



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

(Incorporated in the Cayman Islands with limited liability)  
Stock Code: 2018

Interim Report **2020**



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

[www.aactechnologies.com](http://www.aactechnologies.com)

The English text of this interim report shall prevail over the Chinese text in case of any inconsistency.



This interim report is printed on environmentally friendly paper



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

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

### Independent Non-executive Directors

Mr. Koh Boon Hwee (former Chairman of the Board)  
(Retired on 15 May 2020)  
Mr. Zhang Hongjiang (Chairman of the Board)  
(Appointed on 15 May 2020)  
Mr. Poon Chung Yin Joseph (Retired on 15 May 2020)  
Mr. Au Siu Cheung Albert  
Mr. Peng Zhiyuan  
Mr. Kwok Lam Kwong Larry

### Non-executive Director

Ms. Wu Ingrid Chun Yuan

## AUDIT AND RISK COMMITTEE

Mr. Au Siu Cheung Albert (Chairman)  
Mr. Peng Zhiyuan  
Mr. Kwok Lam Kwong Larry  
Mr. Poon Chung Yin Joseph (Retired on 15 May 2020)

## NOMINATION COMMITTEE

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

## REMUNERATION COMMITTEE

Mr. Peng Zhiyuan (Chairman) (Appointed on 15 May 2020)  
Mr. Zhang Hongjiang  
Mr. Au Siu Cheung Albert  
Mr. Poon Chung Yin Joseph (Retired on 15 May 2020)

## AUTHORIZED REPRESENTATIVES

Mr. Pan Benjamin Zhengmin  
Mr. Mok Joe Kuen Richard

## COMPANY SECRETARY

Mr. Lo Tai On (Resigned on 25 March 2020)  
Mr. Ho Siu Tak Jonathan (Appointed on 25 March 2020)

## AUDITOR

Deloitte Touche Tohmatsu

## LEGAL ADVISORS

Baker & McKenzie  
JunHe  
Woo, Kwan, Lee & Lo

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## REGISTERED OFFICE

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

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## PRINCIPAL BANKERS

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

## STOCK CODE

2018

## WEBSITE

[www.aactechnologies.com](http://www.aactechnologies.com)

## FINANCIAL YEAR END

31 December

# Core Development Strategies

AAC Technologies is

offering advanced solutions enabled by its cutting-edge and proprietary technologies to the global electronics industry in the consumer and industrial markets



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



# Financial Highlights

## Past 5 First-half Operating Financial Data

	Six months ended 30 June					2020 RMB'000	YoY Increase/ (Decrease)
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000		
Revenue	5,563,560	8,644,272	8,424,381	7,567,523	<b>7,837,054</b>	3.6%	
Depreciation and Amortisation	434,222	604,505	840,606	1,040,595	<b>1,141,978</b>	9.7%	
Finance costs	19,988	67,727	102,671	114,360	<b>169,057</b>	47.8%	
Net profit	1,354,779	2,126,824	1,778,421	769,809	<b>320,465</b>	(58.4%)	
EBITDA	1,968,480	3,113,318	2,939,981	2,042,777	<b>1,748,166</b>	(14.4%)	
CAPEX	(2,139,961)	(2,329,030)	(2,270,951)	(1,319,040)	<b>(2,316,002)</b>	75.6%	
Taxation paid	(174,282)	(495,306)	(271,611)	(142,091)	<b>(111,461)</b>	(21.6%)	
Changes in working capital	42,021	(255,431)	1,227,539	(153,122)	<b>(119,470)</b>	(22.0%)	
<b>Free cash flow</b>	<b>(303,742)</b>	<b>33,551</b>	<b>1,624,958</b>	<b>428,524</b>	<b>(798,767)</b>		
Gross margin	41.1%	41.0%	36.7%	27.5%	<b>23.2%</b>	(4.3ppts)	
Net profit margin	24.4%	24.6%	21.1%	10.2%	<b>4.1%</b>	(6.1ppts)	
R&D expenses to Revenue	8.8%	8.4%	8.6%	11.0%	<b>12.5%</b>	1.5ppts	
Annualized ROA	15.8%	17.4%	12.0%	5.2%	<b>1.9%</b>	(3.3ppts)	
Annualized ROE	23.5%	29.2%	20.2%	8.3%	<b>3.3%</b>	(5.0ppts)	
Per capita output (Revenue/Employees)	128	144	221	210	<b>226</b>	7.5%	
Net gearing ratio	5.6%	6.8%	9.9%	9.8%	<b>10.4%</b>	0.6ppts	
Current ratio	1.48	1.28	1.30	1.61	<b>1.81</b>	20.0ppts	
CAPEX/EBITDA	108.7%	74.8%	77.2%	64.6%	<b>132.5%</b>	67.9ppts	



# Interim Review

In the second quarter of 2020 ("Q2 2020"), as 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 1H 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 EACH BUSINESS SEGMENT

### 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.

# Interim Review

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  $\pm 0.75\text{mm}$ , 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%.



# Interim Review

## 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 ("UI") 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

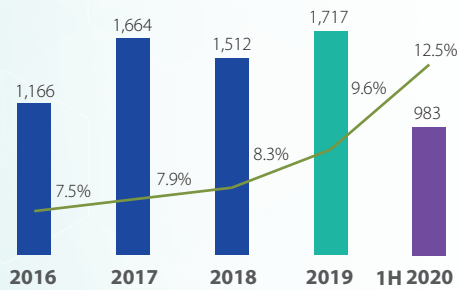
In the first half of 2020, global smartphone shipment has declined due to economic impact from lockdown by the pandemic and global trading relationships, according to IDC (International Data Corporation). Nevertheless, 5G continued its growth trend globally. With higher penetration rate of 5G smartphones, 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.

# Global Presence

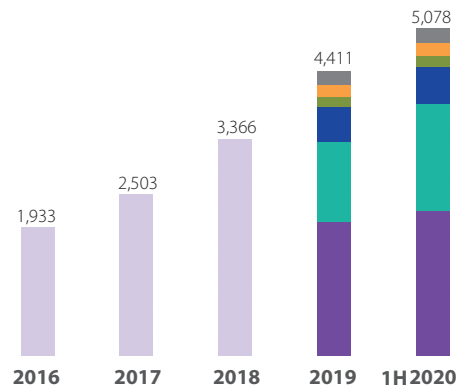
## R&D

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

(RMB million or %)



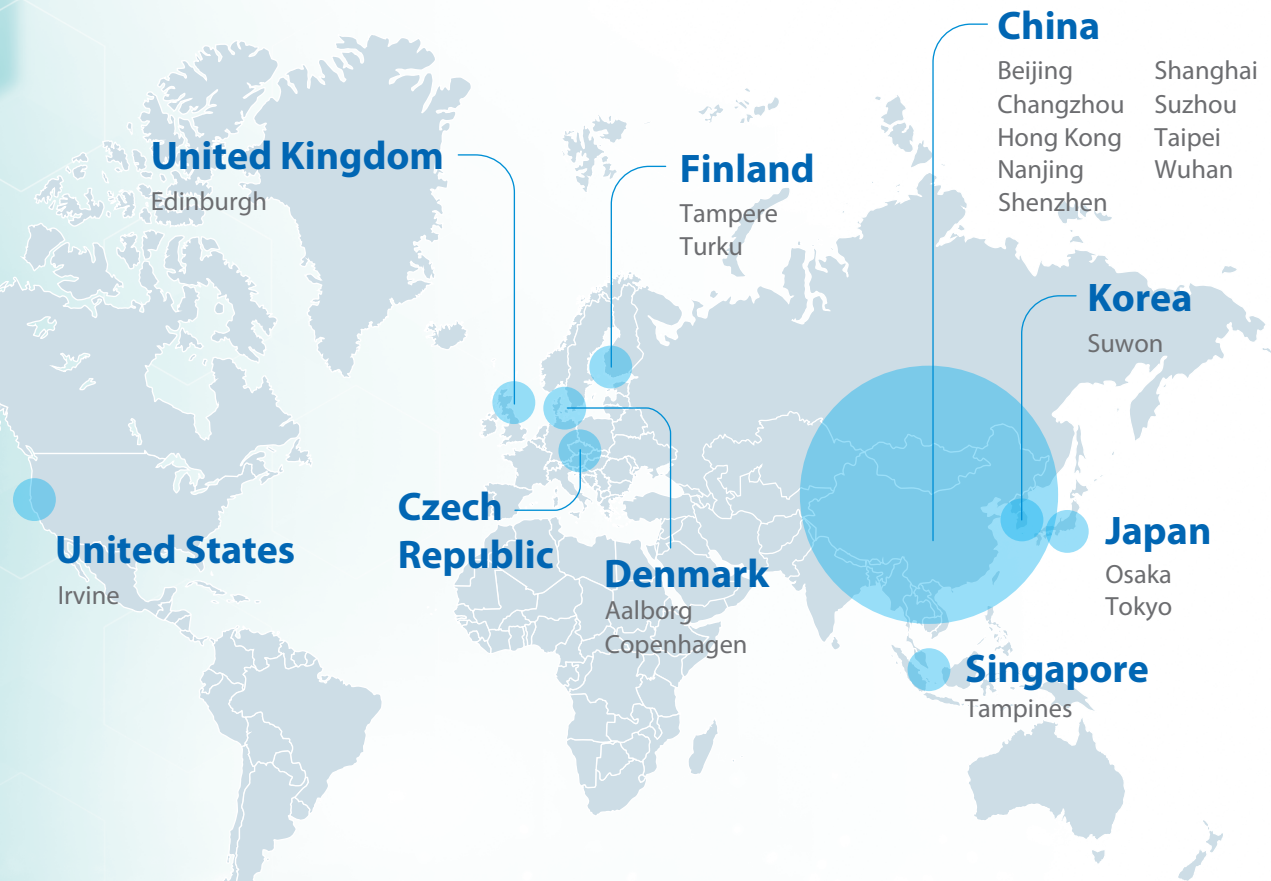
## Patents by Segments



(analysis by segments insignificant)

- Acoustics
- Optics
- Electromagnetic Drives
- MEMS
- RF
- Others

## R&D Centers



R&D Centers

20



R&D Engineers and Technicians

4,195



Patents

5,078



Overseas:  
1,269

Patent Applications

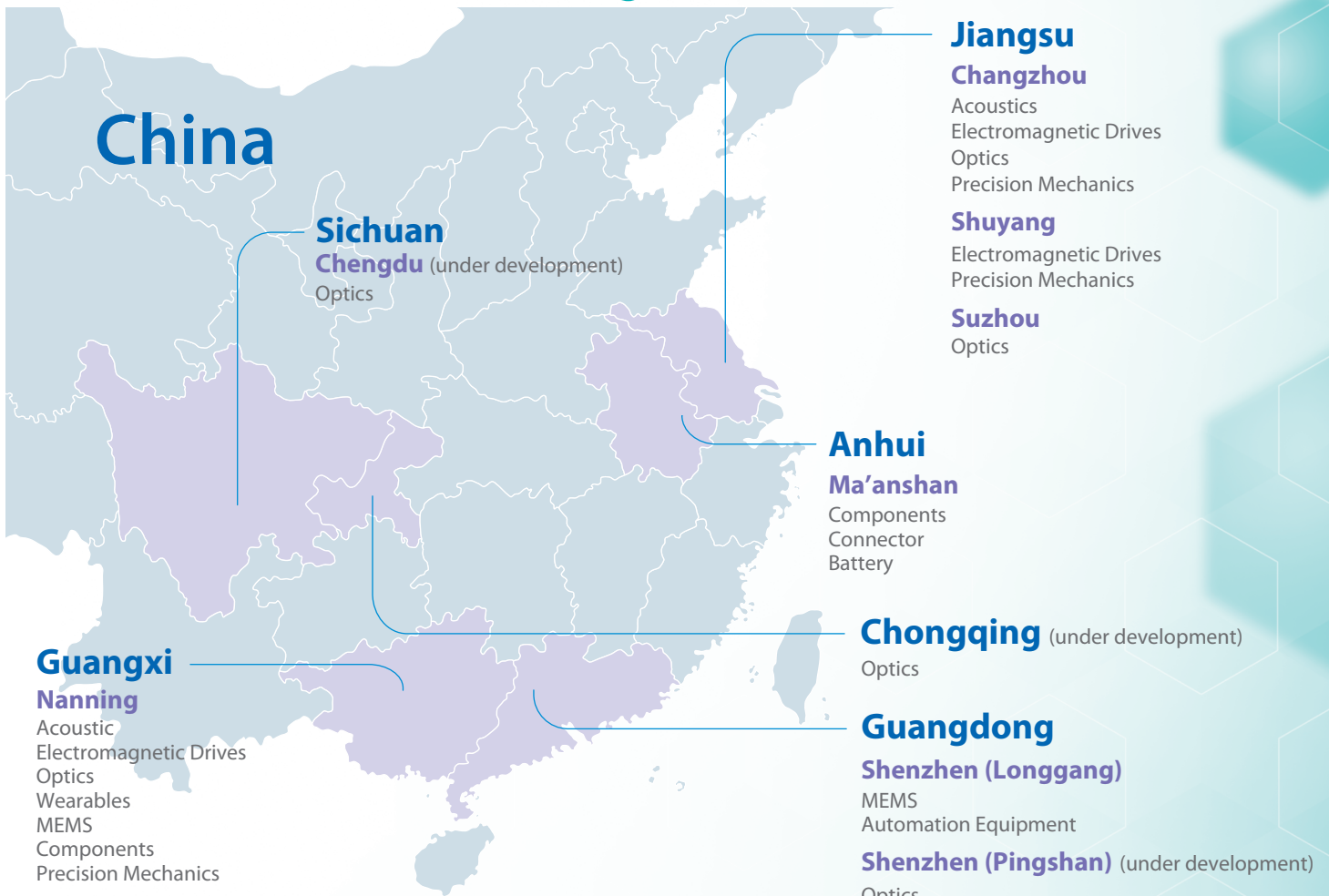
4,672



Overseas:  
2,456

# Global Presence

## Diversified Manufacturing Bases

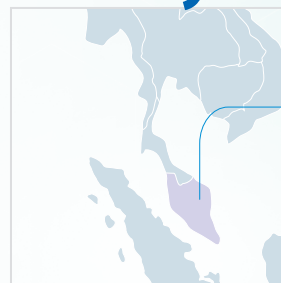


## Czech Republic



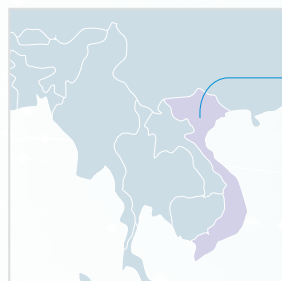
**Kozomín** (under development)  
Optics Tooling

## Malaysia



**Johor** (under development)  
Moduling  
Optics  
MEMS

## Vietnam



**Bac Ninh**  
Acoustics

**Vinh Phuc** (under development)  
Ba Thien IP Industrial Park

**Bac Giang** (under development)  
Hoa Phu Industrial Park



# Financial Review

## Revenue

1H 2020 Group revenue increased YoY by 4%, to RMB7.8 billion. Owing to factors discussed under “Interim 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%.

# Financial Review

## LIQUIDITY AND FINANCIAL RESOURCES

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

	For the six months ended 30 June	
	2020 RMB million	2019 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.

# Financial Review

## 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. 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. And, this report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

## Risks Pertaining to the Smartphones Market

A substantial part of the Group's revenue is derived in the smartphone sector of the consumer electronics market. The overall global market for smartphones 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.

# Key Risk Factors

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.

# Key Risk Factors

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



# Corporate Governance

## CORPORATE GOVERNANCE POLICY AND PRACTICES

The Board and the Company consider effective corporate governance not only a safeguard of the interests and confidence of our stakeholders, but also a key component in the Group's sustainable long term development and value creation. Our Board, which is at the centre of our corporate governance structure, has regularly reviewed and refined principles, policies and practices on the conduct with an aim to support the growth of the Group's operations. Our sound corporate governance structure includes a quality Board, high standards of corporate responsibility and sustainability awareness, a high degree of transparency, accountability and independence, and, an effective design, implementation and enforcement of risk management as well as internal control systems.

Based on regular reviews of the Company's actual performance against the CG Code in Appendix 14 of the Listing Rules, the Board is satisfied that for 1H 2020, the Company has complied with all the code provisions of the CG Code ("Code Provision(s)"). Furthermore, the Company aims to go beyond Code Provisions compliance by embracing the latest best and the best corporate governance practices, such as correlating a significant proportion of the executive Directors' remuneration with the corporate and individual performances, the Board and its Committees conducting annual evaluation of the Board and Committees performance, and putting effective whistleblowing policy in place.

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

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

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

## BOARD AND EXECUTIVE MANAGEMENT

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

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

# Corporate Governance

## GOVERNANCE STRUCTURE & BOARD COMMITTEES

### Composition of Board and Committees

Board of Directors		
Zhang Hongjiang (INED & Chairman of the Board)		
Au Siu Cheung Albert (INED)		
Peng Zhiyuan (INED)		
Kwok Lam Kwong Larry (INED)		
Pan Benjamin Zhengmin (ED & CEO)		
Mok Joe Kuen Richard (ED)		
Wu Ingrid Chun Yuan (NED)		
Audit and Risk Committee* (all INEDs)	Nomination Committee* (all INEDs)	Remuneration Committee* (all INEDs)
Established in April 2005	Established in April 2005	Established in April 2005
Current Members	Current Members	Current Members
Au Siu Cheung Albert (Chairman) Peng Zhiyuan Kwok Lam Kwong Larry	Zhang Hongjiang (Chairman) Peng Zhiyuan Kwok Lam Kwong Larry	Peng Zhiyuan (Chairman) Zhang Hongjiang Au Siu Cheung Albert

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





The Director who stood for re-election at the annual general meeting held on 15 May 2020 ("2020 AGM"), namely Mr. Mok Joe Kuen Richard was re-elected with the approval of the Shareholders. At the conclusion of the 2020 AGM, (i) Mr. Koh Boon Hwee retired as an independent non-executive Director ("INED") and chairman of the Board; (ii) Mr. Poon Chung Yin Joseph retired as an INED, chairman of remuneration committee and member of audit and risk committee of the Company; (iii) Mr. Zhang Hongjiang was appointed as chairman of the Board, and (iv) Mr. Peng Zhiyuan was appointed as chairman of remuneration committee.

# Corporate Governance

## The Board's Roles and Responsibilities

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

Some of the key responsibilities of the Board include:

<p><b>Strategy &amp; Management</b></p> 	<p><b>Corporate Governance, Risk Management &amp; Sustainability</b></p> 
<ul style="list-style-type: none"><li>• The Board will formulate, update and refine the Group's strategy and business objectives.</li><li>• Every quarter, major investing and financing activities will be approved and management is evaluated on the implementation progress to monitor the Group's businesses against plan and budget.</li><li>• Overseeing the management of the Group's relationships with stakeholders.</li></ul>	<ul style="list-style-type: none"><li>• The Board will approve amendments to policies and review implementations related to Group's Corporate Governance, internal controls, risk management and sustainability practices.</li></ul>
<p><b>Financial Results</b></p> 	<p><b>Effectiveness of Committees</b></p> 
<ul style="list-style-type: none"><li>• The Board will approve the Group's annual budgets, quarterly, interim and annual financial statements and results announcements, recommend reappointment of external auditor and declare interim and final dividends (if any).</li></ul>	<ul style="list-style-type: none"><li>• The performances of the Board and the Committees are evaluated by all Directors annually.</li><li>• All Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.</li></ul>



# Corporate Governance

## Board Committees Structure

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



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

# Corporate Governance

## Delegation by the Board

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

## Board Process

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

## Individual Board Committees

### Audit and Risk Committee

#### Roles and Authority

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

The Audit and Risk Committee oversees the relationship and coordination among the Company, internal auditor and external auditor.

### Nomination Committee

#### Board Diversity

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

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

The Board believes that the long tenure of some of the INEDs does not compromise their independence but instead brings significant positive qualities as referred above. The Board, however, recognizes the importance of succession to balance the mix of deep understanding of the Group's business with fresh ideas and perspectives.

# Corporate Governance

With the appointments of two new INEDs in 2018 and another two new INEDs in 2019, and the retirement of two existing INEDs in 2020, the age distribution has been broadened and no INED has served on the Board for more than 9 years. The independence of Directors maintained at a strong level of 57.14%.

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

Name	Pan Benjamin Zhengmin	Mok Joe Kuen Richard	Zhang Hongjiang	Au Siu Cheung Albert	Peng Zhiyuan	Kwok Lam Kwong Larry	Wu Ingrid Chun Yuan
<b>Gender</b>	Male	Male	Male	Male	Male	Male	Female
<b>Age</b>	51	56	59	69	47	64	49
<b>Academic Background</b>	Graduated from the Jiangsu Province Wujin Teacher School	Bachelor of Economics	Ph.D in Electrical Engineering  Bachelor of Science	Bachelor of Commerce	Master of Business and Administration  Bachelor of Engineering and Finance	Master of Laws  Bachelor of Economics/Accounting	Graduated from Changzhou School of Public Health
<b>Length of service</b>	16 years	15 years	1.5 years	2.5 years	1.5 years	2.5 years	16 years
<b>Skills, knowledge &amp; professional experience</b>							
(a) Accounting & Finance		✓		✓	✓	✓	✓
(b) Corporate Responsibility/ Sustainability		✓			✓	✓	
(c) Executive management and leadership skills	✓	✓	✓	✓	✓	✓	✓
(d) Financial Service		✓		✓	✓	✓	
(e) Human Resources		✓					
(f) Information Technology & Security			✓				
(g) Investment Banking	✓				✓	✓	✓
(h) Investor Relations	✓	✓					
(i) Legal		✓				✓	
(j) Other listed Board Experience/Role			✓	✓		✓	✓
(k) Risk Management		✓		✓	✓	✓	
(l) Strategic Planning	✓		✓	✓		✓	
(m) Technologies & Manufacturing	✓	✓	✓				

The Nomination Committee reviewed the Board's composition under diversified perspectives and monitored the implementation of the Board Diversity Policy and considered that the said policy is effective. It is currently not required to set any measurable objectives for implementing the policy.



# Corporate Governance

## **Roles and Authority**

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

## **Nomination Policy & Practice**

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

## **Remuneration Committee**

### **Roles and Authority**

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

## **Share Award Scheme**

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

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

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

During the year, no new shares have been 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.

# Corporate Governance

## CORPORATE GOVERNANCE CODE

The Company has continued to fully comply with requirements of the Code Provisions for 1H 2020. The Company has always aimed to go beyond compliance with the Code Provisions by adopting the Recommended Best Practices of the CG Code. The table below illustrates how and in what way the Company has already adopted these items:

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

## LEGAL AND REGULATORY COMPLIANCE

### Compliance

During 1H 2020, the Board continued to review the Company's legal framework on implementing policies and practices to ensure the operations of the Company are in compliance with existing or any new legal and regulatory requirements of all applicable jurisdictions, including updates of the Listing Rules and disclosure requirements under the Hong Kong Securities and Futures Ordinance, companies law of the Cayman Islands as well as Hong Kong Companies Ordinance.

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

### Model Code For Securities Transactions by Directors

The Company has adopted codes of conduct regarding securities transactions by Directors and by relevant employees (as defined in the CG Code) on terms not less exacting than the required standards set out in the Model Code for Securities Transaction by Directors of Listed Issuer (the "Model Code") as set out 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 six months ended 30 June 2020.

### Securities Dealing Restriction to Management and Staff

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

# Corporate Governance

## DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, the beneficial interests of the Directors of the Company and chief executive in any shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of interests required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions) which they are taken or deemed to have taken under such provisions of the SFO and pursuant to the Model Code, were as follows:

Long positions in ordinary shares of US\$0.01 each of the Company:

Name of Directors of the Company	Capacity	Number of ordinary shares				Total number of shares	Percentage of the Company's issued shares as at 30 June 2020 <sup>(1)</sup>
		Personal interests	Corporate interests	Spouse interests	Other interests		
Mr. Pan Benjamin Zhengmin ("Mr. Pan") <sup>(2)</sup>	Beneficial owner/interest of spouse/interest of controlled corporation/founder of a discretionary trust	69,512,565	51,439,440	262,820,525	111,545,122	495,317,652	40.98%
Ms. Wu Ingrid Chun Yuan ("Ms. Wu") <sup>(3)</sup>	Interest of spouse/interest of controlled corporation/founder of a discretionary trust	-	262,820,525	120,952,005	111,545,122	495,317,652	40.98%
Mr. Zhang Hongjiang	Beneficial owner	100,000	-	-	-	100,000	<0.01%
Mr. Mok Joe Kuen Richard	Beneficial owner	100,000	-	-	-	100,000	<0.01%

Notes:

- (1) Percentage was computed based on the 1,208,500,000 issued shares as at 30 June 2020.
- (2) Mr. Pan beneficially owns 69,512,565 shares. In addition, Mr. Pan is also deemed or taken to be interested in the following shares for the purpose of the SFO:
  - (i) 51,439,440 shares which are beneficially owned by Silver Island Limited, a company wholly-owned by Mr. Pan;
  - (ii) 262,820,525 shares representing the aggregate of (a) 134,828,594 shares which are beneficially owned by Sapphire Hill Holdings Limited and (b) 127,991,931 shares which are beneficially owned by K&G International Limited. These two companies are wholly-owned by Ms. Wu and as Ms. Wu is his spouse, he is deemed to be interested in such 262,820,525 shares; and
  - (iii) 111,545,122 shares representing the aggregate of (a) 106,806,278 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendants, as beneficiaries of the Pan 2005 Irrevocable Trust dated 10 May 2005; and (b) 4,738,844 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendants, as beneficiaries of the Pan 2005 Exempt Trust dated 10 May 2005. Two children of Mr. Pan and Ms. Wu are over the age of 18 and they have no discretion over distributions or investments in these trusts until distribution is made to them.



# Corporate Governance

- (3) Ms. Wu is deemed or taken to be interested in the following shares for the purposes of the SFO:
- (i) 262,820,525 shares representing the aggregate of (a) 134,828,594 shares which are beneficially owned by Sapphire Hill Holdings Limited; and (b) 127,991,931 shares which are beneficially owned by K&G International Limited. These two companies are wholly-owned by Ms. Wu;
  - (ii) 120,952,005 shares representing the aggregate of (a) 51,439,440 shares which are beneficially owned by Silver Island Limited, a company wholly-owned by Mr. Pan; and (b) 69,512,565 shares which are beneficially owned by Mr. Pan and as Mr. Pan is her spouse, she is deemed to be interested in such 120,952,005 shares; and
  - (iii) 111,545,122 shares representing the aggregate of (a) 106,806,278 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendants, as beneficiaries of the Pan 2005 Irrevocable Trust dated 10 May 2005; and (b) 4,738,844 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendants, as beneficiaries of the Pan 2005 Exempt Trust dated 10 May 2005. Two children of Mr. Pan and Ms. Wu are over the age of 18 and they have no discretion over distributions or investments in these trusts until distribution is made to them.

Long positions in the debentures of the Company:

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

Notes:

- (1) The Company issued US\$388,000,000 notes ("Notes"), to be matured in 2024 to third party professional investors, and, the Notes were listed on the Stock Exchange (stock code: 40075). The Notes bear interest at the rate of 3.00% per annum, payable semi-annually in arrears on 27 May and 27 November in each year.
- (2) Mr. Pan is deemed or taken to be interested in this amount of Notes which were held by Sapphire Hill Holdings Limited, a company wholly-owned by Ms. Wu and as Ms. Wu is his spouse, he is deemed to be interested in such amount of Notes.
- (3) Ms. Wu is deemed or taken to be interested in this amount of Notes which were held by Sapphire Hill Holdings Limited, a company wholly-owned by Ms. Wu.

Other than as disclosed above, as at 30 June 2020, none of the Directors of the Company, chief executive nor their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register of interests required to be kept by the Company under Section 352 of the SFO.

# Corporate Governance

## Disclosure of Conflict of Interest

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

As at 30 June 2020, Ms. Wu, a non-executive Director of the Company, holding more than 5% of the Company's share capital had beneficial interests in one of the Group's five largest customers. The customer has the usual trading terms as any other customers of the Group. At no time during the year and up to the date of this report, had Ms. Wu's interests in the customer exceeded 1%. Ms. Wu has not been director of the customer nor involved in its management in the reporting period.

Mr. Jiang Jinzhi ("Mr. Jiang"), who was a substantial Shareholder holding more than 5% of the Company's share capital as at 21 May 2020, as per disclosure form filed pursuant to part XV of the SFO dated 26 May 2020, being the latest disclosure form filed up to the date of this report. Mr. Jiang had confirmed to the Company that, as at 30 June 2020, he had beneficial interest in two of the Group's five largest customers, each not exceeding 5% in the shareholding interest. The Company confirmed that these two customers, had none other than the usual trading terms as any other customers of the Group. To the knowledge of the Directors of the Company, Mr. Jiang has not been director, nor involved in management of these customers in the reporting period.

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

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

There was no purchase, sale or redemption of the Company's listed shares and Notes by the Company or any of its subsidiaries during the six months ended 30 June 2020.

## CHANGE IN DIRECTORS' INFORMATION DISCLOSED UNDER RULE 13.51B(1) OF THE LISTING RULES

Change in Directors' information since the date of the 2019 annual report of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is set out below:

Mr. Au Siu Cheung Albert, an INED, has completed his tenure as the chairman of the Hong Kong Trade Development Council's Professional Services Advisory Committee on 31 March 2020.

# Corporate Governance

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, the register of interests and short positions kept by the Company under Section 336 of the SFO, other than the Directors of the Company and chief executive, showed that the following corporates and individual held interests or short positions in the Company's shares, and that, one of the corporates represented the same batch of other interests of Mr. Pan and Ms. Wu as disclosed in the section of "Directors' and Chief Executive's Interest in Shares and Underlying Shares and Debentures" above:

Name of Shareholders	Capacity	Number of shares	Derivative interest	Percentage of the Company's issued shares as at 30 June 2020 <sup>(1)</sup>
JPMorgan Chase & Co. <sup>(2)</sup>	Interest of controlled corporation/	117,306,359(L)	5,795,500(L)	10.18%
	Person have security interest in	6,451,811(S)	8,857,242(S)	1.26%
	shares/Investment Manager/Trustee/ Approved lending agent	18,682,138(P)	–	1.54%
Citigroup Inc. <sup>(3)</sup>	Interest of controlled corporation/	23,479,900(L)	21,213,303(L)	3.69%
	Person have security interest in	42,387,131(S)	1,454,720(S)	3.62%
	shares/Investment Manager/ Trustee/ Approved lending agent	26,097,541(P)	–	2.15%
Mr. Jiang Jinzhi <sup>(4)</sup>	Interest of controlled corporation/ Person have security interest in shares/Investment Manager	55,660,500 (L)	5,938,500(L)	5.09%

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

Notes:

- Percentage was computed based on the 1,208,500,000 issued shares as at 30 June 2020.
- JPMorgan Chase & Co., through its various 100% controlled corporations ("JPMorgan Group"), is indirectly interested in (i) an aggregate of 141,783,997 shares (including listed derivative interests of 159,000 shares with cash settled and unlisted derivative interests of 5,636,500 shares with cash settled) in long position; and (ii) an aggregate of 15,309,052 shares (including listed derivative interests of 3,238,100 shares with cash settled, unlisted derivative interests of 5,103,649 shares with physically settled and unlisted derivative interests of 515,492 shares with cash settled (including listed derivative interest of 1 share with convertible instruments) in short position. Among them, 111,558,098 shares were held by JPMorgan Group as a trustee, including 111,545,122 shares held by J.P. Morgan Trust Company of Delaware which were represented the same batch of other interests of Mr. Pan and Ms. Wu as disclosed in the section of "Directors' and Chief Executive's Interest in Shares and Underlying Shares and Debentures" above.

In addition to the above, JPMorgan Chase & Co. is also interested in 18,682,138 shares in lending pool as described in the SFO. The term "lending pool" is defined as (i) shares that the approved lending agent holds as agent for a third party which he is authorised to lend and other shares that can be lent according to the requirements of the Securities Borrowing and Lending Rules; and (ii) shares that have been lent by the approved lending agent and only if the right of the approved lending agent to require the return of the shares has not yet been extinguished.



# Corporate Governance

- (3) Citigroup Inc., through its various 100% controlled corporations and a 90% controlled corporation (namely Citigroup Global Markets Holdings Bahamas Limited) (“Citigroup”), is indirectly interested in (i) an aggregate of 70,790,744 shares (including listed derivative interests of 443,371 shares with physically settled, unlisted derivative interests of 513,932 shares with physically settled and unlisted derivative interests of 20,256,000 shares with cash settled) in long position; and (ii) an aggregate of 43,841,851 shares (including listed derivative interests of 804,000 shares with physically settled, unlisted derivative interests of 648,220 shares with physically settled and unlisted derivative interests of 2,500 shares with cash settled) in short position.

In addition to the above, Citigroup is also interested in 26,097,541 shares in lending pool as described in the SFO. The term “lending pool” is defined as (i) shares that the approved lending agent holds as agent for a third party which he is authorised to lend and other shares that can be lent according to the requirements of the Securities Borrowing and Lending Rules; and (ii) shares that have been lent by the approved lending agent and only if the right of the approved lending agent to require the return of the shares has not yet been extinguished.

- (4) Mr. Jiang through his various 100% controlled corporations and three 84.50% controlled corporations (namely Xizang Jingning Corporate Management Company Limited, Greenwood Asset Management Holdings Limited and Invest Partner Group Limited), is indirectly interested in an aggregate of 61,599,000 shares (including unlisted derivative interests of 28,000 shares with cash settled and unlisted derivative interests of 5,910,500 with physically settled) in long position.

## SHAREHOLDERS STRUCTURE

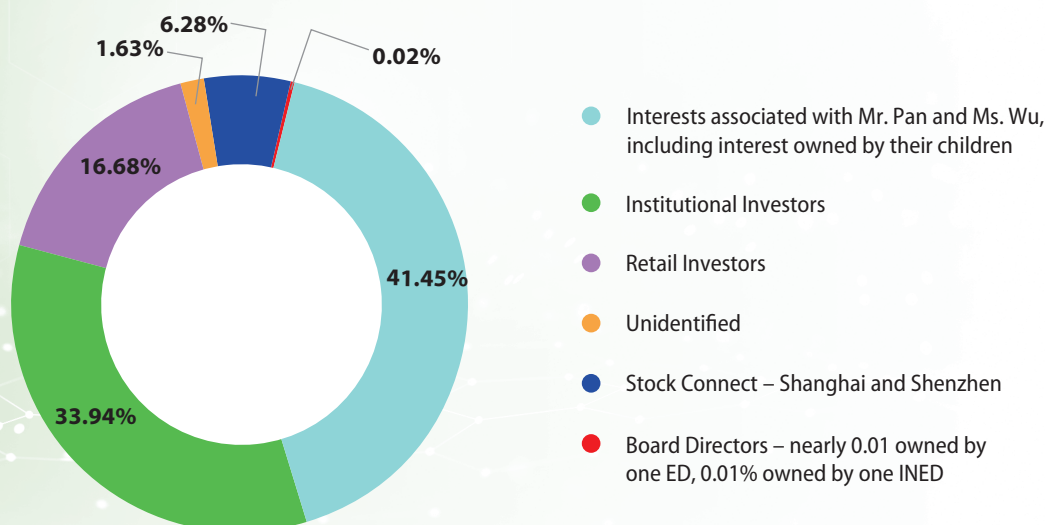
### Shareholders

Almost all the Shareholders are holding the Company’s shares through nominees or intermediaries such as HKSCC Nominees Limited. Hence, the register of members of the Company only had 97 direct registered Shareholders as at 30 June 2020. Separately, as the Company’s shares are eligible for trading in the Shanghai/Shenzhen-Hong Kong Stock Connect, an aggregate shareholding was held through China Securities Depository and Clearing Corporation Limited as one single Shareholder, which as at 30 June 2020, amounted to 75.9 million shares, or representing 6.28% of total issued shares, of the Company.

The Company analyses its shareholding structure on a regular basis, including a review of the register of institutional and retail investors, to keep track of changes in shareholdings by type of investors. A shareholding register analysis was conducted as at 30 June 2020 and revealed the shareholding structure as follows:

#### I) Shareholders by Category:

(per Shareholder Analysis as at 30 June 2020, rounded to nearest 0.01%)



# Corporate Governance

**II) Shareholders by Domicile:**

	<b>% of Total Issued Shares</b>
Hong Kong	69.30
North America	11.81
China	6.45
Singapore	6.09
United Kingdom	2.79
Europe (ex-United Kingdom)	2.18
Rest of the World	1.38
<b>Total</b>	<b>100</b>

**Notes:**

1. The shareholding in Hong Kong included the interests associated with Mr. Pan, Ms. Wu and their children.
2. 99.99% of all issued shares were held through HKSCC Nominees Limited.
3. The approximate percentage of shareholding is calculated on the basis of 1,208,500,000 shares in issue as at 30 June 2020.

**Constitutional Documents**

During 1H 2020, there was changes to the Articles approved by Shareholders at the 2020 AGM. An up-to-date consolidated version of the Memorandum and Articles is available on the websites of the Stock Exchange and the Company.

# Sustainability

## SUSTAINABILITY

With sustainable development as one of its core values, the Group is committed to addressing impactful sustainability issues and improving our environmental, social and governance (“ESG”) performance through a comprehensive management approach. Amid the disruption of operations due to outbreak of COVID-19, we continue our efforts to safeguard the environment and contribute to social well-being, ensuring our operations create value for our stakeholders and also bring positive impact to the wider society.

A small but important leap in our sustainability journey has been the establishment of a sustainability working group (“SWG”) to further strengthen our governance structure. Reporting to the board directly, the SWG oversees the execution of the programme for optimization on ESG and advises the Board on the Group’s sustainability strategies, practices and goals, with clearly-defined roles and responsibilities assigned to different individuals and organs of the Group. SWG has been organizing internal meetings for evaluating the reporting process and reviewing our overall ESG strategy, paving the way for further actions towards achieving our ESG goals.


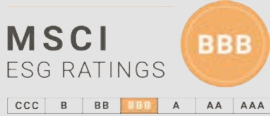









# Sustainability

## 2019 SUSTAINABILITY REPORT



<p><b>SUSTAINABILITY RECOGNITION</b></p>  <p>FTSE4Good</p> <p>Inclusion in the FTSE4Good Index Series</p> <hr/>  <p>MSCI ESG RATINGS <b>BBB</b></p> <p>ccc   B   BB   <b>BBB</b>   A   AA   AAA</p> <p>Maintain a MSCI ESG Rating of BBB</p>	<p><b>KEY HIGHLIGHTS FOR 1H 2020</b></p> <div style="display: flex; justify-content: space-around;"> <div data-bbox="750 780 973 965">  <p>Established Sustainability Working Group</p> </div> <div data-bbox="1085 780 1372 965">  <p>ISO27001 Information Security Management System certification coverage extended from 2 sites to 9</p> </div> </div> <hr/> <div style="display: flex; justify-content: space-around;"> <div data-bbox="718 1052 893 1237">  <p>779 patent newly obtained, making a total of 5,078</p> </div> <div data-bbox="941 1052 1133 1237">  <p>Clean production audits in-progress; 2 sites already passed</p> </div> <div data-bbox="1165 1052 1404 1237">  <p>Donated 350,000 pieces of surgical masks to suppliers in countering COVID-19</p> </div> </div>
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### COLLECTIVE EFFORTS ON COMBATING COVID-19

Outbreak of COVID-19 during 1H 2020 has made unprecedented global impact. At the critical time, the Group had responded immediately and gathered its resources to address the pandemic. An emergency response team was set up, not only to manage and take care of suspected cases, but arrange instant provision of nucleic acid testing to 25,000 employees. Our aims were to achieve “early detection, early report, early isolation and early treatment” and ensure maximal precautionary procedures and hygienic practices were implemented.

In these challenging times of combating COVID-19, we share relevant, albeit limited, resources, with those in need. To support our community to recover from the pandemic and our suppliers to resume production, the Group donated some 5,000+ sets of medical protective wear to local districts and hospitals, as well as 350,000 pieces of surgical masks to our smaller suppliers. We also worked urgently with other organization to source medical equipment and donated in total RMB 1 million to the medical staff of different locations in the PRC.

# Sustainability

## ENVIRONMENTAL MANAGEMENT

The Group complies strictly with environmental laws and regulations in locations where it operates. Its major manufacturing bases in the PRC are certified for the ISO 14001 standard environmental management system. We engage regularly with local environmental regulatory agencies to keep abreast of the latest regulatory changes and to respond to them in a timely manner. During the reporting period, the Group is not aware of any material non-compliance of laws and regulations that could have a significant impact on it, in the context of gas and greenhouse gas emissions, discharges into water and land, or generation of hazardous and non-hazardous waste.

It is important that we are gradually shifting towards a more active approach on environmental management, particularly in face of swift changes in policy and operating environment. During the first half of 2020, our site in Shenzhen has completed carbon audit, while sites in Changzhou and Shuyang have passed clean production audits. We continue to invest in a sludge reduction project which is expected to curtail sludge discharge by approximately 500 tonnes in 2020.

Furthermore, we are taking steps to align our disclosures with recommendations of the Taskforce on Climate-related Financial Disclosure (“TCFD”). We aim to improve transparency on how we identify risks associated with climate change, which is a pre-requisite for building a solid framework for managing climate change risks. Optimizing energy efficiency is a key initiative for mitigating environmental impact. To begin, the Group will monitor and manage energy consumption through multiple new measures, including using more energy-saving devices and adopting smart technologies. Our mid-term management plan is to continue to monitor energy usage and set reduction targets while for a longer term, an integrated drive towards greener operations along with product development.

## TALENT MANAGEMENT

The Group develops an ongoing HR strategy to attract top talents from the market and universities. In 2020 we continue to target outstanding middle and high-end talents with expertise in all business segments. Through talent mapping and close collaboration with universities, the Group responds swiftly to changes in requirements of key knowledge and skills under the fast-developing industry trends.

Striving towards smart manufacturing remains one of the main goals of the Group’s strategic development. We continuously strengthen and update our training systems for smart manufacturing for various levels and positions, especially engineers, so as to enhance their capabilities and provide the related experience. Since its launch in 2019, the performance tracking system has been fully implemented in some of our product lines. Key performance indicators and goals have been optimized and evaluated in a clear and systematic manner. We aim to encourage employees to self-reflect and continuously improve, in propelling their growth. The Group is keen to bring out the greatest potential of its employees. In so doing, the Group also strengthens its competitiveness.

To manage employee satisfaction and retain talents, the Group continues to improve communication channels by developing digital cloud-based human capital systems. We have completed the setting up of an online training platform in early 2020 and will launch in the second half of this year, facilitating efficient and flexible learning within the Group.

## SUPPLIER MANAGEMENT

Responsible procurement is a key issue in management of product quality. The Group ensures its suppliers share the same values and shoulder environmental and social responsibilities according to the relevant requirements. Suppliers performances are assessed based on the supplier code of conduct and other international standards such as Social Accountability 8000. To be vigilant of usage of conflict minerals, the Group continues to conduct due diligence on suppliers, as well as reiterate the requirement for them to comply with Responsible Business Alliance (“RBA”) stipulations. It is important to ensure our operations are 100% free of conflict minerals.

# Report on Review of Condensed Consolidated Financial Statements

**Deloitte.**

德勤

TO THE BOARD OF DIRECTORS OF AAC TECHNOLOGIES HOLDINGS INC.

(incorporated in the Cayman Islands with limited liability)

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of AAC Technologies Holdings Inc. (the “Company”) and its subsidiaries set out on pages 34 to 50, which comprise the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by International Accounting Standards Board. The Directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

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

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

24 August 2020



# 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:			
<i>Item that will not be subsequently reclassified to profit or loss:</i>			
Fair value changes on equity instruments at fair value through other comprehensive income		(12,010)	13,890
<i>Items that may be subsequently reclassified to profit or loss:</i>			
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
<b>Non-current assets</b>			
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
		<b>20,538,690</b>	<b>19,399,786</b>
<b>Current assets</b>			
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
		<b>13,940,036</b>	<b>14,807,506</b>
<b>Current liabilities</b>			
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	–
		<b>7,710,011</b>	<b>7,710,746</b>
Net current assets		<b>6,230,025</b>	<b>7,096,760</b>
Total assets less current liabilities		<b>26,768,715</b>	<b>26,496,546</b>

# 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 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
		<u>7,140,991</u>	<u>7,135,554</u>
Net assets		<u>19,627,724</u>	<u>19,360,992</u>
Capital and reserves			
Share capital	15	98,135	98,135
Reserves		<u>19,519,964</u>	<u>19,253,058</u>
Equity attributable to owners of the Company		<u>19,618,099</u>	<u>19,351,193</u>
Non-controlling interests		<u>9,625</u>	<u>9,799</u>
Total equity		<u>19,627,724</u>	<u>19,360,992</u>



# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the Company												Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Special reserve RMB'000	Capital reserve RMB'000	Translation reserve RMB'000	Investments revaluation reserve RMB'000	Non-distributable reserve RMB'000	PRC statutory reserve RMB'000	Hedging reserve RMB'000	Retained profits RMB'000	Non-controlling interest RMB'000	
At 31 December 2018 (audited)	98,906	36,438	(79,202)	1,135	23,391	18,955	18,638	87,245	713,888	10,155	18,004,549	-	18,934,098
Effects on adoption of new standard (note 2)	-	-	-	-	-	-	-	-	-	-	(10)	-	(10)
At 1 January 2019 (restated)	98,906	36,438	(79,202)	1,135	23,391	18,955	18,638	87,245	713,888	10,155	18,004,539	-	18,934,088
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(33,817)	-	-	-	-	-	-	(33,817)
Fair value changes on equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	13,890	-	-	-	-	-	13,890
Fair value changes on derivative financial instruments	-	-	-	-	-	-	-	-	-	(25,218)	-	-	(25,218)
Gain reclassified to profit or loss on hedged items	-	-	-	-	-	-	-	-	-	(1,811)	-	-	(1,811)
Profit for the period	-	-	-	-	-	-	-	-	-	-	769,809	-	769,809
Total comprehensive (expense) income for the period	-	-	-	-	-	(33,817)	13,890	-	-	(27,029)	769,809	-	722,853
Dividends declared (note 7)	-	-	-	-	-	-	-	-	-	-	(1,094,264)	-	(1,094,264)
Shares repurchased	-	-	(277,456)	-	-	-	-	-	-	-	-	-	(277,456)
Shares cancelled	(771)	(36,438)	356,658	-	-	-	-	-	-	-	(319,449)	-	-
Transfer to reserve	-	-	-	-	-	-	-	-	163,563	-	(163,563)	-	-
At 30 June 2019 (unaudited)	98,135	-	-	1,135	23,391	(14,862)	32,528	87,245	877,451	(16,874)	17,197,072	-	18,285,221
At 1 January 2020 (audited)	98,135	-	-	1,135	23,391	(28,787)	100,754	87,245	888,880	(15,477)	18,195,917	9,799	19,360,992
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(21,325)	-	-	-	-	-	-	(21,325)
Fair value changes on equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(12,010)	-	-	-	-	-	(12,010)
Fair value changes on derivative financial instruments	-	-	-	-	-	-	-	-	-	(27,714)	-	-	(27,714)
Loss reclassified to profit or loss on hedged items	-	-	-	-	-	-	-	-	-	7,490	-	-	7,490
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	-	320,465	(174)	320,291
Total comprehensive (expense) income for the period	-	-	-	-	-	(21,325)	(12,010)	-	-	(20,224)	320,465	(174)	266,732
Transfer to reserve	-	-	-	-	-	-	-	-	8,019	-	(8,019)	-	-
At 30 June 2020 (unaudited)	98,135	-	-	1,135	23,391	(50,112)	88,744	87,245	896,899	(35,701)	18,508,363	9,625	19,627,724

# Condensed Consolidated Statement of Cash Flows

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
Net cash from operating activities		1,458,130	1,784,980
Net cash used in investing activities			
Purchase of property, plant and equipment		(860,613)	(676,977)
Deposits paid for acquisition of property, plant and equipment		(1,537,600)	(669,966)
Purchase of intangible assets		(1,996)	-
Placement of time deposits with original maturity over three months		-	(31,483)
Payments for right-of-use assets		(41,893)	(18,244)
Placement of pledged bank deposits		(34,540)	(11,100)
Payments for rental deposits		(453)	(80)
Withdrawal of time deposits with original maturity over three months		697,620	67,545
Government grants received relating to acquisitions of non-current assets		362,026	63,651
Interest received		27,161	31,805
Proceeds from disposal of property, plant and equipment		176,227	17,168
Proceeds from disposal of prepaid lease payments		51,619	-
Return of capital of equity instruments at fair value through other comprehensive income		2,508	-
Proceeds from disposal of financial assets at fair value through profit or loss	10	-	6,771
Withdrawal of pledged bank deposits		20,766	2,100
		(1,139,168)	(1,218,810)
Net cash used in financing activities			
Bank loans raised		1,349,748	2,230,526
Receipt from derivative financial instruments		17,500	25,798
Repayment of bank loans		(1,178,646)	(2,157,223)
Dividends paid	7	-	(1,094,264)
Repurchase of shares	15	-	(277,456)
Interest paid		(151,929)	(113,896)
Repayments of lease liabilities		(68,363)	(30,001)
Payment to derivative financial instruments		(24,990)	(23,993)
Acquisition of additional interest in a subsidiary in previous years		-	(11,455)
		(56,680)	(1,451,964)
Net increase (decrease) in cash and cash equivalents		262,282	(885,794)
Cash and cash equivalents at 1 January		4,814,354	4,058,949
Effect of foreign exchange rate changes		17,099	268
		5,093,735	3,173,423
Represented by:			
Bank balances and cash		5,093,735	3,204,906
Less: Time deposits with original maturity over three months		-	(31,483)
Cash and cash equivalents at 30 June		5,093,735	3,173,423

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 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 2019 Novel Coronavirus (“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.

### 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.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Application of amendments to IFRSs (continued)

#### 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.

###### 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 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.

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)
<b>Operating and reportable segments</b>		
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
	<u>7,837,054</u>	<u>7,567,523</u>
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)
	<u>1,818,124</u>	<u>2,084,361</u>
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)
	<u>437,131</u>	<u>887,822</u>
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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 3. SEGMENT INFORMATION (CONTINUED)

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

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

	1.1.2020 to 30.6.2020 RMB'000 (Unaudited)	1.1.2019 to 30.6.2019 RMB'000 (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
	<u>7,837,054</u>	<u>7,567,523</u>

\* 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 RMB'000 (Unaudited)	1.1.2019 to 30.6.2019 RMB'000 (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)
	<u>254,724</u>	<u>115,992</u>



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 5. PROFIT BEFORE TAXATION

	1.1.2020 to 30.6.2020 RMB'000 (Unaudited)	1.1.2019 to 30.6.2019 RMB'000 (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 RMB'000 (Unaudited)	1.1.2019 to 30.6.2019 RMB'000 (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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 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 fulfillment of carrying out 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).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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

### (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 RMB'000 (Unaudited)	31.12.2019 RMB'000 (Audited)
Unlisted shares	280,927	281,181
Listed shares	59,416	69,559
	<u>340,343</u>	<u>350,740</u>

#### 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.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 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)
<b>Derivatives financial liabilities</b>				
– 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
	<b>3,583,208</b>	<b>4,345,306</b>

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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 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
	<u>3,499,642</u>	<u>3,960,946</u>

## 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	<u>5,000,000,000</u>	<u>50,000</u>
Issued and fully paid:		
Ordinary shares at 1 January 2019	1,218,000,000	12,180
Shares repurchased and cancelled	<u>(9,500,000)</u>	<u>(95)</u>
Ordinary shares at 30 June 2019, 31 December 2019, 1 January 2020 and 30 June 2020	<u>1,208,500,000</u>	<u>12,085</u>
		RMB'000
Presented in the condensed consolidated statement of financial position		
As at 1 January 2019		98,906
Shares repurchased and cancelled		<u>(771)</u>
As at 31 December 2019, 1 January 2020 and 30 June 2020		<u>98,135</u>

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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 16. SHARE AWARD SCHEME

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

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

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

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. CAPITAL COMMITMENTS

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

## 18. RELATED PARTY TRANSACTIONS

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

Nature of transactions	1.1.2020 to 30.6.2020 RMB'000 (Unaudited)	1.1.2019 to 30.6.2019 RMB'000 (Unaudited)
	Purchase of raw materials	40,431
Sales of raw materials	37	643
Property rentals paid for leases liabilities	12,494	12,478
Property rentals received	777	780
Nature of transactions	1.1.2020 to 30.6.2020 US\$'000 (Unaudited)	1.1.2019 to 30.6.2019 US\$'000 (Unaudited)
	Property rentals paid	87

During the period, the emoluments paid to the key management personnel of the Company, who represent the Directors of the Company, were RMB5,809,000 (six months ended 30 June 2019: RMB6,653,000).



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 19. 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).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique (s) and key input (s)
	30.6.2020 RMB'000 (Unaudited)	31.12.2019 RMB'000 (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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30.6.2020	31.12.2019		
	RMB'000 (Unaudited)	RMB'000 (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.

### 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

## 20. 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.

# Past 5 First-half Financial Summary

REPORTED RESULTS	Six months ended 30 June				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Revenue	5,563,560	8,644,272	8,424,381	7,567,523	<b>7,837,054</b>
Profit before taxation	1,514,270	2,441,086	1,996,704	887,822	<b>437,131</b>
Taxation	(159,712)	(313,958)	(218,283)	(118,013)	<b>(116,840)</b>
Attributable to:					
Owners of the Company	1,354,779	2,126,824	1,778,421	769,809	<b>320,465</b>
Non-controlling interests	(221)	304	-	-	<b>(174)</b>
	<u>1,354,558</u>	<u>2,127,128</u>	<u>1,778,421</u>	<u>769,809</u>	<b>320,291</b>
Basic EPS	<u>RMB1.10</u>	<u>RMB1.73</u>	<u>RMB1.46</u>	<u>RMB0.64</u>	<b>RMB0.27</b>
Interim dividend	<u>HK\$0.30</u>	<u>HK\$0.40</u>	<u>HK\$0.40</u>	<u>HK\$0.40</u>	<b>HK\$0.10</b>
No. of shares (weighted average)	<u>1,228,000,000</u>	<u>1,227,815,000</u>	<u>1,222,000,000</u>	<u>1,211,874,000</u>	<b>1,208,500,000</b>
<b>Non-GAAP financial measure of non-recurring gains and/or losses:</b>					
Adjustments related to the Group's one-off financial asset investment in AMS, note 10(ii) on page 45 :					
i. Deduct the gains on one-off settlement of final earn-out consideration	-	-	(147,830)	-	-
ii. Add back the losses/(deduct the fair value gains) on financial assets at fair value through profit & loss	-	-	93,056	(15,179)	-
Non-GAAP measure of recurring profit before taxation, as adjusted	1,514,270	2,441,086	1,941,930	872,643	<b>437,131</b>
Non-GAAP measure of recurring profit attributable to owners of the Company, as adjusted	1,354,779	2,126,824	1,723,647	754,630	<b>320,465</b>
Non-GAAP measure of basic recurring EPS, as adjusted	<u>RMB1.10</u>	<u>RMB1.73</u>	<u>RMB1.41</u>	<u>RMB0.62</u>	<b>RMB0.27</b>
<b>As at 30 June</b>					
ASSETS AND LIABILITIES	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Total assets	17,772,772	24,559,362	28,641,023	28,931,588	<b>34,478,726</b>
Total liabilities	(6,041,520)	(9,574,073)	(11,025,175)	(10,646,367)	<b>(14,851,002)</b>
Net assets	<u>11,731,252</u>	<u>14,985,289</u>	<u>17,615,848</u>	<u>18,285,221</u>	<b>19,627,724</b>
Attributable to owners of the Company	11,705,272	14,975,008	17,615,848	18,285,221	<b>19,618,099</b>
Non-controlling interests	<u>25,980</u>	<u>10,281</u>	<u>-</u>	<u>-</u>	<b>9,625</b>
	<u>11,731,252</u>	<u>14,985,289</u>	<u>17,615,848</u>	<u>18,285,221</u>	<b>19,627,724</b>



# Investors Information

## STOCK CODES

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

## MAJOR MARKET INDEXES

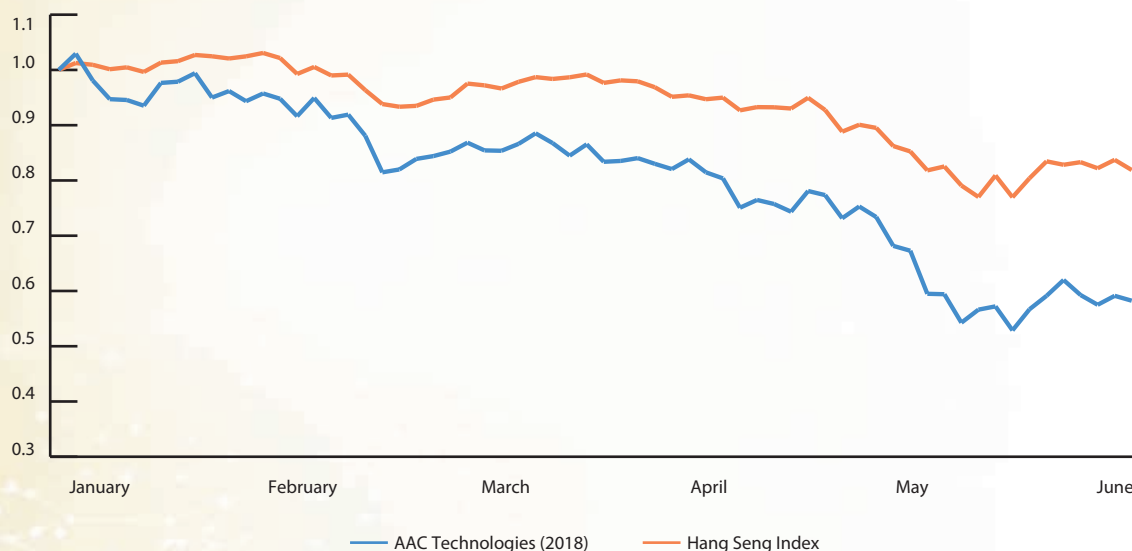
- I. Constituent stock of the Hang Seng Index and included in other sub-indexes:
  - Composite LargeCap Index
  - Composite Industry Index (Industrials)
  - SCHK China Technology Index
  - Large-Mid Cap Momentum 50 Index
  - High Beta Index
  - TECH Index (effective from July 2020)
- II. Constituent stock of the Hang Seng Corporate Sustainability Index and included in other sub-indexes:
  - Corporate Sustainability Index (Mainland and HK)
  - HSI ESG Index
  - ESG50 Index (effective from July 2020)
- III. Constituent stock of the FTSE4Good Index (effective from June 2020)
- IV. MSCI China Index

## MARKET CAPITALIZATION AND SHARE PRICE PERFORMANCE

As at 30 June 2020, the market capitalization of listed shares of the Company was approximately HK\$57.5 billion or US\$7.42 billion based on the total number of 1,208,500,000 issued shares of the Company and the closing price of HK\$47.55 per share.

The daily average number of traded shares was approximately 13.9 million shares over an approximate free float of 713.1 million shares in 1H 2020. The average closing price was HK\$48.07 per share, an increase of 1.7% when compared with the average of 1H 2019. The highest closing price was HK\$70.00 per share on 2 January 2020 and the lowest was HK\$35.85 per share on 4 May 2020.

6-month relative performance of the Company vs Hang Seng Index from 1 January to 30 June 2020 is set out below:



Base: 31 December 2019 closing = 1.0  
Source: Bloomberg

# Investors Information

In accordance with the publicly available information and as far as the Directors are aware, the Company has maintained a public float of more than 25% of the Company's issued shares throughout the financial period ended 30 June 2020 and has continued to maintain the public float as at the date of this report.

## KEY DATES FOR SHAREHOLDERS

11-16 September 2020	Book Closure Period for Interim Dividend
16 September 2020	2020 Interim Report available on the websites of the Stock Exchange and the Company
16 September 2020	Record date for Interim Dividend
25 September 2020	Payment of 2020 Interim Dividend
Mid-November 2020	2020 Third Quarter Results Announcement
End-March 2021	2020 Annual Results Announcement

Any changes to these dates in 2020/2021 will be published on the websites of the Stock Exchange and the Company.

## FINANCIAL REPORTS

The Company's financial reports are printed in English and Chinese language and are available at the Company's website: [www.aactechnologies.com](http://www.aactechnologies.com) and on the designated website of Hong Kong Exchange and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk). The registered shareholders who registered directly with Hong Kong branch share registrar and transfer office, Computershare will receive the financial reports in printed form. Non-registered shareholders who are not directly registered with Computershare but through Central Clearing and Settlement System ("CCASS") will receive a letter to choose to receive the financial reports in printed form or by electronic means. Non-registered shareholders who have chosen to receive the financial reports using electronic means and who for any reason have difficulty in receiving or gaining access to the financial reports will promptly upon request be sent a printed copy free of charge.

Non-registered shareholders may at any time change their means of receipt of the financial reports by reasonable notice in writing (not less than 7 days) to the Company or Computershare at the address stated in "Corporate Information" of this report or via e-mail ([aac.ecom@computershare.com.hk](mailto:aac.ecom@computershare.com.hk)).

## CONTACT INVESTOR RELATIONS

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Official IR wechat group:



# Glossary

Abbreviations	Meanings
<b>General/Financial</b>	
1H	For the six months ended 30 June
2020 AGM	The annual general meeting of the Company held on 15 May 2020
AAC/AAC Technologies/the Company	AAC Technologies Holdings Inc.
Articles	The articles of association of the Company
ASP(s)	Average selling price
Board	The Board of directors of the Company
CAPEX	Capital expenditure
CCASS	Central Clearing and Settlement System
CEO	Chief Executive Officer
CG Code	Corporate Governance Code
Code Provision(s)	Code Provisions of the CG Code
Committees	Committees of the Board
Companies Ordinance	The Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Computershare	Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited
COVID-19	Novel Coronavirus
Debentures/Notes	The Company issued US\$388,000,000 notes, unsecured, matured in 2024 to third party professional investors (Stock code: 40075)
Deloitte	Messrs. Deloitte Touche Tohmatsu
Director(s)	The director(s) of the Company
EBITDA	Profit (Earnings) before interest, tax, depreciation and amortization
ED	Executive Director
EIT Law	Law of the PRC on Enterprise Income Tax
EPS	Earnings per share
ESG	Environmental, Social and Governance
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GRI	Global Reporting Initiative
HKEx/Stock Exchange	The Stock Exchange of Hong Kong Limited
HKICPA	Hong Kong Institute of Certified Public Accountants
HNTE	High-New Technology Enterprises
HR	Human Resources
IAS	International Accounting Standard
IFRS(s)	International Financial Reporting Standards



# Glossary

Abbreviations	Meanings
INED(s)	Independent non-executive Director(s)
IR	Investor Relations
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
Memorandum	Memorandum of Association of the Company
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules
Ordinary Shares	Ordinary shares in the capital of the Company
Ppts	Percentage points
Q2/Q2 2020	The second quarter of 2020
RBA	Responsible Business Alliance
ROA	Return on average total assets
ROE	Return on average equity
R&D	Research & Development
SDGs	Sustainable Development Goals
SFO	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
Share Award Scheme/AAC Share Award Scheme/Scheme	The Employee's Share Award Scheme adopted by the Board on 23 March 2016
Shareholders	The shareholders of the Company
SWG	Sustainability Working Group
The Group	AAC Technologies Holdings Inc. and its subsidiaries
Trustee	Bank of Communications Trustee Limited, an independent trustee appointed by the Company for managing the Share Award Scheme
QoQ	Quarter-on-quarter
YoY	Year-on-year
America/US	United States of America
China/PRC	People's Republic of China
Hong Kong	Hong Kong Special Administrative Region
HKD/HK\$	Hong Kong dollars, the lawful currency of Hong Kong
RMB	Renminbi, the lawful currency of PRC
USD/US\$	US Dollars, the lawful currency of United States

# Glossary

Abbreviations	Meanings
<b>Industry</b>	
4D	Four-dimensional
5G	5th Generation
7P	7 plastic lenses
ASIC	Application – specific integrated circuit
IDC	International Data Corporation
IIRC	International Integrated Reporting Council
ISO14001	The International Standard that specifies requirements for an effective environmental management system (EMS)
ISO27001	The International Standard that sets out the specification for an information security management system (ISMS)
MEMS	Micro Electro-Mechanical Systems
MSCI	Morgan Stanley Capital International
RF	Radio Frequency
SA8000	An international social certification standard for organizations across the globe
SLS	Super Linear Structure
TCFD	Task Force on Climate-related Financial Disclosure
ToF	Time of Flight
UI	User Interface
UNGC	United Nations Global Compact
WLG	Wafer-level glass