38,500
	55,446	53,334	61,002	67,726

Bank senior facility agreement:

At April 1st, 2020 the Group's bank loan facility with effective date March 11, 2019 consists of:

- a term loan A1 with a nominal amount of USD 15,000,000
- a term loan A2 with a nominal amount of EUR 11,750,000
- a bullet loan B with a nominal amount of EUR 36,000,000, and
- a capex facility with a nominal amount of EUR 10,000,000

The initial maturity date of the facilities was December 31, 2024. The applicable interest rate is variable per interest period of six months. The interest rate is the aggregate of a margin varying between 1.25% and 1.75% and the term reference rate (Euribor). If the rate is less than zero, the term reference rate shall be deemed to be zero.

The facility also contains a prepayment option. There is a voluntary prepayment option that allows The Group to prepay the whole or any part of the term loan with a minimum of 1,000,000 EUR. There is also a mandatory prepayment and cancellation that is executed upon the occurrence of

- any floatation = a successful application being made for the admission of any part of the share capital of any member of the Group to listing on or trading on any stock exchange or other regulated or unregulated market (IPO)

- a change in control, or

- the sale of all or substantially all of the assets of the Group whether in a single transaction or series of related transactions.

The Group analyzed whether the prepayment option embedded in the refinancing agreement is closely related to the host financial liability or whether the prepayment option should be bifurcated. The voluntary prepayment is not contingent on certain events or circumstances. As the exercise price of the prepayment is approximately equal to the amortised cost of the host debt instrument on each exercise date, the prepayment option is closely related to the host financial liability.

The mandatory prepayment is a contingent prepayment option for which in addition the nature of the contingency should be considered. A contingent prepayment option for which the exercise price is approximately equal to the amortised cost of the host financial liability at each exercise date should not be bifurcated from the host contract if and only if the underlying contingent event that triggers exercisability of the option is a non-financial variable that is specific to a party to the contract or has economic characteristics and risks that are closely related to those of the host financial liability. In case of the mandatory prepayment option the contingent events listed above are non-financial variables specific to a party to the contract.

At initial recognition, the Group measures its financial liability at its fair value minus transaction costs that are directly attributable to the issue of the financial liability, since the financial liability is measured subsequently at amortized costs.

During September 2020, the existing loan facility was modified for term loans A1 and A2 because of a covid arrangement with the bank resulting in one payment holiday postponing the capital repayment of September 2020 to the end of the loan period. The Group performed an analysis as to whether the covid modification is considered a substantial modification of the loan facility. Based upon the quantitative extinguishment test and the qualitative criteria, the Group concluded that the modifications resulting from the covid holiday payment is not a substantial modification. As such the amortised cost of the loan has been recalculated by computing the present value of the estimated future contractual cash flows that are discounted at the original effective interest rate. The resulting gain from the modification in the amount of EUR 21,000 and EUR 20,000 for term loans A1 and A2 respectively, is recognized in profit or loss. The modified carrying amount of the financial liability is changed accordingly.

On November 9, 2022, the Group completed a refinancing transaction on its bank loan facilities. The maturity date of the loans has been pushed out to 2028. The new loan facility consists of:

- a term loan A with a nominal amount of EUR 25,000,000
- a bullet loan B with a nominal amount of EUR 36,000,000
- a capex and acquisition facility with a nominal amount of EUR 20,000,000, and
- a revolving loan facility with a nominal amount of EUR 10,000,000 for short notice requirements. The revolving loan facility and capex and acquisition facility of the new arrangement has not been withdrawn as per March 31, 2023 or per August 31, 2023.

The Group performed an analysis as to whether the refinancing is considered a substantial modification of the loan facility. Based upon the quantitative extinguishment test and the qualitative criteria, the Group concluded that the refinancing is a substantial modification of the financial instrument. As a consequence, the Group accounted for the refinancing transaction as a derecognition of the existing financial liabilities and a recognition of the new financial liabilities, with gains or losses resulting from the derecognition in the interest expenses including the refinancing fees which amounts to EUR 528,000. The loss on derecognition of the initial facility amounts to EUR 400,000. The Group's bank loans denominated in currencies other than the functional currencies of the respective entities are set out below:

		At 31 March		**At 31 August**
	2021	**2022**	**2023**	**2023**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
US$	15,171	0	0	0
	15,171	0	0	0

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

	At 31 March			At 31 August
	2021	**2022**	**2023**	**2023**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Fixed-rate borrowings	0	0	0	0
Variable-rate borrowings	55,446	53,334	61,002	67,726
	55,446	53,334	61,002	67,726

As at 31 March 2021, 2022 and 2023 and 31 August 2023, the Group's variable loans carry interest at EURIBOR. For the impact of the hedging on the interest rates we refer to the financial instruments disclosures.

The variable rate bank loans carry interest rate ranging from 1.25% to 5.00% per annum at 31 March 2021, 2022 and 2023, 31 August 2023. There are no fixed rate bank loans for the respective periods. The Group issued guarantees to respective banks to secure these borrowings and must adhere to a covenant which is based on the leverage of the Group (see detailed note on the guarantees).

The Group has provided the lenders under the bank loan facility agreement a guarantee by each subsidiary and a pledge on the related net assets of those subsidiaries.

Commercial finance agreement

The Group has signed a Commercial Finance agreement with ING on August 31, 2016 to factor certain trade receivables for 90% of the outstanding amount and a maximum amount of EUR 12,500,000 in total (subsequently amended several times to a maximum amount of EUR 22,000,000 at June 13, 2022). The Commercial Finance Agreement is considered a recourse factoring agreement whereby the risks are not transferred to the ING and as such, the proceeds from the Commercial Finance Agreement are presented as a short-term bank loan. Because of the positive cash position of the Group, the Commercial Finance Agreement had no outstanding short-term bank loans March 31, 2021 and March 31, 2022 and March 31, 2023. The group bears a variable interest rate on the outstanding bank loans equal to Euribor 1 month + 1.25% for the euro proceeds and ING Cost of Funds Foreign Currency + 1.25%.

The Group has replaced its ING Commercial Finance Agreement with an ING Belfius Syndicated Recourse Factoring Agreement dated April 28, 2023, whereby certain trade receivables are factored, on a recourse basis, for 90% of the nominal amount of the trade receivable. The maximum amount of factored trade receivables if EUR 30,000,000. The commercial finance agreement carries a variable interest rate based on Euribor 1 month (for EUR trade receivables) or Term SOFR 1 month (for USD trade receivables) increased by a margin of 1.15%.

22. DEFERRED TAX ASSETS/LIABILITIES

The followings are the major categories of deferred tax assets and liabilities recognised by the Group and the movements thereon during the current and prior years. For readability of the table these have been grouped according to their nature and presented net per category. The netting of the deferred tax positions is done at the level where the Group has legally enforceable rights to offset being the taxable entity and as the Group intends to settle these on a net basis and not at the level of the different type of timing differences, as a result the effect of netting is presented in a separate column:

Deferred tax assets

	Tax losses carry forward	Lease Liabilities	Trade and other payables, Derivative & borrowings	Provisions for other liabilities & charges	PPE, Intangible assets & GW	Other	Impact Netting DTA/DTL	Total
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
At 31 March 2021	84	6,331	1,045	1,543	2,259	232	(9,545)	1,949
Credit (charge) to profit or loss	11	(725)	(1,051)	(585)	(114)	(73)	2,843	306
Currency realignment	–	444	6	2	(3)	–	(442)	7
Other OCI movements	–	–	–	(424)	–	–	–	(424)
At 31 March 2022	95	6,050	–	536	2,142	159	(7,144)	1,838
Credit (charge) to profit or loss	(22)	3,785	–	762	1,089	457	(4,915)	1,156
Currency realignment	–	(351)	–	30	318	–	–	(3)
Other OCI movements	–	–	–	(378)	–	–	–	(378)
At 31 March 2023	73	9,484	–	950	3,549	616	(12,059)	2,613
Credit (charge) to profit or loss	1,230	14	–	(263)	(1,154)	(349)	1,462	940
Currency realignment	–	–	–	–	–	–	–	–
Other OCI movements	–	–	–	(44)	–	–	–	(44)
At 31 August 2023	1,303	9,498	–	643	2,395	267	(10,597)	3,509

Deferred tax liabilities

	Trade and other payables, derivatives and borrowings	Inventories, Derivative assets, Trade and other receivables	RoU-assets	Other	Impact netting DTA/DTL	Total
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
At 31 March 2021	–	(3,580)	(6,331)	(10)	9,545	(376)
Credit (Charge) to profit or loss	(71)	1,118	726	–	(2,843)	(1,070)
Currency realignment	–	–	(446)	–	442	(4)
At 31 March 2022	(71)	(2,462)	(6,051)	(10)	7,144	(1,450)
Credit (charge) to profit or loss	(1,420)	(325)	(3,458)	(2)	4,915	(290)
Currency realignment	(1)	–	25	–	–	24
At 31 March 2023	(1,492)	(2,787)	(9,484)	(12)	12,059	(1,716)
Credit (Charge) to profit or loss	1,063	1,120	(14)	–	(1,462)	707
Currency realignment	(4)	–	(1)	–	–	(5)
At 31 August 2023	(433)	(1,667)	(9,499)	(12)	10,597	(1,014)

At the end of the reporting period, the Group has unused tax losses available for offset against future profits, for these tax losses a deferred tax has been recognised in the table above in the category 'tax loss carry forward'. As at 31 March 2021, 2022 and 2023, and 31 August 2023, no deferred tax asset was recognised in respect of the following remaining tax losses of approximately EUR 12,000, EUR 22,000, EUR 21,000 and EUR 21,000 respectively, due to unpredictability of future profit streams. The Group's unrecognised tax losses might be carried forward indefinitely.

There are no other unrecognised deferred taxation for the Relevant Periods as at the end of the Relevant Periods. The Group has no 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.

The deferred tax for all other categories arose from temporary difference between the carrying amounts of and their tax base.

23. SHARE CAPITAL AND SHARE PREMIUM

The share capital of the Company consists only of one ordinary share, fully authorised and issued, for an amount of 1 EUR, for all relevant periods. The share premium of the Company amount to EUR 32,459,000 as at March 31, 2021, 2022 and 2023 and as at August 31, 2022 and 2023.

The retained earnings mainly consist of profit carry forward reserves.

24. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At 31 March			At 31 August
	2021	**2022**	**2023**	**2023**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Financial assets				
Financial assets at amortised cost	115,870	128,818	167,830	194,911
Derivative financial instruments at fair value through PL	5,591	6,974	6,962	4,864
Derivative financial instruments in cash-flow hedge relationship	–	–	443	640
Total financial assets	121,461	135,792	175,235	200,415
Financial liabilities				
Financial liabilities at amortised cost	144,649	162,683	178,319	195,231
Derivative financial instruments at fair value through PL	1,094	448	1,840	2,167
Total financial liabilities	145,743	163,131	180,159	197,398

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, cash and cash equivalents, derivatives, trade and other payables, bank loans, and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

Market risk

Currency risk

With the Group's international operations and presence, the Group faces foreign exchange exposure including transaction and translation exposure.

It is the Group's policy to centralise foreign currency management to monitor the Group's total foreign currency exposure. As far as possible, the Group aims to achieve natural hedging by completing transactions for both buying and selling in the functional currencies. Where a natural hedge is not possible, the Group will consider on an annual basis to hedge its unhedged open foreign currency position with appropriate foreign exchange contracts (options, swaps). The Group will not enter into derivative transactions for pure trading or speculative purposes.

The carrying amounts of the Group's cash and (intra-group's) foreign currency denominated trade receivables and trade payables and bank loans at the reporting date mainly includes:

	Assets			
	At 31 March			**At 31 August**
	2021	**2022**	**2023**	**2023**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
US$	9,798	14,686	35,478	22,200
RMB	16,358	35,042	31,805	40,049
HKD	26,670	36,727	41,218	43,239
Other currencies	20,794	13,529	32,283	31,795
	73,620	99,984	140,784	137,283

	Liabilities			
	At 31 March			**At 31 August**
	2021	**2022**	**2023**	**2023**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
US$	21,394	7,654	3,494	321
MYR	2,725	2,471	4,892	3,922
RMB	22,026	28,887	31,473	14,076
HKD	1,002	667	1,609	11,743
Other currencies	1,696	508	1,019	4,901
	48,843	40,187	42,487	34,963
Total	24,777	59,797	98,297	102,320

Sensitivity analysis

The Group is mainly exposed to fluctuations in exchange rates of the US$, the RMB, HUF and HKD. The following details the Group's sensitivity to a 5% increase in EUR against the relevant foreign currencies which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. A positive/negative number (in bracket) below indicates an increase/decrease in profit for the year/period where the EUR strengthen 5% against the relevant currency and vice versa. For a 5% weakening of the EUR against the relevant currency, there would be an equal and opposite impact on the profit.

	At 31 March			**At 31 August**
	2021	**2022**	**2023**	**2023**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Impact on profit for the year/period				
RMB	283.40	(307.75)	(16.60)	(1,298.65)
HKD	(1,332.70)	(1,832.55)	(1,980.45)	(1,574.80)
HUF	(654.25)	(482.30)	(1,345.60)	(1,163.50)
US$	579.80	(351.60)	(1,599.20)	(1,093.95)
Other currencies	(164.40)	(45.20)	27.00	14.90
	(1,288.15)	(3,019.40)	(4,914.85)	(5,116.00)

Interest rate risk

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing EURIBOR interest rates for its variable-rate bank loans. The Group aims at keeping borrowings at variable rates, but also has hedged 2/3rds of the outstanding interest rate risk as from 2022 for the upcoming 3 years. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range. The interest benchmark rate reform did not impact the EURIBOR which will continue to be applicable, hence no impact for the Group.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the amount of variable-rate bank loans, and bank balances at the end of the reporting period was the amount outstanding for the whole year. The sensitivity analysis has excluded certain bank loans under cash flow hedges and certain bank balances which are not interest sensitive.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, The Group's profit for the year/period ended 31 March 2021, 2022 and 2023, and 31 August 2023 would increase/decrease by:

	At 31 March			At 31 August
	2021	**2022**	**2023**	**2023**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Impact variable interest rate on yearly interest expenses				
Original	988	630	2,021	1,412
+ 50 basis points floating rate loan	1,108	673	2,326	1,762
- 50 basis points floating rate loan	868	587	1,716	1,107
+ 50 basis points interest rate swaps	–	–	(206)	(206)
- 50 basis points interest rate swaps	–	–	206	206

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties, is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Trade receivables

In order to minimise the credit risk, the management has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for specific irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

As at 31 March 2021, 2022 and 2023, and 31 August 2023, the Group has a concentration of credit risk on total trade receivables from the Group's five largest customers of 63.50%, 66.17%, 70.57% and 71.28% respectively. These five customers are large multi-national corporations and OEM's. The management considers, based on the strong financial background, good creditability and repayment history of those debtors, there are no significant credit risks.

The Group applies the simplified approach to provide for ECL prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for trade receivables.

Further to the specific analysis of individual receivables, the group allocates exposures to credit risk based by applying provision matrix calculations. The Group calculates expected losses based on both historical loss percentages, as well as forecast direction of ageing conditions at the reporting date by adjusting the expected loss percentage by category of ageing.

As at 31 March 2021

	Gross carrying amount	Weighted average loss rate	Loss allowance	Net carrying amount
	EUR'000	*In%*	*EUR'000*	*EUR'000*
Trade receivables				
1 - 90 days past due	5,818	2.1%	(120)	5,698
91 - 180 days past due	142	15.5%	(22)	120
Over 180 days past due	336	20.8%	(70)	266
	6,296	3.4%	(212)	6,084

As at 31 March 2022

	Gross carrying amount	Weighted average loss rate	Loss allowance	Net carrying amount
	EUR'000	*In%*	*EUR'000*	*EUR'000*
Trade receivables				
1 - 90 days past due	9,075	1.4%	(129)	8,946
91 - 180 days past due	490	13.9%	(68)	422
Over 180 days past due	250	22.0%	(55)	195
	9,815	2.6%	(252)	9,563

As at 31 March 2023

	Gross carrying amount	Weighted average loss rate	Loss allowance	Net carrying amount
	EUR'000	*In%*	*EUR'000*	*EUR'000*
Trade receivables				
1 - 90 days past due	8,257	3.6%	(300)	7,957
91 - 180 days past due	164	20.1%	(33)	131
Over 180 days past due	348	33.6%	(117)	231
	8,769	5.1%	(450)	8,319

As at 31 August 2023

	Gross carrying amount	Weighted average loss rate	Loss allowance	Net carrying amount
	EUR'000	*In%*	*EUR'000*	*EUR'000*
Trade receivables				
1 - 90 days past due	6,487	2.9%	(191)	6,296
91 - 180 days past due	1,321	7.9%	(104)	1,217
Over 180 days past due	415	29.6%	(123)	292
	8,223	5.1%	(418)	7,805

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. Such forward-looking information is used by the management to assess both the current as well as the forecast direction of conditions at the reporting date. The grouping is regularly reviewed by the management to ensure relevant information about specific debtors is updated.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) *EUR'000*
As at 31 March 2021	212
Changes due to trade receivables recognised as at 31 March 2021	35
Other	5
As at 31 March 2022	252
Changes due to trade receivables recognised as at 31 March 2022	268
Other	(70)
As at 31 March 2023	450
Changes due to trade receivables recognised as at 31 March 2023	(35)
Other	3
As at 31 August 2023	418

Cash and cash equivalents

The credit risk on cash and cash equivalents funds is limited because the majority of the counterparties are reputable banks or banks with high credit-ratings assigned by international credit-rating agencies.

The management considers the bank balances that are deposited with the financial institutions with good credit rating to be low credit risk financial assets. Management considers that the bank balances are short-term in nature and the probability of default is negligible on the basis of high-credit-rating issuers, and accordingly, impairment loss was considered as insignificant.

Liquidity risk

In the management of the liquidity risk, The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigates the effects of fluctuations in cash flows.

The following table details the Group's contractual maturity for its financial liabilities:

	Less than 1 year	1-2 years	2-5 years	More than 5 years	Total undiscounted cash flow	Carrying amount
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
At 31 March 2021						
Trade and other payables	89,203	–	–	–	89,203	89,203
Banks loans	4,791	5,761	48,927	–	59,479	55,446
Derivative financial liabilities	187	907	–	–	1,094	1,094
Commercial finance agreement	–	–	–	–	–	–
Lease liabilities	5,027	4,935	15,317	11,616	36,895	25,678
	99,208	11,603	64,244	11,616	186,671	171,421
At 31 March 2022						
Trade and other payables	109,349	–	–	–	109,349	109,349
Banks loans	6,492	6,418	43,241	–	56,151	53,332
Derivative financial liabilities	82	366	–	–	448	448
Commercial finance agreement	2	–	–	–	2	2
Lease liabilities	5,682	5,817	16,798	9,084	37,381	24,997
	121,607	12,601	60,039	9,084	203,331	188,128
At 31 March 2023						
Trade and other payables	117,317	–	–	–	117,317	117,317
Banks loans	4,794	6,498	21,380	41,968	74,640	61,000
Derivative financial liabilities	516	1,324	–	–	1,840	1,840
Commercial finance agreement	2	–	–	–	2	2
Lease liabilities	5,943	6,118	15,184	11,797	39,041	32,998
	128,572	13,940	36,564	53,765	232,840	213,157
At 31 August 2023						
Trade and other payables	127,505	–	–	–	127,505	127,505
Banks loans	7,052	6,857	22,908	39,591	76,408	61,000
Derivative financial liabilities	1,350	817	–	–	2,167	2,167
Commercial finance agreement	6,726	–	–	–	6,726	6,726
Lease liabilities	5,880	5,915	19,906	19,386	51,087	39,253
	148,513	13,589	42,814	58,977	263,893	236,651

25. FAIR VALUE

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost at the respective end of reporting periods approximate their fair values, with the exception of the derivatives which are a level 2 fair value instrument which are booked at the fair value according to the banks' market-to-market calculations.

26. DERIVATIVES

Derivative financial instruments

Hedging instruments

Derivatives financial assets or liabilities

	Year ended 31 March			As at 31 August
	2021	2022	2023	2023
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Derivate financial instruments				
FX derivatives contracts (- = liability, + = asset)	4,497	6,526	5,233	2,857
Hedging reserves (Interest rate derivatives contracts (- = liability, + = asset))	–	–	332	480
	4,497	6,526	5,565	3,337

	Year ended 31 March			Year ended 31 August
	2021	2022	2023	2023
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Hedging gains (losses)				
Hedging Gains	1,754	4,349	2,705	2,786
Hedging Gains Fair Value Through P&L	8,464	2,030	–	–
Hedging Loss	(348)	(20)	–	(817)
Hedging Loss Fair Value Through P&L	–	–	(1,321)	(2,523)
	9,870	6,359	1,384	(554)

The Group entered into the interest rate swap contracts with commercial banks to decrease its exposure to cash flow changes of (a part of) its floating-rate euro denominated bank loans by swapping floating interest rates to fixed interest rates. The terms of this contract were negotiated to match exactly with those of the hedged bank loans with the same notional amount as the principal amount of bank loans, and the management considers that the interest rate swap contracts are perfectly effective hedging instruments and have designated them as cash flow hedging instruments for hedge accounting purposes.

Fair value change on this hedging instrument in cash flow hedge of EUR 332,000 (net after deferred tax) for the period ended 31 March 2023 has been recognised in other comprehensive income and accumulated in the hedging reserve, which increased to EUR 417,000 for the period ended 31 August 2023.

The Group entered into FX options that will be settled in euro with commercial banks to decrease the exposure to fluctuations in foreign currency exchange rates of US$, MXN, RMB and HUF transactions. The critical terms of the non-deliverable currency swap contracts and the corresponding transactions are not constantly monitored and closely aligned and the management considers that derivative contract is not sufficiently effective to qualify as a hedging instrument and be qualified as cash flow hedge. The amounts in the table above detail the overview of the gains and losses booked at fair value through PL as well as the gains as a result of payments received related to these derivative financial instruments (or losses for payments performed for).

The major terms of the outstanding derivative contracts at the end of reporting period are as follows:

FX options

Notional amount	Range of maturity	Forward contract rate	Exchange frequency
MXN Put (US$ 625,000)	21. 06 24	US$1 to MXN24	Monthly
MXN Call (US$ 625,000)	21. 06 24	US$1 to MXN21.542	Monthly
US$ Put (EUR 1,666,666.60)	21. 02 25	EUR1 to US$1.011	Monthly
US$ Call (EUR 1,666,666.60)	21. 02 25	EUR1 to US$1.075	Monthly
HUF Put (EUR 500,000)	21. 02 25	EUR1 to HUF459	Monthly
RMB Put (US$ 4,166,666)	21. 02 25	US$1 to RMB7.10	Monthly
RMB Call (US$ 4,166,666)	21. 02 25	US$1 to RMB6.631	Monthly

Interest Rate Swaps			Interest rate		
Notional amount	**Range of maturity**	**Trade date**	**Fixed**	**Floating**	**Bank**
EUR 12,187,800	10. 11 25	14. 12 22	2.8250%	3.5750%	Belfius
EUR 12,187,800	10. 11 25	14. 12 22	2.8125%	3.5750%	KBC
EUR 16,250,400	09. 11 25	14. 12 22	2.8125%	3.5750%	ING

27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in The Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall capital risk management strategy remains unchanged from prior years.

The capital structure of The Group consists of equity attributable to equity holders of The Group, comprising issued share capital, reserves and retained profits.

The management reviews the capital structure regularly. As part of this review, the management considers the cost of capital and the risks associated with capital. The Group will consider to balance its overall capital structure through the payment of dividends as well as the issue of new debt or the redemption of existing debt.

28. LONG TERM EMPLOYEE BENEFITS

	At 31 March			At 31 August
In EUR'000	**2021**	**2022**	**2023**	**2023**
Defined contribution plans	(3,070)	(1,509)	(305)	(213)
Jubilee premium obligation	(755)	(654)	(632)	(626)
Early retirement	(410)	(277)	(173)	(150)
Long term employee benefits	(4,235)	(2,440)	(1,110)	(989)

Defined contribution plans

All plans of the Group are defined contribution plans, however we refer to the below section on the defined benefit plans as they effectively become define benefit plans due to the minimum guarantee rules imposed under Belgian law.

Defined benefit plans

The Group has three active 'Branch 21' Belgian pension plans (for directors, management and for the white collar employees). Under Belgian law, defined contribution pension plans are subject to minimum guaranteed rates of return which are based on an average of 10-year government bond yields with a minimum of 1.75% and a maximum of 3.75% (currently, equal to 1.75%) for all contributions. Because of these minimum guaranteed rates of return, those pension plans are considered as a defined benefit plan under IFRS.

The plan of these group entities exposes The Group to actuarial risks such as investment risk, interest rate risk and longevity risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities and debt instruments. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities to leverage the return generated by the fund.
Interest rate risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Defined benefit plans determine the entitlements of their beneficiaries. An employee's final benefit entitlement at regular retirement age may be higher than the fixed benefits at the reporting date due to future compensation or benefit increases. The net present value of this ultimate future benefit entitlement for service already rendered is represented by the Defined Benefit Obligation ("DBO"), which is calculated with consideration of future compensation increases by actuaries. The DBO is calculated based on the projected unit credit method and reflects the net present value as of the reporting date of the accumulated pension entitlements of active employees, former employees with vested rights and of retirees and their surviving dependents with consideration of future compensation and pension increases. The most recent actuarial valuation of the DBO plan was carried out at October 2023 by independent qualified actuaries, Vanbreda risks & benefits, a member of the International Actuarial Association.

In the case of funded plans, the fair value of the plan assets is offset against the benefit obligations. The net amount, after adjusting for the effects of unrecognised past service cost, is recognised as a pension liability.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	At 31 March			At 31 August
	2021	**2022**	**2023**	**2023**
Discount Rate	0.47%	1.62%	3.77%	4.05%
Average longevity at retirement age	MR/FR5	MR/FR5	MR/FR5	MR/FR5
Expected rate of compensation increase	3%	3%	3%	3%

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans comprise:

	At 31 March			At 31 August
	2021	**2022**	**2023**	**2023**
Principal pension benefit plans *(Note a)*	(3,071)	(1,509)	(305)	(214)

(a) Principal pension benefit plans

The net defined benefit liability is as follows:

In EUR'000	2021	At 31 March 2022	2023	At 31 August 2023
Net defined benefit liability at the beginning of the year	(3,013)	(3,071)	(1,509)	(305)
Defined benefit cost included in profit & loss	(964)	(1,034)	(916)	(339)
Total remeasurement included in other comprehensive income	(28)	1,696	1,069	(24)
Employer contributions	934	900	1,051	454
Net defined benefit liability at the end of the year	(3,071)	(1,509)	(305)	(214)

The fair value of the plan assets is as follows:

In EUR'000	2021	At 31 March 2022	2023	At 31 August 2023
Fair value of plan assets at the beginning of the period	14,664	15,457	16,463	17,839
Interest income	107	74	274	288
Employer contributions	934	899	1,051	454
Participant contributions	177	170	210	93
Benefit payments	(495)	(265)	(86)	(2)
Taxes on contributions	(116)	(112)	(131)	(57)
Insurance premiums on risk coverages	(95)	(97)	(110)	(36)
Changes in return of plan assets	281	337	168	(98)
Fair value of plan assets at the end of the period	15,457	16,463	17,839	18,481

The gross defined benefit liability is as follows:

In EUR'000	2021	At 31 March 2022	2023	At 31 August 2023
Defined benefit liability at the beginning of the year	(17,677)	(18,528)	(17,973)	(18,145)
Current service cost	(947)	(1,022)	(901)	(343)
Participant contributions	(177)	(170)	(210)	(93)
Interest cost	(125)	(86)	(289)	(284)
Benefit payments	495	265	86	2
Taxes on contributions	116	112	131	57
Insurance premiums on risk coverages	95	97	110	36
Actuarial loss/(gain) on DBO due to change in financial assumptions	(345)	1,314	1,264	88
Actuarial loss on DBO due to change in demographic assumptions	–	–	–	–
Actuarial loss (gain) on DBO due to experience adjustments	37	45	(363)	(13)
Defined benefit liability at the end of the year	(18,528)	(17,973)	(18,145)	(18,695)

The expected employer contributions for the year 2024 amounts to EUR 597,000.

Significant actuarial assumptions for the determination of the defined obligation of the principal pension benefit plans and other post-employment benefit plans are discount rate, inflation rate and minimum legal return. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease (increase) by EUR -197,000 (EUR 405,000), for the twelve months ended 31 March 2023.
- If the inflation rate is 100 basis points higher (lower), the defined benefit obligation would increase (decrease) by EUR 95,000 (EUR -76,000), for the twelve months ended 31 March 2023.
- If the minimum legal return is 100 basis points higher (lower), the defined benefit obligation would increase (decrease) by EUR 98,000 (EUR -79,000), for the twelve months ended 31 March 2023.

The sensitivity analysis presented above may not be representative of the annual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

(b) Jubilee premium benefits

The Company has a jubilee plan in place for all employees. The employees are entitled as from the date of hiring to a benefit at the end of the month when the required years of service are attained. A lump sump is paid out equal to one times the monthly salary in case of 25 years of service and two times the monthly salary in case of 35 years of service. In the year the required years of service are attained, a one-time 5 days of paid holidays are also rewarded.

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its jubilee premium benefit plans comprise:

		At 31 March			**At 31 August**
In EUR'000	**2021**	**2022**	**2023**	**2022**	**2023**
Jubilee premium obligation	(755)	(654)	(632)	(640)	(626)
	(755)	**(654)**	**(632)**	**(640)**	**(626)**

The expected benefits to be paid for the year 2024 amounts to EUR 46,000, as there are no plan assets for the jubilee premium benefits.

Significant actuarial assumptions for the determination of the jubilee premium benefit obligations are discount rate and the inflation rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease (increase) by EUR -34,009 € (EUR 38,647 €), for the twelve months ended 31 March 2023.
- If the inflation rate is 100 basis points higher (lower), the defined benefit obligation would increase (decrease) by EUR 36,178 € (EUR -32,446 €), for the twelve months ended 31 March 2023.

29. RELATED PARTY TRANSACTIONS

During the period, other than the payments of management fees to key member of management, the group did not have any significant transactions with related parties. The management fees paid out to this regard, for the respective periods of FY 2020, FY 2021, FY 2022 amounted to EUR 353,000, EUR 354,000, EUR 364,000, and for the 5 months ended per August 2022 and 2023 to EUR 149,000 and EUR 156,000.

Certain management members have also purchases certain depository shares in a trust at the same value as the transaction price.

30. PARTICULARS OF SUBSIDIARIES

Particulars of the principal subsidiaries of the Group as at 31 March 2021, 2022, 2023 and 31 August 2023 are as follows:

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid-up share capital in EUR'000	Equity attributable to Target Company			
			At 31 March			At 31 August
			2021	2022	2023	2023
			%	%	%	%
PSS Hong Kong	Room2, 22/F, 280 Portland Street Mongkok, Kowloon, Hong Kong	3,782	100	100	100	100
Premium Sound Solutions	Panchil, Pune, India	7	100	100	100	100
Hungarian Speaker System	Finn Ut 2, h8000 Szekesfehervar, Hungary	612	100	100	100	100
PSS China	2/F, Block C, ZhongTianYuan logistics Center, No.8, TaoHua Road, FuBao Community, FuBao Street, FuTian District, ShenZhen, China	500	100	100	100	100
PSS Ukraine	Berehivska Objizna 25, 89600 Mukachevo, Ukraine	–	100	100	100	100
PSS Mexicana	Circuito Fresnillo norte 5, Mexico	–	100	100	100	100
PSS North America Holding LLC	35 Village Road Suit 100-MA 01949 Middleton-USA, United States of America	–	100	100	100	100
Prem Sound Solutions America LLC	106 44099 Plymouth Oaks Blvs., Suite Plymouth, United States of America	260	100	100	100	100
Premium Sound Solutions Sdn. Bhd	Perindustrian Bukit Tengah, 1552 Jalan Perusahaan, Kawasan, Malaysia	3,000	100	100	100	100
PSS Germany GMBH	Wolf-Hirth-Strasse 9, Germany	25	100	100	100	100
PSS Belgium NV	Hoogveld 50, 9200 Dendermonde, Belgium	7,700	100	100	100	100
PSS Holding NV	Hoogveld 50, 9200 Dendermonde, Belgium	32,459	100	100	100	100

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statements of cash flows from (used in) financing activities.

	Bank loans *EUR'000* *(Note 21)*	Lease liabilities *EUR'000* *(Note 20)*	Interest payable *EUR'000*	Dividend payable *EUR'000*	Total *EUR'000*
At 1 April 2020	59,812	22,719	–	–	**82,531**
Financing net cash flows	(4,568)	(4,184)	(2,193)	–	(10,945)
Interest expenses	–	–	2,193	–	2,193
Expected intrest rate	202	–	–	–	202
New lease entered	–	7,174	–	–	7,174
Dividend declared	–	–	–	–	–
Foreign exchange translation	–	(31)	–	–	(31)
At 31 March 2021	55,446	25,678	–	–	**81,124**
Financing net cash flows	(2,432)	(4,576)	(1,471)	–	(8,479)
Interest expenses	–	–	1,471	–	1,471
Expected intrest rate	320	–	–	–	320
New lease entered	–	2,396	–	–	2,396
Dividend declared	–	–	–	–	–
Foreign exchange translation	–	1,499	–	–	1,499
At 31 March 2022	53,334	24,997	–	–	**78,331**
Financing net cash flows	7,068	(4,857)	(2,782)	–	(571)
Interest expenses	–	–	2,782	–	2,782
Expected intrest rate	600	–	–	–	600
New lease entered	–	13,983	–	–	13,983
Dividend declared	–	–	–	4,000	4,000
Dividend paid	–	–	–	(4,000)	(4,000)
Foreign exchange translation	–	(1,126)	–	–	(1,126)
At 31 March 2023	61,002	32,997	–	–	**93,999**
At 1 April 2022	53,334	24,997	–	–	78,331
Financing net cash flows	2	(2,055)	(496)	–	(2,549)
Interest expenses	–	–	496	–	496
Expected intrest rate	–	–	–	–	–
New lease entered	–	8,741	–	–	8,741
Dividend declared	–	–	–	–	–
Foreign exchange translation	–	615	–	–	615
At 31 August 2022	53,336	32,298	–	–	**85,634**
At 1 April 2023	61,002	32,997	–	–	93,999
Financing net cash flows	6,724	(1,949)	(792)	–	3,983
Interest expenses	–	–	792	–	792
Expected intrest rate	–	–	–	–	–
New lease entered	–	8,814	–	–	8,814
Dividend declared	–	–	–	–	–
Foreign exchange translation	–	(609)	–	–	(609)
At 31 August 2023	67,726	39,253	–	–	**106,979**

32. FINANCIAL INFORMATION OF THE COMPANY

The financial information of the company as at 31 March 2021, 2022, 2023 and 31 August 2023 is as follows:

	At 31 March			At 31 August
	2021	**2022**	**2023**	**2023**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Non-current assets				
Other non-current assets	32,459	32,459	32,459	32,459
Current assets				
Other current assets	0	0	1	1
Current liabilities within 1 year	1	1	1	2
Net current assets (liabilities)	(1)	(1)	0	(1)
Capital and reserves				
Share capital & Share premium	32,458	32,458	32,459	32,458

	Special reserves	**Accumulated profits (losses)**	**Total**
	EUR	*EUR*	*EUR*
At 31 March 2021			
Loss and total comprehensive expense for the year	(254)	(104)	(358)
At 31 March 2022			
Loss and total comprehensive expense for the year	(358)	(411)	(769)
At 31 March 2023			
Loss and total comprehensive expense for the period	(769)	(396)	(1,165)
At 31 August 2023	(1,165)	(100)	(1,265)

33. MAJOR NON-CASH TRANSACTIONS

Over the reporting period between 31 March 2021 and 31 August 2023, no major non-cash transactions have taken place.

34. ACQUISITION OF SUBSIDIARIES

The Group has not acquired any subsidiaries over the reporting period from 01/04/2020 until 31/08/2023.

35. PROVISIONS

The provisions are fully related to the warranty provision on the sales of the sound solution products, with the exception of a EUR1.4M addition in the last reporting period which is for a supplier dispute.

No other material provisions have been booked.

36. CONTINGENT LIABILITIES

Customs case – PSS India

In the PSS India subsidiary there is an ongoing customs case which could result in a fine to be paid, however the board of directors decided that a provision is not in order given the small possibility of a cash outflow due to this case.

37. COMMITMENTS

Collateral for bank borrowings:

The total long-term bank borrowings entered into by the Group are secured by all the Group's present and future assets. Security agreements have been entered into which collectively secure the bank borrowings for the entire amount outstanding (as well as the accrued interests on the bank borrowings). The Group is subject to regular reporting to the bank and has a covenant to adhere to which is based on the leverage of the Group.

38. SUBSEQUENT EVENTS

During October 2023, the Group has decided on a dividend payment of EUR 32,823,000 which has been approved and paid out during that same month.

In November 2023 the Group concluded a new lease agreement for an office building. The new lease will replace an existing office lease. The future annual rent will increase by EUR 390,000, which, taking into account the new lease term of 3 years, will increase the lease liability by approximately EUR 1,024,000.

AAC is planned to acquire the Group resulting in a new shareholder. Referring to the senior facility agreements with the bank (see note 21, which contain a mandatory prepayment and cancellation to be executed upon the occurrence of a change in control), a waiver for the mandatory prepayment and cancellation terms has been signed to allow the agreements to continue without an impact from this change in control. As a result, no impact has been reflected for this in the financials.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 August 2023.

Set out below is the management discussion and analysis of the Target Group for the three financial years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2023 (the "Reporting Period"). The following financial information is based on the financial information of the Target Group as set out in Appendix II to this circular.

OVERVIEW

The Target Group owns and operates PSS which is a leading global provider of acoustic components and sound systems. PSS is a Tier 1 supplier to a diversified base of global automotive original equipment manufacturers, which include a growing selection of electric vehicles and plug-in hybrid electric vehicles. In addition, PSS retains a sizeable portfolio of commercial relationships in the premium and branded consumer audio segment. For further details of the Target Group, please refer to the section headed "*5. Information on the Target Group*" in the Letter from the Board.

FACTORS AFFECTING RESULTS OF OPERATIONS

The following factors have affected, and are expected to continue to affect, the Target Group's business, results of operations and financial condition:

- Growing revenue from the Target Group's established relationships with Western automotive brands by developing innovative sound solutions for them and through strategic high-margin product development;

- Expanding the Target Group's automotive customer base to the rapidly growing EV brands across Asia, particularly in China;

- Reducing conversion cost per unit by maximising production line utilisation, vertical integration of plastics, and making strategic investments to reduce the overall cost of production; and

- Lowering logistics costs through regional production and sales strategies.

RESULTS OF OPERATIONS

The following table sets forth the Target Group's consolidated statements of profit or loss and other comprehensive income. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	Year ended 31 March			Five months ended 31 August	
	2021	**2022**	**2023**	**2022**	**2023**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000* (Unaudited)	*EUR'000*
Revenue	299,817	352,155	463,812	181,739	191,530
Cost of goods sold	(235,116)	(291,315)	(368,015)	(154,994)	(148,930)
Gross profit	64,701	60,840	95,797	26,745	42,600
Distribution and selling expenses	(7,661)	(7,391)	(10,392)	(4,601)	(4,162)
Administrative expenses	(23,541)	(25,508)	(28,830)	(10,897)	(14,863)
Research and development costs	(10,344)	(12,698)	(14,432)	(5,803)	(7,390)
Other income and expense	214	258	280	112	283
Other gains and losses	(13)	(6)	(41)	(71)	(2)
Operating result	23,356	15,495	42,382	5,485	16,466
Exchange gain (loss)	(1,451)	1,565	366	3,429	(896)
Finance expenses	(2,406)	(1,850)	(3,672)	(870)	(1,831)
Hedging gains (losses)	9,870	6,359	1,384	(3,906)	(554)
Profit before taxation	29,369	21,569	40,460	4,138	13,185
Income tax expense	(6,576)	(4,789)	(9,872)	(979)	(2,299)
Profit for the year/period	22,793	16,780	30,588	3,159	10,886
Other comprehensive income (expense)					
Item that will not be reclassified to profit or loss:					
– Remeasurement to defined benefit plans, net of income tax	(21)	1,272	802	932	(18)
Item that may be subsequently reclassified to profit or loss:					
– exchange differences arising on translation of foreign operations	(1,606)	3,144	(2,337)	1,993	(2,743)
– fair value changes on derivative financial instruments, net of income tax	–	–	332	–	148
Other comprehensive income (expense)	(1,627)	4,416	(1,203)	2,925	(2,613)
Total comprehensive income for that year/period	21,166	21,196	29,385	6,084	8,273

COMPARISON OF RESULTS OF OPERATIONS

Five months ended 31 August 2023 compared to five months ended 31 August 2022

Revenue

Revenue generated by the Target Group mainly represented income from the production and sale of automotive sound systems. The Target Group also generated income from tooling arrangements under which custom plastic moulding tools are built in order to fulfil orders of customers.

The Target Group recorded revenue of Euro 191.5 million and Euro 181.7 million for the five months ended 31 August 2023 and 2022. The increase in revenue during this period was mainly due to increased sales volume, market expansion into Asia, early development involvement with the Target Group's customers, and innovation and sustainability efforts.

Costs of Goods Sold

Cost of goods sold incurred by the Target Group mainly include raw material costs, direct labour costs, costs for tools and parts, and warehousing costs.

The Target Group recorded cost of goods sold of Euro 148.9 million and Euro 155.0 million for the five months ended 31 August 2023 and 2022. The decrease in cost of goods sold during this period was mainly due to fluctuating prices of raw materials such as neodymium magnets.

Distribution and Selling Expenses

Distribution and selling expenses incurred by the Target Group mainly represent personnel cost for employees involved in the distribution and sales of products, such as supply chain management, production supervision and logistics handling, land and ocean freight, as well as other expenses such as warranties, travel expenses, and overheads.

The Target Group recorded distribution and selling expenses of Euro 4.2 million and Euro 4.6 million for the five months ended 31 August 2023 and 2022. The decrease in distribution and selling expenses during this period was mainly due to improved supply chain management and more favourable freight prices as the industry recovered from the COVID-19 pandemic.

Administrative Expenses

Administrative expenses incurred by the Target Group mainly represent personnel expenses such as salaries, wages, and social security contributions, IT costs, professional fees, facility fees, and insurance. The Target Group also incurred other operating expenses, comprising a combination of miscellaneous costs including printing, memberships to various institutions, and express mail deliveries.

The Target Group recorded administrative expenses of Euro 14.9 million and Euro 10.9 million for the five months ended 31 August 2023 and 2022. The increase in administrative expenses during this period was mainly due to higher license prices from SaaS providers, the Target Group's increasing hosting costs to migrate to cloud solutions for its internal IT environment, and the one-off transaction costs for the Proposed Transaction such as costs related to due diligence and IFRS implementation.

Research and Development Costs

Research and development costs incurred by the Target Group mainly represent costs of direct personnel involved in research and development activities, material and tooling costs used in the development of prototypes, and grants and other costs directly attributable to research and development projects.

The Target Group recorded research and development costs of Euro 7.4 million and Euro 5.8 million for the five months ended 31 August 2023 and 2022. The increase in research and development costs during this period was mainly due to continuing collaborative partnerships with automotive companies to support an increased number of orders secured from customers.

Profit for the Period

As a result of the foregoing, the Target Group recorded a profit of Euro 10.9 million and Euro 3.2 million for the five months ended 31 August 2023 and 2022. The Target Group recorded total comprehensive income of Euro 8.3 million and Euro 6.1 million for the five months ended 31 August 2023 and 2022.

Financial year ended 31 March 2023 compared to financial year ended 31 March 2022

Revenue

The Target Group recorded revenue of Euro 463.8 million and Euro 352.2 million for the financial years ended 31 March 2023 and 2022. The increase in revenue during this period was mainly due to the expansion of the premium product portfolio to electric vehicles in the Asian market, the development and marketing of innovative products which capitalised on the Target Group's established relationships with existing Western brands, the increase in the number of blue-chip customers, and a shift in strategy towards more premium and innovative sound solutions.

Cost of Goods Sold

The Target Group recorded cost of goods sold of Euro 368.0 million and Euro 291.3 million for the financial years ended 31 March 2023 and 2022. The increase in cost of goods sold during this period was mainly brought about by the increase in the volume of products produced, fluctuating raw material prices, and commodity index increases during the COVID-19 pandemic.

Distribution and Selling Expenses

The Target Group recorded distribution and selling expenses of Euro 10.4 million and Euro 7.4 million for the financial years ended 31 March 2023 and 2022. The increase in distribution and selling expenses was mainly due to more business via "delivered-at-place" arrangements where the Target Group bore the costs and risks of moving products to customers and increased number of staff to support a growing customer base.

Administrative Expenses

The Target Group recorded administrative expenses of Euro 28.8 million and Euro 25.5 million for the financial years ended 31 March 2023 and 2022. The increase in administrative expenses during this period was mainly due to an increase in employee headcount, higher wages, resumed normal traveling and training post-pandemic, and ongoing digitalisation initiatives to replace old software with new software solutions.

Research and Development Costs

The Target Group recorded research and development costs of Euro 14.4 million and Euro 12.7 million for the financial years ended 31 March 2023 and 2022. The increase in research and development costs during this period was mainly due to the expansion of the Target Group's business towards Asian brands, the increased complexity of products under development, and the Target Group's continuing involvement in research and development for its original equipment manufacturer customers.

Profit for the Year

As a result of the foregoing, the Target Group recorded a profit of Euro 30.6 million and Euro 16.8 million for the financial years ended 31 March 2023 and 2022. The Target Group recorded total comprehensive income of Euro 29.4 million and Euro 21.2 million for the financial years ended 31 March 2023 and 2022.

Financial year ended 31 March 2022 compared to financial year ended 31 March 2021

Revenue

The Target Group recorded revenue of Euro 352.2 million and Euro 299.8 million for the financial years ended 31 March 2022 and 2021. The increase in revenue during this period was mainly due to the Target Group's strategy to shift towards more premium and innovative sound solutions and an increased number of blue-chip customers.

Cost of Goods Sold

The Target Group recorded cost of goods sold of Euro 291.3 million and Euro 235.1 million for the financial years ended 31 March 2022 and 2021. The increase in cost of goods sold during this period was mainly brought about by the increase in product volumes, fluctuating prices in raw materials, and a negative foreign exchange impact in the financial year ended 31 March 2022.

Distribution and Selling Expenses

The Target Group recorded distribution and selling expenses of Euro 7.4 million, and Euro 7.7 million for the financial years ended 31 March 2022 and 2021. The decrease in distribution and selling expenses during this period was mainly due to the non-recurring impact of the introduction of the 3-year global warranty in the year ended 31 March 2021.

Administrative Expenses

The Target Group recorded administrative expenses of Euro 25.5 million and Euro 23.5 million for the financial years ended 31 March 2022 and 2021. The increase in administrative expenses during this period was mainly brought about by an increase in employee headcounts and an increase in local trading taxes in China as the Target Group's sales grew in the region.

Research and Development Costs

The Target Group recorded research and development costs Euro 12.7 million and Euro 10.3 million for the financial years ended 31 March 2022 and 2021. The increase in research and development costs was mainly brought about by an increase in R&D headcount and increased spending to bring new speakers to market.

Profit for the Year

As a result of the foregoing, the Target Group recorded a profit of Euro 16.8 million and Euro 22.8 million for the financial years ended 31 March 2022 and 2021. The Target Group recorded total comprehensive income of Euro 21.2 million and Euro 21.2 million for the financial years ended 31 March 2022 and 2021.

STATEMENTS OF FINANCIAL POSITION

The table below sets forth selected information from the Target Group's consolidated statements of financial position as at the dates indicated, which have been extracted from the accountant's report in Appendix II.

	At 31 March			At 31 August
	2021	**2022**	**2023**	**2023**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Non-current assets				
Property, plant and equipment	33,364	41,774	45,864	47,594
Right-of-use assets	25,318	24,315	31,991	37,993
Goodwill	9,159	9,159	9,159	9,159
Intangible assets	11,336	11,134	10,415	10,212
Deferred tax assets	1,949	1,838	2,613	3,509
Derivative financial instruments	2,917	1,937	3,333	1,316
Long term deposits	661	890	869	833
Non-current assets	84,704	91,047	104,244	110,616
Current assets				
Inventories	41,190	50,855	49,995	50,580
Trade and other receivables	69,607	94,022	96,144	95,178
Contract Assets	2,037	3,822	5,252	5,281
Derivative financial instruments	2,674	5,037	4,072	4,188
Cash and cash equivalents	45,601	33,913	70,873	98,958
Current assets	161,109	187,649	226,336	254,185
Total assets	245,813	278,696	330,580	364,801
Current liabilities				
Trade and other payables	89,203	109,349	117,317	127,505
Contract liabilities	9,672	4,079	3,846	5,211
Lease liabilities	4,290	4,326	4,970	4,694
Income tax liability	2,024	3,953	6,820	7,220
Derivative financial instruments	187	82	516	1,350
Provisions	2,212	1,577	1,478	2,989
Bank loans	3,998	5,445	1,877	10,476
Current liabilities	111,586	128,811	136,824	159,445
Net current assets	49,523	58,838	89,512	94,740
Total assets less current liabilities	134,227	149,885	193,756	205,356

	At 31 March			At 31 August
	2021	**2022**	**2023**	**2023**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Non-current liabilities				
Bank loans	51,448	47,889	59,125	57,250
Lease liabilities	21,388	20,671	28,028	34,559
Long term employee benefits	4,235	2,440	1,110	989
Derivative financial instruments	907	366	1,324	817
Deferred tax liabilities	376	1,450	1,716	1,014
Non-current liabilities	78,354	72,816	91,303	94,629
Net assets	55,873	77,069	102,453	110,727
Capital and reserves				
Share capital and share premium	32,459	32,459	32,459	32,459
Retained Earnings	24,703	41,483	68,070	78,957
Reserves	(1,289)	3,127	1,924	(689)
Total equity	55,873	77,069	102,453	110,727

Analysis of Selected Items in the Consolidated Statements of Financial Position

Property, Plant and Equipment

Property, plant and equipment ("PPE") owned by the Target Group mainly comprise its plants for manufacturing and research and development. PPE is valued at acquisition price. The depreciation rates are calculated based on the estimates of the economic useful life of the assets and are applied on a straight-line basis.

The Target Group recorded PPE of Euro 47.6 million as at 31 August 2023, and Euro 45.9 million, Euro 41.8 million, and Euro 33.4 million as at 31 March 2023, 2022, and 2021. The increase in PPE during the Reporting Period was mainly due to the expansion of production lines and manufacturing capacity as sales volumes increased, investments into vertical integration of plastic injection, project-related tooling, and better local production capabilities.

Right-of-Use Assets

Right-of-use assets held by the Target Group mainly represent various offices, warehouses, equipment and vehicles leased for its operations and staff. Lease contracts are entered into for a fixed term of two to ten years, but may have extension and termination options. Lease terms are negotiated on an individual basis and contain different terms and conditions.

The Target Group recorded right-of-use assets of Euro 38.0 million as at 31 August 2023, and Euro 32.0 million, Euro 24.3 million, and Euro 25.3 million as at 31 March 2023, 2022, and 2021. The increase in right-of-use assets from 31 March 2022 to 31 March 2023 and subsequently to 31 August 2023 was mainly due to added warehouse space in Mexico and Malaysia, and renewal of lease contracts. The decrease in right-of-use assets from 31 March 2021 to 31 March 22 was mainly due to the natural expiry of the Target Group's existing lease contracts.

Inventories

Inventories held by the Target Group mainly represent raw materials, goods in transit, finished goods and prepaid expenses tooling.

The Target Group recorded inventories of Euro 50.6 million as at 31 August 2023, and Euro 50.0 million, Euro 50.9 million, and Euro 41.2 million as at 31 March 2023, 2022, and 2021. The increase in inventories from 31 March 2023 to 31 August 2023 was primarily a result of an increased number of finished goods as the Target Group expanded its operations and fluctuating raw material prices. The decrease in inventories from 31 March 2022 to 31 March 2023 was mainly due to a reduced number of finished goods, a reduced amount of work in progress, and consumption of inventories stocked during the COVID-19 pandemic. The increase in inventories from 31 March 2021 to 31 March 2022 was mainly due to increased sales volumes, requiring the Target Group increase its raw material purchases.

Trade and Other Receivables

Trade and other receivables held by the Target Group mainly represent invoices to customers that are normally payable within 30 days to 90 days of issuance and contract assets. The consideration for default for receivables past due beyond 90 days was based on historical repayment pattern from the specific debtors.

The Target Group recorded trade and other receivables of Euro 95.2 million as at 31 August 2023, and Euro 96.1 million, Euro 94.0 million, and Euro 69.6 million as at 31 March 2023, 2022, and 2021. The decrease of trade and other receivables from 31 March 2023 to 31 August 2023 was primarily a result of a reduced amount of trade and income tax receivables. The increase of trade and other receivables from 31 March 2021 to 31 March 2022 and subsequently to 31 March 2023 was mainly due to an increased amount of trade receivables as a result of the Target Group's increased operations and consequently growth in sales volumes.

SEGMENTAL INFORMATION

During the Reporting Period, the Target Group had only one reportable segment. As such, no segmental information is presented in the Target Group's financial statements.

LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, the Target Group mainly financed its operations from cash from operating activities. The following table sets forth a selected summary of the Target Group's statement of cash flows for the period indicated and the five months ended 31 August 2023 and 2022.

	Year ended 31 March			Five months ended 31 August	
	2021	**2022**	**2023**	**2022**	**2023**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000* (Unaudited)	*EUR'000*
Net cash from (used in) operating activities	33,163	13,580	62,146	15,641	33,281
Net cash from (used in) investing activities	(12,909)	(17,015)	(18,622)	(6,821)	(7,995)
Net cash from financing activities	(10,996)	(8,531)	(4,632)	(2,573)	3,959
Net increase (decrease) in cash and cash equivalents	9,258	(11,966)	38,892	6,247	29,245
Cash and cash equivalents at beginning of the year/period	35,832	45,601	33,913	33,913	70,873
Net effect of movement in FX-rates on cash and cash equivalents	511	278	(1,932)	(708)	(1,160)
Cash and cash equivalents at end of the year/period, representing cash and cash equivalents	45,601	33,913	70,873	39,452	98,958

Operating activities

Net cash from operating activities for the five months ended 31 August 2023 amounted to Euro 33.3 million, mainly attributable to profit before taxation of Euro 13.2 million, adjusted for non-cash items, primarily including depreciation of property, plant and equipment of Euro 4.1 million, loss on change in fair value of derivatives of Euro 2.5 million and depreciation of right-of-use assets of Euro 2.2 million. Movements in working capital primarily reflected an increase in trade and other payables of Euro 12.6 million.

Net cash from operating activities for the financial year ended 31 March 2023 amounted to Euro 62.1 million, mainly attributable to profit before taxation of Euro 40.5 million, adjusted for non-cash items, primarily including depreciation of property, plant and equipment of Euro 10.5 million, depreciation of right-of-use assets of Euro 5.2 million, other net finance expenses of Euro 3.7 million and amortisation of intangible assets of Euro 3.4 million. Movements in working capital primarily reflected an increase in trade and other payables of Euro 11.2 million, partially offset by an increase in trade and other receivables of Euro 6.8 million.

Net cash from operating activities for the financial year ended 31 March 2022 amounted to Euro 13.6 million, mainly attributable to profit before taxation of Euro 21.6 million, adjusted for non-cash items, primarily including depreciation of property, plant and equipment of Euro 7.5 million, depreciation of right-of-use assets of Euro 4.9 million and amortisation of intangible assets of Euro 3.0 million. Movements in working capital primarily reflected an increase in trade and other receivables of Euro 20.5 million, partially offset by an increase in trade and other payables of Euro 13.7 million.

Net cash from operating activities for the financial year ended 31 March 2021 amounted to Euro 33.2 million, mainly attributable to profit before taxation of Euro 29.4 million, adjusted for non-cash items, primarily including gain on changes in fair value of derivatives of Euro 8.5 million, depreciation of property, plant and equipment of Euro 7.0 million, depreciation of right-of-use assets of Euro 4.5 million and amortisation of intangible assets of Euro 2.5 million. Movements in working capital primarily reflected an increase in trade and other payables of Euro 15.6 million, partially offset by an increase in trade and other receivables of Euro 13.1 million.

Investing activities

Net cash used in investing activities in the five months ended 31 August 2023 amounted to Euro 8.0 million, primarily attributable to acquisition of property, plant and equipment of Euro 7.1 million and additions to intangible assets of Euro 1.1 million.

Net cash used in investing activities in the financial year ended 31 March 2023 amounted to Euro 18.6 million, primarily attributable to acquisition of property, plant and equipment of Euro 16.1 million and additions to intangible assets of Euro 2.8 million.

Net cash used in investing activities in the financial year ended 31 March 2022 amounted to Euro 17.0 million, primarily attributable to acquisition of property, plant and equipment of Euro 14.4 million and additions to intangible assets of Euro 2.5 million.

Net cash used in investing activities in the financial year ended 31 March 2021 amounted to Euro 12.9 million, primarily attributable to acquisition of property, plant and equipment of Euro 8.2 million and additions to intangible assets of Euro 4.8 million which includes Euro 2.0 million of software acquisition.

Financing activities

Net cash from financing activities in the five months ended 31 August 2023 amounted to Euro 4.0 million, primarily attributable to proceeds from new loans of Euro 6.7 million, partially offset by repayment of lease liabilities of Euro 1.9 million.

Net cash used in financing activities in the financial year ended 31 March 2023 amounted to Euro 4.6 million, primarily attributable to repayment of lease liabilities of 4.9 million, dividend paid of Euro 4.0 million, repayment of bank loans of Euro 2.8 million and interest expense paid of Euro 2.8 million, partially offset by proceeds from new loans as well as refinancing term loans of Euro 9.9 million.

Net cash used in financing activities in the financial year ended 31 March 2022 amounted to Euro 8.5 million, primarily attributable to repayment of lease liabilities of 4.6 million, repayment of bank loans of Euro 2.4 million and interest expense paid of Euro 1.5 million.

Net cash used in financing activities in the financial year ended 31 March 2021 amounted to Euro 11.0 million, primarily attributable to repayment of bank loans of Euro 4.6 million, repayment of lease liabilities of 4.2 million and interest expense paid of Euro 2.2 million.

Borrowings

At 31 March 2021, 2022, 2023 and 31 August 2023, the Target Group had borrowings of Euro 55.4 million, Euro 53.3 million, Euro 61.0 million and Euro 67.7 million, mainly consisting of bank loans. Set forth below are the maturity details of the Target Group's borrowings for the dates indicated.

	As at 31 March			As at 31 August
	2021	**2022**	**2023**	**2023**
		EUR'000		
Payable within one year	3,998	5,445	1,877	10,476
Repayable within a period of more than one year but not exceeding two years	4,697	5,488	3,750	3,750
Repayable within a period of more than two years but not exceeding five years	46,751	42,401	14,375	15,000
Payable more than five years	0	0	41,000	38,500
Total	**55,446**	**53,334**	**61,002**	**67,726**

All of the bank loans of the Target Group during the Reporting Period bore variable interest rates which mainly referenced Euribor. As at 31 August 2023, all of the Target Group's bank loans were denominated in the functional currency of the relevant member of the Group. As at 31 August 2023, all of the Target Group's bank loans were guaranteed.

As at 31 August 2023, the Target Group was also party to a factoring agreement bearing variable interest rate. For details, please see Note 21 in the Accountant's Report of the Target Group set out in Appendix II.

As at 31 August 2023, the Target Group had three committed borrowing facilities available to it with a total amount of Euro 42.4 million.

Other than the borrowings discussed above, as at 30 November 2023, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group and the Target Group prior to the printing of this circular, the Target Group did not have other borrowings or indebtedness in the nature of borrowings.

Gearing ratio

As at 31 March 2021, 2022, 2023 and 31 August 2023, the gearing ratio (being total borrowings divided by total equity) of the Target Group was approximately 99.2%, 69.2%, 59.5% and 61.2%.

Funding and Treasury Policy

The Target Group has adopted a prudent financial management approach towards its treasury policy, with the objective of efficiently managing financial risks within the Target Group. The Target Group closely monitors its liquidity position to ensure that the liquidity structure of its assets, liabilities, and other commitments can meet its funding requirements.

Significant Investments

The Target Group did not make any significant investments during the Reporting Period.

The Target Group entered into a binding commitment of Euro 5.5 million for a new production line, for which expenditure began in the five months ended 31 August 2023.

Contingent Liabilities and Capital Commitments

The Target Group did not have any contingent liabilities or capital commitments as of 31 March 2021, 2022, 2023 and 31 August 2023. In the Target Group's India subsidiary, there is an ongoing customs case which could result in a fine to be paid, however the board of directs decided that a provision is not in order given the small possibility of a cash outflow due to this case.

Pledge of Assets

Certain current and future assets of some subsidiaries of the Target Group were pledged to secure bank loans for these subsidiaries. For details, please see Note 21 in the Accountants' Report on the Target Group set out in Appendix II. Other than these pledges, as at 30 November 2023, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group and the Target Group prior to the printing of this circular, the Target Group did not have other mortgages or charges of the Target Group.

FOREIGN CURRENCY MANAGEMENT

Since the Target Group has a global footprint with operations in various locations such as Belgium, Malaysia, Germany, China and the United States, subsidiaries within the Target Group have different functional currencies. The presentation currency of the Target Group is the Euro. As such, the Target Group is subject to foreign exchange exposure because of currency translation. During the Reporting Period, the Target Group entered into interest rate swap contracts with commercial banks to decrease its exposure to cash flow changes of its floating-rate Euro-denominated bank loans. During the Reporting Period, the Target Group also entered into foreign currency options that will be settled in Euro with commercial banks to decrease its exposure to fluctuations in foreign currency exchange rate transactions, which are primarily in US dollars and RMB. The Target Group does not have any foreign currency net investments which are hedged by currency borrowings and other hedging instruments.

Set forth below are the details of the Target Group's cash and intra-group foreign currency denominated trade receivables, cash, trade payables and bank loans.

Assets:

	At 31 March			At 31 August
	2021	**2022**	**2023**	**2023**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
US$	9,798	14,686	35,478	22,200
RMB	16,358	35,042	31,805	40,049
HKD	26,670	36,727	41,218	43,239
Other currencies	20,794	13,529	32,283	31,795
Total	**73,620**	**99,984**	**140,784**	**137,283**

Liabilities:

	At 31 March			At 31 August
	2021	**2022**	**2023**	**2023**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
US$	21,394	7,654	3,494	321
MYR	2,725	2,471	4,892	3,922
RMB	22,026	28,887	31,473	14,076
HKD	1,002	667	1,609	11,743
Other currencies	1,696	508	1,019	4,901
Total	**48,843**	**40,187**	**42,487**	**34,963**

MATERIAL ACQUISITIONS AND DISPOSALS

There was no material acquisition or disposal of subsidiaries of the Target Group during the Reporting Period.

DEBT SECURITIES

As of 30 November 2023, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group and the Target Group prior to the printing of this circular, the Target Group did not have any debt securities issued and outstanding or authorised or otherwise created but unissued.

EMPLOYEES AND REMUNERATION POLICIES

As of 31 August 2023, the Target Group had 3,686 employees. In the financial year ended 31 March 2021, 2022, 2023 and the five months ended 31 August 2023, total staff costs of the Target Group amounted to Euro 70.4 million, Euro 81.9 million, Euro 92.5 million and Euro 40.7 million. The employees of the Target Group are compensated based on their work performance and experience, with reference to prevailing market conditions.

FINANCIAL AND TRADING PROSPECTS OF THE TARGET GROUP

While sales of standard speakers contributed the largest portion of revenue in the financial year ended 31 March 2023, the Target Group expects the revenue contribution from premium products to account for an increasing portion of the Target Group's total revenue going forward. The Target Group expects to drive growth by (i) continuing to grow its revenue, (ii) lowering logistics costs, (iii) making strategic investments to reduce overall cost of production such as through vertical integration of plastics and foam-in-place gasketing, (iv) launching innovative sound solutions, and (v) growing its presence in Asia and increasing partnerships with Chinese electric vehicle brands.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF AAC TECHNOLOGIES HOLDINGS INC. (THE "COMPANY") AND ITS SUBSIDIARIES (COLLECTIVELY REFERRED TO AS THE "GROUP") INCLUDING ACOUSTICS SOLUTIONS INTERNATIONAL B.V. (THE "TARGET") AND ITS SUBSIDIARIES (COLLECTIVELY REFERRED TO AS THE "TARGET GROUP") (TOGETHER WITH THE GROUP HEREAFTER REFERRED TO AS THE "ENLARGED GROUP")

Introduction

The unaudited pro forma information (the "Unaudited Pro Forma Financial Information") presented below is prepared to illustrate the unaudited pro forma condensed consolidated statement of financial position of the Enlarged Group as if the major transaction in relation to the proposed acquisition of the Target ("Proposed Transaction") had been completed on 30 June 2023.

This Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by directors of the Company in accordance with paragraph 4.29 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group following the completion of the Proposed Transaction.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2023 included in the published interim report of the Company for the six months ended 30 June 2023, and the audited consolidated statement of financial position of the Target Group as at 31 August 2023, which has been extracted from the accountants' report of the Target Group as set out in Appendix II to this circular, respectively after giving effect to the unaudited pro forma adjustments as described in the accompanying notes.

The Unaudited Pro Forma Financial Information was also prepared by the directors of the Company based on certain assumptions, estimates and uncertainties for illustrative purposed only. Due to its hypothetical nature, the Unaudited Pro Forma Financial Information may not purport to predict what the assets and liabilities of the Enlarged Group would be.

The Unaudited Pro Forma Financial Information should be read in conjunction with, among others, the financial information of the Group as set out in the published interim report of the Company for the six months ended 30 June 2023 and other financial information included elsewhere in the circular.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	The Group as at 30 June 2023	The Target Group as at 31 August 2023		Pro forma adjustments			Unaudited Pro forma Enlarged Group
				Adjustment 1	Adjustment 2	Adjustment 3	
	RMB'000	*EUR'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Non-current assets							
Property, plant and equipment	18,557,230	47,594	377,282	–	88,369	–	19,022,881
Right-of-use assets	1,909,768	37,993	301,174	–	–	–	2,210,942
Investment costs	–	–	–	3,560,956	(3,560,956)	–	–
Goodwill	275,365	9,159	72,604	–	1,564,948	–	1,912,917
Deposits made for acquisition of property, plant and equipment	213,910	–	–	–	–	–	213,910
Investment properties	131,043	–	–	–	–	–	131,043
Interest in an associates	3,120	–	–	–	–	–	3,120
Equity instruments at FVTOCI	451,772	–	–	–	–	–	451,772
Financial assets at fair value through profit or loss	308,700	–	–	–	–	–	308,700
Derivative financial instruments	1,489	1,316	10,432	–	–	–	11,921
Long term deposits	–	833	6,603	–	–	–	6,603
Intangible assets	678,430	10,212	80,952	–	1,402,650	–	2,162,032
Deferred tax assets	210,300	3,509	27,817	–	–	–	238,117
	22,741,127	110,616	876,864	3,560,956	(504,989)	–	26,673,958
Current assets							
Inventories	3,495,491	50,580	400,953	–	–	–	3,896,444
Trade and other receivables	6,040,025	95,178	754,486	–	–	–	6,794,511
Amounts due from related companies	9,003	–	–	–	–	–	9,003
Taxation recoverable	7,368	–	–	–	–	–	7,368
Contract assets	–	5,281	41,863	–	–	–	41,863
Derivative financial instruments	–	4,188	33,198	–	–	–	33,198
Pledged bank deposits	200	–	–	–	–	–	200
Cash and cash equivalents	7,126,292	98,958	784,450	(2,310,926)	–	(26,665)	5,573,151
	16,678,379	254,185	2,014,950	(2,310,926)	–	(26,665)	16,355,738

	The Group as at 30 June 2023	The Target Group as at 31 August 2023		Pro forma adjustments			Unaudited Pro forma Enlarged Group
				Adjustment 1	Adjustment 2	Adjustment 3	
	RMB'000	*EUR'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Current liabilities							
Trade and other payables	4,915,472	127,505	1,010,746	–	–	–	5,926,218
Contract liabilities	20,105	5,211	41,308	–	–	–	61,413
Amounts due to related companies	23,279	–	–	–	–	–	23,279
Taxation payable	134,611	7,220	57,233	–	–	–	191,844
Bank loans	1,258,942	10,476	83,044	–	–	–	1,341,986
Government grants	131,064	–	–	–	–	–	131,064
Lease liabilities	355,439	4,694	37,210	–	–	–	392,649
Derivative financial instruments	–	1,350	10,702	–	–	–	10,702
Provisions	–	2,989	23,694	–	–	–	23,694
Contingent settlement provision	1,684,034	–	–	–	–	–	1,684,034
	8,522,946	159,445	1,263,937	–	–	–	9,786,883
Net current assets	8,155,433	94,740	751,013	(2,310,926)	–	(26,665)	6,568,855
Total assets less current liabilities	30,896,560	205,356	1,627,877	1,250,030	(504,989)	(26,665)	33,242,813
Non-current liabilities							
Bank loans	1,829,900	57,250	453,826	–	–	–	2,283,726
Unsecured notes	5,983,548	–	–	–	–	–	5,983,548
Government grants	571,539	–	–	–	–	–	571,539
Lease liabilities	446,107	34,559	273,953	–	–	–	720,060
Deferred tax liabilities	41,278	1,014	8,038	–	372,755	–	422,071
Derivative financial instruments	–	817	6,476	–	–	–	6,476
Contingent consideration payables	–	–	–	1,250,030	–	–	1,250,030
Long term employee benefits	–	989	7,840	–	–	–	7,840
Other payables	96,351	–	–	–	–	–	96,351
	8,968,723	94,629	750,133	1,250,030	372,755	–	11,341,641
Net assets	21,927,837	110,727	877,744	–	(877,744)	(26,665)	21,901,172

	The Group as at 30 June 2023	The Target Group as at 31 August 2023		Pro forma adjustments			Unaudited Pro forma Enlarged Group
				Adjustment 1	Adjustment 2	Adjustment 3	
	RMB'000	*EUR'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Capital and reserves							
Share capital	97,321	32,459	257,306	–	(257,306)	–	97,321
Reserves	21,393,382	78,268	620,438	–	(620,438)	(26,665)	21,366,717
Equity attributable to owners of the Company	21,490,703	110,727	877,744	–	(877,744)	(26,665)	21,464,038
Non-controlling interests	437,134	–	–	–	–	–	437,134
	21,927,837	110,727	877,744	–	(877,744)	(26,665)	21,901,172

Notes:

1. The balances are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2023 as set out in the circular of the Company for the six months ended 30 June 2023.

2. The balances are extracted from the accountant's report of the Target Group as at 31 August 2023 as set out in Appendix II to the circular with amounts in thousand of Euro ("EUR'000") are translated into thousand of Renminbi ("RMB'000") at an exchange rate of EUR1 to RMB7.9271, which is based on the People's Bank of China exchange rate on 31 August 2023.

3. The adjustment represents the Proposed Transaction at a cash consideration of United States dollars ("US$") 501,416,000 (equivalent to RMB3,560,956,000) at an exchange rate of US$1 to RMB7.1018, which is based on the People's Bank of China exchange rate on 30 November 2023, and details are as follows:

   a. the First Tranche Purchase Price of US$320,000,000 (equivalent to RMB2,272,576,000), together with interest thereon from 1 April to 2023 to 30 June 2023 calculated on a daily basis at the rate of 6.75% per annum, amounting to US$5,400,000 (equivalent to RMB38,350,000), to purchase 80% of the issued shares of the Target with total amount of US$325,400,000 (equivalent to RMB2,310,926,000).

   b. the Second Tranche Purchase Price could be (a) US$136,409,000 (equivalent to RMB968,749,000) if the Sellers exercise their postponement right and the Purchaser disagrees, or (b) US$204,613,000 (equivalent to RMB1,453,121,000) if the Purchaser exercises its postponement right and the Seller disagrees, or (c) an agreed multiple of the Target EBITDA plus the Target 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. Thus, the range of consideration for Second Tranche Shares is in between US$136,409,000 (equivalent to RMB968,749,000) to US$204,613,000 (equivalent to RMB1,453,121,000). For the purpose of the Unaudited Pro Forma Financial Information, the directors of the Company have estimated the Second Tranche Purchase Price to be US$176,016,000 (equivalent to RMB1,250,030,000), 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 Target.

c. Considering the terms under the agreement for the sale and purchase dated 10 August 2023 and shareholders' agreement dated 10 August 2023, upon the First Tranche Completion, the directors of the Company considered that the Group has effectively acquired 100% interest in the Target Group with the Second Tranche Consideration as deferred consideration.

4. The Group has applied the acquisition method in accordance with International Financial Reporting Standards ("IFRS") 3 "Business Combinations" to account for the Proposed Transaction as if the Proposed Transaction had been completed on 30 June 2023 and the calculated at proforma goodwill is as follow:

	RMB'000
Aggregated consideration *(note 3)*	3,560,956
Less: Fair value of identified assets acquired and liabilities assumed	
– Carrying amounts of identifiable net assets acquired *(note 2)*	(877,744)
– Pro forma fair values adjustment on property, plant and equipment *(note a)*	(88,369)
– Pro forma fair values of intangible assets *(note a)*	(1,402,650)
– Deferred tax liabilities *(note b)*	372,755
Pro forma goodwill *(note c)*	1,564,948

a. For the purpose of the Unaudited Pro Forma Financial Information, the directors of the Company have estimated the fair values of the identified assets and liabilities with reference to the valuation carried out by an independent qualified professional valuer.

Adjustment of property, plant and equipment mainly represents the fair value adjustment of land use rights and is determined under market approach.

The fair value of customer relationship of RMB1,130,606,000 was determined using multi-period excess earning method under the income approach while the key inputs include the projected revenue and gross profits. The fair value of technology of RMB279,100,000 was determined using relief-from royalty method under income approach while the key inputs include the projected revenue and the royalty rate.

b. The deferred tax liability relating to the pro forma fair value adjustment of property, plant and equipment and pro forma fair value of intangible assets amounted to approximately RMB372,755,000, is calculated at the Belgium Income Tax rate of 25%.

c. The amounts of goodwill and fair values of the identifiable assets and liabilities of the Target Group are subject to change upon the completion of the valuation of the fair values of the identifiable assets and liabilities of the Target Group on the date of completion of the Proposed Transaction. Consequently, the resulting goodwill, the actual allocation of the purchase price at the date of completion will likely result in different amounts than those stated in the Unaudited Pro Forma Financial Information.

The directors of the Company have assessed whether there is any indication of impairment in respect of goodwill arising from the Proposed Transaction with reference to the principles in International Accounting Standard 36 "Impairment of Assets" ("IAS 36") which is consistent with the accounting policies of the Group. Based on the assessment of the directors of the Company, they consider that there is no impairment on the goodwill arising from the Proposed Transaction. The directors of the Company confirm that they will apply consistent accounting policies for impairment assessment of goodwill arising from the Proposed Transaction in subsequent reporting periods in accordance with the requirements of IAS 36.

5. The adjustment represents the estimated transaction costs, including legal and professional fees of approximately RMB26,665,000, that are directly attributable to the Proposed Transaction and will be settled by cash.

6. Save as aforesaid, no other adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2023 and the Target Group entered into subsequent to 31 August 2023.

The following is the text of the independent reporting accountants' assurance report received from, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Unaudited Pro Forma Financial Information prepared for the purpose of incorporation in this circular.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF AAC TECHNOLOGIES HOLDINGS INC.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of AAC Technologies Holdings Inc. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma condensed consolidated statement of financial position as at 30 June 2023 and related notes as set out on pages IV-1 to IV-5 of the circular issued by the Company dated 18 January 2024 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IV-1 to IV-5 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the major transaction in relation to the proposed acquisition of Acoustics Solutions International B.V. (the "Proposed Transaction") on the Group's financial position as at 30 June 2023 as if the Proposed Transaction had taken place at 30 June 2023. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's condensed consolidated financial statements for the six months ended 30 June 2023, on which a review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements" issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2023 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 January 2024

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

(a) Interests of Directors and Chief Executives of the Company

As at the Latest Practicable Date, the interest and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those taken or deemed as their interests or short positions in accordance with such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the ordinary shares of the Company:

		Number of ordinary shares					
Name of Directors of the Company	**Capacity**	**Personal interests**	**Corporate interests**	**Spouse interests**	**Other interests**	**Total number of shares**	**Percentage of the Company's issued shares[1]**
Mr. Pan Benjamin Zhengmin[2]	Beneficial owner/interest of spouse/interest of controlled corporation/ founder of a discretionary trust	70,262,162	51,439,440	263,420,525	112,795,525	497,917,652	41.54%
Ms. Wu Ingrid Chun Yuan[3]	Interest of spouse/interest of controlled corporation/ founder of a discretionary trust	–	263,420,525	122,952,005	111,545,122	497,917,652	41.54%
Mr. Mok Joe Kuen Richard	Beneficial owner/beneficiary of a trust (other than a discretionary trust)	213,065	–	–	66,130	279,195	0.02%

Notes:

(1) Percentage was computed based on the 1,198,500,000 issued shares as at the Latest Practicable Date.

(2) Mr. Pan beneficially owns 70,262,162 shares. In addition, Mr. Pan is also deemed or taken to be interested in the following shares for the purpose of the SFO:

(i) 51,439,440 shares which are beneficially owned by Silver Island Limited, a company wholly-owned by Mr. Pan;

(ii) 263,420,525 shares representing the aggregate of (a) 134,828,594 shares which are beneficially owned by Sapphire Hill Holdings Limited and (b) 128,591,931 shares which are beneficially owned by K&G International Limited. These two companies are wholly-owned by Ms. Wu and as Ms. Wu is his spouse, he is deemed to be interested in such 263,420,525 shares; and

(iii) 112,795,525 shares representing the aggregate of (a) 106,806,278 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendants, as beneficiaries of the Pan 2005 Irrevocable Trust dated 10 May 2005; (b) 4,738,844 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendants, as beneficiaries of the Pan 2005 Exempt Trust dated 10 May 2005. Two children of Mr. Pan and Ms. Wu are over the age of 18 and have no discretion over distributions or investments in these trusts until distribution is made to them; and (c) 1,250,403 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendant, as beneficiaries of the Pan 2020 Exempt Trust dated 3 December 2020. One child of Mr. Pan and Ms. Wu is under the age of 18 and has no discretion over distributions or investments in the trust until distribution is made to him.

(3) Ms. Wu is deemed or taken to be interested in the following shares for the purposes of the SFO:

(i) 263,420,525 shares representing the aggregate of (a) 134,828,594 shares which are beneficially owned by Sapphire Hill Holdings Limited and (b) 128,591,931 shares which are beneficially owned by K&G International Limited. These two companies are wholly-owned by Ms. Wu;

(ii) 122,952,005 shares representing the aggregate of (a) 51,439,440 shares which are beneficially owned by Silver Island Limited, a company wholly-owned by Mr. Pan; (b) 70,262,162 shares which are beneficially owned by Mr. Pan; and (c) 1,250,403 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendant, as beneficiaries of the Pan 2020 Exempt Trust dated 3 December 2020, and as Mr. Pan is her spouse, she is deemed to be interested in such 122,952,005 shares; and

(iii) 111,545,122 shares representing the aggregate of (a) 106,806,278 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendants, as beneficiaries of the Pan 2005 Irrevocable Trust dated 10 May 2005; and (b) 4,738,844 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendants, as beneficiaries of the Pan 2005 Exempt Trust dated 10 May 2005. Two children of Mr. Pan and Ms. Wu are over the age of 18 and have no discretion over distributions or investments in these trusts until distribution is made to them.

Long positions in the debentures of the Company:

Name of Directors	Capacity/Nature of interest	Principal amount of Notes[(1)] held (US$)
Mr. Pan Benjamin Zhengmin[(2)]	Interest of spouse/family interest	330,000
Ms. Wu Ingrid Chun Yuan[(3)]	Interest of controlled corporation/ corporate interest	330,000

Notes:

(1) The Company issued US$388,000,000 notes (the "Notes"), which mature in 2024, to third party professional investors and the Notes are listed on the Stock Exchange (stock code: 40075). The Notes bear interest at the rate of 3.00% per annum, payable semi-annually in arrears on 27 May and 27 November in each year. Subsequently, the Company successfully completed the purchase of US$111,182,000 of the Notes, thereby reducing the outstanding aggregate principal amounts of the Notes to US$276,818,000.

(2) Mr. Pan is deemed or taken to be interested in this amount of the Notes which were held by Sapphire Hill Holdings Limited, a company wholly-owned by Ms. Wu and as Ms. Wu is his spouse, he is deemed to be interested in such amount of the Notes.

(3) Ms. Wu is deemed or taken to be interested in this amount of the Notes which are held by Sapphire Hill Holdings Limited, a company wholly-owned by Ms. Wu.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executive and their associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those taken or deemed as their interests or short positions in accordance with such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Interests of Substantial Shareholders

As at the Latest Practicable Date, to the knowledge of the Directors, the persons (other than a Director or chief executive of the Company) who had, or were deemed to have, an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholders	Capacity	Number of shares	Derivative interest	Percentage of the Company's issued shares(1)
JPMorgan Chase & Co.	Interest of controlled corporation/ person have security interest in shares/investment manager/ trustee/approved lending agent	133,378,882 (L) 12,041,951 (S) 7,799,243 (P)	2,370,854 (L) 4,387,494 (S)	11.32% 1.37% 0.65%

L – Long position
S – Short position
P – Lending pool

Notes:

(1) Percentage was computed based on the 1,198,500,000 issued shares as at the Latest Practicable Date.

(2) JPMorgan Chase & Co., through its various controlled corporations ("JPMorgan Group"), is indirectly interested in (i) an aggregate of 133,378,882 shares and listed derivative interests of 60,000 shares with cash settled, unlisted derivative interests of 1,445,854 shares with physically settled and unlisted derivative interests of 865,000 shares with cash settled in long position; and (ii) an aggregate of 12,041,951 shares and listed derivative interests of 1,244,000 shares with physically settled, listed derivative interests of 172,000 shares with cash settled, unlisted derivative interests of 221,399 shares with physically settled, and unlisted derivative interests of 2,750,095 shares with cash settled in short position. Among shares held by JPMorgan Group in long position, 111,545,122 shares were held by it as a trustee, which represented the same batch of other interests of Mr. Pan and Ms. Wu as disclosed in the section of "Interests of Directors and Chief Executives of the Company" above.

JPMorgan Chase & Co. is interested in 7,799,243 shares in lending pool as described in the SFO. The term "lending pool" is defined as (i) shares that the approved lending agent holds as agent for a third party which he is authorised to lend and other shares that can be lent according to the requirements of the Securities Borrowing and Lending Rules; and (ii) shares that have been lent by the approved lending agent and only if the right of the approved lending agent to require the return of the shares has not yet been extinguished.

(3) Please refer to the section headed "2(a) Interests of Directors and Chief Executives of the Company" for the interests held by Mr. Pan, Ms. Wu and their associates, who are also substantial shareholders of the Company.

Save as disclosed above, as at the Latest Practicable Date, according to the records in the register required to be kept by the Company under section 336 of the SFO, no other parties had an interest or a short position in the Shares or underlying Shares or debentures of the Company recorded under section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract or a proposed service contract with any member of the Group which is not expiring or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or his/her respective close associates (as defined in the Listing Rules) was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those business to which the Directors or his or her close associates were appointed to represent the interests of the Company and/or the Group.

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date, save as the 2023 Renewed Master Lease Agreements (as defined in the Company's announcement dated 16 December 2022 (the "CCT Announcement")) and the 2023 Renewed Master Purchase Agreements (as defined in the CCT Announcement) between the Group and various companies which are majority controlled by family members of Mr. Pan Benjamin Zhengmin and Ms. Wu Ingrid Chun Yuan (details of which are set out in the CCT Announcement and the Annual Report 2022 (pages 37 to 41)), (i) none of the Directors was materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group or the Target Group; and (ii) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group or the Target Group or were proposed to be acquired or disposed of by or leased to any member of the Group or the Target Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group or the Target Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group or the Target Group.

7. EXPERT QUALIFICATIONS AND CONSENTS

The following are the qualifications of the expert which have given their opinions or advice which is contained in this circular:

Name	Qualification
KPMG Bedrijfsrevisoren BV/SRL	Certified public accountants
Deloitte Touche Tohmatsu	Certified public accountants

As at the Latest Practicable Date, each expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and the references to its name included herein in the form and context in which it is respectively included.

Each expert has confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Group or the Target Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group or the Target Group, nor did it have any direct or indirect interests in any assets which have been, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to, any member of the Group or the Target Group.

8. MATERIAL CONTRACTS

Save for the Sale and Purchase Agreement, no material contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group or the Target Group within the two years immediately preceding the Latest Practicable Date.

9. GENERAL

(a) The registered office of the Company is at Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands and the principal place of business of the Company in Hong Kong is at Unit 1605–7, YF Life Centre, 38 Gloucester Road, Wanchai, Hong Kong.

(b) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong.

(c) The joint company secretaries of the Company are Mr. Ho Siu Tak Jonathan and Ms. Guan Muyi. Mr. Ho is a member of the Law Society of Hong Kong and has over 20 years' experience in legal and management. Ms. Guan is a member of each of The Chartered Governance Institute and The Hong Kong Chartered Governance Institute and has over 15 years of experience in handling legal regulatory compliance and corporate governance matters.

10. DOCUMENTS ON DISPLAY

Copies of the following documents are on display and are published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.aactechnologies.com for a period of 14 days from the date of this circular:

(a) the Sale and Purchase Agreement;

(b) the accountants' report on the Target Group, the text of which is set out in Appendix II to this circular;

(c) the report on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular; and

(d) the written consents referred to in the paragraph headed "7. Expert Qualifications and Consents" in this Appendix.

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)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of AAC Technologies Holdings Inc. (the "Company") will be held at 10:00 a.m. on Tuesday, 6 February 2024 (the "EGM") at Victoria & Edinburgh Room, 2/F, Mandarin Oriental Hong Kong, 5 Connaught Road Central, Hong Kong, for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT**:

   (a) the Sale and Purchase Agreement (a copy of which is marked "A" and initialled by the chairman of the EGM for the purpose of identification) dated 10 August 2023 and the Proposed Transaction contemplated thereunder, as more particularly described in the circular issued by the Company on 18 January 2024 (the "Circular", a copy of which is marked "B" and initialled by the chairman of EGM for the purpose of identification), which constitutes a major transaction under the Listing Rules, be and are hereby approved, confirmed and ratified; and

   (b) the Directors, acting collectively and individually, be and are hereby authorised to take all such steps, do all such acts and things and to sign, execute, seal (where required) and deliver all such documents which he/she may in his/her absolute discretion, consider necessary, appropriate, desirable or expedient in connection with or to implement or give effect to the above resolution and all of the transactions contemplated thereunder."

By order of the Board
AAC TECHNOLOGIES HOLDINGS INC.
Zhang Hongjiang
Chairman

Hong Kong, 18 January 2024

Principal place of business in Hong Kong:
Unit 1605-7, YF Life Centre
38 Gloucester Road
Wanchai
Hong Kong

Registered office in the Cayman Islands:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Notes:

(1) A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one proxy or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited at the Company's Hong Kong branch share registrar, Investor Communications Centre of Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.

(2) Completion and return of the form of proxy will not preclude members from attending and voting at the EGM or any adjournment.

(3) For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 1 February 2024 to Tuesday, 6 February 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited of 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 Wednesday, 31 January 2024.

(4) Shareholders of the Company should note that the meeting will be held as scheduled when amber or red rainstorm warning signal is in force. In the event that typhoon signal no. 8 (or above) or "black" rainstorm warning is hoisted on the day and before the time of the EGM, shareholders of the Company may call the EGM hotline (852) 3150 6769/3150 6723 for arrangement of holding the EGM under such adverse weather condition. This EGM hotline is restricted to be used for the enquiries of bad weather arrangement only.

Shareholders of the Company should make their own decision as to whether they would attend the meeting under adverse weather conditions bearing in mind their own situations and if they should choose to do so, they are advised to exercise care and caution.

(5) As at the date of this notice, the board of directors of the Company comprises two executive directors, namely Mr. Pan Benjamin Zhengmin and Mr. Mok Joe Kuen Richard; one non-executive director, namely Ms. Wu Ingrid Chun Yuan; and three independent non-executive directors, namely Mr. Zhang Hongjiang, Mr. Kwok Lam Kwong Larry and Mr. Peng Zhiyuan.