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 RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the "**Board**") of directors (the "**Director(s)**") of AAC Technologies Holdings Inc. ("**AAC Technologies**" or the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2019 ("1H 2019") together with the comparative figures for the corresponding period in 2018 ("1H 2018").

These unaudited condensed consolidated financial statements have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu and the Company's audit and risk committee (the "**Audit and Risk Committee**") and approved by the Board on 23 August 2019.

2019 INTERIM RESULTS HIGHLIGHTS (UNAUDITED):

(RMB Million)	**1H 2019**	1H 2018	*YoY%*	**2Q 2019**	2Q 2018	*YoY%*
Revenue	**7,568**	8,424	*-10%*	**3,815**	3,786	*1%*
Gross Profit	**2,084**	3,095	*-33%*	**955**	1,331	*-28%*
Gross Profit Margin	***27.5%***	*36.7%*	*-9.2ppt*	***25.0%***	*35.2%*	*-10.2ppt*
Net Profit	**770**	1,778	*-57%*	**338**	653	*-48%*
Net Profit Margin	***10.2%***	*21.1%*	*-10.9ppt*	***8.9%***	*17.2%*	*-8.3ppt*
Basic EPS (RMB)	**0.64**	1.46	*-56%*	**0.28**	0.54	*-48%*
Dividend per share (HK$)	**0.40**	0.40	-	**-**	-	-
Share Numbers (Weighted average, million)	**1,212**	1,222		**1,211**	1,222	

INTERIM REVIEW

For the six months ended 30 June 2019, total revenue of the Group decreased 10% year-on-year to RMB7.57 billion. Revenue, for the three months ended 30 June 2019 ("second quarter"), showed an increase of 1% year-on-year to RMB3.82 billion, exhibiting a sequential improvement and mitigating the decline in the first quarter. Gross profit margin decreased by 9.2 percentage points from the same period of last year to 27.5%, as some new design solutions were in their early cycle and still gaining market share and yet to reach optimal scale. Net profit for the first half of 2019 declined by 57% year-on-year to RMB770 million, mainly due to reduced gross profit and increased research and development ("R&D") costs.

The Board of Directors has declared an interim dividend of HK$0.40 per share for 2019 (2018: HK$0.40), to pay in cash on 27 September 2019, to shareholders whose names appear in the register of members on 18 September 2019.

Given that the Group is always committed to prudent financial management and strong operating cash flow with healthy gearing, it is expected that the Group would be able to control to enhance shareholders' return via dividends and share buybacks, despite an uncertain global economic outlook. During the period, the Group has spent a total of about HK$1.56 billion for paying dividends and repurchasing shares.

The Group continued to make satisfactory progress on business development and R&D in the second quarter. For acoustics business, the entry-level super linear structure ("SLS") products have successfully penetrated into mid-tier Android models; for optical business, average monthly shipments have doubled year-on-year to almost 30 million units; for electromagnetic drives business, the stepper motor module has started mass production and shipment to mainstream Android customers, as a new revenue driver for the Group. As for patents, as of 30 June 2019, the Group owned 3,956 patents, an increase by 18% from 31 December 2018.

The Group has reinforced the optical business as one of the key and strategic growth drivers for this year, amid its strong growth potential and economies of scale. In addition to expanding the production capacities of high-spec plastic lenses and hybrid optical modules, the Group has started the development plan of a new industrial park for smart manufacturing in China, accelerating the technical development and mass production of wafer-level glass ("WLG") lenses. The Group is proactively developing new imaging lens modules and building a new factory in Nanning, China for these innovative high-end periscope lens modules. Furthermore, the Imaging R&D Center in Finland will focus on developing innovative optical technologies and new applications. Our capabilities in imaging algorithm, high-spec cameras and periscope designs should enable the Group to be a leading integrated total solution provider of the optical business supply chain.

Meanwhile, the Group has presented various technological innovations and upgraded products in each business segment in the first half of 2019. In our annual technology Seminar, the Group débuted a series of leading solutions including classic SLS, high-end periscope lens solutions, upgraded haptic motors, and customized MEMS microphones; including TWS headphones, AR spectacles and automobile audio systems. In the Mobile World Congress, ahead of the 5G era, the Group unleashed six different 5G antenna solutions for mobile phone and base station. In the Consumer Electronics Show Asia, the Group joined Honda to present a brand-new on-board directional sound system for automobile. The Group believes that these technology innovations and solutions would be the new drivers for revenue and sustainable growth.

PERFORMANCE OF BUSINESS SEGMENTS

Acoustics business

Affected by reduced global smartphone shipments, and extended cycles for specification innovations and upgrades, both ASP and volume were under pressure in the first half of 2019. Acoustics business revenue and gross profit margin in the first half of 2019 fell year-on-year by 15% and 7.4 percentage points respectively, to RMB3.65 billion and 30.1%.

During the period, our SLS product platform continued to gain market share in Android smartphones. SLS accounted for 50% of total Android acoustics modules shipments in the second quarter, an increase from 35% in the first quarter. As scheduled, the "Entry level" SLS products' penetration in the high-end has been extended to the mid-tier segment. The Group has planned to gradually replace "Entry level" with an "Upgraded version" in the second half of 2019. Through this proprietary SLS technology platform, the Group is committed to deliver further sustainable specification upgrade for more precise and richer acoustic performance. Furthermore, newly launched "Classic Version", an effective technical breakthrough achieving a 30%-higher diaphragm amplitude than the "Upgraded Version", is already well received by the customers. Applications in customers' new products expected in the second half of 2019 should enhance the differentiation of users' experience and accelerate the specification upgrade adoption.

Overall, the Group foresees an uptrend for both shipments and ASP of SLS products, and a potential improvement of gross margin of acoustics business in the second half of 2019.

Optics business

Riding on improvements in capacity utilization and market penetration, optical business revenue in the first half of 2019 increased by 73% year-on-year to RMB417 million. The Group has successfully entered the plastic lens supply chain, and become one of the top three global suppliers. Average monthly shipments in the second quarter of 2019 almost doubled year-on-year, to almost 30 million units. The Group targets the average monthly shipments to further double to 60 million units and profitability to improve by the year-end.

The Group is committed to the strategy of delivering higher specification plastic lens. Currently, the Group has successfully penetrated into more popular models of Android customers. Leveraging on the Group's proprietary moulding and full automation capabilities, the Group is targeting at higher-spec orders to improve capacity utilization and optimize production efficiency. By year-end and upon customers' recognition, the Group has planned for the production of its high-end hybrid designs with our unique WLG lens, and the acceleration of mass production.

Electromagnetic Drives and Precision Mechanics

Revenue in the first half of 2019 decreased by 12% year-on-year to RMB3.03 billion. Precision mechanics showed a significant revenue growth while that of electromagnetic drives declined. Despite the decline in ASP and shipment volume of major electromagnetic drives products, gross profit margin level has been maintained. The Group achieved targeted operational efficiency, attributed to its core proprietary technologies and competitive advantage of full automation. The precision mechanics business has successfully penetrated into more high-end Android models. This industry has a lower gross profit margin, weighing on the overall gross profit margin of this business segment, down 9.9 percentage points year-on-year to 29.7% in the first half of 2019.

As a key player in electromagnetic drives products, the Group expects the x-axis haptic motors to further penetrate into more Android models in the second half of the year. Shipments next year are expected to see strong growth from approx. 20 million this year. In addition, the stepper motor module business has been rolled out with commencement of mass production. For precision mechanics, the Group's metal frame products have penetrated into more mainstream high-end Android models in the first half of 2019. In the second half of the year, the Group aims to win more orders, increasing capacity utilization and enhancing financial performance of this segment.

The Group has accumulated valuable knowledge in electromagnetic technology over the years which would be a competitive advantage in its efforts to seize new market opportunities and expand market share.

MEMS Components

In the first half of 2019, revenue from this Micro-electromechanical systems ("MEMS") microphones business segment increased by 11% year-on-year to RMB380 million, and gross profit margin increased by 4.1 percentage points year-on-year to 23.5%. MEMS microphones shipments and unit prices both showed an uptrend in the second quarter. In our efforts to improve gross profit margin, the Group has been working to increase the proportion of in-house MEMS dies and digital ASIC chips in our MEMS microphones. The Group would strive for and promote more upgrades in MEMS microphones' technology, and broaden its application to new devices such as those in the smart home market.

PROSPECTS

The global economy, as well as the consumer electronics market, are facing strong headwinds and uncertainties. Smartphone shipments in the first half of 2019 continued to decline, although such decline has moderated in the second quarter compared with the first quarter. Upon the arrival of 5G era and smartphone upgrades, our technology leadership and competitive advantage will be reaffirmed. The Group is confident that our proprietary technology product platforms would help us grow our business from the new smartphones. With an optimal product mix and enhanced production efficiency, we are well placed to improve operating margins over time, and maximize the returns to our shareholders.

FINANCIAL REVIEW

Revenue

1H 2019 Group revenue declined year-on-year by 10%, to RMB7.6 billion. Owing to factors discussed under "Interim Review" above, revenue from the Acoustics and Electromagnetic Drives & Precision Mechanics decreased by RMB656 million and RMB408 million respectively, whilst Optics revenue saw an encouraging increase of RMB176 million, compared with 1H 2018.

Gross Profit and Gross Profit Margin

1H 2019 gross profit was RMB2.1 billion, representing a decrease by 33%, from the gross profit of RMB3.1 billion in 1H 2018. The drop in gross profit was primarily due to the reduction in revenue and gross profit margin. Gross profit margin decreased to 27.5% in 1H 2019 as compared with 36.7% in 1H 2018. Although the overall yield and efficiency were improved, the gross profit margin was decreased owing to ASP pressures on legacy products and unfavorable product mix due to slow-down in innovation and specs upgrade.

Administrative Expenses

Administrative expenses in 1H 2019 were RMB291 million, 5% higher, compared with RMB278 million in 1H 2018.

Distribution and Selling Expenses

Distribution and selling expenses of RMB121 million in 1H 2019, along with the decline in revenue, dropped by 13%, compared with RMB139 million in 1H 2018. Amongst the drop, there was a corresponding decline in human resource payroll expenses.

Research and Development Expenses

Research and development ("R&D") expenses in 1H 2019 were RMB831 million, 15% higher than RMB723 million in 1H 2018. The increase was primarily attributable to the higher R&D related to optics business, in line with the Group's plan for a significant growth in production and shipments in the next 12 months and optics as a key growth driver in the future.

Finance Costs

Finance costs in 1H 2019 amounted to RMB114 million, representing an increase of 11% compared with RMB103 million in 1H 2018. Such increase in finance costs was due to the rise of market interest rates in 1H 2019 and higher borrowing interest rate impact in our strategy to have long-term bank loans in our loan portfolio for better liability and risk management. The percentage of long-term bank loans as at 30 June 2019 is 61% of total bank loans (31 December 2018: 41%).

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 2019 amounted to RMB118 million, representing a decrease of 46% from RMB218 million in 1H 2018. While the effective tax rate have increased 2.4 percentage points compared with that of 1H 2018, the increase was temporary due to the different taxation status of our Chinese operating subsidiaries.

Net Profit and Net Profit Margin

Reported net profit for 1H 2019 was RMB0.8 billion, a decline by 57% compared with RMB1.8 billion in 1H 2018. The decline was due to decline of revenue and gross profit margin, together with higher research and development costs incurred during the period contributed to the adverse 10.9 percentage points decrease in net profit margin to 10.2%.

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	
	2019	2018
	RMB million	*RMB million*
Net cash from operating activities	**1,785.0**	3,810.2
Net cash used in investing activities	**(1,218.8)**	(2,458.0)
Net cash used in financing activities	**(1,452.0)**	(2,228.0)

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 RMB1,785.0 million for 1H 2019 (1H 2018: RMB3,810.2 million).

i. ***Trade Receivables and Payables***

As at 30 June 2019, turnover days of trade receivables decreased by 11 days to 80 days as compared to 31 December 2018. Trade receivables decreased by RMB42 million to RMB3.3 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 RMB3,229.2 million (31 December 2018: RMB3,269.3 million), RMB97.7 million (31 December 2018: RMB94.9 million) and RMB0.1 million (31 December 2018: RMB4.8 million) respectively. The Company has received subsequent settlement totaling RMB1,474.1 million up to 31 July 2019, representing 44% of the total amount outstanding, net of allowances, as at the end of the reporting period.

The Group's trade payables turnover days decreased by 22 days to 100 days as compared to 31 December 2018. Aging of trade payables based on invoice dates between 0–90 days, 91–180 days and over 180 days were RMB2,411.0 million (31 December 2018: RMB2,593.2 million), RMB471.5 million (31 December 2018: RMB618.1 million) and RMB15.4 million (31 December 2018: RMB8.0 million) respectively.

ii. ***Inventory Turnover***

As at 30 June 2019, the inventories have decreased by RMB175.6 million compared to 31 December 2018. The inventory turnover days decreased to 106 days as at 30 June 2019 from 108 days for 31 December 2018.

Investing Activities

Net cash invested in 1H 2019 and 1H 2018, amounted to RMB1,218.8 million and RMB2,458.0 million, respectively. CAPEX will include 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 2019 and 1H 2018, total CAPEX incurred were RMB1,319.0 million and RMB2,270.9 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.

Financing Activities

The Group recorded net cash used in financing activities of approximately RMB1,452.0 million for 1H 2019. Major outflows were dividend paid to Shareholders of RMB1,094.3 million (1H 2018: RMB1,751.4 million). For 1H 2019, the Group recorded net inflow from bank borrowings, new bank borrowings raised of RMB2,230.5 million (1H 2018: RMB3,068.3 million) and repayment of bank loans of RMB2,157.2 million (1H 2018: RMB3,442.2 million).

Cash and Cash Equivalents

As at 30 June 2019, the unencumbered cash and cash equivalents of the Group amounted to RMB3,173.4 million (31 December 2018: RMB4,058.9 million), of which 47.9% (31 December 2018: 61.9%) was denominated in US dollar, 44.7% (31 December 2018: 30.8%) in RMB, 1.8% (31 December 2018: 4.4%) in Hong Kong dollar, 1.8% (31 December 2018: 0.4%) in Singapore dollar, 1.6% (31 December 2018: 0.5%) in Euros, 0.8% (31 December 2018: 0.3%) in Vietnamese Dong, 0.7% (31 December 2018: 1.2%) in Japanese Yen, and 0.7% (31 December 2018: 0.5%) in other currencies.

Gearing Ratio and Indebtedness

As at 30 June 2019, the Group's gearing ratio, defined as total loans and borrowings divided by total assets, was 20.8% (31 December 2018: 19.8%). Netting off cash and cash equivalents, net gearing ratio was 9.8% (31 December 2018: 6.2%).

The short-term bank loans and long-term bank loans of the Group as at 30 June 2019 amounted to RMB2,321.3 million (31 December 2018: RMB3,492.5 million) and RMB3,693.2 million (31 December 2018: RMB2,427.9 million) respectively.

Management believes that the Group's current cash and cash equivalents, together with available credit facilities and expected cash flow from operations, will be sufficient to satisfy the current operational requirements and CAPEX of the Group.

Charges on Group Assets

Apart from bank deposits amounting to RMB11.1 million that were pledged to banks mainly in relation to equipment purchases as at 30 June 2019 (31 December 2018: RMB2.1 million), no other Group assets were charged to any financial institutions.

OFF-BALANCE SHEET TRANSACTIONS

As at 30 June 2019, 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. Since 2018, we have adopted a co-sourcing internal audit model, by engaging a professional accounting firm to work alongside our internal audit department, to help the Group systematically 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 announcement 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 Segment

A substantial part of the Group's revenue is derived in the smartphone segment of the consumer electronics market. The overall global market for smartphones contracted in 2019. A continual contraction in the global smartphones market may adversely affect our operating results and financial condition. 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. Our substantial on-going investments in R&D, leading to an expanded suite of 3,956 patents in total across acoustic and new technology platforms, should also help to protect our business against competition within the smartphone market segment.

Reliance on a Number of Key Customers

The Group's five largest customers, which accounted for 78% of the Group's total revenue, are all related to the dynamic 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.

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 having secured long-term five-year bank loans and entered into interest rate swap contracts.

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 Trade Frictions between China and the US

Trades between China and the US on certain goods had been more restrictive since July 2018, with imposed tariffs on selected categories. The trade tensions have not yet shown signs of alleviation and in May 2019, the US further increased tariffs for certain products imported from China.

Prolonged and intensified trade frictions might lead to a slowdown on global consumer electronic market and a decline of the orders by the key customers of the Group, which might have an adverse impact on the Group’s results of operations and financial conditions. Such impact might be exacerbated by the current softness in the smartphone industry including slow spec upgrades by customers. The Group will closely monitor any new developments to assess adverse and material business implications that might arise.

The Group is not aware of any of its key raw materials and products being included in the latest target lists and its products are also not directly exported to the US. So far, the Group's business operations have not experienced any significant immediate impact arising from the trade frictions.

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

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

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

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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	NOTES	**1.1.2019 to 30.6.2019 (Unaudited)** ***RMB'000***	1.1.2018 to 30.6.2018 (Unaudited) *RMB'000*
Revenue	*3*	**7,567,523**	8,424,381
Cost of goods sold		**(5,483,162)**	(5,329,786)
Gross profit		**2,084,361**	3,094,595
Other income, gains and losses	*4*	**115,992**	91,630
Gain on final settlement of earn-out consideration		–	147,830
Fair value gain (loss) on financial assets at fair value through profit or loss	*10*	**15,179**	(93,056)
Distribution and selling expenses		**(120,731)**	(138,854)
Administrative expenses		**(291,342)**	(277,708)
Research and development costs		**(830,796)**	(722,695)
Exchange gain (loss)		**29,519**	(2,367)
Finance costs		**(114,360)**	(102,671)
Profit before taxation	*5*	**887,822**	1,996,704
Taxation	*6*	**(118,013)**	(218,283)
Profit for the period		**769,809**	1,778,421
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		**13,890**	32,288
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from translation of foreign operations		**(33,817)**	(8,934)
Fair value changes on derivative financial instruments		**(25,218)**	13,563
(Gain) loss reclassified to profit or loss on hedged items		**(1,811)**	1,026
		(46,956)	37,943
Total comprehensive income for the period		**722,853**	1,816,364
Profit for the period attributable to owners of the Company		**769,809**	1,778,421
Total comprehensive income for the period attributable to owners of the Company		**722,853**	1,816,364
Earnings per share - Basic	*8*	**RMB0.64**	RMB1.46

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2019

	NOTES	**30.6.2019 (Unaudited) *RMB'000***	31.12.2018 (Audited) *RMB'000*
Non-current assets			
Property, plant and equipment	*9*	**16,120,029**	15,440,039
Right-of-use assets	*9*	**700,499**	–
Goodwill		**164,350**	164,350
Prepaid lease payments		**–**	622,362
Deposits made for acquisition of property, plant and equipment		**669,966**	1,085,904
Investment properties	*9*	**14,257**	14,854
Equity instruments at fair value through other comprehensive income	*10*	**189,149**	178,684
Intangible assets		**345,818**	366,607
Derivative financial instruments	*11*	**–**	11,153
		18,204,068	17,883,953
Current assets			
Inventories		**3,143,933**	3,319,480
Trade and other receivables	*12*	**4,311,345**	4,474,213
Financial assets at fair value through profit or loss	*10*	**30,978**	22,426
Amounts due from related companies		**2,843**	4,991
Taxation recoverable		**22,415**	35,509
Pledged bank deposits		**11,100**	2,100
Bank balances and cash		**3,204,906**	4,126,494
		10,727,520	11,985,213
Current liabilities			
Trade and other payables	*13*	**4,061,008**	4,548,240
Contract liabilities		**12,118**	8,673
Lease liabilities		**38,776**	–
Amounts due to related companies		**63,590**	62,468
Taxation payable		**169,693**	204,880
Bank loans	*14*	**2,321,294**	3,492,507
		6,666,479	8,316,768
Net current assets		**4,061,041**	3,668,445
Total assets less current liabilities		**22,265,109**	21,552,398
Non-current liabilities			
Bank loans	*14*	**3,693,196**	2,427,854
Government grants		**174,414**	117,779
Lease liabilities		**25,875**	–
Deferred tax liabilities		**69,356**	71,669
Derivative financial instruments	*11*	**17,047**	998
		3,979,888	2,618,300
Net assets		**18,285,221**	18,934,098
Capital and reserves			
Share capital	*15*	**98,135**	98,906
Reserves		**18,187,086**	18,835,192
Total equity		**18,285,221**	18,934,098

1. GENERAL

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

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 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 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 new and 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 2019 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 2018.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	Leases
IFRIC - Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015 - 2017 Cycle

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

2. PRINCIPAL ACCOUNTING POLICIES - CONTINUED

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

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

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

<u>Short-term leases and leases of low-value assets</u>

The Group applies the short-term lease recognition exemption to leases of leasehold land and buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2. PRINCIPAL ACCOUNTING POLICIES - CONTINUED

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases - continued

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 - continued

As a lessee - continued

<u>Right-of-use assets</u>

Except for short-term leases and lease of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

<u>Leasehold land and building</u>

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

<u>Refundable rental deposits</u>

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

2. PRINCIPAL ACCOUNTING POLICIES - CONTINUED

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases - continued

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 - continued

As a lessee - continued

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

2. PRINCIPAL ACCOUNTING POLICIES - CONTINUED

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases - continued

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 - continued

As a lessee - continued

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2.1.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC - Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

2. PRINCIPAL ACCOUNTING POLICIES - CONTINUED

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases - continued

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 - continued

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties and land leases in the Mainland China was determined on a portfolio basis; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease terms for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of IFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8 (b) (ii) transaction.

The Group recognised lease liabilities of RMB75,291,000 and right-of-use assets of RMB698,083,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.07%.

2. PRINCIPAL ACCOUNTING POLICIES - CONTINUED

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases - continued

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 - continued

As a lessee - continued

	At 1 January 2019 *RMB'000*
Operating lease commitments disclosed as at 31 December 2018	95,080
Less: Recognition exemption - short-term leases and low-value assets leases	(17,215)
	77,865
Lease liabilities discounted at relevant incremental borrowing rates relating to operating leases recognised upon application of IFRS 16 as at 1 January 2019	75,291
Analysed as	
Current	50,593
Non-current	24,698
	75,291

2. PRINCIPAL ACCOUNTING POLICIES - CONTINUED

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases - continued

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 - continued

As a lessee - continued

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Notes	Right-of-use assets *RMB'000*
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		75,291
Reclassified from prepaid lease payments	*(a)*	622,362
Adjustments on rental deposits at 1 January 2019	*(b)*	430
		698,083
By class:		
Land		622,362
Buildings		75,721
		698,083

Notes:

(a) Upfront payments for leasehold land in People's Republic of China (the "PRC") were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the prepaid lease payments amounting to RMB622,362,000 were reclassified to right-of-use assets.

(b) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB430,000, RMB440,000 and RMB10,000 were adjusted to right-of-use assets, refundable rental deposits paid and retained profits respectively.

2. PRINCIPAL ACCOUNTING POLICIES - CONTINUED

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases - continued

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 - continued

The following is the impact of transition to IFRS 16 on retained profits at 1 January 2019.

	Impact of adopting IFRS 16 at 1 January 2019 *RMB'000*
Retained profits	
Adjustments on rental deposits paid and impact at 1 January 2019	(10)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 *RMB'000*	Adjustments *RMB'000*	Carrying amounts under IFRS 16 at 1 January 2019 *RMB'000*
Non-current Assets			
Prepaid lease payments	622,362	(622,362)	–
Right-of-use assets	–	698,083	698,083
Current Assets			
Trade and other receivables	4,474,213	(440)	4,473,773
Current Liabilities			
Lease liabilities	–	50,593	50,593
Non-current liabilities			
Lease liabilities	–	24,698	24,698
Capital and reserves			
Reserves	18,835,192	(10)	18,835,182

3. SEGMENT INFORMATION

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

Information reported to the CEO for the purposes of resource allocation and assessment of performances focuses specifically on the type of products sold. This is also the basis upon which the Group is organised and managed. The Group's operating and reportable segments under IFRS 8 are dynamic components (including acoustic modules (formerly known as miniature speaker modules), acoustic unit (formerly known as receivers and speakers)), electromagnetic drives and precision mechanics, MEMS components and other products (including optics, RF antenna, traditional microphones and headsets), 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 transferred.

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

All sales contract are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

3. SEGMENT INFORMATION - CONTINUED

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

	1.1.2019 to 30.6.2019	1.1.2018 to 30.6.2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Operating and reportable segments		
Segment revenue - recognised at a point in time		
Dynamic components	**3,645,851**	4,302,244
Electromagnetic drives and precision mechanics	**3,029,986**	3,438,336
MEMS components	**380,104**	343,931
Other products	**511,582**	339,870
	7,567,523	8,424,381
Segment results		
Dynamic components	**1,097,438**	1,614,578
Electromagnetic drives and precision mechanics	**900,478**	1,360,510
MEMS components	**89,316**	66,782
Other products	**(2,871)**	52,725
Total profit for operating and reportable segments - gross profit	**2,084,361**	3,094,595
Unallocated amounts:		
Interest income	**31,618**	24,070
Other income, gains and losses	**84,374**	67,560
Gain on final settlement of earn-out consideration	**–**	147,830
Fair value gain (loss) on financial assets at fair value through profit or loss	**15,179**	(93,056)
Distribution and selling expenses	**(120,731)**	(138,854)
Administrative expenses	**(291,342)**	(277,708)
Research and development costs	**(830,796)**	(722,695)
Exchange gain (loss)	**29,519**	(2,367)
Finance costs	**(114,360)**	(102,671)
Profit before taxation	**887,822**	1,996,704

No analysis of the Group's assets and liabilities by operating and reportable segments is disclosed as such information is not regularly provided to the CEO for review.

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, gain on final settlement of earn-out consideration, fair value gain (loss) on financial assets at fair value through profit or loss and exchange gain (loss).

3. SEGMENT INFORMATION - CONTINUED

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

	1.1.2019 to 30.6.2019 ***RMB'000*** **(Unaudited)**	1.1.2018 to 30.6.2018 *RMB'000* (Unaudited)
Greater China* (country of domicile)	**3,252,295**	3,029,377
Other foreign countries:		
America	**3,512,903**	4,387,788
Other Asian countries	**789,225**	1,002,263
Europe	**13,100**	4,953
	7,567,523	8,424,381

* 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 RMB4,556,126,000 (six months ended 30 June 2018: RMB6,453,837,000). No disclosure of the total amount of revenue by each customer and number of customers is 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

	1.1.2019 to 30.6.2019 ***RMB'000*** **(Unaudited)**	1.1.2018 to 30.6.2018 *RMB'000* (Unaudited)
Government subsidy income	**86,781**	43,929
Interest income	**31,618**	24,070
Others	**(2,407)**	23,631
	115,992	91,630

5. PROFIT BEFORE TAXATION

	1.1.2019 to 30.6.2019 *RMB'000* (Unaudited)	1.1.2018 to 30.6.2018 *RMB'000* (Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of intangible assets	**20,920**	15,413
Allowance (reversal) for obsolete inventories, included in cost of goods sold	**48,594**	(5,846)
Depreciation of property, plant and equipment	**980,611**	818,635
Depreciation of right-of-use assets	**38,467**	N/A
Release of prepaid lease payments	**N/A**	5,961

6. TAXATION

	1.1.2019 to 30.6.2019 *RMB'000* (Unaudited)	1.1.2018 to 30.6.2018 *RMB'000* (Unaudited)
The tax charge (credit) comprises:		
PRC Enterprise Income Tax	**98,958**	176,719
Other jurisdictions	**47,877**	54,603
Hong Kong Profits Tax	**–**	87
Overprovision of taxation in prior years	**(29,906)**	(12,773)
	116,929	218,636
PRC withholding tax	**3,344**	-
Deferred tax	**(2,260)**	(353)
	118,013	218,283

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.

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.

6. TAXATION - CONTINUED

In addition, certain PRC subsidiaries were officially endorsed as High-New Technology Enterprises ("HNTE") till the dates ranging from 31 October 2020 to 28 November 2021. 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.

7. DIVIDENDS

During the current interim period, a final dividend of HK$1.03 per share in respect of the year ended 31 December 2018 (six months ended 30 June 2018: final dividend of HK$1.70 per share in respect of the year ended 31 December 2017) was paid to shareholders of the Company. The aggregate amount of the final dividend declared in the interim period amounted to HK$1,244,755,000 (equivalent to RMB1,094,264,000) (six months ended 30 June 2018: HK$2,077,400,000 (equivalent to RMB1,751,456,000)).

Subsequent to the end of the interim period, the Directors have resolved that an interim dividend of HK$0.40 per share (2018 interim dividend: HK$0.40 per share) will be paid to the shareholders of the Company.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2019 is based on the profit for the period attributable to owners of the Company of RMB769,809,000 (six months ended 30 June 2018: RMB1,778,421,000) and on the weighted average of 1,211,874,000 (six months ended 30 June 2018: 1,222,000,000) shares in issue during the period.

No diluted earnings per share is presented as the Group does not have any potential 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 RMB1,716,734,000 (six months ended 30 June 2018: RMB2,073,177,000). Part of the consideration of RMB1,085,904,000 (six months ended 30 June 2018: RMB913,987,000) 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 RMB17,862,000 (six months ended 30 June 2018: RMB4,101,000) for proceeds of RMB17,168,000 (six months ended 30 June 2018: RMB3,963,000) and resulting in a loss on disposal of RMB694,000 (six months ended 30 June 2018: RMB138,000).

(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 5 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 RMB35,829,000 of right-of-use assets of which RMB18,244,000 represents prepaid lease payments, and RMB17,505,000 lease liabilities.

(iii) Investment properties

During the period, depreciation on the investment properties amounted to RMB597,000 (six months ended 30 June 2018: RMB597,000) was charged to the profit or loss.

10. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(i) Equity instruments at fair value through other comprehensive income ("FVTOCI")

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Unlisted shares	**135,712**	141,255
Listed shares	**53,437**	37,429
	189,149	178,684

Unlisted shares

Included in the Group's investment in unlisted shares is an investment in a holding company, holding equity interests in a company engaged in producing semiconductor components in integrated circuits and development of intellectual properties. As at 30 June 2019, the fair value of the investment determined by market approach was RMB100,000,000 (31 December 2018: RMB100,000,000).

10. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CONTINUED

(i) Equity instruments at fair value through other comprehensive income ("FVTOCI") – continued

Listed shares

The amount represents the Group's investment in a company listed in Japan. As at 30 June 2019, the fair value of the investment determined by reference to the quoted market bid prices available was RMB53,437,000 (31 December 2018: RMB37,429,000).

(ii) Financial assets at fair value through profit or loss ("FVTPL")

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Listed shares – AMS	**30,978**	22,426

The amount represents the Group's investment in AMS AG ("AMS"). AMS is a Swiss listed company incorporated in Austria and is engaged in the manufacturing of sensor and analogy solutions.

During the current interim period, a certain number of AMS shares were disposed of in the market for an aggregate proceed of RMB6,771,000. The fair value gain related to these shares was RMB536,000, which has been included as part of the gain on changes in fair value recognised in the profit or loss during the interim period.

As at 30 June 2019, the fair value of the AMS shares held by the Group, determined by reference to the quoted market bid prices available, amounted to RMB30,978,000 (31 December 2018: RMB22,426,000) and a gain on changes in fair value on the AMS shares of RMB14,643,000 has been recognised in the profit or loss.

Subsequent to 30 June 2019, the Group disposed of its entire interest in AMS in the market at a total consideration of CHF5,014,000 (equivalent to RMB35,033,000).

11. DERIVATIVE FINANCIAL INSTRUMENTS

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Derivatives financial assets - under hedge accounting		
Interest rate swap contracts	–	11,153
Derivatives financial liabilities - under hedge accounting		
Interest rate swap contracts	**17,047**	998

11. 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 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 consider that the interest rate swap contracts are highly effective hedging instruments and have designated them as cash flow hedging instruments for hedge accounting purpose.

The hedges were highly effective in hedging cash flow exposure to interest rate movements. Net adjustments on cash flow hedges of loss of RMB27,029,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: gain of RMB14,589,000) have been recognised in other comprehensive income and accumulated in equity. 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.

12. 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 2019, included in trade and other receivables, the Group has bank acceptance and commercial bills amounting to RMB143,753,000 (31 December 2018: RMB196,261,000). The following is an aged analysis of trade and bills receivables presented based on the invoice date, which approximates the revenue recognition dates. The analysis below is net of allowance for doubtful debts.

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Age		
0 - 90 days	**3,229,125**	3,269,316
91 - 180 days	**97,709**	94,939
Over 180 days	**122**	4,758
	3,326,956	3,369,013

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 expected credit loss rate 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.

13. TRADE AND OTHER PAYABLES

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

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Age		
0 - 90 days	**2,411,056**	2,593,244
91 - 180 days	**471,465**	618,059
Over 180 days	**15,398**	8,036
	2,897,919	3,219,339

14. BANK LOANS

The variable rate bank loans carry interest ranging from 3.43% to 4.03% (31 December 2018: 3.19% to 3.74%) per annum. The fixed rate bank loans carry interest ranging from 3.20% to 4.75% (31 December 2018: 2.90% to 4.75%) per annum. The Company has issued guarantees to respective banks to secure the borrowings.

15. SHARE CAPITAL

	Number of shares	Amount
		US$'000
Shares of US$0.01 each		
Authorised:		
Ordinary shares at 1 January 2018, 1 January 2019 and 30 June 2019	5,000,000,000	50,000
Issued and fully paid:		
Ordinary shares at 1 January 2018 and 30 June 2018	1,222,000,000	12,220
Shares repurchased and cancelled	(4,000,000)	(40)
Ordinary shares at 31 December 2018 and 1 January 2019	1,218,000,000	12,180
Shares repurchased and cancelled	(9,500,000)	(95)
Ordinary shares at 30 June 2019	1,208,500,000	12,085

15. SHARE CAPITAL - CONTINUED

	RMB'000
Presented in the condensed consolidated statement of financial position	
As at 1 January 2018	99,231
Shares repurchased and cancelled	(325)
As at 31 December 2018 and 1 January 2019	98,906
Shares repurchased and cancelled	(771)
As at 30 June 2019	98,135

During the current interim period, the Company repurchased a total of 7,500,000 issued ordinary shares of the Company in the market for a consideration of HK$319,854,000 (equivalent to RMB277,456,000). 9,500,000 ordinary shares were cancelled during the period ended 30 June 2019, including 2,000,000 ordinary shares which were repurchased during the year ended 31 December 2018.

16. SHARE AWARD SCHEME

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 since adoption of the Scheme.

17. 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 those derived from 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).

17. 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 assets	Fair value as at		Fair value hierarchy	Valuation technique (s) and key input (s)
	30.6.2019 ***RMB'000*** **(Unaudited)**	31.12.2018 *RMB'000* (Audited)		
Interest rate swap contracts	**–**	11,153 Assets (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.
Financial assets at FVTPL - Listed shares	**30,978**	22,426	Level 1	Quoted bid prices in an active market.
Equity instruments at FVTOCI - Listed shares	**53,437**	37,429	Level 1	Quoted bid prices in an active market
Equity instruments at FVTOCI - Unquoted equity investments	**6,818**	12,409	Level 3	Income approach. The discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.
Equity instruments at FVTOCI - Unquoted equity instruments	**128,894**	128,846	Level 3	Market approach. The market approach was used to determined 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.

Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30.6.2019 **RMB'000** **(Unaudited)**	31.12.2018 RMB'000 (Audited)		
Interest rate swap contracts	**17,047 Liabilities (under hedge accounting)**	998 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.

The management consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - CONTINUED

Reconciliation of Level 3 fair value measurements

	Equity instruments at FVTOCI *RMB'000*
At 31 December 2018 and 1 January 2019	**141,255**
Disposals	**(5,537)**
Currency realignment	**(6)**
At 30 June 2019	**135,712**

18. EVENTS AFTER REPORTING PERIOD

Subsequent to 30 June 2019, the Group disposed of its entire interest in AMS in the market at a total consideration of CHF5,014,000 (equivalent to RMB35,033,000).

CORPORATE GOVERNANCE

Highlights for 1H 2019

Since 31 December 2018 the following changes to the composition of the Board have taken place. Mr. Peng Zhiyuan and Mr. Zhang Hongjiang were appointed to the Board as independent non-executive director effective from 1 January 2019.

Mr. Tan Bian Ee, retired from the Board as independent non-executive Director and cessation to act as the chairman of the nomination committee and a member of remuneration committee at the conclusion of the 2019 AGM.

Mr. Peng Zhiyuan, was appointed as a member of the audit and risk committee and the nomination committee; and Mr. Zhang Hongjiang, was appointed as the chairman of the nomination committee and a member of the remuneration committee on 24 May 2019.

Corporate Governance 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 is at the centre of our corporate governance structure, setting, regularly reviewing and refining the principles, policies and practices appropriate to the conduct and 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 the risk management and internal controls system.

Based on regular reviews of the Company's actual performance against the Corporate Governance Code, including the amendments effective from 1 January 2019 (the "CG Code") in Appendix 14 of the Listing Rules, the Board is satisfied that for 1H 2019, the Company complied with all the code provisions. Furthermore, the Company strives to go beyond code provisions compliance by embracing the latest best and recommended corporate governance practices, such as linking a significant proportion of the executive Directors' remuneration to corporate and individual performances, the Board and committees conducting annual evaluation of the Board and committees performance, and having effective whistleblowing policy in place.

A more comprehensive corporate governance overview relating to the Board, the Board committees, Corporate Compliance, Internal Audit, Risk Management and Internal Control, Shareholders' rights and policies of the Company's governance are available on the Company's website www.aactechnologies.com.

SHARE AWARD 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% of the issued share capital of the Company from time to time (i.e. 19,940,250 shares as at 23 August 2019 due to the cancellation of repurchased shares). 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 23 August 2019 due to the cancellation of repurchased shares) 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 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 Selected Employee(s) under the Scheme before vesting. The Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules, and is a discretional scheme of the Company.

Since the date of adoption of the Scheme and up to 30 June 2019, no shares had been subscribed or purchased by the Trustee pursuant to the rules and trust deed of the Scheme and no shares had been granted to Selected Employee(s) under the Scheme.

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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company believes that in addition to the sustained increase of earnings per share and the intrinsic value per share, the repurchase of the Company's shares at the appropriate timing could also be an important metric to enhance long-term value of our Shareholders.

At the AGM on 28 May 2018, the Company's Shareholders granted a general mandate to the Directors of the Company to repurchase shares of the Company (the "Repurchase Mandate"). Pursuant to the Repurchase Mandate, the Company is allowed to repurchase up to 10% of the total number of issued shares of the Company as at the date of the AGM (the "then Issued Shares").

During the current interim period, the Company had repurchased, under the Repurchase Mandate, a total of 7,500,000 shares, representing approximately 0.62% of the then Issued Shares. The aggregate consideration of HK$319.9 million for the repurchase was paid out from the Company's retained profits.

All repurchased shares have been cancelled as at the date of this announcement. The share repurchase reflects the Company's solid financial position and the Board's strong confidence in the Company's future business prospects. The Directors of the Company believe that the share repurchase was in the interest of Shareholders as a whole, enhancing the net asset value per share and earnings per share of the Company.

Details of the repurchases are as follows:

Month	Total number of the ordinary shares	Highest price paid per share *(HK$)*	Lowest price paid per share *(HK$)*	Aggregate consideration[1] *(HK$'000)*
January 2019	3,500,000	46.90	40.20	152,154
May 2019	4,000,000	42.50	40.75	167,700

Notes*:*

(1) Including brokerage, transaction levy, stamp duty and transaction cost of HK$743,000.

(2) All 7,500,000 shares repurchased were cancelled on delivery of the share certificates during the period.

Apart from the above, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company during the period ended 30 June 2019.

HUMAN RESOURCES

As at 30 June 2019, the Group employed 36,057 permanent employees, minor fluctuation from 35,995 employees as at 31 December 2018. The employee size had been stable due to the Group's past effort on implementation of automation.

Employees of the Group are remunerated based on their individual performance, professional qualifications, experience in the industry and relevant market trends. Management from time to time reviews the Group's remuneration policy 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 Hong Kong, Taiwan, Singapore, South Korea, Japan, India, Vietnam, Philippines, the US, Denmark and Finland.

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. The R&D center in Hong Kong Science Park, scheduled to open in Q4 2018, is to start operation in Q3 2019.

DIRECTORS' SECURITIES TRANSACTIONS

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

On specific enquiries made, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code and the Company's code of conduct regarding the Directors' securities transactions during the period ended 30 June 2019.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to declare an interim dividend of HK$0.40 (2018: HK$0.40) per ordinary share for 1H 2019 to the shareholders of the Company whose names appear on the register of members on Wednesday, 18 September 2019 which will be paid on Friday, 27 September 2019.

For the purpose of determining shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from Friday, 13 September 2019 to Wednesday, 18 September 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's 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, not later than 4:30 pm on Thursday, 12 September 2019. Shares of the Company will be traded ex-dividend as from Wednesday, 11 September 2019.

DESPATCH OF INTERIM REPORT

The interim report of the Company will be published on the Company's website at www.aactechnologies.com and the website of the Stock Exchange on or around Monday, 16 September 2019.

The interim report will be dispatched to shareholders on or around Tuesday, 17 September 2019. All of these will be made available on the Company's website.

IMPORTANT NOTE

The Company will have an investors' webcast and media conference for these unaudited interim results after trading hours of the Stock Exchange on the date of this announcement. Please visit the Company's website www.aactechnologies.com for the Company's regular investor relations update.

Shareholders and potential investors should be advised that these unaudited interim results relate only to selected unaudited key performance indicators of the Group and are based on the Group's internal records and management accounts. The unaudited interim results have been reviewed by independent auditors but are not a forecast of the annual performance of the Group as a whole.

Investors and shareholders of the Company are advised to exercise extreme caution when dealing in the shares of the Company.

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

Hong Kong, 23 August 2019

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)

The Directors of AAC Technologies as at the date of this announcement are:

Executive Directors:	Mr. Pan Benjamin Zhengmin Mr. Mok Joe Kuen Richard
Independent Non-executive Directors:	Mr. Koh Boon Hwee Mr. Au Siu Cheung Albert Mr. Zhang Hongjiang Mr. Poon Chung Yin Joseph Mr. Kwok Lam Kwong Larry Mr. Peng Zhiyuan
Non-executive Director:	Ms. Wu Ingrid Chun Yuan