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

Interim Report
2021

AAC Technologies Holdings Inc. is the world's leading solutions provider for smart devices with cutting-edge technologies in materials research, simulation, algorithms, design, automation and process development. We provide advanced miniaturized and proprietary technology solutions in Acoustics, Optics, Electromagnetic Drives and Precision Mechanics, MEMS, Radio Frequency and Antenna. Our goal for long-term sustainable development is to "Lead Innovation & Enhance User Experience". In order to deliver high-performance and superior quality products, the Group will continue to create value for customers with differentiated user experience.

www.aactechnologies.com

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Pan Benjamin Zhengmin (Chief Executive Officer)
Mr. Mok Joe Kuen Richard

Non-executive Director

Ms. Wu Ingrid Chun Yuan

Independent Non-executive Directors

Mr. Zhang Hongjiang (Chairman of the Board)
Mr. Au Siu Cheung Albert
Mr. Peng Zhiyuan
Mr. Kwok Lam Kwong Larry

AUDIT AND RISK COMMITTEE

Mr. Au Siu Cheung Albert (Chairman)
Mr. Peng Zhiyuan
Mr. Kwok Lam Kwong Larry

NOMINATION COMMITTEE

Mr. Zhang Hongjiang (Chairman)
Mr. Peng Zhiyuan
Mr. Kwok Lam Kwong Larry

REMUNERATION COMMITTEE

Mr. Peng Zhiyuan (Chairman)
Mr. Zhang Hongjiang
Mr. Au Siu Cheung Albert

AUTHORIZED REPRESENTATIVES

Mr. Pan Benjamin Zhengmin
Mr. Mok Joe Kuen Richard

COMPANY SECRETARY

Mr. Ho Siu Tak Jonathan

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Baker & McKenzie
JunHe

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1605–7, China Evergrande Centre
38 Gloucester Road, Wanchai, Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman, KY1-1111
Cayman Islands

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
Boundary Hall, Cricket Square
P.O. Box 1093, Grand Cayman, KY1-1102
Cayman Islands

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China
Bank of Communications
DBS Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Ping An Bank

STOCK CODE

2018

WEBSITE

www.aactechnologies.com

FINANCIAL YEAR END

31 December

Core Development Strategies

AAC Technologies is determined to offer advanced cutting-edge and proprietary technologies solutions, driving growth through innovation and enhancing its R&D as well as high-precision manufacturing capabilities, so as to provide the best products and solutions meeting future market demands. The core competencies of the Group include simulations, innovative research and design as well as vertically integrated smart manufacturing, complemented by efficient management, proven operational systems and its sustained effort in nurturing talents.

Financial Highlights

Past 5 First-half Operating Financial Data

	1H 2017 RMB'000	1H 2018 RMB'000	1H 2019 RMB'000	1H 2020 RMB'000	**1H 2021 RMB'000**	1H 2021 vs 1H 2020 YoY Increase/ (Decrease)
Revenue	8,644,272	8,424,381	7,567,523	7,837,054	**8,609,140**	9.9%
Depreciation and Amortisation	604,505	840,606	1,040,595	1,141,978	**1,312,185**	14.9%
Finance costs	67,727	102,671	114,360	169,057	**210,810**	24.7%
Net profit attributable to owners of the Company	2,126,824	1,778,421	769,809	320,465	**920,952**	187.4%
EBITDA	3,113,318	2,939,981	2,042,777	1,748,166	**2,504,733**	43.3%
CAPEX	(2,329,030)	(2,270,951)	(1,319,040)	(2,316,002)	**(2,051,902)**	(11.4%)
Taxation paid	(495,306)	(271,611)	(142,091)	(111,461)	**(122,447)**	9.9%
Changes in working capital	(255,431)	1,227,539	(153,122)	(119,470)	**(1,091,671)**	813.8%
Free cash flow	33,551	1,624,958	428,524	(798,767)	**(761,287)**	
Gross margin	41.0%	36.7%	27.5%	23.2%	**28.1%**	4.9ppts
Net profit margin	24.6%	21.1%	10.2%	4.1%	**10.7%**	6.6ppts
R&D expenses/Revenue	8.4%	8.6%	11.0%	12.5%	**10.4%**	(2.1ppts)
Annualized ROA	17.4%	12.0%	5.2%	1.9%	**4.6%**	2.7ppts
Annualized ROE	29.2%	20.2%	8.3%	3.3%	**8.6%**	5.3ppts
Per capita output (Revenue/Employees)	144	221	210	226	**209**	(7.5%)
Net gearing ratio	6.8%	9.9%	9.8%	10.4%	**5.0%**	(5.4ppts)
Current ratio	1.28	1.30	1.61	1.81	**2.01**	20.0ppts
CAPEX/EBITDA	74.8%	77.2%	64.6%	132.5%	**81.9%**	(50.6ppts)

Interim Review

For 1H 2021, the Group's revenue was RMB8.6 billion, up 9.9% YoY. Gross profit margin was 28.1%, up 4.9 ppts YoY. Net profit was RMB921 million, up 187.4% YoY. For Q2 2021, revenue was RMB4.3 billion, up 0.9% YoY. Gross profit margin was 25.0%, up 1.7 ppts YoY. Net profit was RMB389 million, up 45.2% YoY. Although the second quarter was a traditional low season for smartphone industry and the global smartphone shipments saw a QoQ decline, the Group recorded 0.6% QoQ growth in revenue. The industry continued to be impacted by a worldwide resurgence of COVID-19 pandemic, especially in areas such as Vietnam, and the upstream's chip shortage situation, the Group's overseas plants experienced an underutilization of their production capacity. This, combined with a lower ASP of products sold to major customer, contributed to a lower Q2 gross profit margin by 6.1 ppts QoQ and net profit dropped 26.9% QoQ.

The Group remains prudent in financial management, and stringently manages capital expenditures and R&D expenses to conduct active liquidity management. During the reporting period, operating cash inflows were RMB1.2 billion and the main capital expenditures amounted to RMB2.1 billion. On 2 June 2021, the Group has successfully issued two tranches of USD denominated notes, including one notes due in 2026 (U.S.$300,000,000 with coupon rate of 2.625 per cent) and the other notes due in 2031 (U.S.$350,000,000 with coupon rate of 3.750 per cent). The use of proceeds is for refinancing and general corporate purposes. The issuance helps to optimize the Group's liability profile, by increasing the portion of long term liabilities, and extending the duration of overall debt. By monetizing the current low interest rate environment, it will help to support the long-term and sustainable development of the Group's business with stable long term costs of funding. As of 30 June 2021, net gearing ratio was 5.0%, and cash on book was RMB7.8 billion. A sound financial position is critical to the sustainability of the Group's development, which ensures the Group's ability to continue to innovate and develop going forward.

In pursuit of the goal of leading industry innovation and enhancing user experience, the Group continued to strive for value creation via differentiated solutions for its customers. For Optics segment, the Group received positive feedbacks of its proprietary WLG hybrid lens by customers and end consumers for its superior optical performance since the launch of the first smartphone model equipped with such product. This will accelerate the adoption rate of hybrid lens products into high-end flagship models and help the Group gain market share in the optical lens industry. For Acoustics segment, the standardized acoustic module product launched by the Group has penetrated into customers' mid- to high-end smartphone models. The product is expected to provide a high level of performance while improving the profitability of the acoustics business by lowering unit production costs. With respect to electromagnetic drives, the haptics feedback solution, by leveraging on the Group's high-performance x-axis haptic motors, provides enhanced user experience for all application connections in the ecosystem, thus driving the annual shipment volumes of x-axis haptic motors to grow by multiple times with greater market adoption rate.

In June 2021, the Group completed a major milestone equity investment transaction with a strategic partner in the automotive industry, Ibeo. Ibeo is a technology leader for LiDAR systems. Its new ibeoNEXT Generic Solid State LiDAR combines true solid-state technology with competitive pricing, which can meet the critical demand in the automotive industry. The Group's expertise in optics and imaging products will be integrated into the development of Ibeo's future generation of automotive products to further strengthen and improve Ibeo's manufacturing capacity and achieve synergies in both parties' supply chain management. The transaction is in line with the Group's long-term strategy as it will expand the business from current smartphone industry to other verticals, such as automotive industry. This demonstrates the beginning of the Group's focus shift into automotive segment and we see more promising growth in this sector as the Group continues to engage with industry-leading automotive players.

PERFORMANCE AND DEVELOPMENT OF BUSINESS SEGMENTS

Acoustics Business

For 1H 2021, the Group's acoustics business revenue was RMB4.1 billion, up 24.3% YoY. Gross profit margin was 33.0%, up 6.7 ppts YoY. For Q2 2021, the acoustics business revenue was RMB2.0 billion, up 7.0% YoY. Gross profit margin was 28.4%, up 2.0 ppts YoY. In Q2, the acoustics revenue was down 2.6% QoQ and gross profit margin was down 9.0 ppts QoQ. There were two factors contributing to the lower margins. First, the resurgence of the COVID-19 pandemic in overseas markets affected the normal production of our Vietnam plant, leading to a lower capacity utilization rate. We now project the negative impact of disrupted production will sustain into the third quarter. The other reason was the seasonal decrease in ASP of acoustic products sold to major customer.

The gross margin of acoustics products for Android customers kept improving sequentially. The Group's has upgraded the function of standardized small cavity speaker module, with size reduced by around 30% and improved sound quality. This will accelerate the adoption of acoustics products for Android customers and help prolong the life cycle of production platforms for such products. By leveraging the Group's expertise in production automation, we can achieve more economies of scale and lower unit cost, leading to further upside in gross margin. With more Android flagship models adopting stereo sound design, we should see mid- to low-end models to follow the design trend soon. Hence, we will see a higher value content per unit of acoustics products in smartphones.

Optics Business

During 1H 2021, the Group's optics business revenue was RMB1.5 billion, up 137.1% YoY. Gross profit margin was 24.7%, up 12.4 ppts YoY. For Q2 2021, revenue from the optics business was RMB807 million, up 112.3% YoY. Gross profit margin was 22.0%, up 8.2 ppts YoY. On a QoQ basis, revenue grew by 19.7% but gross profit margin dropped by 5.8 ppts versus Q1. It was primarily attributed by the change in product mix under the rapid growth of the Group's camera module business, which impacted the segmental gross margin.

In Q2, the Group's plastic lens continued its share gain with a steady sequential growth of 4.3% by shipment volume, against the backdrop of an unfavourable macro environment where the global smartphone shipment saw a sequential decline. In particular, our shipment mix is moving towards more high-end products, with 6P plastic lens taking up 13.0% of the total shipped units. By leveraging the Group's stronger management in operation and production, the unit cost of plastic lenses reduced further sequentially, which largely offset the unfavourable impact of industry ASP decline. Despite market competition, the gross margin of our lens products only recorded a marginal decline and it was 33.4% in Q2, down 2.9 ppts from Q1.

The smartphone equipped with the Group's proprietary WLG hybrid lens has been well-received by customers and attracted market attention for its superior optical performance in terms of optical transmission and image resolution since its market launch in Q2 this year. The Group has already joined forces with a number of customers to explore solutions for the adoption of the WLG hybrid lens, including applications in high-end flagship smartphones. Our major projects include high specification products, such as 1G5P and 1G6P. The R&D of 2G products is in progress simultaneously. On production side, the construction of the Czech WLG molding plant was completed in Q2. In the future, the Czech plant will collaborate with our R&D center in Denmark and the WLG glass manufacturing base in Chongqing, to support our upcoming clients' project engagement. This will further expand the Group's overall market share in the optical lens market.

Engaging in the camera module business is an important strategic move of promoting the Group's optical lenses and vertically integrated total optical solutions. At present, the time of mass production is progressing as scheduled. Average monthly module shipment volume was stable at around 6 million in Q2, representing 57.1% QoQ growth. Gross profit margin remained stable sequentially. With the capacity expansion in 2H, the camera module business will further improve in both production scale and revenue. For mid- to high-end projects, the 48M camera module product has officially mass produced and shipped while higher-end projects are also in active client engagement. In the future, the Group will grow the customer base and win more customer recognition with stronger technological capabilities in camera module business and operational management. The Group will be well-positioned to optimize the product mix in camera modules, increase the contribution of high-end products and eventually improve the segmental profitability.

Electromagnetic drives and precision mechanics business

For 1H 2021, revenue from this combined segment amounted to RMB2.4 billion, down 28.4% YoY. Gross profit margin was 23.8%, up 0.6 ppts YoY. For Q2 2021, given the reduction in ASP of electromagnetic products sold to major customers and drop in shipment of the precision mechanics business, revenue from this combined segment was RMB1.2 billion, down 29.4% YoY. Gross profit margin was 22.1%, down 0.6 ppts YoY. On a sequential base, revenue decreased by 0.8% and gross profit margin decreased by 3.4 ppts. This was primarily attributable to the impact of lower yield and capacity utilization rate during the initial ramp-up of new precision mechanics products.

Electromagnetic drives business

During Q2 2021, the haptics feedback solution penetrated further and currently covered most of the mid- to high-end smartphone models. Leveraging on the Group's high-performance x-axis haptics motors products, the "algorithm + hardware" integrated solution is designed to provide consumers with a differentiated haptic experience through tactile feedback of short start-stop and superimposed vibration, as well as enhancing the effect of smartphone vibration with a better sense of balance and orientation. The enhanced haptic perception of consumers promotes customers' demand for product upgrade and iteration, which in turn drives growth in shipment volume of the Group's x-axis haptics motors. The shipment volume of x-axis haptics motors for Android customers increased significantly by over 400% YoY in Q2. Thus, the annual shipment is expected to see multifold growth.

Precision mechanics business

The precision mechanics business is expanding owing to new customer acquisition and new business development. For the smartphone metal casing business, the customer portfolio was successfully expanded. The Group leverages years of accumulated manufacturing skills and sound industry reputation of product delivery and quality to extend into notebook and tablets market. As metal casing products continue to penetrate into the notebook market, there will be further upside for the segment. The revenue contribution of notebook and tablet business is expected to be over 10% of precision mechanics this year.

MEMS business

In 1H 2021, due to expanded market share, the Group's MEMS business revenue was RMB521 million, up 13.9% YoY, and gross profit margin was 16.3% up 0.1 ppts YoY. For Q2 2021, the MEMS business recorded a revenue of RMB238 million, down by 7.9% YoY. Gross profit margin was 15.8%, down 0.2 ppts YoY. Compared to Q1, revenue and gross profit margin declined by 15.9% and 0.8 ppts, separately.

Over the past two years, China's MEMS microphone market was scaling up rapidly driven by the high demand in the intelligent speech interaction market. MEMS market size will keep growing with the rising installation of MEMS microphones per smartphone and the trending use of wearables and smart home appliances. This will underpin the future growth of the Group's MEMS business and sustain the market share gain.

INTERIM DIVIDEND

After careful review of the Group's financial liquidity and business development requirements, the Board of Directors has declared an interim dividend of HK$0.20 per share for 2021 (2020: HK$0.10), to pay in cash on 24 September 2021, to shareholders whose names appear in the register of members on 15 September 2021. Amidst the uncertain macroeconomic environment, the Group will remain prudent in financial management and strong in cash flow for business development, so as to create long-term value for shareholders. This interim declared dividend should not be taken as an indication of the level of profit or dividend for the full year of the Group.

PROSPECTS

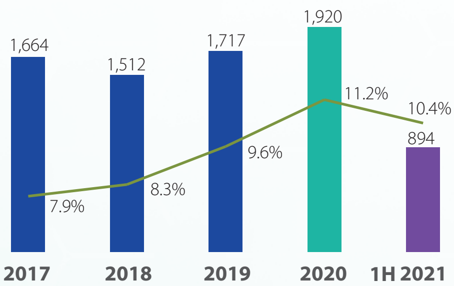
Following the alleviation of the pandemic and the recovery of consumer sentiment in 2021, the global smartphone market has demonstrated a recovery trend. Further penetration of 5G technology is expected to continue to drive demands for application innovations and better user experience, therefore boosting replacement cycle in smartphones which will drive growth of smartphone shipment. The development of 5G technology will increase the demands for human-machine interactions under various applications, such as smart vehicles, wearable devices and AR/VR, etc., driving the spec upgrade of precision components, including optics, acoustics, haptics, which will further increase the total addressable market for our business. The Group strives to capture the opportunities of the new 5G era and accelerate our product adoption in new business (or application) areas, to diversify our business and maximise shareholder value.

Global Presence

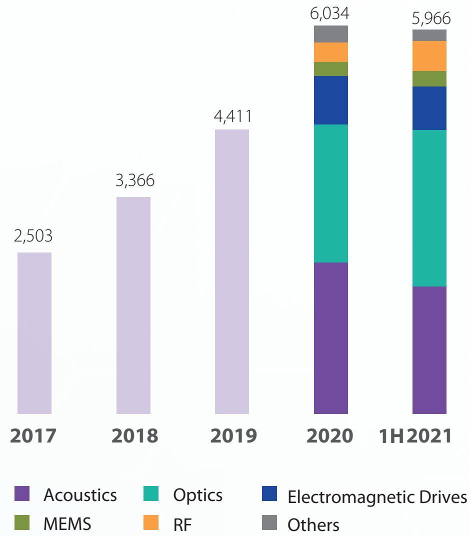
R&D

R&D Expenses and R&D Expenses/Revenue Ratio

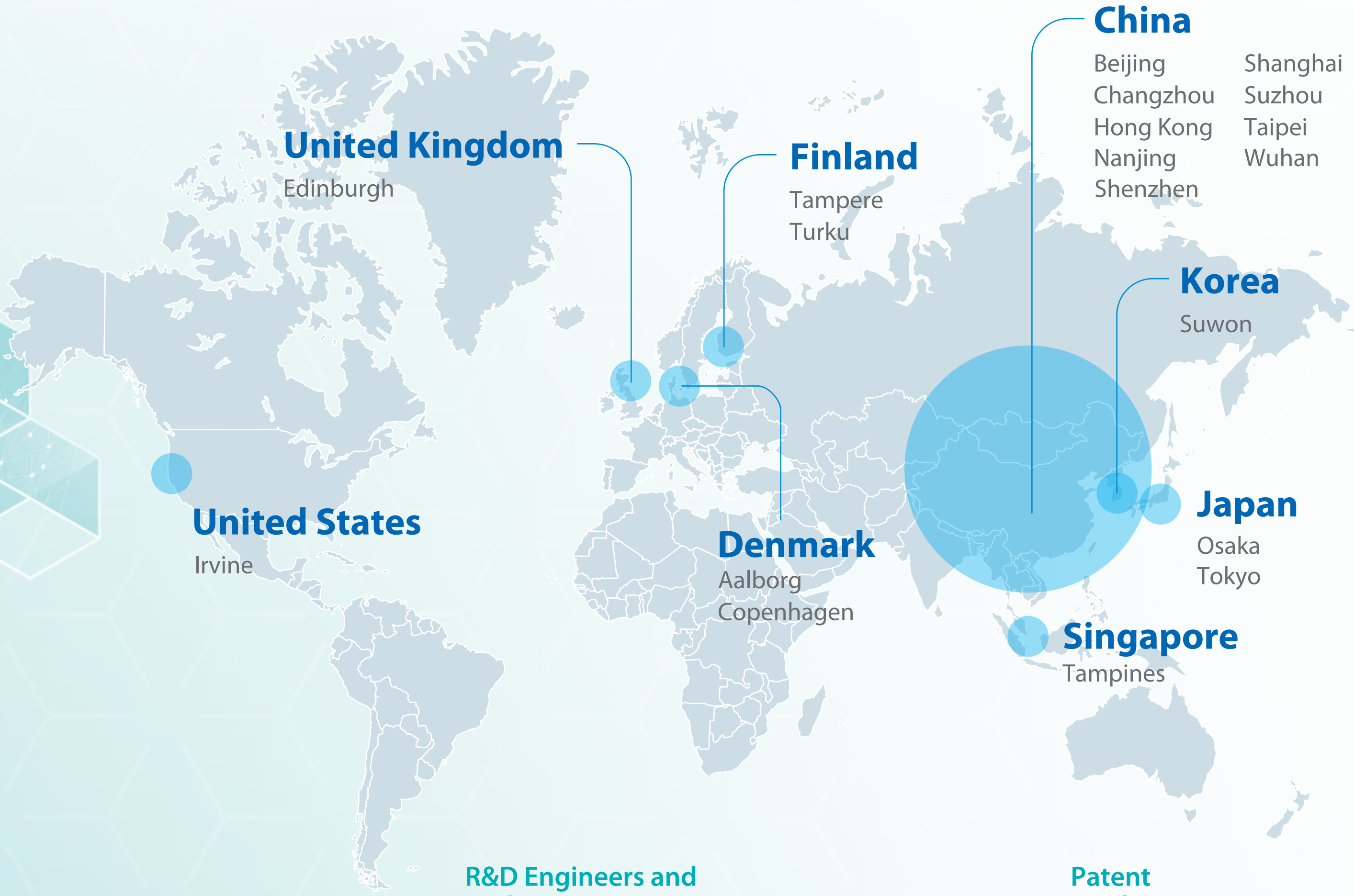
(RMB million or %)



Patents by Segments



R&D Centers



R&D Centers
19

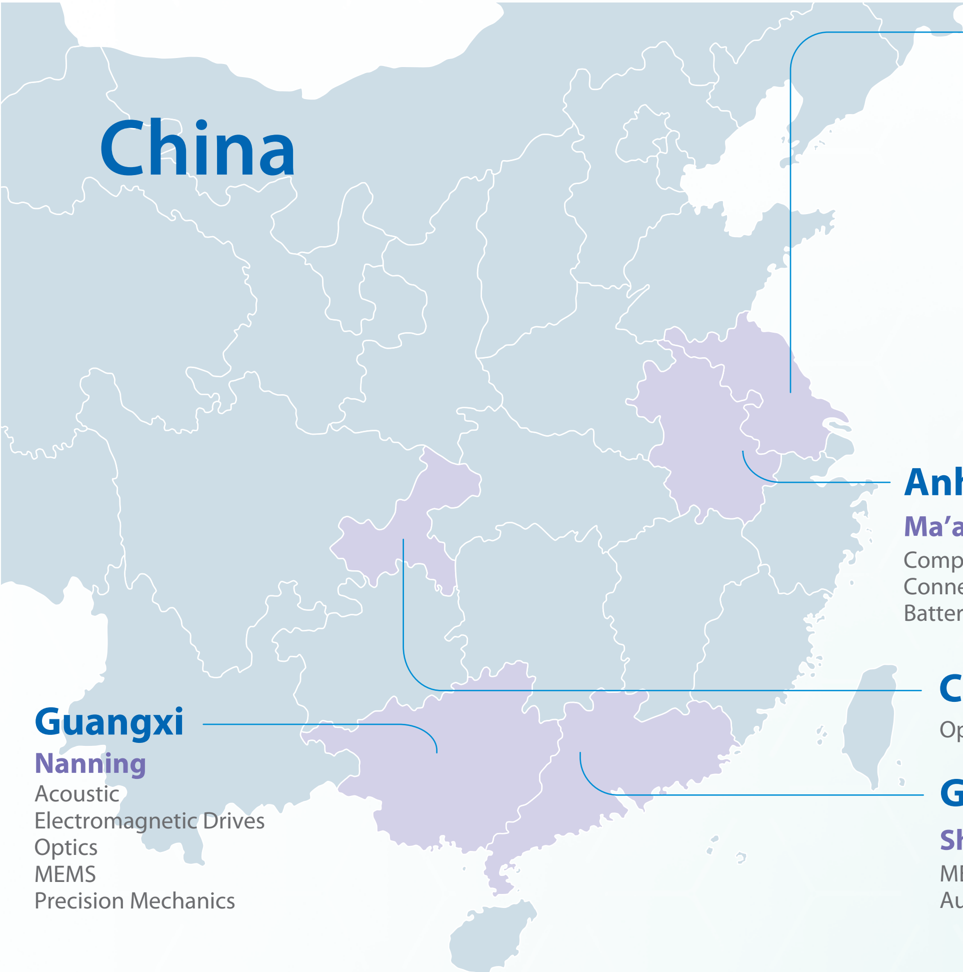
R&D Engineers and Technicians
4,284

Patents
5,966
Overseas: 1,853

Patent Applications
5,239
Overseas: 3,469

Global Presence

Diversified Manufacturing Bases



China

Jiangsu

Changzhou
Acoustics
Electromagnetic Drives
Optics
Precision Mechanics

Shuyang
Electromagnetic Drives
Precision Mechanics

Suzhou
Optics

Anhui

Ma'anshan
Components
Connector
Battery

Chongqing
Optics

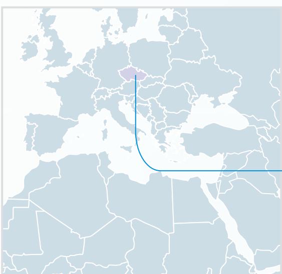
Guangxi

Nanning
Acoustic
Electromagnetic Drives
Optics
MEMS
Precision Mechanics

Guangdong

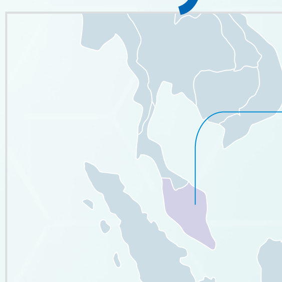
Shenzhen (Longgang)
MEMS
Automation Equipment

Czech Republic



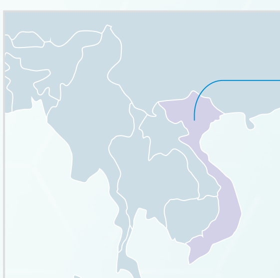
Kozomín
Optical Mold

Malaysia



Johor (under development)
Moduling
Optics
MEMS

Vietnam



Bac Ninh
Acoustics

Vinh Phuc (under development)
Ba Thien IP Industrial Park

Bac Giang (under development)
Hoa Phu Industrial Park

Financial Review

Revenue

1H 2021 Group revenue increased YoY by 9.9%, to RMB8.6 billion. Owing to factors discussed under "Business Review" above, revenue from the Optics and Acoustics products increased by RMB856.9 million and RMB808.5 million respectively, whilst Electromagnetic Drives & Precision Mechanics revenue decreased by RMB968.8 million, compared with 1H 2020.

Gross Profit and Gross Profit Margin

1H 2021 gross profit was RMB2.4 billion, representing an increase by 32.8%, from the gross profit of RMB1.8 billion in 1H 2020. The increase in gross profit was primarily due to the improvement in revenue and gross profit margin. Gross profit margin increased to 28.1% in 1H 2021 as compared with 23.2% in 1H 2020. The gross profit margin improvement was mainly contributed by the margin improvement in acoustics and optics businesses.

Administrative Expenses

Administrative expenses in 1H 2021 were RMB395 million, 15.0% higher, compared with RMB344 million in 1H 2020.

Distribution and Selling Expenses

Distribution and selling expenses of RMB144 million in 1H 2021, along with the increase in revenue, increased by 7.1%, compared with RMB134 million in 1H 2020.

Research and Development Expenses

R&D expenses in 1H 2021 were RMB894 million, 9.1% lower than RMB983 million in 1H 2020. The decrease was primarily attributable to improved use of engineering resources in R&D stage of current product platforms and new solutions.

Finance Costs

Finance costs in 1H 2021 amounted to RMB211 million, representing an increase of 24.7% compared with RMB169 million in 1H 2020. Such increase in finance costs was mainly due to: i) interest accrued for the contingent settlement provision at annual interest rate 4.0% while nil in 1H 2020; ii) the additional interest on unsecured notes accompany with the issuance of 5-years unsecured notes USD300 million at annual interest rate 2.625% and 10-years unsecured notes USD350 million at annual interest rate 3.75% in June 2021.

Taxation

Taxation expenses of the Group were calculated based on the assessable profits of the subsidiaries at the rates prevailing in the relevant jurisdictions. Taxation expenses in 1H 2021 amounted to RMB53 million, representing a decreased of 54.4% from RMB117 million in 1H 2020. While the effective tax rate has decreased 21.3 percentage points compared with that of 1H 2020, the decrease was mainly due to recognition of deferred tax assets of RMB76 million in 1H 2021 relating to tax losses and other temporary differences.

Net Profit and Net Profit Margin

Reported net profit for 1H 2021 was RMB921 million, an increase by 187.4% compared with RMB320 million in 1H 2020. The increase was mainly due to the improvement in gross profit and reduction of R&D costs during the period. The net profit margin increased by 6.6 percentage points to 10.7%.

Financial Review

LIQUIDITY AND FINANCIAL RESOURCES

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

	For the six months ended 30 June	
	2021	2020
	RMB million	RMB million
Net cash from operating activities	**1,222.8**	1,458.1
Net cash used in investing activities	**(2,181.8)**	(1,139.2)
Net cash from (used in) financing activities	**1,231.7**	(56.7)

Operating Activities

Cash inflow from operating activities was mainly generated from cash receipts from the Group's sales. Cash outflows were related to raw materials purchases, payroll, distribution and selling expenses, expenses incurred in R&D, administrative items and taxation charges. Net cash generated from operating activities was RMB1,222.8 million for 1H 2021 (1H 2020: RMB1,458.1 million).

i. Trade Receivables and Payables

As at 30 June 2021, turnover days of trade receivables decreased by 3 days to 81 days as compared to 31 December 2020. Trade receivables increased by RMB582.1 million to RMB4.1 billion. Aging of trade receivables (net of allowance for doubtful debts) based on invoice dates between 0–90 days, 91–180 days and over 180 days were RMB3,557.4 million (31 December 2020: RMB3,200.9 million), RMB544.2 million (31 December 2020: RMB318.7 million) and RMB81,000 (31 December 2020: nil) respectively. The Company has received subsequent settlement totaling RMB1,520.7 million up to 31 July 2021, representing 37.1% of the total amount outstanding, net of allowances, as at the end of the reporting period.

The Group's trade payables turnover days increased by 3 days to 111 days as compared to 31 December 2020. Aging of trade payables based on invoice dates between 0–90 days, 91–180 days and over 180 days were RMB3,028.5 million (31 December 2020: RMB2,917.5 million), RMB791.7 million (31 December 2020: RMB747.5 million) and RMB16.9 million (31 December 2020: RMB20.1 million) respectively.

ii. Inventory Turnover

As at 30 June 2021, the inventories have increased by RMB492.2 million compared to 31 December 2020. The inventory turnover days increased to 125 days as at 30 June 2021 from 108 days for 31 December 2020.

Investing Activities

Net cash invested in 1H 2021 and 1H 2020, amounted to RMB2,181.8 million and RMB1,139.2 million, respectively. It mainly represents the cash used in CAPEX of RMB2,022.2 million (1H 2020: RMB2,440.1 million) and acquisition of equity instruments at FVTOCI and financial asset at FVTPL of RMB532.1 million (1H 2020: nil) offsetting by the cash inflow arising from the government grant of RMB250.2 million (1H 2020: RMB362.0 million) and the proceeds from disposal of property, plant and equipment of RMB13.2 million (1H 2020: RMB176.2 million), as well as the withdrawal of time deposits of RMB697.6 million for 1H 2020.

CAPEX included acquisition of land use rights, additional production plant and property, and, latest automation machinery and equipment for modifications and upgrades as well as capacity expansion. For 1H 2021 and 1H 2020, total CAPEX incurred were RMB2,051.9 million and RMB2,316.0 million respectively. Investing activities are focused on sustained CAPEX programs in building technology platform per the Group's business progress to capture new market opportunities and support its long-term business strategies. CAPEX are funded by internal resources and bank loans, and are subject to annual CAPEX budgeting and approval by the Board.

During the current interim period, the Group entered into a subscription agreement with a private equity fund pursuant to which the Group agreed to make a capital commitment of US$60,000,000 to the fund and the Group has made payment of US$2,058,000 (equivalent to approximately RMB13,310,000). Please refer to Note 11 to the Condensed Consolidated Financial Statements for further information.

Financing Activities

The Group recorded net cash from financing activities of approximately RMB1,231.7 million for 1H 2021. Major inflow was due to the issuance of unsecured notes amounted to RMB4,163.4 million (1H 2020: nil), and net outflows from bank borrowings, repayment of bank loans of RMB5,292.7 million (1H 2020: RMB1,178.6 million) and new bank borrowings raised of RMB2,654.6 million (1H 2020: RMB1,349.7 million).

Cash and Cash Equivalents

As at 30 June 2021, the unencumbered cash and cash equivalents of the Group amounted to RMB7,798.9 million (31 December 2020: RMB7,540.3 million), of which 49.7% (31 December 2020: 51.2%) in RMB, 46.6% (31 December 2020: 42.4%) was denominated in US dollar, 0.9% (31 December 2020: 3.0%) in Euros, 0.8% (31 December 2020: 0.03%) in Malaysian ringgit, 0.7% (31 December 2020: 0.2%) in Singapore dollar, 0.5% (31 December 2020: 1.1%) in Hong Kong dollar, 0.3% (31 December 2020: 1.2%) in Japanese Yen, 0.2% (31 December 2020: 0.6%) in Vietnamese Dong, and 0.3% (31 December 2020: 0.3%) in other currencies.

Gearing Ratio and Indebtedness

As at 30 June 2021, the Group's gearing ratio, defined as total loans and unsecured notes divided by total assets, was 23.7% (31 December 2020: 21.6%). Netting off cash and cash equivalents, net gearing ratio was 5.0% (31 December 2020: 2.2%).

As at 30 June 2021, the unsecured notes of the Group were RMB6,650.2 million (31 December 2020: RMB2,511.7 million), the short-term bank loans and long-term bank loans of the Group amounted to RMB2,738.0 million (31 December 2020: RMB3,348.5 million) and RMB495.0 million (31 December 2020: RMB2,543.0 million) respectively.

Charges on Group Assets

Apart from bank deposits amounting to RMB2.6 million that were pledged to banks mainly in relation to construction work as at 30 June 2021 (31 December 2020: RMB92.0 million), no other Group assets were charged to any financial institutions.

OFF-BALANCE SHEET TRANSACTIONS

As at 30 June 2021, the Group had not entered into any material off-balance sheet transactions.

Key Risk Factors

The Company has structured risk management and internal control systems for the management of strategic, market, operational, financial and compliance risks. In our pursuit of technology innovation, the Company is committed to building sustainable risk management and operational information systems. We focus on systematic review and upgrade our risk and control measures in chosen business processes, benchmarking against international best practices. Such systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement or loss. Certain key risk factors affecting the Group are outlined below. The list is non-exhaustive and there may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may be immaterial now but could become material in the future. Besides, this report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

Risks Pertaining to the Smartphones Market

A substantial part of the Group's revenue is derived in the smartphone sector of the consumer electronics market. The overall global market for smartphones is expected to grow in 2021 compared with last year, but there is uncertainty due to the global pandemic and the ensuing dampened consumer sentiment and weaker demand. Existing global restrictions and uncertain outlook related to business operations, logistics, social and trading activities may extend till year end or even beyond, and may affect our operating results and financial performance. To tackle this, the Company is continuously widening its product and technologies platforms to extend its reach to different end applications, so as to diversify the sources of revenue and profit to reduce its dependency on any single segment.

Reliance on a Number of Key Customers

The Group's five largest customers, which accounted for 89.5% of the Group's total revenue for 1H 2021, are all related to the consumer electronics industry, characterized by innovation-driven and user experience-oriented business growth. Loss of or changes in market position of any of these customers may materially and adversely affect the Group's business, financial condition and results of operations. Nevertheless, the Group has focused on technology innovation to continuously enhance user experience meeting customers' spec upgrade needs. We have also implemented standardized procedures for handling all forms of customer information to ensure it is not improperly or inadvertently disclosed to third parties. The Group has strong established relationships with these major customers; all of them have been our customers for over 7 years. The credit terms granted to them are in the range of 60- to 90-day periods and are generally in line with those granted to other customers.

Operational and Obsolescence Risks

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

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

Key Risk Factors

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

Liquidity and Interest Rate Risks

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

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

The Group's financial assets include bank balances and cash, pledged bank deposits, trade and other receivables, amounts due from related companies, derivative financial instruments, financial assets at fair value through profit or loss and equity instruments at fair value through other comprehensive income, which represent the Group's maximum exposure to credit risk in relation to financial assets. The credit risk on liquidity is limited because the counterparties are established banks with good credit-ratings.

Foreign Exchange Risks

Given our international operations and presence, the Group faces foreign exchange exposures including transaction and translation exposures, and is exposed to exchange rate risks that could impact financial reporting results. The Group's reporting currency is RMB and our sales to overseas customers are predominantly denominated in USD.

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

Intensifying Global Trade Frictions

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

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

The Group's dedication to R&D to develop proprietary innovative technologies, and the Group's strategy in integrating R&D all over the world with our diversified manufacturing bases should help to continue to provide the best solutions to customers and mitigate some of the adverse business impact of the trade frictions.

Key Risk Factors

Risks of Supply Chain and Production Disruption due to Unforeseeable Events

In 2020, the COVID-19 pandemic broke out globally and the resurgence of the pandemic in 2021 has adversely impacted on the global economy recovery. The risk of a prolonged duration of the COVID-19 pandemic might lead to significant disruption of production and shipment in the smartphone supply chain, including that of the Group. In the unlikely event that COVID-19 infects a large number of the Group's employees, the productivity of the Group's operations might be adversely affected, including the possibility of closing some premises of the Group. The above might adversely affect the Group's operating results.

Under the instruction of the senior management, the Group dedicated significant resources on ensuring a safe and hygienic working environment for the resumption of work. Due to the outbreak of COVID-19, the Group closed most of the offices and production plants in mainland China for a certain period during the first quarter of 2020, in strict compliance with the regulations and guidance of the local authorities and the government. After implementation of appropriate precautionary measures, most offices and production plants had gradually re-opened by February 2020. The Group has overseas R&D centers and manufacturing facilities outside mainland China that might also be adversely affected by the continuing spread of COVID-19. As the COVID-19 pandemic continues, the extent to which the COVID-19 pandemic impacts the Group's financial condition and results of operations will depend on future developments that currently cannot be predicted. The senior management will keep close monitor on the related risks.

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

The performance and the results of operation of the Group as set out in this report are historical in nature and past performance is not a guarantee of future performance. This report may contain certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board regarding the industry and markets in which it operates. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this document; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialize or turn out to be incorrect.

Since listing, the Company has been making quarterly results announcements. The Company has experienced, and expected to continue to experience, fluctuations in sales and results of operations from one quarter to the next. We believe that quarter-on-quarter and year-on-year comparisons of our periodic results of operations are, to some extent, meaningful to reflect cyclical nature of the industry the Company operates in. However, such comparisons should not be relied upon as sole indicators of the longer term performance such as annual results.

Corporate Governance

CORPORATE GOVERNANCE POLICY AND PRACTICES

The Board and the Company consider effective corporate governance not only a safeguard of the interests and confidence of our stakeholders, but also a key component in the Group's sustainable long term development and value creation. Our Board, which is at the centre of our corporate governance structure, has regularly reviewed and refined principles, policies and practices on the conduct with an aim to support the growth of the Group's operations. Our sound corporate governance structure includes a quality Board, high standards of corporate responsibility and sustainability awareness, a high degree of transparency, accountability and independence, and, an effective design, implementation and enforcement of risk management as well as internal control systems. Based on regular reviews of the Company's actual performance against the CG Code in Appendix 14 of the Hong Kong Listing Rules, the Board is satisfied that for 1H 2021, the Company has complied with all Code Provisions.

The Board recognizes the need to continuously adapt and improve our corporate governance policies and practices in light of our experience, increasingly stringent regulatory requirements, international developments and stakeholders expectations. It is committed to high standards of disclosure as well as to excellence in corporate governance. The Company's Corporate Governance framework comprises the following key components:

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

Details of the key components related to Corporate Governance framework are also available on the website of the Company.

BOARD AND EXECUTIVE MANAGEMENT

The overall stewardship of the Company's operations is vested in the Board. The Board takes central responsibilities to formulate, approve, evaluate and regulate the overall strategic directions and policies of the Company. In doing so, the Board will oversee and review the Company's business including operating performance, effectiveness of risk management and internal control systems, corporate governance policies, compliance, organization structure and management's performance.

The positions of Chairman and CEO are separate. Our CEO has the overall responsibility for carrying out the strategy and direction set by the Board and for managing the Group's business. During this first half year, the management runs the day-to-day operation with the related financial limits of a schedule of matters designated for management approved by the Board. Management is to submit business plans or investment proposals to the Board if they fall outside the designated limits. The Board also reviews and approves the annual operating and capital budgets, and when appropriate, incremental items/amounts outside the approved budgets will be raised to the Board for approval. Under the supervision of the CEO, management is responsible for the daily operations of the Group. The CEO and senior management report on business operations, financial results and strategic matters to the Board on a quarterly basis, and provide key updates on a monthly basis.

Corporate Governance

GOVERNANCE STRUCTURE & BOARD COMMITTEES

Composition of Board and Committees

Board of Directors	
Zhang Hongjiang	(INED & Chairman of the Board)
Au Siu Cheung Albert	(INED)
Peng Zhiyuan	(INED)
Kwok Lam Kwong Larry	(INED)
Wu Ingrid Chun Yuan	(NED)
Pan Benjamin Zhengmin	(ED & CEO)
Mok Joe Kuen Richard	(ED)

Audit and Risk Committee* (all INEDs)	Nomination Committee* (all INEDs)	Remuneration Committee* (all INEDs)
Established in April 2005	Established in April 2005	Established in April 2005
Current Members	**Current Members**	**Current Members**
Au Siu Cheung Albert (Chairman)	Zhang Hongjiang (Chairman)	Peng Zhiyuan (Chairman)
Peng Zhiyuan	Peng Zhiyuan	Zhang Hongjiang
Kwok Lam Kwong Larry	Kwok Lam Kwong Larry	Au Siu Cheung Albert

* There is no fixed term of office of the Committee members. The Board will review the same periodically.

The Directors who stood for re-election at the annual general meeting held on 14 May 2021, namely Mr. Au Siu Cheung Albert, Mr. Kwok Lam Kwong Larry and Ms. Wu Ingrid Chun Yuan were re-elected with the approval of the Shareholders. There was no change to the composition of the Board during 1H 2021.

Corporate Governance

The Board's Roles and Responsibilities

Our Board plays more than a key role in our Corporate Governance Framework. Under the leadership of our Chairman, the Board actively promotes the success of the Group by directing and supervising its affairs in a responsible and effective manner.

Some of the key responsibilities of the Board include:

Strategy & Management

- The Board will formulate, update and refine the Group's strategy and business objectives.
- Every quarter, major investing and financing activities will be approved and management is evaluated on the implementation progress to monitor the Group's businesses against plan and budget.
- Overseeing the management of the Group's relationships with stakeholders.

Corporate Governance, Risk Management & Sustainability

- The Board will approve amendments to policies and review implementations related to Group's Corporate Governance, internal controls, risk management and sustainability practices.

Financial Results

- The Board will approve the Group's annual budgets, quarterly, interim and annual financial statements and results announcements, recommend reappointment of external auditor and declare interim and final dividends (if any).

Effectiveness of Committees

- The performances of the Board and the Committees are evaluated by all Directors annually.
- All Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

Board Committees & Executive Management Structure

In discharging its governance and other responsibilities, the Board has, in addition to the reporting from executive management, established individual Committees with defined terms of reference to assist the full Board. The three Committees, all chaired by INEDs and comprising all INEDs, are illustrated in the following governance structure:

BOARD OF DIRECTORS

- Collectively responsible for long-term success of the Group and interests of Shareholders
- Oversees overall governance, financial performance and sustainability development of the Group

EXECUTIVE DIRECTORS & SENIOR MANAGEMENT	AUDIT AND RISK COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE
• Delivers the Company's strategies and objectives including assessing and identifying technology trends and development, for the Company • Day-to-day management of the Group's businesses operation • Analyses the global market situation and sales performance of the Company's products • Provides input on reviewing of production planning • Conducts products and key accounts analysis • Implements sales & products strategy for business units • Estimates products sales status and forecast	• Ensures proper financial reporting and disclosure • Reviews risk management, compliance and internal control systems • Ensures prudent and effective controls are in place to duly assess and manage risks • Reviews the Company's policies and practices on corporate governance • Reviews on compliance with legal and regulatory requirements • Reviews the Company's compliance with the CG Code and disclosure of the CG report • Monitors internal audit, oversees the relationship and coordination between the Company, head of internal audit and external auditor	• Recommends Board appointments and ensures proper and transparent procedures • Reviews Board structure, size, composition and diversity of the Board • Assesses independence of independent non-executive Directors • Reviews succession planning for chief officers • Reviews and monitors the training and continuous professional development of Directors • Being consulted upon the hiring, promotion and appointment of senior management	• Sets remuneration policy and structure for executive Directors, non-executive Directors and senior management • Plans and reviews management's remuneration proposals with reference to the Board's corporate goals and objectives • Determines executive Directors' and senior management's remuneration and incentives
Operations	**Internal Audit Team/ External Auditor**	**Board Composition/Senior Management/ Human Resources**	

Details of the responsibilities of the Committees are set out below. Their terms of reference, including their duties, have been published on the websites of the Hong Kong Stock Exchange and the Company.

Corporate Governance

Delegation by the Board

In addition to the individual Committees, established to assist the full Board in specific areas, the responsibilities for delivering the Company's strategies and objectives, and day-to-day management of the Group's businesses are delegated to the executive Directors, and the team of senior management.

Board Process

Board meetings are held regularly and at least four times a year at approximately quarterly intervals with active participation of the Directors, either in person or through electronic communication. Apart from the regular scheduled Board meetings, other Board meetings will be held in occasions when appropriate, such as publishing announcements.

Individual Board Committees

Audit and Risk Committee

Roles and Authority

The Audit and Risk Committee's responsibilities include the oversight of the integrity of the Company's financial statements and assisting the Board in the evaluation of management in the design, implementation and monitoring of the Company's risk management, compliance and internal control systems on an ongoing basis. The Company has a structured risk management and internal control systems for the management of strategic, market, operational, financial and compliance risks. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Audit and Risk Committee needs to oversee management while ensuring that it does not step into the management's role. The Audit and Risk Committee relies on management's assessment of key risks and mitigating controls at each major operating unit and on internal audit to provide an objective view on how effectively the risk assessments and controls are operating. The external auditor also provides the Audit and Risk Committee with assurance regarding the Company's financial reporting and any material weaknesses in internal control and risk management that they might come across as part of their review considered relevant to the audit. The Audit and Risk Committee oversees the relationship and coordination among the Company, internal auditor and external auditor.

The Audit and Risk Committee, together with the Company's external auditor, has reviewed the interim report of 2021 and the unaudited condensed consolidated financial statements for 1H 2021. Members of the Audit and Risk Committee agree with the accounting treatments adopted in the preparation of the condensed consolidated financial statements.

During the first half of 2021, the Board reviewed and revised the terms of reference of the Audit and Risk Committee. The latest terms of reference of the Audit and Risk Committee is available on the websites of the Hong Kong Stock Exchange and the Company.

Nomination Committee

Board Diversity

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance, and has adopted a board diversity policy which is available on the Company's website. A truly diverse Board will include and make good use of differences in the knowledge, skills, business perspectives, geographic and industry experience, culture, background, ethnicity, independence, gender and other qualities of Directors. These differences will be taken into account in determining the optimum composition and complementary of the Board. All Board appointments will be based on meritocracy while taking into account diversity including gender diversity.

Selection of candidates will be based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, ethnicity, professional experience, business perspectives, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board and the strategic success of the Company.

Our Directors are from diverse and complementary backgrounds. Their valuable experience and expertise are critical for the long-term growth of the Company. The current Board's composition under diversified perspectives is summarized as follows:

Name		Pan Benjamin Zhengmin	Mok Joe Kuen Richard	Wu Ingrid Chun Yuan	Zhang Hongjiang	Au Siu Cheung Albert	Peng Zhiyuan	Kwok Lam Kwong Larry
Gender		**Male**	**Male**	**Female**	**Male**	**Male**	**Male**	**Male**
Age		**52**	**57**	**50**	**60**	**70**	**49**	**65**
Academic Background		Graduated from the Jiangsu Province Wujin Teacher School	Bachelor of Economics	Graduated from Changzhou School of Public Health	Ph.D in Electrical Engineering Bachelor of Science	Bachelor of Commerce	Master of Business and Administration Bachelor of Engineering and Finance	Master of Laws Bachelor of Economics/ Accounting
Length of service		17 years	16 years	17 years	2.5 years	3.5 years	2.5 years	3.5 years
Skills, knowledge & professional experience	(a) Accounting & Finance		✓	✓		✓	✓	✓
	(b) Corporate Social Responsibility/ Sustainability		✓	✓			✓	✓
	(c) Executive management and leadership skills	✓	✓	✓	✓	✓	✓	✓
	(d) Financial Service		✓			✓	✓	✓
	(e) Human Resources		✓	✓				
	(f) Information Technology & Security				✓			
	(g) Investment Banking	✓		✓			✓	✓
	(h) Investor Relations	✓	✓				✓	
	(i) Legal		✓					✓
	(j) Other listed Board Experience/Role			✓	✓	✓		✓
	(k) Risk Management	✓	✓			✓	✓	✓
	(l) Strategic Planning	✓			✓	✓		✓
	(m) Technologies & Manufacturing	✓	✓	✓	✓			

The Nomination Committee reviewed the Board's composition under diversified perspectives and monitored the implementation of the Board Diversity Policy and considered that the said policy is effective. It is currently not required to set any measurable objectives for implementing the policy. There is no INED serving on the Board for more than 9 years.

Roles and Authority

The Nomination Committee is responsible for reviewing, advising and making recommendations to the Board on matters in relation to the composition, structure, size and diversity of the Board, the appointment and re-appointment of Directors and the assessment on independence of INEDs and ensuring the proper and transparent procedures for the appointment and re-appointment of Directors, succession planning for chief officers. The Committee is also consulted upon the hiring, promotion and appointment of senior management.

Nomination Policy & Practice

The Company has adopted a nomination policy for setting up a formal, considered and transparent procedure to help identifying and nomination of candidates for Directors. All valid nomination of candidates, accompanied with details of their biographical backgrounds, would be presented to the Board for consideration as soon as practicable. Consideration would be given to factors such as the candidate's integrity, experience and qualifications relevant to the Company's business. It is believed that members of the Nomination Committee collectively would have required relevant knowledge and skills to identify, invite and evaluate qualifications of nominated candidates for directorship.

Remuneration Committee

Roles and Authority

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

Human Resources

As at 30 June 2021, the Group employed 41,165 permanent employees, 22% increase from 33,735 employees as at 31 December 2020. Despite highly automated in the production process, the increase in number of permanent employees was corresponding to the rebound of business after the disturbance of COVID-19 during the course of 2020 as well as increased production capacity in the Group's optics and acoustics product lines to cope with customers' requirement. As the overall market environment becomes stable, the Group adapted a different approach on workforce acquisition during the course of 2021. Replacement of the flexible but unstable hourly rate workers by permanent employees was another major contributor to this variance, which the Group believed to be beneficial to both parties.

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

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

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

Share Award Scheme & Subsidiary Share Incentive Scheme

As announced by the Company on 23 March 2016, the Board resolved to adopt a share award scheme (the "Scheme") in which Employees (other than Excluded Employees) may be selected by the Board to participate. The purpose of the Scheme is to permit the Company to grant Awards to Selected Employees as incentives for their contributions to the Group and to attract suitable personnel for further development of the Group. The maximum number of shares that may be awarded under the Scheme during its term is limited to 1.65% (i.e. 19,940,250 shares as at 25 August 2021) of the issued share capital of the Company from time to time. The maximum number of Awarded Shares that may be granted to any one Selected Employee shall not exceed 0.5% (i.e. 6,042,500 shares as at 25 August 2021) of the issued share capital of the Company from time to time. Pursuant to the Scheme, shares will be subscribed for at a subscription price as determined by the Board, or purchased on the Hong Kong Stock Exchange, by Bank of Communications Trustee Limited (the "Trustee") at the cost of the Company and will be held by the Trustee on trust for the Selected Employee(s) under the Scheme before vesting. The Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Hong Kong Listing Rules, and is a discretional scheme of the Company. The capitalised terms referred in this section shall have the same meanings as those defined in the announcement made by the Company on 23 March 2016 relating to the adoption of the Scheme.

Since the date of adoption of the Scheme and up to 30 June 2021, no shares had been subscribed or purchased by the Trustee pursuant to the rules and trust deed of the Scheme and no share had been granted to the Selected Employee(s) under the Scheme. On 26 August 2021, the Trustee of the Scheme purchased an aggregate of 6,042,500 Shares on the Hong Kong Stock Exchange for the purpose of the Scheme, funded by the Company's internal resources. As at the date of this report, no Awarded Shares have been granted pursuant to the Scheme.

In addition to the above Scheme, AAC Optics, a subsidiary of the Company, operates a share incentive scheme (the "Subsidiary Scheme"). The purpose of the Subsidiary Scheme is to provide the selected employees of AAC Optics and relevant personnel a market oriented incentive scheme and attract top talents. AAC Optics intends to incentivise and reward them for their commitment and dedication to its business expansion. Please refer to Note 18 to the condensed consolidated financial statements for details.

CORPORATE GOVERNANCE CODE

The Company has continued to fully comply with requirements of the Code Provisions for 1H 2021. The Company has always aimed to go beyond compliance with the Code Provisions by adopting the Recommended Best Practices of the CG Code. The table below illustrates how and in what way the Company has already adopted these items:

Recommended Best Practices	Adopted by the Company
Quarterly financial results announcement	Since listing, the Company has adopted quarterly reporting of financial results.
A significant proportion of the executive Directors' remuneration should link rewards to corporate and individual performance	A significant proportion of an executive Director remuneration has been correlated with the corporate and individual performance since his appointment.
Whistleblowing Policy for employees and other stakeholders (e.g. customers and suppliers)	A whistleblowing policy and an established process have been in place since 2012 to ensure all matters of concerns are addressed.
Regular Board Evaluation	The Board conducts an annual evaluation of its and the committees' performance.
Management's confirmation on the effectiveness of risk management and internal control systems	The Board has received confirmation from management on a semi-annual basis.

Corporate Governance

LEGAL AND REGULATORY COMPLIANCE

Compliance

During 1H 2021, the Board continued to review the Company's legal framework on implementing policies and practices to ensure the operations of the Company are in compliance with existing or any new legal and regulatory requirements of all applicable jurisdictions, including updates of the Hong Kong Listing Rules and disclosure requirements under the Hong Kong Securities and Futures Ordinance, the Companies Act of the Cayman Islands as well as the Hong Kong Companies Ordinance.

The Company seeks to abide strictly by the governing laws and regulations of the jurisdictions where it operates through its subsidiaries or branches and observes the applicable guidelines and rules issued by regulatory authorities.

Model Code For Securities Transactions by Directors

The Company has adopted codes of conduct regarding securities transactions by Directors and by relevant employees (as defined in the CG Code) on terms no less exacting than the required standard set out in the Model Code.

On specific enquiries made, all the Directors have confirmed that they have complied with the required standard as set out in the Model Code and the Company's code of conduct regarding the Directors' securities transactions during 1H 2021.

Securities Dealing Restriction to Management and Staff

Our management and staff are subject to the Company's securities dealing restrictions for those who have access to potential inside information.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS SUBSIDIARY

As at 30 June 2021, the interests and short positions of the Directors and chief executive of the Company in any shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO which they are taken or deemed to have taken under such provisions of the SFO and pursuant to the Model Code, were as follows:

Long positions in ordinary shares of the Company:

Name of Directors of the Company	Capacity	Number of ordinary shares					Percentage of the Company's issued shares as at 30 June 2021[1]
		Personal interests	Corporate interests	Spouse interests	Other interests	Total number of shares	
Mr. Pan Benjamin Zhengmin ("Mr. Pan") [2]	Beneficial owner/interest of spouse/interest of controlled corporation/founder of a discretionary trust	68,262,162	51,439,440	262,820,525	112,795,525	495,317,652	40.98%
Ms. Wu Ingrid Chun Yuan ("Ms. Wu") [3]	Interest of spouse/interest of controlled corporation/founder of a discretionary trust	–	262,820,525	120,952,005	111,545,122	495,317,652	40.98%
Mr. Mok Joe Kuen Richard ("Mr. Mok") [4]	Beneficial owner	100,000	–	–	–	100,000	< 0.01%

Notes:

(1) Percentage was computed based on 1,208,500,000 issued shares of the Company as at 30 June 2021.

(2) Mr. Pan beneficially owns 68,262,162 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) 262,820,525 shares representing the aggregate of (a) 134,828,594 shares which are beneficially owned by Sapphire Hill Holdings Limited and (b) 127,991,931 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 262,820,525 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; 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 they have no discretion over distributions or investments in these trusts until distribution is made to them; (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) 262,820,525 shares representing the aggregate of (a) 134,828,594 shares which are beneficially owned by Sapphire Hill Holdings Limited; and (b) 127,991,931 shares which are beneficially owned by K&G International Limited. These two companies are wholly-owned by Ms. Wu;

(ii) 120,952,005 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) 68,262,162 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 120,952,005 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 they have no discretion over distributions or investments in these trusts until distribution is made to them.

(4) (i) Mr. Mok beneficently owns 100,000 shares.

(ii) Under the Subsidiary Scheme of AAC Optics, Mr. Mok was granted 5,333,228 incentive units subject to certain vesting conditions and restrictions, and, if fully vested, representing approximately 0.07% of AAC Optics' issued shares.

Interests in the debentures of the Company:

Name of Director	Capacity/Nature of interest	Principal amount of Notes [1] held (USD)
Mr. Pan [2]	Interest of spouse/Family interest	330,000
Ms. Wu [3]	Interest of controlled corporation/Corporate interest	330,000

Notes:

(1) The Notes mean the US$388,000,000 notes issued by the Company in 2019 to third party professional investors and due in 2024. Listed on the Hong Kong 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 until maturity.

(2) Mr. Pan is deemed or taken to be interested in this amount of 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 Notes.

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

Other than as disclosed above, as at 30 June 2021, none of the Directors of the Company, chief executive nor their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register of interests required to be kept by the Company under Section 352 of the SFO.

Disclosure of Conflict of Interest

Directors are requested to declare their personal or business interests, if any, in any transactions to be considered by the Board and such declaration of interest would be reviewed and discussed prior to the Board meetings and, as appropriate, Directors will or will be asked to abstain from the meetings.

As at 30 June 2021, Ms. Wu, a non-executive Director of the Company, holding more than 5% of the Company's share capital had beneficial interests in one of the Group's five largest customers. The customer has the usual trading terms as any other customers of the Group. At no time during 1H 2021 and up to the date of this report, had Ms. Wu's interests in the customer exceeded 1%. Ms. Wu has not been director of the customer nor involved in its management in the reporting period.

Save as disclosed above, none of the Directors of the Company, their close associates or any shareholder which to the knowledge of the Directors, owns more than 5% of the Company's share capital had an interest in any of the five largest customers or suppliers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during 1H 2021.

CHANGES IN DIRECTORS' INFORMATION DISCLOSED UNDER RULE 13.51B(1) OF THE HONG KONG LISTING RULES

Changes in Directors' information since the date of the 2020 annual report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules, are set out below:

Mr. Zhang Hongjiang ceased to be an independent director of Digital China Group Co., Ltd. (神州數碼集團股份有限公司), listed in Shenzhen, with effect from 21 April 2021; and he was appointed as an independent non-executive director of XPeng Inc., listed in US and Hong Kong, with effect from 7 July 2021.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, the register of interests and short positions kept by the Company under Section 336 of the SFO, other than the Directors and chief executive of the Company, showed that the following persons held interests or short positions in the Company's shares and underlying shares, some of which represented the same batch of other interests of Mr. Pan and Ms. Wu as disclosed in the section of "Directors' and Chief Executive's Interests in Shares and Underlying Shares and Debentures of the Company and its subsidiary" above:

Name of Shareholders	Capacity	Number of shares	Derivative interest	Percentage of the Company's issued shares as at 30 June 2021[1]
JPMorgan Chase & Co.[2]	Interest of controlled corporation/ Person have security interest in shares/Investment Manager/ Trustee/ Approved lending agent	119,865,667(L)	2,809,500(L)	10.15%
		560,989(S)	7,349,129(S)	0.65%
		10,324,838(P)	–	0.85%
BlackRock, Inc.[3]	Interest of controlled corporation	59,855,338(L)	579,500(L)	5.00%
		–	37,000(S)	<0.01%

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

Notes:

(1) Percentage was computed based on 1,208,500,000 issued shares of the Company as at 30 June 2021.

(2) JPMorgan Chase & Co., through its various 100% controlled corporations ("JPMorgan Group"), is indirectly interested in (i) an aggregate of 119,865,667 shares and listed derivative interests of 1,061,000 shares with physically settled, listed derivative interests of 387,500 shares with cash settled, unlisted derivative interests of 21,000 shares with physically settled, and unlisted derivative interests of 1,340,000 shares with cash settled in long position; and (ii) an aggregate of 560,989 shares and listed derivative interests of 323,000 shares with physically settled, listed derivative interests of 961,000 shares with cash settled, unlisted derivative interests of 5,460,322 shares with physically settled, and unlisted derivative interests of 604,807 shares with cash settled in short position. Among them, 111,566,051 shares were held by JPMorgan Group as a trustee, including 111,545,122 shares held by J.P. Morgan Trust Company of Delaware which were represented the same batch of other interests of Mr. Pan and Ms. Wu as disclosed in the section of "Directors' and Chief Executive's Interests in Shares and Underlying Shares and Debentures of the Company and its subsidiary" above.

In addition to the above, JPMorgan Chase & Co. is also interested in 10,324,838 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) BlackRock, Inc., through its various controlled corporations ("BlackRock Group"), is indirectly interested in (i) an aggregate of 59,855,338 shares and unlisted derivative interests of 579,500 shares with cash settled in long position; and (ii) an aggregate of unlisted derivative interests of 37,000 shares with cash settled in short position. BlackRock Group includes non-100% controlled corporations, namely BlackRock Holdco 6, LLC (90% controlled), BR Jersey International Holdings L.P. (86% controlled), BlackRock Canada Holdings LP (99.9% controlled), and BlackRock Group Limited (90% controlled).

SHAREHOLDERS STRUCTURE

Shareholders

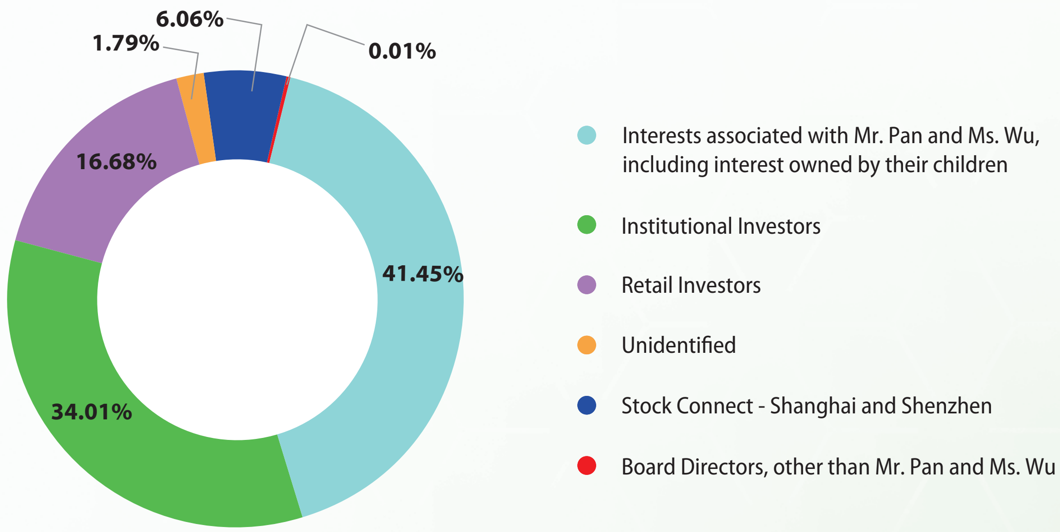
Almost all the Shareholders are holding the Company's shares through nominees or intermediaries such as HKSCC Nominees Limited. The register of members of the Company had 90 direct registered Shareholders as at 30 June 2021. Separately, as the Company's shares are eligible for trading in the Shanghai/Shenzhen-Hong Kong Stock Connect, an aggregate shareholding was held through China Securities Depository and Clearing Corporation Limited as one single Shareholder, which as at 30 June 2021, amounted to 73.23 million shares, or representing 6.06% of total issued shares, of the Company.

The Company analyses its shareholding structure on a regular basis, including a review of the register of institutional and retail investors, to keep track of changes in shareholdings by type of investors. A shareholding register analysis was conducted as at 30 June 2021 and revealed the shareholding structure as follows:

Corporate Governance

I) **Shareholders by Category:**

(per Shareholder Analysis as at 30 June 2021, rounded to nearest 0.01%)



II) **Shareholders by Domicile:**

	% of Total Issued Shares
Hong Kong	67.41
North America	13.32
China	6.31
Singapore	3.87
United Kingdom	3.72
Europe (ex-United Kingdom)	2.76
Rest of the World	2.61
Total	100

Notes:

1. The shareholding in Hong Kong included the interests associated with Mr. Pan, Ms. Wu and their children.
2. 99.99% of all issued shares were held through HKSCC Nominees Limited.
3. The approximate percentage of shareholding is calculated on the basis of 1,208,500,000 shares in issue as at 30 June 2021.

In support of environmental protection, pursuant to Rules 2.07A and 2.07B of the Hong Kong Listing Rules and the Articles, the Company made arrangements to ascertain the Shareholders' preferences as to the election of means of receipt (in printed form or by electronic means through the website of the Company) and the language (in English only, in Chinese only or in both Chinese and English) of its future corporate communications. The Company encourages and recommends the Shareholders to take advantage of the electronics means in respect of its future corporate communications.

Constitutional Documents

During 1H 2021, there was no change to the Company's constitutional documents. An up-to-date consolidated version of the Memorandum and Articles is available on the websites of the Hong Kong Stock Exchange and the Company.

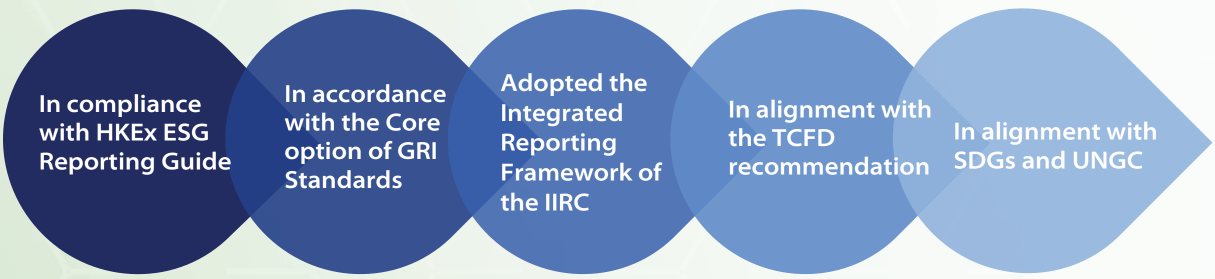
Sustainability

The creation of long-term economic, environmental and social values relies heavily on the sustainable development of the Group's businesses. Amidst sporadic but continual challenges posed by the outbreak of COVID-19 and other unexpected incidents, the Group continues to show its unfaltering commitment to safeguard the physical well-being of its employees, support local communities and strive for environmental stewardship.

SUSTAINABILITY GOVERNANCE

Our commitment to paving the way to sustainable development can be further witnessed by our accelerated action in enhancing the Group's holistic sustainability management approach. Since the establishment of the SWG in 2020, the SWG has been regularly reviewing the Group's ESG strategies and material topics and monitoring the progress of the targets set. By ensuring previously identified material ESG topics continue to be of relevance to the Group, it allows the Group to remain focused on addressing its existing sustainability risks and opportunities. In addition, under the guidance of the SWG, the Group has been incorporating relevant measures into its operating practices and formulating clear management approaches to address emerging sustainability risks and opportunities. Looking forward, the SWG will place more emphasis on overseeing longer-term sustainability topics and reinforcing the resilience of the Group's ESG strategies.

REPORTING FRAMEWORK OF THE 2020 SUSTAINABILITY REPORT



MAJOR ESG ACCOMPLISHMENTS AND ACCOLADES

SUSTAINABILITY RECOGNITION

A
MSCI ESG Rating

AA
Hang Seng Corporate Sustainability Index

Constituent of FTSE4Good Index Series

Low Risk 17.8
Sustainalytics ESG Risks Ratings

KEY HIGHLIGHTS FOR 1H 2021

ISO 27001 Information Security Management System certification coverage at 9 sites

835 patents newly obtained, making a total of 5,966

Sites in Shenzhen passed the annual carbon audit

COLLECTIVE EFFORT AGAINST THE COVID-19 PANDEMIC & UNEXPECTED INCIDENTS

The unprecedented crisis continues to pose an unimaginable threat to communities worldwide. Our pandemic prevention taskforce has demonstrated its ability to minimise the impact of the pandemic on the Group's business by swiftly implementing a comprehensive set of prevention measures. Flexible working arrangements and contingency plans are in place to safeguard the well-being of our staff from the threat of COVID-19. A health information platform was established to provide regular COVID-19 related measures updates. Externally, the Group continues to shoulder its social responsibility by reaching out to the communities where it operates and those in need. In the recent rainstorm flooding emergency in Henan province, the Group reacted immediately by sending over numerous rescue and relief items to the local Red Cross organisation to offer timely assistance.

Sustainability

ENVIRONMENTAL MANAGEMENT

The Group abides by environmental laws and regulations at jurisdictions where it operates, working closely with local authorities to ensure the latest updates on more stringent regulations have been followed. During the reporting period, the Group was not aware of any material non-compliance with laws and regulations that could have a significant impact on the Group, in the context of air and greenhouse gas emissions, discharges into water and land, or generation of hazardous and non-hazardous waste.

The Group has maintained the ISO 14001 certification on environmental management at all manufacturing hubs in China and Vietnam. We also look into further investing in renewable energy generation facilities at our operational plants and increasing the percentage of company electric cars. The annual carbon audit has been completed in Shenzhen, while the clean production audit in Shuyang is in progress and is expected to be completed by the end of 2021.

As the imminent threat brought on by climate change draws near, we have stepped up our efforts to help mitigate climate change by adopting recommendations of the TCFD. Supported by the Sustainability Working Group, the Group has identified its climate-related risks and opportunities, analysed the potential impacts resulting from both physical and transitional climate-related risks and bolstered corresponding risk management initiatives.

TALENT MANAGEMENT

We strive to maintain competitiveness in the fast-changing industry by future-proofing our workforce. By partnering with more academic institutions, we endeavour to support the development of young talents through our talent acquisition and cultivation system. At the same time, this helps create a workforce filled with talents with diverse expertise and backgrounds.

Apart from attracting new talents, the Group also focuses on retaining and providing talents with long-term growth prospects. We offer a wide range of training programmes and diverse career development opportunities to equip our employees with sufficient knowledge to perform competently and to prepare for future challenges. In 2021, we successfully launched the online training platform to allow for rapid content deployment and a more flexible learning for our employees. The training content is regularly reviewed and updated to ensure employees receive the most relevant and up-to-date learning materials.

In addition to helping employees shape their professional careers, the Group also strives to facilitate better communication with its employees to enhance employee satisfaction. The mobile office platform and online grievance handling platform have been launched to ensure that employees are given an appropriate channel to voice out their opinions and that grievances can by properly dealt with, thereby improving employees' satisfaction.

SUPPLIER MANAGEMENT

The Group attaches great importance to responsible procurement, requiring suppliers to not only comply with relevant laws and regulations but also be committed to incorporating environmental and social considerations into their daily operations. The performance of suppliers is assessed based on the Group's Supplier Code of Conduct and their compliance of international standards on sustainable operating practices such as Responsible Business Alliance and Social Accountability 8000. Consistent with our commitment to social responsibility, we continue to conduct due diligence on suppliers to ensure all minerals procured are 100% conflict-free.

Report on Review of Condensed Consolidated Financial Statements

TO THE BOARD OF DIRECTORS OF AAC TECHNOLOGIES HOLDINGS INC.
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of AAC Technologies Holdings Inc. (the "Company") and its subsidiaries set out on pages 34 to 54, which comprise the condensed consolidated statement of financial position as of 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by International Accounting Standards Board. The Directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, 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 Hong Kong 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 August 2021

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	NOTES	1.1.2021 to 30.6.2021 (Unaudited) RMB'000	1.1.2020 to 30.6.2020 (Unaudited) RMB'000
Revenue	3	8,609,140	7,837,054
Cost of goods sold		(6,194,094)	(6,018,930)
Gross profit		2,415,046	1,818,124
Other income, gains and losses	4	195,638	254,724
Distribution and selling expenses		(143,821)	(134,320)
Administrative expenses		(395,462)	(343,971)
Research and development costs		(893,829)	(982,939)
Exchange gain (loss)		14,976	(5,430)
Finance costs		(210,810)	(169,057)
Profit before taxation	5	981,738	437,131
Taxation	6	(53,242)	(116,840)
Profit for the period		928,496	320,291
Other comprehensive income (expense):			
Item that will not be subsequently reclassified to profit or loss:			
Fair value changes on equity instruments at fair value through other comprehensive income ("FVTOCI")		8,411	(12,010)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from translation of foreign operations		(66,213)	(21,325)
Fair value changes on derivative financial instruments		(6,709)	(27,714)
Loss reclassified to profit or loss on hedged items		17,152	7,490
		(47,359)	(53,559)
Total comprehensive income for the period		881,137	266,732
Profit (loss) for the period attributable to:			
Owners of the Company		920,952	320,465
Non-controlling interests		7,544	(174)
		928,496	320,291
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		874,473	266,906
Non-controlling interests		6,664	(174)
		881,137	266,732
Earnings per share			
– Basic	8	RMB0.76	RMB0.27
– Diluted	8	RMB0.76	N/A

Condensed Consolidated Statement of Financial Position

At 30 June 2021

	NOTES	30.6.2021 (Unaudited) RMB'000	31.12.2020 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	9	19,624,030	18,592,060
Right-of-use assets	9	2,016,232	1,895,871
Goodwill		164,350	164,350
Deposits made for acquisition of property, plant and equipment		355,306	576,467
Investment properties	9	11,869	12,466
Interest in an associate		1,853	–
Equity instruments at FVTOCI	10	873,138	352,006
Financial asset at fair value through profit or loss ("FVTPL")	11	13,295	–
Intangible assets		348,531	373,360
Deferred tax assets		171,228	95,000
		23,579,832	22,061,580
Current assets			
Inventories		4,487,214	3,995,052
Trade and other receivables	13	5,753,258	5,176,458
Amounts due from related parties		7,161	5,595
Taxation recoverable		20,008	40,294
Pledged bank deposits		2,600	91,999
Bank balances and cash		7,798,859	7,540,330
		18,069,100	16,849,728
Current liabilities			
Trade and other payables	14	5,383,608	5,204,503
Contract liabilities		12,923	14,734
Lease liabilities		520,848	493,657
Amounts due to related companies		39,695	43,593
Taxation payable		159,071	166,881
Bank loans	15	2,738,043	3,348,546
Government grants		105,362	83,015
Derivative financial instruments	12	18,731	24,695
		8,978,281	9,379,624
Net current assets		9,090,819	7,470,104
Total assets less current liabilities		32,670,651	29,531,684

Condensed Consolidated Statement of Financial Position

At 30 June 2021

	NOTES	30.6.2021 (Unaudited) RMB'000	31.12.2020 (Audited) RMB'000
Non-current liabilities			
Bank loans	15	495,000	2,542,950
Unsecured notes	16	6,650,244	2,511,748
Contingent settlement provision		1,705,122	1,671,812
Government grants		751,166	603,959
Lease liabilities		483,827	317,073
Deferred tax liabilities		40,944	48,886
Derivative financial instruments	12	12,922	14,421
		10,139,225	7,710,849
Net assets		22,531,426	21,820,835
Capital and reserves			
Share capital	17	98,135	98,135
Reserves		21,736,735	21,060,606
Equity attributable to owners of the Company		21,834,870	21,158,741
Non-controlling interests		696,556	662,094
Total equity		22,531,426	21,820,835

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Capital reserve RMB'000	Translation reserve RMB'000	Investments revaluation reserve RMB'000	Non-distributable reserve RMB'000	PRC statutory reserve RMB'000	Hedging reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total RMB'000
At 1 January 2020 (audited)	98,135	–	1,135	23,391	(28,787)	100,754	87,245	888,880	(15,477)	18,195,917	19,351,193	9,799	19,360,992
Exchange differences arising on translation of foreign operations	–	–	–	–	(21,325)	–	–	–	–	–	(21,325)	–	(21,325)
Fair value changes on equity instruments at fair value through other comprehensive income	–	–	–	–	–	(12,010)	–	–	–	–	(12,010)	–	(12,010)
Fair value changes on derivative financial instruments	–	–	–	–	–	–	–	–	(27,714)	–	(27,714)	–	(27,714)
Loss reclassified to profit or loss on hedged items	–	–	–	–	–	–	–	–	7,490	–	7,490	–	7,490
Profit for the period	–	–	–	–	–	–	–	–	–	320,465	320,465	(174)	320,291
Total comprehensive (expense) income for the period	–	–	–	–	(21,325)	(12,010)	–	–	(20,224)	320,465	266,906	(174)	266,732
Transfer to reserve	–	–	–	–	–	–	–	8,019	–	(8,019)	–	–	–
At 30 June 2020 (unaudited)	98,135	–	1,135	23,391	(50,112)	88,744	87,245	896,899	(35,701)	18,508,363	19,618,099	9,625	19,627,724
At 1 January 2021 (audited)	98,135	–	1,135	23,391	(133,606)	114,932	87,245	1,482,261	(8,534)	19,493,782	21,158,741	662,094	21,820,835
Exchange differences arising on translation of foreign operations	–	–	–	–	(65,333)	–	–	–	–	–	(65,333)	(880)	(66,213)
Fair value changes on equity instruments at fair value through other comprehensive income	–	–	–	–	–	8,411	–	–	–	–	8,411	–	8,411
Fair value changes on derivative financial instruments	–	–	–	–	–	–	–	–	(6,709)	–	(6,709)	–	(6,709)
Loss reclassified to profit or loss on hedged items	–	–	–	–	–	–	–	–	17,152	–	17,152	–	17,152
Profit for the period	–	–	–	–	–	–	–	–	–	920,952	920,952	7,544	928,496
Total comprehensive (expense) income for the period	–	–	–	–	(65,333)	8,411	–	–	10,443	920,952	874,473	6,664	881,137
Dividend declared	–	–	–	–	–	–	–	–	–	(201,892)	(201,892)	–	(201,892)
Dilution of interest in a subsidiary (Note 18)	–	–	–	–	–	–	–	–	–	3,548	3,548	7,616	11,164
Share-based payment reserves under the subsidiary share incentive scheme	–	–	–	–	–	–	–	–	–	–	–	20,182	20,182
Transfer to reserve	–	–	–	–	–	–	–	196	–	(196)	–	–	–
At 30 June 2021 (unaudited)	98,135	–	1,135	23,391	(198,939)	123,343	87,245	1,482,457	1,909	20,216,194	21,834,870	696,556	22,531,426

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	NOTES	1.1.2021 to 30.6.2021 (Unaudited) RMB'000	1.1.2020 to 30.6.2020 (Unaudited) RMB'000
Net cash from operating activities		1,222,788	1,458,130
Net cash used in investing activities			
Purchase of property, plant and equipment		(973,786)	(860,613)
Deposits paid for acquisition of property, plant and equipment		(1,048,438)	(1,537,600)
Acquisition of equity instruments at FVTOCI		(518,821)	–
Return of capital of equity instruments at FVTOCI		–	2,508
Acquisition of financial asset at FVTPL		(13,310)	–
Investment in an associate		(1,853)	–
Placement of pledged bank deposits		(200)	(34,540)
Withdrawal of pledged bank deposits		89,599	20,766
Payments for rental deposits		(9)	(453)
Government grants received relating to acquisitions of non-current assets		250,208	362,026
Interest received		21,617	27,161
Proceeds from disposal of property, plant and equipment		13,209	176,227
Purchase of intangible assets		–	(1,996)
Payments for right-of-use assets		–	(41,893)
Proceeds from lessor on derecognition of a lease		–	51,619
Withdrawal of time deposits with original maturity over three months		–	697,620
		(2,181,784)	(1,139,168)
Net cash from (used in) financing activities			
Proceed from issuance of unsecured notes	16	4,163,441	–
Bank loans raised		2,654,594	1,349,748
Repayment of bank loans		(5,292,739)	(1,178,646)
Proceeds from the subsidiary share incentive scheme	18	92,969	–
Receipt from derivative financial instruments		11,281	17,500
Payment to derivative financial instruments		(25,175)	(24,990)
Dividends paid	7	(201,892)	–
Interest paid		(125,275)	(151,929)
Repayments of lease liabilities		(45,550)	(68,363)
		1,231,654	(56,680)
Net increase in cash and cash equivalents		272,658	262,282
Cash and cash equivalents at 1 January		7,540,330	4,814,354
Effect of foreign exchange rate changes		(14,129)	17,099
Cash and cash equivalents at 30 June		7,798,859	5,093,735

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

1. GENERAL

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

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim financial reporting" issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the preparation of the annual financial statements of the Company and its subsidiaries (collectively referred as the "Group") for the year ended 31 December 2020.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to IFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021".

Except as described below, the application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts on early application of Amendment to IFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021"

The Group has early applied the amendment in the current interim period. The application of this amendment has had no material impact on the Group's financial positions and performance for the current and prior periods.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of amendments to IFRSs (continued)

Impacts and accounting policies on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2"

Accounting policies

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in IFRS 9 "Financial Instrument" on modification of a financial asset or a financial liability to the additional changes to which the practical expedient does not apply.

Hedge accounting

For changes made to the hedged risk, hedged item or hedging instrument required by interest rate benchmark reform, the Group amends the formal designation of a hedging relationship to reflect the changes by the end of the reporting period during which the relevant changes were made. Such an amendment to the formal designation of the hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

Cash flows hedges

When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the interest rate benchmark reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of amendments to IFRSs (continued)

Impacts and accounting policies on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2" (continued)

Transition and summary of effects

As at 1 January 2021, the Group has several financial liabilities and derivatives, the interest of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform.

The following table shows the total amounts of outstanding contracts. The amounts of financial liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

	Hong Kong Interbank Offered Rate ("HIBOR") RMB'000	London Interbank Offered Rate ("LIBOR") RMB'000
Financial liabilities		
Bank loans	1,343,915	358,870
	US$'000	US$'000
Derivatives		
Interest rate swaps	–	160,000

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank loans measured at amortised cost. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group's consolidated financial statements for the year ending 31 December 2021.

3. SEGMENT INFORMATION

Operating and reportable segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision makers in order to allocate resources to the segments and assess their performance.

Information reported to the key operating decision makers for the purposes of resource allocation and assessment of performance focuses specifically on the type of products sold. This is also the basis upon which the Group is organised and managed. In preparation of the consolidated financial statements for the year ended 31 December 2020, the Group reorganised its internal reporting structure which resulted in adding optics products as a separate standalone business to the composition of its reportable segments. With the significant growth in the business of optics products, the operating result of optics products is separately reported to the management since then. Prior period segment disclosures have been restated to conform with the current period's presentation.

The Group's operating and reportable segments under IFRS 8 are acoustics products (previously termed as dynamic components, which include acoustic modules and acoustic unit), electromagnetic drives and precision mechanics, optics products, MEMS components and other products, which represent the major types of products manufactured and sold by the Group. Revenues from these products is recognised at the point in time when controls of the products has been transferred.

3. SEGMENT INFORMATION (CONTINUED)

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

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

Information regarding these segments is presented below.

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

	1.1.2021 to 30.6.2021 RMB'000 (Unaudited)	1.1.2020 to 30.6.2020 RMB'000 (Unaudited) (restated)
Operating and reportable segments		
Segment revenue – recognised at a point in time		
Acoustics products	**4,137,689**	3,329,191
Electromagnetic drives and precision mechanics	**2,446,915**	3,415,721
Optics products	**1,481,826**	624,880
MEMS components	**521,332**	457,732
Other products	**21,378**	9,530
	8,609,140	7,837,054
Segment results		
Acoustics products	**1,364,580**	874,604
Electromagnetic drives and precision mechanics	**583,135**	792,451
Optics products	**365,437**	76,380
MEMS components	**84,936**	74,344
Other products	**16,958**	345
Total profit for operating and reportable segments – gross profit	**2,415,046**	1,818,124
Unallocated amounts:		
Interest income	**26,021**	27,406
Other income, gains and losses	**169,617**	227,318
Distribution and selling expenses	**(143,821)**	(134,320)
Administrative expenses	**(395,462)**	(343,971)
Research and development costs	**(893,829)**	(982,939)
Exchange gain (loss)	**14,976**	(5,430)
Finance costs	**(210,810)**	(169,057)
Profit before taxation	**981,738**	437,131

3. SEGMENT INFORMATION (CONTINUED)

Segment profit represents the profit earned by each segment without allocation of finance costs, interest income, administrative expenses, research and development costs, distribution and selling expenses, other income, gains and losses and exchange gain (loss).

The key operating decision makers make decisions according to operating results of each segments. The Group analysed its assets and liabilities and other financial information at group level. Therefore, only segment revenue and segments results are presented.

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

	1.1.2021 to 30.6.2021 RMB'000 (Unaudited)	1.1.2020 to 30.6.2020 RMB'000 (Unaudited)
Greater China* (country of domicile)	**4,570,699**	3,444,432
Other foreign countries:		
America	**3,612,773**	4,018,612
Other Asian countries	**424,414**	372,559
Europe	**1,254**	1,451
	8,609,140	7,837,054

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

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

During the period, the aggregate amount of revenue derived from the Group's top customers which individually has contributed to over 10% of the Group's revenue and included in all of the Group's segments, amounted to RMB6,283,474,000 (six months ended 30 June 2020: RMB5,159,668,000). The total amount of revenue by each customer and number of customers is not disclosed, as in the opinion of the management of the Company such disclosure is harmful to the Group's business.

4. OTHER INCOME, GAINS AND LOSSES

Other income, gains and losses mainly comprise of:

	1.1.2021 to 30.6.2021 RMB'000 (Unaudited)	1.1.2020 to 30.6.2020 RMB'000 (Unaudited)
Government grants*	**130,828**	176,564
Interest income	**26,021**	27,406
Rental income	**6,922**	6,420
(Loss) gain on disposal of property, plant and equipment	**(86)**	17,077

4. OTHER INCOME, GAINS AND LOSSES (CONTINUED)

* Included in the amount is RMB80,654,000 (six months ended 30 June 2020: RMB59,800,000) representing amortisation of government grants. In addition, during the current interim period, the Group recognised government grants of RMB1,062,000 in respect of COVID-19-related subsidies (six months ended 30 June 2020: RMB32,096,000). The remaining amount mainly represents the incentives granted by the People's Republic of China (the "PRC") local authorities to the Group for engaging in High Technology business, employment of expatriates and technologically advanced staff. All the grants were approved and received during the period of recognition.

5. PROFIT BEFORE TAXATION

	1.1.2021 to 30.6.2021 RMB'000 (Unaudited)	1.1.2020 to 30.6.2020 RMB'000 (Unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**1,202,251**	1,044,573
Depreciation of investment properties	**597**	597
Depreciation of right-of-use assets	**86,970**	71,344
Amortisation of intangible assets	**22,367**	25,464
Write-down of inventories, included in cost of goods sold	**8,672**	37,180

6. TAXATION

	1.1.2021 to 30.6.2021 RMB'000 (Unaudited)	1.1.2020 to 30.6.2020 RMB'000 (Unaudited)
The tax charge (credit) comprises:		
PRC Enterprise Income Tax	**77,760**	80,573
Other jurisdictions	**42,455**	40,695
Under(over)provision of taxation in prior years	**15,912**	(3,881)
	136,127	117,387
PRC and overseas withholding tax	**118**	1,944
Deferred tax credit	**(83,003)**	(2,491)
	53,242	116,840

Under the law of PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

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

6. TAXATION (CONTINUED)

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

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

Pursuant to relevant laws and regulations in Singapore, one of the Group's subsidiaries is entitled to a concessionary tax rate under Development and Expansion Incentive which is granted based on the fulfillment of carrying out qualifying business activities. This incentive program has expired in 2018. Agreement for its extension on similar terms for another 10-year period after expiry has been signed, and is effective from 1 January 2019.

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

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

As at 30 June 2021, the Group has recognised additional deferred tax assets in respect of the tax losses of RMB52,094,000 and government grant of RMB43,481,000 (six months ended 30 June 2020: Nil).

7. DIVIDENDS

During the current interim period, a final dividend of HK$0.20 per share in respect of the year ended 31 December 2020 (six months ended 30 June 2020: No final dividend in respect of the year ended 31 December 2019) was paid to shareholders of the Company. The aggregate amount of the final dividend was paid in the interim period amounted to HK$241,700,000 (equivalent to RMB201,892,000) (six months ended 30 June 2020: No final dividend).

Subsequent to the end of the interim period, the Directors have resolved that an interim dividend of HK$0.20 per share (2020 interim dividend declared: HK$0.10 per share) will be paid to the shareholders of the Company.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the six months ended 30 June 2021 are based on the profit for the period attributable to owners of the Company of RMB920,952,000 (six months ended 30 June 2020: RMB320,465,000) and on the 1,208,500,000 (six months ended 30 June 2020: 1,208,500,000) shares in issue during the period.

For the six months ended 30 June 2021, the Directors of the Company consider the effect of the dilutive impact arising from the unvested restricted shares granted by a subsidiary as set out in note 18 is insignificant. The Group does not have other potential dilutive ordinary shares outstanding for the six months ended 30 June 2021 (six months ended 30 June 2020: No diluted earnings per share is presented as the Group does not have any dilutive ordinary shares outstanding).

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES

(i) Property, plant and equipment

During the period, the Group acquired property, plant and equipment of RMB2,273,063,000 (six months ended 30 June 2020: RMB1,782,060,000). Part of the consideration of RMB576,467,000 (six months ended 30 June 2020: RMB454,527,000) was paid up in advance in prior year.

Also, during the period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB13,295,000 (six months ended 30 June 2020: RMB159,150,000) for proceeds of RMB13,209,000 (six months ended 30 June 2020: RMB176,227,000) and resulting in a loss on disposal of RMB86,000 (six months ended 30 June 2020: gain on disposal of RMB17,077,000).

(ii) Right-of-use assets

During the current interim period, the Group entered into a number of new lease agreements for the use of land and buildings ranging from 1 to 10 years (six months ended 30 June 2020: 1 to 15 years). The Group is required to make fixed future payment and, in certain cases, is required to make prepayments. On lease commencement, the Group recognised RMB221,322,000 (six months ended 30 June 2020: RMB203,064,000) of right-of-use assets of which none of them (six months ended 30 June 2020: RMB41,893,000) represents prepaid lease payments, and RMB221,322,000 (six months ended 30 June 2020: RMB160,718,000) of lease liabilities.

(iii) Investment properties

During the period, depreciation on the investment properties amounted to RMB597,000 (six months ended 30 June 2020: RMB597,000) was charged to the profit or loss.

10. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30.6.2021 RMB'000 (Unaudited)	31.12.2020 RMB'000 (Audited)
Unlisted shares	821,183	303,995
Listed shares	51,955	48,011
	873,138	352,006

Unlisted shares

The unlisted equity investments represent the Group's equity interest in private entities. The equity instruments comprise of equity interests in companies which engaged in (i) producing semiconductor components in integrated circuits and development of intellectual properties, (ii) research, development and manufacturing of MEMS business and (iii) producing high technology products.

During the current interim period, the Group acquired certain equity interests in private entities, comprising the investments in (i) a Germany based company which engaged in solid state LiDAR sensor for automotive series use at a consideration of Euro59,992,000 (equivalent to approximately RMB473,821,000), and (ii) a China based company which engaged in producing advanced materials at a consideration of RMB45,000,000 (six months ended 30 June 2020: There was no new unlisted equity instrument acquired by the Group).

Listed shares

The amount represents the Group's investment in a company listed in Japan. As at 30 June 2021, the fair value of the investment determined by reference to the quoted market bid prices available was RMB51,955,000 (31 December 2020: RMB48,011,000).

11. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

During the current interim period, the Group entered into a subscription agreement with a private equity fund pursuant to which the Group agreed to make a capital commitment of US$60,000,000 to the fund and the Group has made payment of US$2,058,000 (equivalent to approximately RMB13,310,000). The fund is to primarily invest in industry-leading technology companies, mainly in Germany, German speaking countries and regions, the Nordic countries and the Greater China, as well as other technologically-advanced regions with strong growth potential. As at 30 June 2021, the financial asset at FVTPL is RMB13,295,000.

12. DERIVATIVE FINANCIAL INSTRUMENTS

	Current		Non-current	
	30.6.2021 RMB'000 (Unaudited)	31.12.2020 RMB'000 (Audited)	30.6.2021 RMB'000 (Unaudited)	31.12.2020 RMB'000 (Audited)
Derivatives financial liabilities – under hedge accounting				
Interest rate swap contracts	10,353	16,467	1,857	5,381
Cross currency swap contract	8,378	8,228	11,065	9,040
	18,731	24,695	12,922	14,421

12. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The Group entered into the interest rate swap contracts with commercial banks to minimise its exposure to cash flow changes of its floating-rate United States dollars ("US$") bank loans by swapping floating interest rates to fixed interest rates. The terms of these contracts were negotiated to match with those of the hedged bank loans with the same notional amounts to principal amounts of bank loans, currency and interest rate index. The management considers that the interest rate swap contracts are highly effective hedging instruments and have designated them as cash flow hedging instruments for hedge accounting purpose. Fair value change on these hedging instruments in cash flow hedge of gain of RMB9,440,000 (six months ended 30 June 2020: loss of RMB20,224,000) for the six months ended 30 June 2021 have been recognised in other comprehensive income and accumulated in the hedging reserve. Loss of RMB9,569,000 (six months ended 30 June 2020: loss of RMB7,490,000) on cash flow hedge was reclassified to profit or loss. The management expected the accumulated sum is to be released to profit or loss at various dates in the coming maturity periods after the reporting period.

The Group entered into a cross currency swap contract with a commercial bank to minimise the exposure to fluctuations in foreign currency exchange rates of US$ denominated unsecured notes. The critical terms of the cross currency swap contract and the corresponding US$ denominated unsecured notes were closely aligned and the management considers that the cross currency swap contract is highly effective hedging instrument and qualified as cash flow hedge. Fair value change on this hedging instrument in cash flow hedge of gain of RMB1,003,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: nil) has been recognised in other comprehensive income and accumulated in the hedging reserve. Loss of RMB7,583,000 (six months ended 30 June 2020: nil) on cash flow hedge was reclassified to profit or loss.

13. TRADE AND OTHER RECEIVABLES

Payment terms with customers are mainly on credit. Invoices are normally payable within 30 days to 120 days of issuance. The Group may accept bank acceptance bills with maturities ranging from 30 days to 180 days at the end of the credit terms in lieu of cash payment. As at 30 June 2021, included in trade and other receivables, the Group has bank acceptance and commercial bills amounting to RMB423,821,000 (31 December 2020: RMB334,175,000). The following is an aged analysis of trade receivables and bank acceptance and commercial bills, net of allowance for credit losses, presented based on the invoice date, which approximates the revenue recognition dates.

	30.6.2021 **RMB'000** **(Unaudited)**	31.12.2020 RMB'000 (Audited)
Age		
0 – 90 days	**3,557,350**	3,200,890
91 – 180 days	**544,205**	318,680
Over 180 days	**81**	–
	4,101,636	3,519,570

The management of the Group assessed the expected credit loss on trade receivables with significant balances individually. Based on historical experience of the management, these trade receivables are generally recoverable due to the long term/on-going relationship and good repayment record. For the remaining trade receivables, the loss allowance is assessed to be insignificant.

In addition, the management of the Group is of the opinion that those trade receivables aged over 180 days are still fully recoverable due to long-term/on-going relationship and good repayment record from these customers.

14. TRADE AND OTHER PAYABLES

	30.6.2021 RMB'000 (Unaudited)	31.12.2020 RMB'000 (Audited)
Trade payables	2,437,855	2,447,120
Notes payables – guaranteed	1,399,288	1,237,986
	3,837,143	3,685,106
Payroll and welfare payables	375,901	445,326
Payables for acquisition of property, plant and equipment	465,260	446,733
Other payables and accruals	619,179	627,338
Payables related to restricted shares granted to employee (Note 18)	86,125	–
	5,383,608	5,204,503

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	30.6.2021 RMB'000 (Unaudited)	31.12.2020 RMB'000 (Audited)
Age		
0 – 90 days	3,028,535	2,917,433
91 – 180 days	791,704	747,542
Over 180 days	16,904	20,131
	3,837,143	3,685,106

15. BANK LOANS

The variable rate bank loans carry interest ranging from 0.74% to 4.02% (31 December 2020: 0.89% to 3.90%) per annum. The fixed rate bank loans carry interest ranging from 1.00% to 4.37% (31 December 2020: 1.98% to 4.90%) per annum. The Company has issued guarantees to respective banks to secure the borrowings.

During the current interim period, certain non-current bank loans of RMB1,034,369,000 were early repaid due to strategy plan (six months ended 30 June 2020: Nil).

16. UNSECURED NOTES

During the current interim period, the Group issued new unsecured notes of US$300,000,000 due 2 June 2026 at a fixed interest rate of 2.625% ("2026 Notes") and US$350,000,000 due 2 June 2031 at fixed interest rate of 3.750% ("2031 Notes"). The proceeds were used for refinancing and general corporate purposes. The unsecured notes are listed on the Hong Kong Stock Exchange. The effective interest rates of the 2026 Notes and 2031 Notes are 2.7023% and 3.8656% respectively.

17. SHARE CAPITAL

	Number of shares	Amount US$'000
Shares of US$0.01 each		
Authorised:		
Ordinary shares at 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021	5,000,000,000	50,000
Issued and fully paid:		
Ordinary shares at 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021	1,208,500,000	12,085

	RMB'000
Presented in the condensed consolidated statement of financial position	
As at 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021	98,135

18. SHARE AWARD SCHEME

Share award scheme of the Company

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

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

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

During the period from the adoption of the Scheme to 30 June 2021, no shares were issued to the Trustee and no shares of the Company had been purchased by the Trustee nor any share awards had been granted to any employees.

18. SHARE AWARD SCHEME (CONTINUED)

Subsidiary share incentive scheme ("Subsidiary Scheme")

AAC Optics (Changzhou) Co., Ltd. ("AAC Optics"), a subsidiary of the Company, entered into a capital increase agreement with three limited partnerships ("Platforms"), with the purpose to create share incentive platforms. The Subsidiary Scheme entitles selected employees of AAC Optics ("Eligible Scheme Participants") to subscribe the shares of AAC Optics, accounted for approximately 2.0% of the enlarged share capital or 135,377,918 shares of AAC Optics, corresponding to a consideration of RMB135,377,918 or at the subscription price of 1 RMB per share of AAC Optics at the time of grant, which is payable at the same time. Under the Subsidiary Scheme, the Eligible Scheme Participants would settle the subscription price of shares by cash or by combination of cash and related approved loans from the Group or Platforms at market interest rate. During the six months ended 30 June 2021, the fund raised from the Subsidiary Scheme is RMB135,378,000. After deducting the loans of RMB42,409,000 from the Group to certain Eligible Scheme Participants, the net cash proceeds is RMB92,969,000.

Except for 11,163,857 shares which were granted and vested immediately, the remaining shares would be vested over a requisite service period of three-and-a-half year subject to the relevant key performance targets of AAC Optics during the vesting period ("Restricted Shares"). Upon the issue of new shares that are vested under the Subsidiary Scheme, the Group's interest in AAC Optics has been changed. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity (retained profits) and attributed to owners of the Company. As at 30 June 2021, the net cash proceed of unvested portion of Restricted Shares, amounting to RMB86,125,000, is recorded as other payables as the shares are contingently returnable.

A summary of activities of the restricted shares with vesting condition of the Subsidiary Scheme is presented as follows:

	Number of restricted shares	Fair value of share incentive at grant date RMB'000
Unvested as at 1 January 2021	–	–
Granted during the period	98,936,893	162,083
Vested during the period	(11,163,857)	(18,289)
Unvested as at 30 June 2021	87,773,036	143,794

As of 30 June 2021, there are 36,441,025 shares held under the Platforms which are available to be granted to the eligible employees under the Subsidiary Scheme.

In the opinion of the Directors of the Company, the estimated compensation cost of Restricted Shares was based on the fair value of shares of AAC Optics at the date of grant by reference to the consideration of the latest share issue of AAC Optics in October 2020.

At the end of each reporting period, the Group revises its estimates of the restricted shares that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to share-based payments reserve including in the non-controlling interests.

19. CAPITAL COMMITMENTS

	30.6.2021 RMB'000 (Unaudited)	31.12.2020 RMB'000 (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	1,031,520	767,658
– capital contribution to a financial asset at FVTPL	374,311	–
	1,405,831	767,658

20. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in the condensed consolidated financial statements, during the period, the Group had the following significant transactions with related parties, all of which are transacted with entities controlled by close family members of substantial shareholders of the Company. The substantial shareholders are also Directors of the Company.

Nature of transactions	1.1.2021 to 30.6.2021 RMB'000 (Unaudited)	1.1.2020 to 30.6.2020 RMB'000 (Unaudited)
Purchase of raw materials	27,756	40,431
Services fee recharged	61	37
Payment for leases liabilities	13,056	12,494
Property rentals received	777	777
Interest on lease liabilities	967	1,468

Nature of balance	30.6.2021 RMB'000 (Unaudited)	31.12.2020 RMB'000 (Audited)
Lease liabilities	37,128	49,955

Nature of transactions	1.1.2021 to 30.6.2021 US$'000 (Unaudited)	1.1.2020 to 30.6.2020 US$'000 (Unaudited)
Property rentals paid	80	87
Services fee recharged	5	–

During the period, the emoluments paid to the key management personnel of the Company, who represent the Directors of the Company, were RMB5,672,000 (six months ended 30 June 2020: RMB5,809,000).

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

In estimating the fair value of an asset or a liability, the management uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management may consider to engage third party qualified valuers to perform the valuation.

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

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30.6.2021 RMB'000 (Unaudited)	31.12.2020 RMB'000 (Audited)		
Equity instruments at FVTOCI – Listed shares	**51,955**	48,011	Level 1	Quoted bid prices in an active market
Equity instruments at FVTOCI – Unquoted equity investments	**6,479**	6,669	Level 3	Income approach. The discounted cash flow method was used to capture future economic benefits to be derived from the ownership of these investments.
Equity instruments at FVTOCI – Unquoted equity instruments	**295,883**	297,326	Level 3	Market approach. The market approach was used to determine the valuation using trailing-twelve-month Price-to-Sales multiples of selected comparable listed companies in a similar business and similar business model and adjusted for the lack of marketability.
Equity instruments at FVTOCI – Unquoted equity investments	**518,821**	–	Level 2 (Note)	N/A
Financial asset at FVTPL – Unquoted equity investment	**13,295**	–	Level 2 (Note)	N/A

Note: The investments were made near the end of reporting period, the management is of the opinion that the fair value of the investments as at 30 June 2021 approximate to the acquisition cost.

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Financial liabilities	Fair value as at 30.6.2021 RMB'000 (Unaudited)	Fair value as at 31.12.2020 RMB'000 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Interest rate swap contracts	12,210 Liabilities (under hedge accounting)	21,848 Liabilities (under hedge accounting)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at an applicable discount rate taking into account the credit risk of the counter-parties and of the Group as appropriate.
Cross currency swap contracts	19,443 Liabilities (under hedge accounting)	17,268 Liabilities (under hedge accounting)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable yield curves at the end of the reporting period) and contracted exchange rates, discounted at an applicable discount rate taking into account the credit risk of the counter-parties and of the Group as appropriate.

Reconciliation of Level 3 fair value measurements

	Equity instruments at FVTOCI RMB'000
At 1 January 2020 (audited)	281,181
Return of capital	(2,508)
Currency realignment	2,254
At 30 June 2020 (unaudited)	280,927
At 1 January 2021 (audited)	303,995
Currency realignment	(1,633)
At 30 June 2021 (unaudited)	302,362

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

Except for those listed unsecured notes in which there is fair value based on the quoted bid price in an active market, amounting to RMB6,847,227,000 (31 December 2020: RMB2,575,965,000), the management considers that the carrying amounts of the other financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

Past 5 First-half Financial Summary

RESULTS	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000
	Six months ended 30 June				
Revenue	8,644,272	8,424,381	7,567,523	7,837,054	**8,609,140**
Reported profit before taxation	2,441,086	1,996,704	887,822	437,131	**981,738**
Taxation	(313,958)	(218,283)	(118,013)	(116,840)	**(53,242)**
Reported profit	2,127,128	1,778,421	769,809	320,291	**928,496**
Attributable to:					
Owners of the Company - reported	2,126,824	1,778,421	769,809	320,465	**920,952**
Non-controlling interests	304	–	–	(174)	**7,544**
	2,127,128	1,778,421	769,809	320,291	**928,496**
Reported Basic EPS	RMB1.73	RMB1.46	RMB0.64	RMB0.27	**RMB0.76**
Adjusted recurring Basic EPS	RMB1.73	RMB1.41	RMB0.62	RMB0.27	**RMB0.76**
Interim dividend	HK$0.40	HK$0.40	HK$0.40	HK$0.10	**HK$0.20**
No. of shares (weighted average)	1,227,815,000	1,222,000,000	1,211,874,000	1,208,500,000	**1,208,500,000**
Non-GAAP financial measure of non-recurring gains and/or losses:					
Adjustments related to the Group's one-off financial asset investment in AMS:					
i. Deduct the gains on one-off settlement of final earn-out consideration	–	(147,830)	–	–	–
ii. Add back the losses/(deduct the fair value gains) on financial assets at fair value through profit & loss	–	93,056	(15,179)	–	–
Non-GAAP measure of recurring profit before taxation, as adjusted	2,441,086	1,941,930	872,643	437,131	981,738
Non-GAAP measure of recurring profit attributable to owners of the Company, as adjusted	2,126,824	1,723,647	754,630	320,465	920,952
Non-GAAP measure of basic recurring EPS, as adjusted	RMB1.73	RMB1.41	RMB0.62	RMB0.27	RMB0.76

ASSETS AND LIABILITIES	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000
	As at 30 June				
Total assets	24,559,362	28,641,023	28,931,588	34,478,726	**41,648,932**
Total liabilities	(9,574,073)	(11,025,175)	(10,646,367)	(14,851,002)	**(19,117,506)**
Net assets	14,985,289	17,615,848	18,285,221	19,627,724	**22,531,426**
Attributable to owners of the Company	14,975,008	17,615,848	18,285,221	19,618,099	**21,834,870**
Non-controlling interests	10,281	–	–	9,625	**696,556**
	14,985,289	17,615,848	18,285,221	19,627,724	**22,531,426**

Investors Information

STOCK CODES

HKEx: 2018
Bloomberg: 2018: HK
Reuters: 2018.HK
ISIN: KYG2953R1149

The Company issued: (i) U.S.$388,000,000 3.00 per cent. notes due 2024 (stock code: 40075); (ii) U.S.$300,000,000 2.625 per cent. notes due 2026 (stock code: 40699); and (iii) U.S.$350,000,000 3.750 per cent. notes due 2031 (stock code: 40700) to professional investors.

MAJOR MARKET INDEXES

I. Constituent stock of the Hang Seng Index and included in other sub-indexes:
- TECH Index
- Composite LargeCap Index
- Composite Industry Index (Industrials)
- Large-Mid Cap Momentum Comprehensive Index
- Large-Mid Cap Quality Select Index
- High Beta Index
- SCHK China Technology Index

II. Constituent stock of the Hang Seng Corporate Sustainability Index and included in other sub-indexes:
- Corporate Sustainability Index (Mainland and HK)
- HSI ESG Index
- ESG 50 Index

III. Constituent stock of the FTSE4Good Index

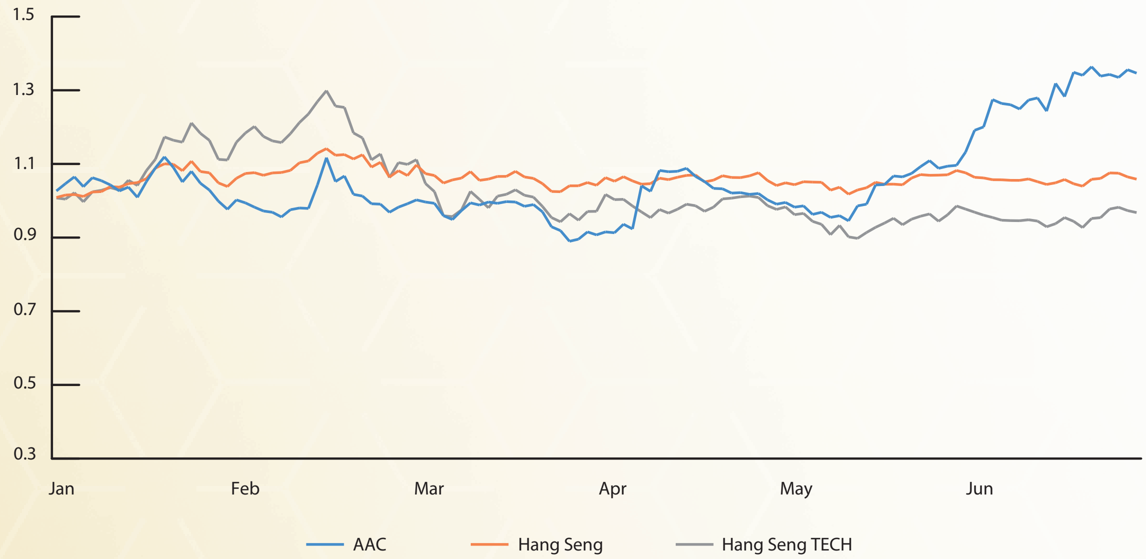
IV. MSCI China Index

MARKET CAPITALIZATION AND SHARE PRICE PERFORMANCE

As at 30 June 2021, the market capitalization of listed shares of the Company was approximately HK$70.21 billion or US$9.04 billion based on the total number of 1,208,500,000 issued shares of the Company and the closing price of HK$58.10 per share.

The daily average number of traded shares was approximately 10.3 million shares over an approximate free float of 652.1 million shares in 1H 2021. The average closing price was HK$45.58 per share, a decrease of 5.18% when compared with the average of 1H 2020. The highest closing price was HK$58.85 per share on 23 June 2021 and the lowest was HK$38.40 per share on 26 March 2021.

6-month relative performance of the Company vs Hang Seng Index and Hang Seng TECH Index from 1 January to 30 June 2021 is set out below:



Base: 31 December 2020 closing = 1.0
Source: Bloomberg

Investors Information

In accordance with the publicly available information and as far as the Directors are aware, the Company has maintained a public float of more than 25% of the Company's issued shares throughout the financial period ended 30 June 2021 and has continued to maintain the public float as at the date of this report.

KEY DATES FOR SHAREHOLDERS

10-15 September 2021	Book Closure Period for Interim Dividend
15 September 2021	Record date for Interim Dividend
20 September 2021	2021 Interim Report available on the websites of the Hong Kong Stock Exchange and the Company
24 September 2021	Payment of 2021 Interim Dividend
Mid-November 2021	2021 Third Quarter Results Announcement
End-March 2022	2021 Annual Results Announcement

Any changes to these dates in 2021/2022 will be published on the websites of the Hong Kong Stock Exchange and the Company.

FINANCIAL REPORTS

The Company's financial reports are made in English and Chinese languages and are available on the Company's website (www.aactechnologies.com) and on the designated website of Hong Kong Exchange and Clearing Limited (www.hkexnews.hk). The Shareholders may request for the financial reports in printed form or in a language version other than their existing choice, and change their choice of language (English and/or Chinese) and/or the means of receipt (in printed form or by electronic means through the Company's website) of the Company's future corporate communications.

The Company will, upon request in writing by the Shareholders to the Hong Kong Share Registrar or by email to aac.ecom@computershare.com.hk, promptly send the corporate communications to such Shareholders in printed form free of charge.

CONTACT INVESTOR RELATIONS

Address	:	Unit 1605–7, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong
Tel	:	+852 3470 0060
Fax	:	+852 3470 0103
Email	:	aac2018@aactechnologies.com

Official IR wechat group:

Definition and Glossary

Abbreviations	Meanings
General	
1H	The first half of the year
2H	The second half of the year
AAC/AAC Technologies/the Company	AAC Technologies Holdings Inc.
AAC Optics	AAC Optics (Changzhou) Co., Ltd.
Articles	The articles of association of the Company
ASP(s)	Average selling price
Board	The Board of directors of the Company
CAPEX	Capital expenditure
CEO	Chief Executive Officer
CG Code	Corporate Governance Code
Code Provision(s)	Code Provisions of the CG Code
Committees	Committees of the Board
Companies Ordinance	The Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Computershare	Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited
COVID-19	Novel Coronavirus
Deloitte	Messrs. Deloitte Touche Tohmatsu
Director(s)	The director(s) of the Company
EBITDA	Profit (Earnings) before interest, tax, depreciation and amortization
ED	Executive Director
EIT Law	Law of the PRC on Enterprise Income Tax
EPS	Earnings per share
ESG	Environmental, Social and Governance
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GRI	Global Reporting Initiative
HKEx/Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
HNTE	High-New Technology Enterprises
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
IAS	International Accounting Standard
Ibeo	Ibeo Automotive Systems GmbH
IFRS(s)	International Financial Reporting Standards

Definition and Glossary

Abbreviations	Meanings
INED(s)	Independent non-executive Director(s)
Memorandum	Memorandum of Association of the Company
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the Hong Kong Listing Rules
Ordinary Shares	Ordinary shares in the capital of the Company
Ppts	Percentage points
Q1	The first quarter
Q2	The second quarter
ROA	Return on average total assets
ROE	Return on average equity
R&D	Research & Development
SDGs	Sustainable Development Goals
SFO	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
Share Award Scheme/AAC Share Award Scheme/Scheme	The Employee's Share Award Scheme adopted by the Board on 23 March 2016
Shareholders	The shareholders of the Company
SWG	Sustainability Working Group
The Group	AAC Technologies Holdings Inc. and its subsidiaries
Trustee	Bank of Communications Trustee Limited, an independent trustee appointed by the Company for managing the Share Award Scheme

QoQ	Quarter-over-quarter
YoY	Year-over-year
America/US	The United States of America
China/PRC	The People's Republic of China
Hong Kong	Hong Kong Special Administrative Region
HKD/HK$	Hong Kong dollars, the lawful currency of Hong Kong
RMB	Renminbi, the lawful currency of PRC
USD/US$	US Dollars, the lawful currency of United States

Definition and Glossary

Abbreviations	Meanings
Industry	
5G	5th generation mobile network
AR/VR	Augmented reality/virtual reality
IIRC	International Integrated Reporting Council
ISO 14001	The International Standard that specifies requirements for an effective environmental management system (EMS)
ISO 27001	The International Standard that sets out the specification for an information security management system (ISMS)
LiDAR	Light detection and ranging
MEMS	Micro Electro-Mechanical Systems
MSCI	Morgan Stanley Capital International
RF	Radio Frequency
TCFD	Task Force on Climate-related Financial Disclosure
UNGC	United Nations Global Compact
WLG	Wafer-level glass

瑞聲科技控股有限公司
AAC TECHNOLOGIES HOLDINGS INC.