瑞聲科技控股有限公司
AAC TECHNOLOGIES HOLDINGS INC.
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2018)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the "**Board**") of directors (the "**Director(s)**") of AAC Technologies Holdings Inc. ("**AAC Technologies**" or the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2021 ("**1H 2021**") together with the comparative figures for the corresponding period in 2020 ("**1H 2020**").

These unaudited condensed consolidated financial statements have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu and the Company's audit and risk committee and approved by the Board on 25 August 2021.

2021 INTERIM RESULTS HIGHLIGHTS (UNAUDITED):

(RMB Million)	**1H 2021**	1H 2020	*YoY%*	**Q2 2021**	Q2 2020	*YoY%*
Revenue	**8,609**	7,837	*+9.9%*	**4,317**	4,277	*+0.9%*
Gross Profit	**2,415**	1,818	*+32.8%*	**1,078**	995	*+8.3%*
Gross Profit Margin	***28.1%***	*23.2%*	*+4.9ppts*	***25.0%***	*23.3%*	*+1.7ppts*
Net Profit*	**921**	320	*+187.4%*	**389**	268	*+45.2%*
Net Profit Margin	***10.7%***	*4.1%*	*+6.6ppts*	***9.0%***	*6.3%*	*+2.7ppts*
Basic EPS (RMB)	**0.76**	0.27	*+187.4%*	**0.32**	0.22	*+45.2%*
Dividend per share (HK$)	**0.20**	0.10	*+100.0%*	**-**	-	-
Share Numbers (Weighted average, million)	**1,209**	1,209		**1,209**	1,209	

* Net profit represents profit attributable to owners of the Company.

BUSINESS REVIEW

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

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

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

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

PERFORMANCE AND DEVELOPMENT OF BUSINESS SEGMENTS

Acoustics Business

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

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

Optics Business

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

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

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

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

Electromagnetic drives and precision mechanics business

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

Electromagnetic drives business

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

Precision mechanics business

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

MEMS business

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

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

INTERIM DIVIDEND

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

PROSPECTS

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

FINANCIAL REVIEW

Revenue

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

Gross Profit and Gross Profit Margin

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

Administrative Expenses

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

Distribution and Selling Expenses

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

Research and Development Expenses

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

Finance Costs

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

Taxation

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

Net Profit and Net Profit Margin

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

Operating Activities

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

i. Trade Receivables and Payables

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

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

ii. Inventory Turnover

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

Investing Activities

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

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

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

Financing Activities

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

Cash and Cash Equivalents

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

Gearing Ratio and Indebtedness

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

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

Charges on Group Assets

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

OFF-BALANCE SHEET TRANSACTIONS

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

KEY RISK FACTORS

The Company has structured risk management and internal control systems for the management of strategic, market, operational, financial and compliance risks. In our pursuit of technology innovation, the Company is committed to building sustainable risk management and operational information systems. Since 2018, we have adopted a co-sourcing internal audit model, by engaging a professional accounting firm to work alongside our internal audit department, to help the Group systematically review and upgrade our risk and control measures in chosen business processes, benchmarking against international best practices. Such systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement or loss. Certain key risk factors affecting the Group are outlined below. The list is non-exhaustive and there may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may be immaterial now but could become material in the future. Besides, this announcement does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

Risks Pertaining to the Smartphones Market

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

Reliance on a Number of Key Customers

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

Operational and Obsolescence Risks

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

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

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

Liquidity and Interest Rate Risks

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

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

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

Foreign Exchange Risks

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

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

Intensifying Global Trade Frictions

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

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

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

Risks of Supply Chain and Production Disruption due to Unforeseeable Events

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

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

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2021

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

1. GENERAL

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

<u>Application of amendments to IFRSs</u>

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES - continued

Application of amendments to IFRSs - continued

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

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

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

Accounting policies

Financial instruments

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

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

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

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

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

Hedge accounting

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

2. PRINCIPAL ACCOUNTING POLICIES - continued

Application of amendments to IFRSs - continued

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

Accounting policies - continued

Financial instruments - continued

Hedge accounting – continued

Cash flows hedges

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

Transition and summary of effects

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

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

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

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

3. SEGMENT INFORMATION

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

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

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

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

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

Information regarding these segments is presented below.

3. SEGMENT INFORMATION - continued

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

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

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

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

3. SEGMENT INFORMATION - continued

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

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

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

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

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

4. OTHER INCOME, GAINS AND LOSSES

Other income, gains and losses mainly comprise of:

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

4. OTHER INCOME, GAINS AND LOSSES - continued

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

5. PROFIT BEFORE TAXATION

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

6. TAXATION

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

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

6. TAXATION - continued

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.

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

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

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

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

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

7. DIVIDENDS

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

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

8. EARNINGS PER SHARE

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

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

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

(i) Property, plant and equipment

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

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

(ii) Right-of-use assets

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

(iii) Investment properties

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

10. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

Unlisted shares

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

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

Listed shares

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

11. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

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

12. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

13. TRADE AND OTHER RECEIVABLES

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

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

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

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

14. TRADE AND OTHER PAYABLES

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

14. TRADE AND OTHER PAYABLES - continued

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

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

15. BANK LOANS

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

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

16. UNSECURED NOTES

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

17. SHARE CAPITAL

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

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

18. SHARE AWARD SCHEME

<u>Share award scheme of the Company</u>

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

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

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

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.

<u>Subsidiary share incentive scheme ("**Subsidiary Scheme**")</u>

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

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

18. SHARE AWARD SCHEME - continued

Subsidiary share incentive scheme ("**Subsidiary Scheme**") - continued

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

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

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

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

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

19. CAPITAL COMMITMENTS

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

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

20. 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)**
	30.6.2021 *RMB'000* **(Unaudited)**	31.12.2020 *RMB'000* (Audited)		
Interest rate swap contracts	**12,210 Liabilities (under hedge accounting)**	21,848 Liabilities (under hedge accounting)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at an applicable discount rate taking into account the credit risk of the counter-parties and of the Group as appropriate.
Cross currency swap contracts	**19,443 Liabilities (under hedge accounting)**	17,268 Liabilities (under hedge accounting)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable yield curves at the end of the reporting period) and contracted exchange rates, discounted at an applicable discount rate taking into account the credit risk of the counter-parties and of the Group as appropriate.

Reconciliation of Level 3 fair value measurements

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

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

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

CORPORATE GOVERNANCE

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

SHARE AWARD SCHEME

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

Since the date of adoption of the Scheme and up to 30 June 2021, no shares had been subscribed or purchased by the Trustee pursuant to the rules and trust deed of the Scheme and no shares had been granted to Selected Employee(s) under the Scheme.

The capitalised terms referred in this section shall have the same meanings as those defined in the announcement made by the Company on 23 March 2016 relating to the adoption of the Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

HUMAN RESOURCES

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

On specific enquiries made, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code and the Company's code of conduct regarding the Directors' securities transactions during the period ended 30 June 2021.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to declare an interim dividend of HK$0.20 (2020: HK$0.10) per ordinary share for 1H 2021 to the shareholders of the Company whose names appear on the register of members on Wednesday, 15 September 2021 which will be paid on Friday, 24 September 2021.

For the purpose of determining shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from Friday, 10 September 2021 to Wednesday, 15 September 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on Thursday, 9 September 2021. Shares of the Company will be traded ex-dividend as from Wednesday, 8 September 2021.

DESPATCH OF INTERIM REPORT

The interim report of the Company will be published on the Company's website at www.aactechnologies.com and the website of the Hong Kong Stock Exchange on or around Monday, 20 September 2021.

The interim report will be dispatched to shareholders on or around Monday, 20 September 2021. All of these will be made available on the Company's website.

IMPORTANT NOTE

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

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

Potential investors and shareholders of the Company are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
AAC Technologies Holdings Inc.
Zhang Hongjiang
Chairman

Hong Kong, 25 August 2021

As at the date of this announcement, the Board comprises Mr. Pan Benjamin Zhengmin, Mr. Mok Joe Kuen Richard and Ms. Wu Ingrid Chun Yuan, together with four Independent Non-executive Directors, namely Mr. Zhang Hongjiang, Mr. Au Siu Cheung Albert, Mr. Peng Zhiyuan and Mr. Kwok Lam Kwong Larry.