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 2020

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 2020 ("1H 2020") together with the comparative figures for the corresponding period in 2019 ("1H 2019").

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 and approved by the Board on 24 August 2020.

2020 INTERIM RESULTS HIGHLIGHTS (UNAUDITED):

(RMB Million)	**1H 2020**	1H 2019	*YoY%*	**Q2 2020**	Q2 2019	*YoY%*
Revenue	**7,837**	7,568	*3.6%*	**4,277**	3,815	*12.1%*
Gross Profit	**1,818**	2,084	*-12.8%*	**995**	955	*4.2%*
Gross Profit Margin	***23.2%***	*27.5%*	*-4.3ppt*	***23.3%***	*25.0%*	*-1.7ppt*
Net Profit	**320**	770	*-58.4%*	**268**	338	*-20.8%*
Net Profit Margin	***4.1%***	*10.2%*	*-6.1ppt*	***6.3%***	*8.9%*	*-2.6ppt*
Basic EPS (RMB)	**0.27**	0.64	*-57.8%*	**0.22**	0.28	*-21.4%*
Dividend per share (HK$)	**0.10**	0.40	*-75.0%*	**-**	-	-
Share Numbers (Weighted average, million)	**1,209**	1,212		**1,209**	1,211	

BUSINESS REVIEW

In the second quarter of 2020 ("Q2 2020"), as 2019 Novel Coronavirus ("COVID-19") outbreak eased in China, healthy improvements in all the business segments, coupled with sequential recovery of production efficiency and employee productivity from Q1 contributed to a solid Q2 2020 financial performance. Overall, Q2 revenue and gross profit increased 12.1% and 4.2% YoY to RMB4.28 billion and approximately RMB1.00 billion, respectively. Gross margin for this quarter on a YoY basis, slightly narrowed by 1.7 percentage points ("ppts") to 23.3%, as production efficiency improved gradually after the resumption of work. Q2 net profit declined by 20.8% to RMB0.27 billion, representing a YoY drop in net margin by 2.6 ppts to 6.3%, mainly due to the continual high spending in research and development ("R&D").

For the first half of 2020, Group revenue reported a YoY increase of 3.6% to RMB7.84 billion while gross profit and net profit declined YoY by 12.8% and 58.4%, respectively, to RMB1.82 billion and RMB320 million. For 1H 2020, net operating cash inflow amounted to RMB1.46 billion, with capital expenditure of RMB2.32 billion. As at the end of June, the Group's net gearing ratio remained at a healthy level of 10.4% with a cash position of RMB5.09 billion.

During the six-month period, the Group has continued to implement organizational changes under a transformation project conducted with a leading international management consultancy firm. This will enhance our organization structure and bring sustained management and operational efficiency to the Group. Recently, the Group has been included as a constituent in the FTSE4Good Index Series and the Hang Seng TECH Index, which demonstrated broad recognition of the Group's commitment to social responsibilities and its technological leadership in the industry. Going forward, the Group will strive to establish a more efficient and agile structure to achieve its mission and to establish a solid foundation for long-term sustainable growth.

During the period under review, despite the decline in global smartphone shipments due to the pandemic, the Group has achieved improvements in various business segments. The Group's competitiveness in optics has continued to improve with growing market share in plastic lens business. Gross margin of optics business has shown a continual improvement due to increasing average selling price ("ASP") fueled by higher proportion of high spec shipments. We are actively promoting our proprietary WLG hybrid lens design to the market, which exhibits superior optical performance to all-plastic lens design, and, has received positive feedbacks from customers. The Group is on track to expand WLG glass lens production capacity in this current second half to reach mass production scale by the end of this year. At the moment, we are working closely with customers on several WLG projects, targeting for shipment by the end of 2020. Our x-axis haptics motors have shown strong growth momentum in Android flagship models, leading to a steady increase of shipment volume this year. With further penetration into mid- and low-tier smartphone market, the growth momentum of shipment volume is expected to remain strong next year. Our acoustics business has also shown considerable recovery momentum, with increased blended ASP and stabilized profitability, due to changes in product portfolio.

The fast-growing potential of the optics business has been acknowledged by strategic investors, as per our recent Group's voluntary announcement. The successful introduction of strategic investors clearly demonstrated the market's recognition of our technology pathway and its business prospects. The strategic investment will help to promote positioning in the industry, diversification of shareholding structure, acceleration of business development and integrated optimization of business resources, enabling sustainable growth of optics business and enhancing the overall value of the Group.

DEVELOPMENT OF BUSINESS SEGMENTS

Optics

During Q2 2020, optics business continued its fast-growing trend. Revenue from optics business grew significantly by 55.4% QoQ and 43.1% YoY, respectively, to RMB380 million, and gross margin further increased to 13.8% from 9.8% of the previous quarter, demonstrating our improved profitability. For 1H 2020, optics revenue grew 49.8% to RMB0.63 billion. Both ASP and shipment volume have shown remarkable increases, due to higher penetration rate of high spec plastic lens market and improved capacity utilization rate.

Notwithstanding the decline in global smartphone shipment in the first half of the year, our monthly output of plastic lens has reached 60 million units with increasing market share, demonstrating our enhanced competitive edge. Steady progress has been made in new product development including tele-zoom, wide angle, small head, main camera and TOF (Time of Flight) depth sensing camera. The Group gradually has managed to mass produce 64M plastic lens with the next goal set to achieve mass production in higher image resolution standards including 108M. Meanwhile, 7P (7 plastic lenses) projects are scheduled for mass production in Q4 2020. In the second half of this year, the Group will continue to optimize manufacturing knowhow and increase output of plastic lens utilizing the current production resources to further increase profitability in optics business.

Cameras have become a main focus of smartphone upgrade. Recent upgrade trends of higher image resolution, larger aperture, and tele-zoom in various scenarios such as night mode, telephoto shot and backlighting selfie have presented bottlenecks for plastic lens in terms of image resolution and distortion. Our proprietary WLG hybrid lens, exhibiting a superior optical performance in lighting and image resolution, has been considered by the market to be one of the major future directions in optics upgrade. As the production capacity and yield continue to improve, issues associated with mass production and higher cost will be gradually resolved, and hybrid lens is expected to overcome the bottlenecks of optical properties for smartphone plastic lens. We are in close discussions with customers on WLG hybrid lens solutions and target for shipment by the end of this year.

Camera module business, as a strategic business position for the Group, is important to promote the optics lens business and provide a holistic optical solution to customers. Satisfactory progress has been made in preparation of mass production, and we expect to begin shipment in Q3 2020. The camera module business will allow the Group to further improve its capability for vertical integration and enhance value added service of our optics business. Meanwhile, the Group will collaborate with other module business partners to better understand customers' upgrade demands in optics and to jointly improve product performance and mass production capabilities for better consumer experience.

Acoustics Business

Acoustics segment exhibited considerable recovery in Q2 with pandemic situation gradually came under control domestically. Q2 revenue from acoustics business significantly increased 34.2% QoQ and 7.9% YoY, respectively, to RMB1.91 billion. Our acoustics blended ASP maintained a year-on-year growth due to changes in product portfolio. As a result, Q2 gross margin of acoustics business remained at a healthy level of 26.4%, demonstrating a stable profitability compared to the previous quarter and a slight decrease of 0.7 ppts YoY. Overall, 1H 2020 revenue and gross profit margin declined by 8.7% and 3.8 ppts YoY, to RMB3.33 billion and 26.3%, respectively, under the adverse impact of declining global smartphone shipment amidst the pandemic.

As a global leader in miniaturized acoustics technology, the Group continues to invest in new acoustic product platforms and brings advanced acoustic experiences to end-consumers. Stereo acoustics has been widely adopted by high-tier models this year, with further penetration expected to take place to mid- and low-tier models next year. This will enhance end-consumers' experience for acoustics upgrades, allowing stereo acoustics to become a new standard feature for smartphones. In Q2, the penetration of SLS platform in terms of our total shipment volume of Android models has maintained at a high level of 70% and target to achieve 80% by the end of 2020. The classical SLS version has been adopted by various Android flagship models. With a higher proportion of classical SLS version in total shipment volume, alongside a more stable competitive landscape, we expect ASP for Android acoustics products to stabilize. Furthermore, the upgraded classical SLS speaker box, with diaphragm vibration amplitude of ±0.75mm, is scheduled for mass production and begins shipment by second half of 2020, which will enhance the technological barrier of acoustics outlook. Going forward, the Group will help customers to further reduce the acoustics module size and enhance auditory experiences.

Electromagnetic Drives and Precision Mechanics

During Q2 2020, the combined revenue from electromagnetic drives and precision mechanics segments has steadily increased 11.4% YoY, on the back of increased shipment volume, mainly benefiting from the optimized product portfolio and market strategy of electromagnetic drive segment. Meanwhile, the blended gross margin was compressed by 4.1 ppts to 22.8%, due to higher sales contribution from precision mechanics changing revenue breakdown of the segment. For 1H 2020, the revenue of this combined segment increased 9.7% YoY to RMB3.42 billion, whereas blended margin declined by 6.3 ppts to 23.2%.

Electromagnetic Drives

Tactile sensation plays an important role in human-machine interactions and vast upgrade opportunities upon consumers' demand for better audiovisual and gaming experience upon the advent of 5G era. The Group will gradually develop vertical integration capabilities to combine software and hardware, so as to provide consumers with better user experiences. Our proprietary x-axis haptic motors have advantages including optimized structure, agile screen tactile feedback and realization of complex three-dimensional vibration effects. These features enable our products to display a superior performance in various application scenarios such as User Interface interactive touch and 4D vibration in gaming, assisting the Group to maintain its leadership position in this area. Our x-axis haptics motors have been widely adopted by Android flagship models and we expect shipment to Android models to achieve solid growth as penetration rate further increases into mid- and low-tier smartphone market. Concurrently, the Group has various key technology platforms, and has achieved proficiency in related production processes, we anticipate gross margin to maintain at a healthy level brought upon by a growing production and shipment volume.

Precision Mechanics

Precision mechanics business improved from the previous quarter. Higher proportion of 5G smartphone metal casing projects further enhanced the shipment volume and ASPs. Together with higher capacity utilization rate, gross margin of this segment has improved compared to Q1. Precision mechanics business has been playing a strategic role to help the Group better understand the smartphone upgrade trend. We will strive to outperform the first-tier peers to ensure satisfactory profitability performance in this segment on the back of improved capacity utilization rate.

MEMS

During Q2 2020, revenue from MEMS components grew steadily by 14.5% YoY, while the gross margin narrowed by 10.9 ppts to 16.1%. For 1H 2020, revenue increased 20.4% to RMB0.46 billion whereas gross margin declined by 7.3 ppts to 16.2%.

The strong demand for MEMS microphones was fueled by the improvement of intelligent speech interaction in the past two years. Increasing numbers of MEMS microphones installed per handset, alongside the popularity of wearables and smart home appliances, also helps promote market expansion of this segment. The Group's high-end miniaturized microphone product with higher signal-to-noise ratio, and low energy consumption, has gradually been adopted by laptop market. We plan to expand our production capacity and increase market share via deploying a distribution model. In terms of costs, since MEMS microphones are highly standardized, the Group is to increase the proportion of in-house production of MEMS chip and digital ASIC chip, which will improve profitability of this business segment.

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$0.10 per share for 2020 (2019:HK$0.40), to pay in cash on 25 September 2020, to shareholders whose names appear in the register of members on 16 September 2020. 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

In the first half of 2020, global smartphone shipment has declined due to economic impact from lockdown by the pandemic and global trading relationships, according to IDC (International Data Corporation). Nevertheless, 5G continued its growth trend globally. With higher penetration rate of 5G smartphones, smartphone shipment is expected to grow steadily. Meanwhile, popularity of innovative applications in the advent of 5G era will lead to new upgrade trends in hardware. Leveraging on the leadership position in miniaturized technology and precision manufacturing, the Group will optimize its product portfolio to further enhance production efficiency and maximize returns for shareholders.

FINANCIAL REVIEW

Revenue

1H 2020 Group revenue increased YoY by 4%, to RMB7.8 billion. Owing to factors discussed under "Business Review" above, revenue from the Electromagnetic Drives & Precision Mechanics and Optics increased by RMB302 million and RMB208 million respectively, whilst Acoustics revenue decreased by RMB317 million, compared with 1H 2019.

Gross Profit and Gross Profit Margin

1H 2020 gross profit was RMB1.8 billion, representing a decrease by 12.8%, from the gross profit of RMB2.1 billion in 1H 2019. The drop in gross profit was primarily due to the reduction in gross profit margin. Gross profit margin decreased to 23.2% in 1H 2020 as compared with 27.5% in 1H 2019. 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 2020 were RMB344 million, 18% higher, compared with RMB291 million in 1H 2019.

Distribution and Selling Expenses

Distribution and selling expenses of RMB134 million in 1H 2020, along with the increase in revenue, increased by 11%, compared with RMB121 million in 1H 2019.

Research and Development Expenses

R&D expenses in 1H 2020 were RMB983 million, 18% higher than RMB831 million in 1H 2019. 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 2020 amounted to RMB169 million, representing an increase of 48% compared with RMB114 million in 1H 2019. Such increase in finance costs was mainly due to the additional interest on unsecured notes accompany with the issuance of unsecured notes USD388 million in November 2019 at annual interest rate 3%.

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 2020 amounted to RMB117 million, representing a decreased of 1% from RMB118 million in 1H 2019. While the effective tax rate have increased 13.4 percentage points compared with that of 1H 2019, 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 2020 was RMB320 million, a decline by 58% compared with RMB770 million in 1H 2019. The decline was due to decline of gross profit margin, together with higher R&D costs incurred during the period contributed to the adverse 6.1 percentage points decrease in net profit margin to 4.1%.

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	
	2020	2019
	RMB million	*RMB million*
Net cash from operating activities	**1,458.1**	1,785.0
Net cash used in investing activities	**(1,139.2)**	(1,218.8)
Net cash used in financing activities	**(56.7)**	(1,452.0)

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 RMB1,458.1 million for 1H 2020 (1H 2019: RMB1,785.0 million).

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

As at 30 June 2020, turnover days of trade receivables increased by 12 days to 91 days as compared to 31 December 2019. Trade receivables decreased by RMB762 million to RMB3.6 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 RMB3,383.7 million (31 December 2019: RMB4,204.5 million), RMB199.1 million (31 December 2019: RMB140.4 million) and RMB0.4 million (31 December 2019: RMB0.4 million) respectively. The Company has received subsequent settlement totaling RMB1,490.7 million up to 31 July 2020, representing 41.6% 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 9 days to 112 days as compared to 31 December 2019. Aging of trade payables based on invoice dates between 0–90 days, 91–180 days and over 180 days were RMB2,805.9 million (31 December 2019: RMB3,346.9 million), RMB671.0 million (31 December 2019: RMB599.6 million) and RMB22.7 million (31 December 2019: RMB14.4 million) respectively.

ii. ***Inventory Turnover***

As at 30 June 2020, the inventories have increased by RMB29.7 million compared to 31 December 2019. The inventory turnover days increased to 110 days as at 30 June 2020 from 100 days for 31 December 2019.

Investing Activities

Net cash invested in 1H 2020 and 1H 2019, amounted to RMB1,139.2 million and RMB1,218.8 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 2020 and 1H 2019, total CAPEX incurred were RMB2,316.0 million and RMB1,319.0 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.

Financing Activities

The Group recorded net cash used in financing activities of approximately RMB56.7 million for 1H 2020. For 1H 2020, the Group recorded net inflow from bank borrowings, new bank borrowings raised of RMB1,349.7 million (1H 2019: RMB2,230.5 million) and repayment of bank loans of 1,178.6 million (1H 2019: RMB2,157.2 million).

Cash and Cash Equivalents

As at 30 June 2020, the unencumbered cash and cash equivalents of the Group amounted to RMB5,093.7 million (31 December 2019: RMB4,814.4 million), of which 53.4% (31 December 2019: 18.4%) in RMB, 42.4% (31 December 2019: 76.7%) was denominated in US dollar, 1.2% (31 December 2019: 2.0%) in Hong Kong dollar, 1.1% (31 December 2019: 1.2%) in Euros, 0.6% (31 December 2019: 0.4%) in Japanese Yen, 0.3% (31 December 2019: 0.3%) in Vietnamese Dong, 0.3% (31 December 2019: 0.2%) in Singapore dollar, and 0.7% (31 December 2019: 0.8%) in other currencies.

Gearing Ratio and Indebtedness

As at 30 June 2020, the Group's gearing ratio, defined as total loans and unsecured notes divided by total assets, was 25.2% (31 December 2019: 24.6%). Netting off cash and cash equivalents, net gearing ratio was 10.4% (31 December 2019: 10.5%).

As at 30 June 2020, the unsecured notes of the Group was RMB2,725.2 million (31 December 2019: RMB2,685.5 million), the short-term bank loans and long-term bank loans of the Group amounted to RMB2,492.3 million (31 December 2019: RMB1,876.1 million) and RMB3,462.7 million (31 December 2019: RMB3,849.6 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 RMB24.9 million that were pledged to banks mainly in relation to construction work as at 30 June 2020 (31 December 2019: RMB11.1 million), no other Group assets were charged to any financial institutions.

OFF-BALANCE SHEET TRANSACTIONS

As at 30 June 2020, 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 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 contracted in 2020 due to the global pandemic and the ensuing dampened consumer sentiment and weaker demand. A continual contraction in the global smartphones market may adversely affect our operating results and financial condition. Additional geopolitical tensions may further affect logistics, trading activities etc., impacting the financial performance of the Group. 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 on-going and substantial investments in R&D, leading to an expanded suite of 5,078 patents in total across acoustics 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 82.9% of the Group's total revenue, 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 8 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 Global Trade Frictions

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 2020

	NOTES	**1.1.2020 to 30.6.2020 (Unaudited) *RMB'000***	1.1.2019 to 30.6.2019 (Unaudited) *RMB'000*
Revenue	*3*	**7,837,054**	7,567,523
Cost of goods sold		**(6,018,930)**	(5,483,162)
Gross profit		**1,818,124**	2,084,361
Other income, gains and losses	*4*	**254,724**	115,992
Fair value gain on financial assets at fair value through profit or loss	*10*	**–**	15,179
Distribution and selling expenses		**(134,320)**	(120,731)
Administrative expenses		**(343,971)**	(291,342)
Research and development costs		**(982,939)**	(830,796)
Exchange (loss) gain		**(5,430)**	29,519
Finance costs		**(169,057)**	(114,360)
Profit before taxation	*5*	**437,131**	887,822
Taxation	*6*	**(116,840)**	(118,013)
Profit for the period		**320,291**	769,809
Other comprehensive (expense) income:			
Item that will not be subsequently reclassified to profit or loss:			
Fair value changes on equity instruments at fair value through other comprehensive income		**(12,010)**	13,890
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from translation of foreign operations		**(21,325)**	(33,817)
Fair value changes on derivative financial instruments		**(27,714)**	(25,218)
Loss (gain) reclassified to profit or loss on hedged items		**7,490**	(1,811)
		(53,559)	(46,956)
Total comprehensive income for the period		**266,732**	722,853
Profit (loss) for the period attributable to:			
Owners of the Company		**320,465**	769,809
Non-controlling interests		**(174)**	–
		320,291	769,809
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**266,906**	722,853
Non-controlling interests		**(174)**	–
		266,732	722,853
Earnings per share – Basic	*8*	**RMB0.27**	RMB0.64

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	NOTES	**30.6.2020 (Unaudited) *RMB'000***	31.12.2019 (Audited) *RMB'000*
Non-current assets			
Property, plant and equipment	*9*	**17,501,971**	16,910,713
Right-of-use assets	*9*	**1,154,460**	1,071,912
Goodwill		**164,350**	164,350
Deposits made for acquisition of property, plant and equipment		**946,576**	454,527
Investment properties	*9*	**13,063**	13,660
Equity instruments at fair value through other comprehensive income	*10*	**340,343**	350,740
Intangible assets		**417,927**	433,884
		20,538,690	19,399,786
Current assets			
Inventories		**3,693,763**	3,664,056
Trade and other receivables	*12*	**5,067,747**	5,576,036
Amounts due from related companies		**6,739**	3,622
Taxation recoverable		**53,178**	40,718
Pledged bank deposits		**24,874**	11,100
Bank and other balances and cash		**5,093,735**	5,511,974
		13,940,036	14,807,506
Current liabilities			
Trade and other payables	*13*	**4,775,394**	5,474,116
Contract liabilities		**13,253**	10,271
Lease liabilities		**137,090**	96,742
Amounts due to related companies		**68,692**	75,354
Taxation payable		**200,423**	178,169
Bank loans	*14*	**2,492,303**	1,876,094
Derivative financial instruments	*11*	**22,856**	–
		7,710,011	7,710,746
Net current assets		**6,230,025**	7,096,760
Total assets less current liabilities		**26,768,715**	26,496,546
Non-current liabilities			
Bank loans	*14*	**3,462,686**	3,849,605
Unsecured notes		**2,725,240**	2,685,475
Government grants		**511,164**	208,938
Lease liabilities		**364,059**	310,332
Deferred tax liabilities		**64,296**	65,392
Derivative financial instruments	*11*	**13,546**	15,812
		7,140,991	7,135,554
Net assets		**19,627,724**	19,360,992
Capital and reserves			
Share capital	*15*	**98,135**	98,135
Reserves		**19,519,964**	19,253,058
Equity attributable to owners of the Company		**19,618,099**	19,351,193
Non-controlling interests		**9,625**	9,799
Total equity		**19,627,724**	19,360,992

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.

Despite a challenging operating environment due to COVID-19 outbreak since late last year, the Group has acted efficiently and responsibly to achieve full resumption of operation and production activities in China by Mid-March, and has shown healthy improvements across various business segments in the second quarter. However, existing global restrictions and the uncertain outlook related to business operations, logistics, social and trading activities may extend till year end or even beyond. Such macroeconomic environment may continue to weaken consumer sentiment and dampen smartphones demand, and may adversely impact short to medium-term financial performance of the Group.

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 2020 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 2019.

2. PRINCIPAL ACCOUNTING POLICIES - continued

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendment to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation the Group's condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Except as described below the application of the Amendments to References to the Conceptual Framework in IFRS standards and amendments to IFRSs in the current 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.

2.1 Impacts of application on Amendments to IAS 1 and IAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ended 31 December 2020.

2.2 Impacts and accounting policies on application of Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"

2.2.1 Accounting policies

Hedge accounting

For the purpose of determining whether a forecast transaction (or a component thereon) in a cash flow hedge is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

2. PRINCIPAL ACCOUNTING POLICIES - continued

2.2 Impacts and accounting policies on application of Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform" - continued

*2.2.1 Accounting policie*s *- continued*

Hedge accounting - continued

Assessment of hedging relationship and effectiveness

In assessing the economic relationship between the hedged item and the hedging instrument, the Group assumes that the interest rate benchmark on which the hedged cash flows and/or the hedged risk (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.

Cash flow hedges

For the purpose of reclassifying the amount of accumulated in the cash flow hedge reserve in order to determine whether the hedged future cash flows are expected to occur, the Group assumes the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

2.2.2 Transition and summary of effects

The amendments had no impact on the condensed consolidated financial statements of the Group as the Group's designated hedged items and assessment of hedge effectiveness is not affected by the interest rate benchmark reform.

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 performance 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 and acoustic unit), electromagnetic drives and precision mechanics, MEMS components and other products (mainly including optics), 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.

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:

	1.1.2020 to 30.6.2020 ***RMB'000*** **(Unaudited)**	1.1.2019 to 30.6.2019 *RMB'000* (Unaudited)
Operating and reportable segments		
Segment revenue – recognised at a point in time		
Dynamic components	**3,329,191**	3,645,851
Electromagnetic drives and precision mechanics	**3,415,721**	3,113,530
MEMS components	**457,732**	380,105
Other products	**634,410**	428,037
	7,837,054	7,567,523
Segment results		
Dynamic components	**874,604**	1,097,438
Electromagnetic drives and precision mechanics	**792,451**	917,227
MEMS components	**74,344**	89,316
Other products	**76,725**	(19,620)
Total profit for operating and reportable segments – gross profit	**1,818,124**	2,084,361
Unallocated amounts:		
Interest income	**27,406**	31,618
Other income, gains and losses	**227,318**	84,374
Fair value gain on financial assets at fair value through profit or loss	**–**	15,179
Distribution and selling expenses	**(134,320)**	(120,731)
Administrative expenses	**(343,971)**	(291,342)
Research and development costs	**(982,939)**	(830,796)
Exchange (loss) gain	**(5,430)**	29,519
Finance costs	**(169,057)**	(114,360)
Profit before taxation	**437,131**	887,822

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, fair value gain on financial assets at fair value through profit or loss and exchange (loss) gain.

3. SEGMENT INFORMATION - continued

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

	1.1.2020 to 30.6.2020	1.1.2019 to 30.6.2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Greater China* (country of domicile)	**3,444,432**	3,252,295
Other foreign countries:		
America	**4,018,612**	3,512,903
Other Asian countries	**372,559**	789,225
Europe	**1,451**	13,100
	7,837,054	7,567,523

* 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 RMB5,159,668,000 (six months ended 30 June 2019: RMB4,556,126,000). 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

	1.1.2020 to 30.6.2020	1.1.2019 to 30.6.2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Government subsidy income	**176,564**	86,781
Gain (loss) on disposal of property, plant and equipment	**17,077**	(694)
Interest income	**27,406**	31,618
Others	**33,677**	(1,713)
	254,724	115,992

5. PROFIT BEFORE TAXATION

	1.1.2020 to 30.6.2020	1.1.2019 to 30.6.2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	**25,464**	20,920
Allowance for obsolete inventories, included in cost of goods sold	**37,180**	48,594
Depreciation of property, plant and equipment	**1,044,573**	980,611
Depreciation of right-of-use assets	**71,344**	38,467

6. TAXATION

	1.1.2020 to 30.6.2020	1.1.2019 to 30.6.2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The tax charge (credit) comprises:		
PRC Enterprise Income Tax	**80,573**	98,958
Other jurisdictions	**40,695**	47,877
Hong Kong Profits Tax	**–**	–
Overprovision of taxation in prior years	**(3,881)**	(29,906)
	117,387	116,929
PRC withholding tax	**1,944**	3,344
Deferred tax	**(2,491)**	(2,260)
	116,840	118,013

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 22 November 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.

7. DIVIDENDS

During the current interim period, no final dividend in respect of the year ended 31 December 2019 (six months ended 30 June 2019: final dividend of HK$1.03 per share in respect of the year ended 31 December 2018) was paid to shareholders of the Company. No final dividend was declared in the interim period (six months ended 30 June 2019: HK$1,244,755,000 (equivalent to RMB1,094,264,000)).

Subsequent to the end of the interim period, the Directors have resolved that an interim dividend of HK$0.10 per share (2019 interim dividend declared: 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 2020 is based on the profit for the period attributable to owners of the Company of RMB320,465,000 (six months ended 30 June 2019: RMB769,809,000) and on the weighted average of 1,208,500,000 (six months ended 30 June 2019: 1,211,874,000) 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 RMB1,782,060,000 (six months ended 30 June 2019: RMB1,716,734,000). Part of the consideration of RMB454,527,000 (six months ended 30 June 2019: RMB1,085,904,000) 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 RMB159,150,000 (six months ended 30 June 2019: RMB17,862,000) for proceeds of RMB176,227,000 (six months ended 30 June 2019: RMB17,168,000) and resulting in a gain on disposal of RMB17,077,000 (six months ended 30 June 2019: loss on disposal of RMB694,000).

(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 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 RMB203,064,000 (six months ended 30 June 2019: RMB35,829,000) of right-of-use assets of which RMB41,893,000 (six months ended 30 June 2019: RMB18,244,000) represents prepaid lease payments, and RMB160,718,000 (six months ended 30 June 2019: RMB17,505,000) of lease liabilities.

(iii) Investment properties

During the period, depreciation on the investment properties amounted to RMB597,000 (six months ended 30 June 2019: 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")

	30.6.2020	31.12.2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Unlisted shares	**280,927**	281,181
Listed shares	**59,416**	69,559
	340,343	350,740

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 2020, the fair value of the investment determined by market approach was RMB118,475,000 (31 December 2019: RMB120,983,000). Other investments in unlisted shares mainly represent the Group's equity interests in third party companies engaged in research, development and manufacturing of MEMS business. As at 30 June 2020, the fair value of these investments determined by market approach was RMB61,479,000 (31 December 2019: RMB60,582,000).

In the prior year, the Group acquired certain equity interests in a company engaged in producing high technology products, at a consideration of RMB92,696,000. As at 30 June 2020, the fair value of the investment determined by income approach was RMB94,069,000.

Listed shares

The amount represents the Group's investment in a company listed in Japan. As at 30 June 2020, the fair value of the investment determined by reference to the quoted market bid prices available was RMB59,416,000 (31 December 2019: RMB69,559,000).

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

During the prior period, a gain on changes in fair value on AMS AG ("AMS") shares of RMB15,179,000 had been recognised in the profit or loss. Subsequent to 30 June 2019, all the AMS shares were disposed in the market.

11. DERIVATIVE FINANCIAL INSTRUMENTS

	Current		Non-current	
	30.6.2020	31.12.2019	**30.6.2020**	31.12.2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Derivatives financial liabilities – under hedge accounting				
Interest rate swap contracts	**22,856**	–	**13,546**	15,812

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. Net adjustments on cash flow hedges of loss of RMB20,224,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: loss of RMB27,029,000) 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 2020, included in trade and other receivables, the Group has bank acceptance and commercial bills amounting to RMB131,866,000 (31 December 2019: RMB167,339,000). 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.

	30.6.2020	31.12.2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Age		
0 – 90 days	**3,383,703**	4,204,458
91 – 180 days	**199,062**	140,388
Over 180 days	**443**	460
	3,583,208	4,345,306

12. TRADE AND OTHER RECEIVABLES - continued

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:

	30.6.2020 ***RMB'000*** **(Unaudited)**	31.12.2019 *RMB'000* (Audited)
Age		
0 – 90 days	**2,805,876**	3,346,891
91 – 180 days	**671,038**	599,632
Over 180 days	**22,728**	14,423
	3,499,642	3,960,946

14. BANK LOANS

The variable rate bank loans carry interest ranging from 1.18% to 1.94% (31 December 2019: 3.61% to 4.21%) per annum. The fixed rate bank loans carry interest ranging from 1.98% to 4.90% (31 December 2019: 3.20% to 4.90%) 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 2019, 1 January 2020 and 30 June 2020	5,000,000,000	50,000
Issued and fully paid:		
Ordinary shares at 1 January 2019	1,218,000,000	12,180
Shares repurchased and cancelled	(9,500,000)	(95)
Ordinary shares at 30 June 2019, 31 December 2019, 1 January 2020 and 30 June 2020	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 2019	98,906
Shares repurchased and cancelled	(771)
As at 31 December 2019, 1 January 2020 and 30 June 2020	98,135

In the prior 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 prior period, including 2,000,000 ordinary shares which were repurchased during the year ended 31 December 2018.

16. CAPITAL COMMITMENTS

	30.6.2020	31.12.2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	**1,232,970**	399,694

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)
	30.6.2020	31.12.2019		
	RMB'000	*RMB'000*		
	(Unaudited)	(Audited)		
Equity instruments at FVTOCI – Listed shares	**59,416**	69,559	Level 1	Quoted bid prices in an active market
Equity instruments at FVTOCI – Unquoted equity investments	**100,973**	6,920	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	-	92,696	N/A (Note)	
Equity instruments at FVTOCI – Unquoted equity instruments	**179,954**	181,565	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)
	30.6.2020	31.12.2019		
	RMB'000	*RMB'000*		
	(Unaudited)	(Audited)		
Interest rate swap contracts	**36,402 Liabilities (under hedge accounting)**	15,812 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.

Note: The investment was made near the end of 2019, the management was of the opinion that the fair value of the investment as at 31 December 2019 approximately to the acquisition cost.

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 1 January 2019 (audited)	141,255
Disposals	(5,537)
Currency realignment	(6)
At 30 June 2019 (unaudited)	135,712
At 1 January 2020 (audited)	**281,181**
Currency realignment	**2,254**
Return of capital	**(2,508)**
At 30 June 2020 (unaudited)	**280,927**

18. EVENTS AFTER REPORTING PERIOD

On 22 July 2020, an indirectly wholly owned subsidiary of the Company, AAC Communication Technologies (Changzhou) Co., Ltd. (瑞聲通訊科技(常州)有限公司) (the "Target Company") and its existing shareholders (namely AAC Technologies Limited (瑞聲科技(香港)有限公司) and AAC Technology Information Consultancy (Changzhou) Co., Ltd. (瑞聲科技信息諮詢(常州)有限公司), both being wholly owned subsidiaries of the Company) have successfully entered into the capital increase agreements with four strategic investors, pursuant to which, the strategic investors have agreed to invest RMB1,150,000,000 in aggregate into the Target Company, and the Target Company's registered capital is to be increased from RMB5,440,948,331 to RMB6,017,638,706 (the "Capital Increase").

On 30 July 2020, the Capital Increase was duly completed. The relevant conditions precedent as set forth in the capital increase agreements, and industrial and commercial registration procedures have been completed.

CORPORATE GOVERNANCE

Highlights for 1H 2020

The following changes to the composition of the Board have taken place at the conclusion of the 2020 annual general meeting on 15 May 2020:

a) Messrs. Koh Boon Hwee ("Mr. Koh") and Poon Chung Yin Joseph ("Mr. Poon") respectively retired from the Board as independent non-executive Directors ("INEDs"), thus Mr. Koh ceasing to act as the chairman of the Board, and Mr. Poon ceasing to act as the chairman of the remuneration committee and as a member of the audit and risk committee;

b) Mr. Zhang Hongjiang, INED, was appointed as the chairman of the Board; and

c) Mr. Peng Zhiyuan, INED, was appointed as the chairman of the remuneration committee.

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, 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 controls systems. Based on regular reviews of the Company's actual performance against the Corporate Governance Code in Appendix 14 of the Listing Rules, the Board is satisfied that for 1H 2020, the Company has complied with all the code provisions. Furthermore, the Company strives to go beyond code provisions compliance by embracing the latest and the best corporate governance practices, such as correlating a significant proportion of the executive Directors' remuneration with the corporate and individual performance, the Board and its committees conducting annual evaluation of the Board and committees performance, and putting 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% (i.e. 19,940,250 shares as at 24 August 2020) 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 24 August 2020) 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 2020, 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

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

HUMAN RESOURCES

As at 30 June 2020, the Group employed 34,729 permanent employees, 12% decrease from 39,385 employees as at 31 December 2019, mainly due to optimized productivity per employee driven by the Group's past and continuous 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, the United Kingdom, the Philippines, the US, Denmark, Finland and the Czech Republic.

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 is in operation.

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 2020.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to declare an interim dividend of HK$0.10 (2019: HK$0.40) per ordinary share for 1H 2020 to the shareholders of the Company whose names appear on the register of members on Wednesday, 16 September 2020 which will be paid on Friday, 25 September 2020.

For the purpose of determining shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from Friday, 11 September 2020 to Wednesday, 16 September 2020, 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, 10 September 2020. Shares of the Company will be traded ex-dividend as from Wednesday, 9 September 2020.

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 Wednesday, 16 September 2020.

The interim report will be dispatched to shareholders on or around Thursday, 17 September 2020. 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.
Zhang Hongjiang
Chairman

Hong Kong, 24 August 2020

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. Zhang Hongjiang Mr. Au Siu Cheung Albert Mr. Peng Zhiyuan Mr. Kwok Lam Kwong Larry
Non-executive Director:	Ms. Wu Ingrid Chun Yuan