



瑞聲科技控股有限公司
AAC Technologies Holdings Inc.

(incorporated in the Cayman Islands with limited liability)
Stock Code: 02018

Interim Report 2013

CONTENTS

| | |
|----|---|
| 02 | Corporate Information |
| 03 | Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income |
| 04 | Condensed Consolidated Statement of Financial Position |
| 05 | Condensed Consolidated Statement of Changes in Equity |
| 06 | Condensed Consolidated Statement of Cash Flows |
| 07 | Notes to the Condensed Consolidated Financial Statements |
| 16 | Report on Review of Condensed Consolidated Financial Statements |
| 17 | Management Discussion and Analysis |
| 20 | Other Information |

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Benjamin Zhengmin Pan
(Chief Executive Officer)

Mr. Mok Joe Kuen Richard

Non-executive Director

Ms. Ingrid Chunyuan Wu

Independent Non-executive Directors

Mr. Koh Boon Hwee (Chairman)

Mr. Poon Chung Yin Joseph

Dato' Tan Bian Ee

Ms. Chang Carmen I-Hua

COMPANY SECRETARY

Mr. Lo Tai On

AUDIT COMMITTEE

Mr. Poon Chung Yin Joseph (Chairman)

Mr. Koh Boon Hwee

Ms. Ingrid Chunyuan Wu

REMUNERATION COMMITTEE

Mr. Koh Boon Hwee (Chairman)

Dato' Tan Bian Ee

Ms. Chang Carmen I-Hua

NOMINATION COMMITTEE

Dato' Tan Bian Ee (Chairman)

Mr. Poon Chung Yin Joseph

Ms. Chang Carmen I-Hua

AUTHORIZED REPRESENTATIVES

Mr. Benjamin Zhengmin Pan

Mr. Mok Joe Kuen Richard

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2003, 20th Floor
100 Queen's Road Central
Central, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
P.O. Box 513
Strathvale House North Church Street
George Town
Grand Cayman KY1-1106
Cayman Islands

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

PRINCIPAL BANKERS

Bank of Communications
Bank of China
The Hongkong and Shanghai Banking Corporation
Limited
DBS Bank Ltd.

STOCK CODE

02018

WEBSITE

www.aactechnologies.com

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2013

The board (the “Board”) of directors (the “Director(s)”) of AAC Technologies Holdings Inc. (the “Company” or “AAC Technologies”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30th June, 2013 together with the unaudited comparative figures for the corresponding period in 2012. These condensed consolidated financial statements have not been audited, but have been reviewed by the auditor, Deloitte Touche Tohmatsu, and the Company’s audit committee (the “Audit Committee”) and approved by the Board on 16th August, 2013.

| | NOTES | 1.1.2013 to 30.6.2013 (Unaudited) RMB'000 | 1.1.2012 to 30.6.2012 (Unaudited) RMB'000 |
|--|-------|---|---|
| Revenue | 3 | 3,830,676 | 2,589,163 |
| Cost of goods sold | | (2,191,407) | (1,463,501) |
| Gross profit | | 1,639,269 | 1,125,662 |
| Other income | | 39,864 | 22,219 |
| Net fair value gain (loss) on foreign currency forward contracts | | 69 | (91) |
| Distribution and selling expenses | | (95,135) | (75,947) |
| Administrative expenses | | (157,079) | (88,287) |
| Research and development costs | | (284,615) | (193,113) |
| Share of results of associates | | 16,596 | (16,230) |
| Exchange gain (loss) | | 31,876 | (1,040) |
| (Loss) gain on deemed disposal of partial interest in an associate | 4 | (2,746) | 33,362 |
| Finance costs | | (5,883) | (4,844) |
| Profit before taxation | 5 | 1,182,216 | 801,691 |
| Taxation | 6 | (109,451) | (84,513) |
| Profit for the period | | 1,072,765 | 717,178 |
| Other comprehensive expense: | | | |
| Item that may be subsequently reclassified to profit or loss: | | | |
| Exchange differences arising from translation | | (11,145) | (203) |
| Total comprehensive income for the period | | 1,061,620 | 716,975 |
| Profit (loss) for the period attributable to: | | | |
| Owners of the Company | | 1,075,391 | 720,298 |
| Non-controlling interests | | (2,626) | (3,120) |
| | | 1,072,765 | 717,178 |
| Total comprehensive income (expense) for the period attributable to: | | | |
| Owners of the Company | | 1,064,125 | 719,708 |
| Non-controlling interests | | (2,505) | (2,733) |
| | | 1,061,620 | 716,975 |
| Earnings per share – Basic | 8 | RMB87.57 cents | RMB58.66 cents |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2013

| | NOTES | 30.6.2013 (Unaudited) RMB'000 | 31.12.2012 (Audited) RMB'000 |
|--|-------|-------------------------------------|------------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 9 | 3,874,069 | 3,624,281 |
| Goodwill | | 32,931 | 11,803 |
| Prepaid lease payments | | 111,844 | 113,045 |
| Deposits for acquisition of property, plant and equipment | | 171,291 | 158,556 |
| Available-for-sale investment | | 3,254 | 3,254 |
| Interests in associates | | 242,625 | 241,849 |
| Intangible assets | | 172,874 | 144,451 |
| Loan receivable from an associate | | – | 21,408 |
| Loan receivable from a non-controlling shareholder of a subsidiary | | 13,073 | – |
| | | 4,621,961 | 4,318,647 |
| Current assets | | | |
| Inventories | | 851,528 | 957,511 |
| Trade and other receivables | 10 | 2,022,330 | 2,329,222 |
| Amounts due from related companies | | 4 | 4 |
| Foreign currency forward contracts | | – | 544 |
| Taxation recoverable | | 3,082 | – |
| Pledged bank deposits | | 4,048 | 5,919 |
| Bank balances and cash | | 1,907,364 | 1,313,959 |
| | | 4,788,356 | 4,607,159 |
| Current liabilities | | | |
| Trade and other payables | 11 | 1,621,179 | 1,575,442 |
| Amounts due to related companies | | 41,531 | 25,730 |
| Taxation payable | | 120,579 | 115,351 |
| Foreign currency forward contracts | | 103 | – |
| Short-term bank loans | 12 | 892,454 | 1,034,881 |
| Other short-term borrowings | | 6,475 | – |
| | | 2,682,321 | 2,751,404 |
| Net current assets | | 2,106,035 | 1,855,755 |
| Total assets less current liabilities | | 6,727,996 | 6,174,402 |
| Non-current liabilities | | | |
| Government grants | | 10,329 | 9,400 |
| Deferred tax liabilities | | 33,818 | 34,921 |
| Loan payable to a non-controlling shareholder of a subsidiary | | 12,216 | – |
| | | 56,363 | 44,321 |
| Net assets | | 6,671,633 | 6,130,081 |
| Capital and reserves | | | |
| Share capital | 13 | 99,718 | 99,718 |
| Reserves | | 6,532,106 | 5,978,524 |
| Equity attributable to owners of the Company | | 6,631,824 | 6,078,242 |
| Non-controlling interests | | 39,809 | 51,839 |
| Total equity | | 6,671,633 | 6,130,081 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2013

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---------------------------------------|--------------------------|----------------------------|----------------------------|--------------------------------|--------------------------------------|-----------------------------------|-----------------------------|------------------|--------------------------------------|------------------|
| | Share capital RMB'000 | Share premium RMB'000 | Special reserve RMB'000 | Capital reserve RMB'000 | Translation reserve RMB'000 | Non-distributable reserve RMB'000 | PRC statutory reserves RMB'000 | Retained profits RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total RMB'000 |
| At 1st January, 2012 (audited) | 99,718 | 746,957 | 1,135 | 23,391 | (67,019) | 87,245 | 165,337 | 3,693,306 | 4,750,070 | 61,352 | 4,811,422 |
| Exchange differences arising from translation | - | - | - | - | (590) | - | - | - | (590) | 387 | (203) |
| Profit for the period | - | - | - | - | - | - | - | 720,298 | 720,298 | (3,120) | 717,178 |
| Total comprehensive (expense) income for the period | - | - | - | - | (590) | - | - | 720,298 | 719,708 | (2,733) | 716,975 |
| Dividends paid | - | - | - | - | - | - | - | (216,228) | (216,228) | - | (216,228) |
| Acquisition of additional interest in subsidiaries | - | - | - | - | - | - | - | (9,413) | (9,413) | (4,014) | (13,427) |
| At 30th June, 2012 (unaudited) | 99,718 | 746,957 | 1,135 | 23,391 | (67,609) | 87,245 | 165,337 | 4,187,963 | 5,244,137 | 54,605 | 5,298,742 |
| At 1st January, 2013 (audited) | 99,718 | 746,957 | 1,135 | 23,391 | (74,903) | 87,245 | 250,429 | 4,944,270 | 6,078,242 | 51,839 | 6,130,081 |
| Exchange differences arising from translation | - | - | - | - | (11,266) | - | - | - | (11,266) | 121 | (11,145) |
| Profit for the period | - | - | - | - | - | - | - | 1,075,391 | 1,075,391 | (2,626) | 1,072,765 |
| Total comprehensive (expense) income for the period | - | - | - | - | (11,266) | - | - | 1,075,391 | 1,064,125 | (2,505) | 1,061,620 |
| Dividends paid | - | - | - | - | - | - | - | (496,938) | (496,938) | - | (496,938) |
| Acquisition of a subsidiary | - | - | - | - | - | - | - | - | - | (2,653) | (2,653) |
| Acquisition of additional interest in a subsidiary (Note) | - | - | - | - | - | - | - | (14,482) | (14,482) | (6,182) | (20,664) |
| Contributions from non-controlling interests | - | - | - | - | - | - | - | 877 | 877 | 110 | 987 |
| Deregistration of a subsidiary | - | - | - | - | - | - | - | - | - | (800) | (800) |
| At 30th June, 2013 (unaudited) | 99,718 | 746,957 | 1,135 | 23,391 | (86,169) | 87,245 | 250,429 | 5,509,118 | 6,631,824 | 39,809 | 6,671,633 |

Note: During the period, the Group acquired additional interests in a non-wholly owned subsidiary of the Company. As a result of the acquisition, the difference of RMB14,482,000 between the consideration paid of RMB20,664,000 and the amount of non-controlling interests of RMB6,182,000 acquired was directly recognised in equity. The Group's equity interest in the subsidiary has been increased from 81.3% to 88.9% after the acquisition.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2013

| | NOTE | 1.1.2013 to 30.6.2013 (Unaudited) RMB'000 | 1.1.2012 to 30.6.2012 (Unaudited) RMB'000 |
|--|------|---|---|
| Net cash from operating activities | | 1,678,726 | 609,541 |
| Net cash used in investing activities | | | |
| Purchase of property, plant and equipment | | (327,808) | (480,261) |
| Deposits paid for acquisition of property, plant and equipment | | (171,291) | (159,943) |
| Additions to intangible assets | | (11,329) | (3,826) |
| Advance to a non-controlling shareholder of a subsidiary | | (5,350) | – |
| Interest received | | 9,612 | 8,425 |
| Proceeds from disposal of property, plant and equipment | | 7,473 | 259 |
| Acquisition of a subsidiary | 16 | 1,608 | – |
| Addition of prepaid lease payments | | – | (6,137) |
| Other investing cash flows | | 2,487 | (5,981) |
| | | (494,598) | (647,464) |
| Net cash used in financing activities | | | |
| Short-term loans raised | | 2,503,735 | 1,571,474 |
| Repayment of short-term loans | | (2,565,036) | (1,462,518) |
| Dividends paid | | (496,938) | (216,228) |
| Acquisition of additional interests in a subsidiary | | (20,664) | (13,427) |
| Other financing cash flows | | (4,896) | (4,844) |
| | | (583,799) | (125,543) |
| Net increase (decrease) in cash and cash equivalents | | 600,329 | (163,466) |
| Cash and cash equivalents at 1st January | | 1,313,959 | 1,374,069 |
| Effect of foreign exchange rate changes | | (6,924) | 470 |
| Cash and cash equivalents at 30th June, represented by bank balances and cash | | 1,907,364 | 1,211,073 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2013

1. BASIS OF PREPARATION

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 of Hong Kong Limited (the "Listing Rules").

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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2012.

In the current interim period, the Group has applied, for the first time, certain new or revised International Financial Reporting Standards ("IFRSs") that are mandatorily effective for the current interim period. The impact of the application of these standards is set out below.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Except as described above, the application of the other new or revised IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

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, assess their performance and make strategic decisions. The chief operating decision maker of the Group has been identified as the Chief Executive Officer ("CEO").

Information reported to the CEO for the purposes of resource allocation and assessment of performances focuses specifically on the type of products sold. The Group's operating and reportable segments under IFRS 8 are dynamic components (mainly including speaker boxes, receivers and polyphonic speakers), microphones, headsets and other products (mainly including vibrators and antenna), which represent the major types of products manufactured and sold by the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2013

3. SEGMENT INFORMATION (CONTINUED)

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

| | 1.1.2013 to 30.6.2013 RMB'000 (Unaudited) | 1.1.2012 to 30.6.2012 RMB'000 (Unaudited) |
|--|---|---|
| Operating and reportable segments | | |
| Segment revenue | | |
| Dynamic components | 3,167,837 | 2,000,765 |
| Microphones | 410,325 | 346,132 |
| Headsets | 47,363 | 44,572 |
| Other products | 205,151 | 197,694 |
| Revenue | <u>3,830,676</u> | <u>2,589,163</u> |
| Segment results | | |
| Dynamic components | 1,449,943 | 939,091 |
| Microphones | 123,692 | 129,484 |
| Headsets | 16,525 | 5,788 |
| Other products | 49,109 | 51,299 |
| Total profit for operating and reportable segments | | |
| – gross profit | 1,639,269 | 1,125,662 |
| Unallocated amounts: | | |
| Interest income | 9,612 | 8,425 |
| Other income | 30,252 | 13,794 |
| Net fair value gain (loss) on foreign currency forward contracts | 69 | (91) |
| Distribution and selling expenses | (95,135) | (75,947) |
| Administrative expenses | (157,079) | (88,287) |
| Research and development costs | (284,615) | (193,113) |
| Share of results of associates | 16,596 | (16,230) |
| Exchange gain (loss) | 31,876 | (1,040) |
| (Loss) gain on deemed disposal of partial interest in an associate | (2,746) | 33,362 |
| Finance costs | (5,883) | (4,844) |
| Profit before taxation | <u>1,182,216</u> | <u>801,691</u> |

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

Segment profit represents the profit earned by each segment without allocation of finance costs, interest income, administrative expenses, research and development costs, distribution and selling expenses, other income, share of results of associates, exchange gain (loss), net fair value gain (loss) on foreign currency forward contracts and (loss) gain on deemed disposal of partial interest in an associate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2013

4. (LOSS) GAIN ON DEEMED DISPOSAL OF PARTIAL INTEREST IN AN ASSOCIATE

During the period ended 30th June, 2013, certain employees of an associate have exercised share options granted by the associate resulting in a dilution of the Group's equity interest in the associate from 20.0% to 19.1%. The Group's share of net assets in the associate decreased from RMB170,925,000 to RMB168,179,000 and the decrease in share of net assets of the associate was recognised in profit and loss as a loss on deemed disposal of partial interest in an associate.

During the period ended 30th June, 2012, an associate of the Company issued new shares to other shareholders resulting in dilutions of the Group's equity interest in the associate from 26.7% to 20.5%. In spite of the dilutions, because of the premium of the new shares issued, the Group's share of net assets in the associate increased from RMB67,709,000 to RMB101,071,000 and the increases in share of net assets of the associate was recognised in profit and loss as a gain on deemed disposal of partial interest in an associate.

5. PROFIT BEFORE TAXATION

| | 1.1.2013 to 30.6.2013 RMB'000 (Unaudited) | 1.1.2012 to 30.6.2012 RMB'000 (Unaudited) |
|---|---|---|
| Profit before taxation has been arrived at after charging: | | |
| Amortisation of intangible assets | 6,755 | 8,255 |
| Allowance for obsolete inventories, included in cost of goods sold | 19,140 | 3,461 |
| Depreciation | 208,317 | 148,890 |
| Impairment loss recognised in respect of property, plant and equipment* | 20,288 | - |
| Loss on disposal of property, plant and equipment, net | 2,242 | 307 |

* During the period, the Group had impaired certain property, plant and equipment of RMB20,288,000 due to termination of production on certain products that were not part of the Group's core business.

6. TAXATION

| | 1.1.2013 to 30.6.2013 RMB'000 (Unaudited) | 1.1.2012 to 30.6.2012 RMB'000 (Unaudited) |
|-----------------------|---|---|
| The charge comprises: | | |
| PRC Income Tax | 74,738 | 68,979 |
| Overseas taxation | 34,713 | 15,534 |
| | <u>109,451</u> | <u>84,513</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2013

6. TAXATION (CONTINUED)

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

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries are entitled to exemption from PRC Enterprise income tax for the two years commencing from their first profit making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC income tax for the following three years ("Tax Holiday"). The Tax Holiday has expired by the end of 2012.

In addition, certain PRC subsidiaries were officially endorsed as High-New Technology Enterprises till the dates ranging from 2nd August, 2014 to 6th August, 2015. Pursuant to the EIT Law, those PRC subsidiaries entitled as High-New Technology Enterprises shall be entitled to a preferential tax rate of 15% till the dates ranging from 2nd August, 2014 to 6th August, 2015.

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 will expire for the subsidiary up to 2018.

7. DIVIDENDS

During the current interim period, a final dividend of HK50.8 cents per share in respect of the year ended 31st December, 2012 (the six months ended 30th June, 2012: final dividend of HK21.6 cents per share in respect of the year ended 31st December, 2011) was paid to shareholders of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to HK\$623,824,000 (equivalent to approximately RMB496,938,000) (the six months ended 30th June, 2012: HK\$265,248,000 (equivalent to approximately RMB216,228,000)).

Subsequent to the end of the interim period, the Directors have determined that an interim dividend of HK25.0 cents per share (2012 interim dividend: HK20.0 cents) 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 30th June, 2013 is based on the profit for the period attributable to owners of the Company of RMB1,075,391,000 (the six months ended 30th June, 2012: RMB720,298,000) and on the 1,228,000,000 (the six months ended 30th June, 2012: 1,228,000,000) number of shares in issue during the period.

No diluted earnings per share are presented as the Group does not have any potential ordinary shares outstanding.

9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately RMB487 million (the six months ended 30th June, 2012: RMB604 million). Part of the consideration of approximately RMB159 million (the six months ended 30th June, 2012: RMB123 million) was settled through deposits paid in prior period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2013

10. 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 immediate cash payment. As at 30th June, 2013, the Group has accepted such bills amounting to RMB73,107,000 (as at 31st December, 2012: RMB53,734,000). The following is an aged analysis of trade and bills receivables by age, presented based on the invoice date which approximated the revenue recognition date. The analysis below is net of allowance for doubtful debts.

| | 30.6.2013 RMB'000 (Unaudited) | 31.12.2012 RMB'000 (Audited) |
|---------------|-------------------------------------|------------------------------------|
| Age | | |
| 0 – 90 days | 1,429,047 | 1,509,361 |
| 91 – 180 days | 240,906 | 386,431 |
| Over 180 days | 6,497 | 11,995 |
| | 1,676,450 | 1,907,787 |

11. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables, presented based on the invoice date:

| | 30.6.2013 RMB'000 (Unaudited) | 31.12.2012 RMB'000 (Audited) |
|---------------|-------------------------------------|------------------------------------|
| Age | | |
| 0 – 90 days | 1,055,880 | 1,028,106 |
| 91 – 180 days | 125,598 | 98,457 |
| Over 180 days | 889 | 1,427 |
| | 1,182,367 | 1,127,990 |

12. SHORT-TERM BANK LOANS

These loans carry interest ranging from 0.81% to 1.96% per annum (as at 31st December, 2012: carry interest ranging from 0.59% to 1.75% per annum). The Company issued guarantees to the banks to secure the borrowings.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2013

13. SHARE CAPITAL

| | Number of shares | Amount US\$'000 |
|--|----------------------|--------------------|
| Shares of US\$0.01 each | | |
| Authorised: | | |
| Ordinary shares at 1st January, 2012, 1st January, 2013 and 30th June, 2013 | <u>5,000,000,000</u> | <u>50,000</u> |
| Issued and fully paid: | | |
| Ordinary shares at 1st January, 2012, 1st January, 2013 and 30th June, 2013 | <u>1,228,000,000</u> | <u>12,280</u> |
| | | RMB'000 |
| Presented in the condensed consolidated statement of financial position As at 1st January, 2012, 1st January, 2013 and at 30th June, 2013 | | <u>99,718</u> |

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The fair value of foreign currency forward contracts as at 30th June, 2013 liabilities of RMB103,000 (as at 31st December, 2012: assets of RMB544,000) is determined by discounted cash flow that future cash flow are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and forward contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

The valuation of all foreign currency forward contracts are classified in level 2 of the fair value hierarchy with the fair value derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Except as detailed above, the Directors of the Company 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.

15. CAPITAL COMMITMENTS

| | 30.6.2013 RMB'000 (Unaudited) | 31.12.2012 RMB'000 (Audited) |
|---|-------------------------------------|------------------------------------|
| Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment | <u>113,280</u> | <u>172,103</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2013

16. ACQUISITION

Step acquisition from associate to subsidiary

The Group held 50% equity interest in an associate, Mems Technology Pte. Ltd. ("MemsTech"), as at 31st December, 2012. Pursuant to an agreement entered between the Company and other shareholder of MemsTech, the Company acquired a further 10% equity interest in MemsTech for a consideration of RMB5,598,000 by discharging the same amount of loan advanced to MemsTech. The transaction was completed on 31st May, 2013 and MemsTech is treated as a subsidiary of the Company from that date.

MemsTech is a private company incorporated in Singapore and engaged in research and development and manufacture and sale of Micro Electro-Mechanical System ("MEMS") products. The goodwill of RMB21,128,000 arising from the acquisition is attributable to the future economic benefits that are expected to accrue to the Group from operating synergies and revenue growth incurred by the joint contributions of technology from MemsTech and business management skills from the Group.

The following table summarises the consideration transferred for MemsTech and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

| | Fair values RMB'000 |
|---|------------------------|
| The assets acquired and liabilities recognised at the date of acquisition were as follows: | |
| Property, plant and equipment | 4,044 |
| Intangible assets | 24,803 |
| Inventories | 1,407 |
| Trade and other receivables | 2,187 |
| Bank balances and cash | 1,608 |
| Trade and other payables | (3,154) |
| Borrowings* | (33,312) |
| Deferred tax liabilities | (4,216) |
| | <u>(6,633)</u> |
| Goodwill arising on acquisition: | |
| Consideration | 5,598 |
| Add: Non-controlling interests | (2,653) |
| Fair value of previously held interest in MemsTech | 11,550 |
| Net liabilities recognised | 6,633 |
| | <u>21,128</u> |
| Net cash inflow arising on acquisition: | |
| Cash and cash equivalents acquired | <u>1,608</u> |

* Included in the borrowings recognised at the date of acquisition represent loan payable to the Group of RMB14,543,000, loan payable to a non-controlling interest of RMB12,222,000 and other short-term borrowings of RMB6,547,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2013

16. ACQUISITION (CONTINUED)

Step acquisition from associate to subsidiary (continued)

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes. The intangible assets represent patents and technical know-how in relation to MEMS products design and manufacture. The fair value is estimated by an independent and professionally qualified valuer and calculated using multi-period excess earnings method based on the cash flow projection, attrition rate and discount rate adopted by the management.

The fair value of the previously held interest held by the Group was estimated by an independent and professionally qualified valuer. The fair value estimates are calculated using discounted cash flow method based on cash flow projection, growth rate and discount rate adopted by the management. The Group recognised a gain of RMB2,179,000 as a result of the remeasurement of previously held interest. The gain was included in other income for the period ended 30th June, 2013. The Group recognised the non-controlling interest at the proportionate share of net liabilities of MemsTech.

The trade and other receivables acquired amounting to RMB2,187,000 represents the gross contractual amount and is approximate to the fair value. The best estimate at the date of acquisition is that all receivables will be collected.

MemsTech contributed no revenue and a loss of RMB272,000 to the Group since the acquisition. Had MemsTech been consolidated from 1st January, 2013, the impact of the Group's revenue and the profit attributable to the equity holders of the Company for the period ended 30th June, 2013 would have been insignificant.

17. MAJOR NON-CASH TRANSACTIONS

During the period, the Group's rights to loan receivable of RMB7,905,000 from MemsTech was assigned to a non-controlling shareholder and the remaining balance of loan receivables from MemsTech of RMB7,905,000 is accounted for as an intra-group balance and was eliminated when consolidating MemsTech into the Group.

Also, during the period, the Group discharged a loan of RMB5,598,000 due from MemsTech as part of its consideration for acquisition in MemsTech, see note 16 for details.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2013

18. RELATED PARTY TRANSACTIONS

Apart from the balances disclosed elsewhere in this report, during the period the Group had the following significant transactions with related parties:

| Relationship of related parties | Nature of transactions | 1.1.2013 to 30.6.2013 RMB'000 (Unaudited) | 1.1.2012 to 30.6.2012 RMB'000 (Unaudited) |
|--|--|---|---|
| Companies controlled by close family members of the substantial shareholders of the Company (Note) | Purchase of raw materials by the Group | 58,721 | 24,564 |
| | Property rentals paid by the Group | 5,458 | 3,909 |
| | Sales of raw materials by the Group | 619 | 41 |
| Close family members of the substantial shareholders of the Company (Note) | Property rentals paid by the Group | 1,668 | 1,668 |
| Substantial shareholders (Note) | Property rentals paid by the Group | - | 262 |

Note: The substantial shareholders have a shareholding which gives them significant influence over the Company. They are also Directors of the Company.

During the period, the emoluments paid to the key management personnel of the Company, who represent the Directors of the Company, was RMB7,606,000 (the six months ended 30th June, 2012: RMB4,997,000).

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF AAC TECHNOLOGIES HOLDINGS INC.

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of AAC Technologies Holdings Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 3 to 15, which comprise the condensed consolidated statement of financial position as of 30th June, 2013 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 Main Board Listing 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"). 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

16th August, 2013

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

AAC Technologies is an established designer, developer and manufacturer of a broad range of miniaturized acoustic components. The Company also provides a range of innovative technology design solutions in non-acoustic segments. Most manufacturing is done in the Company's state-of-the-art production facilities. Acoustic products include speakers, receivers and microphones and non-acoustic products include antennas, optical lenses, vibrators and ceramics products. The Company serves a large number of geographically diverse customers in the consumer electronics market and the Company's products are found in mobile handsets, tablets, ultrabooks, notebook computers and electronic book-readers. The Company is global in scope with research and development centers in the PRC and Singapore, testing laboratories in Singapore and Korea, manufacturing facilities in the PRC and sales offices throughout the world.

As a technology company, the Company recognizes the importance of continuous and focused research and development. We will continue to develop and strengthen our research and development capabilities and our intellectual property portfolio. Our management team is committed to identify and evaluate appropriate opportunities to invest in or form alliances with global technology companies that will create synergy with the Company's existing technology capabilities.

MARKET REVIEW

Smartphones and tablets remain our major customer segment. The growth in this core smart devices market continued in the first half year of 2013. At the same time, competition intensified for innovative design solutions in devices of varying forms and sizes, and among the brand owners, their market shares continued to be reshuffled. Enhanced technical performance and better design features of devices provide our customers with winning differentiating factors. In the upgrading process, an ability to provide innovative acoustic solutions and customised built-in functionality continues to be an important distinguishing feature. Our Company's design and production capabilities have enabled us to deliver exact and superior acoustic solutions demanded by our customers. We have also created a more diversified customer and market base. As a result, the Company was again able to deliver good growth and financial results for the six months ended 30th June, 2013.

In addition to consolidating our leading position in the acoustic segment, we are addressing potential markets for miniature non-acoustic solutions in optics and wireless technologies. We believe that by having an extended range of innovative technology solutions we would be able to widen and deepen our relationships with the customers that we already serve.

FINANCIAL REVIEW

The growing demand for mobile devices is a key factor in driving ongoing revenue growth. The acoustic segment continues to generate business growth. The Group continued to deliver strong organic growth in the first half year of 2013. With the solid performance this half year, we generated RMB1,678.7 million in net cash flow from operations. For the six months ended 30th June, 2013, the Group's total revenue reached RMB3,830.7 million, representing an increase of RMB1,241.5 million, or 47.9%, compared with the first half year of 2012. Gross profit of RMB1,639.3 million was RMB513.6 million, or 45.6%, higher than the first half year of 2012. Profit attributable to owners of the Company amounted to RMB1,075.4 million, a 49.3% increase from RMB720.3 million reported in the corresponding period of 2012. Basic earnings per share amounted to RMB87.57 cents, up 49.3% from RMB58.66 cents for 2012.

GEARING RATIO AND INDEBTEDNESS

The gearing ratio of the Group, computed by dividing total loans and borrowings by total assets, was 9.7% as at 30th June, 2013 compared with 11.6% as at 31st December, 2012.

As at 30th June, 2013, the Group had RMB892.5 million of bank loans, all short term, compared with RMB1,034.9 million as at 31st December, 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group had a solid financial position and continued to maintain a strong and steady cash inflow from operating activities. As at 30th June, 2013, the Group had RMB1,907.4 million in unencumbered cash and cash equivalents. 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 of the Group.

FOREIGN EXCHANGE

Given our international operations and presence, the Group faces foreign exchange exposure including transaction and translation exposure.

It is the Group's consistent policy to centralize foreign exchange management to monitor total foreign currency exposure, to net off affiliate positions and to consolidate hedging transactions with banks. 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.

The Group will not enter into derivative transactions for trading or speculative purposes.

CHARGES ON GROUP ASSETS

Apart from bank deposit amounting to RMB4.0 million and RMB5.9 million that were pledged to banks respectively as at 30th June, 2013 and 31st December, 2012, no other Group assets were charged to any financial institutions.

ACQUISITION OF A SUBSIDIARY

In August 2011, the Group acquired a 50% equity interest in Memstech, a private company incorporated in Singapore engaged in the design and manufacture of MEMS products. In May 2013, the Company in view of the positive progress made by Memstech, increased our equity interest to 60% by acquiring an additional 10% shareholding.

EMPLOYEE INFORMATION

As at 30th June, 2013, the Group employed 26,804 permanent employees. Employees of the Group are remunerated based on their individual performance, professional qualifications, experience in the industry and relevant market trends. Management regularly reviews the Group's remuneration policy and appraises the work performance of its staff. Employee remuneration includes salaries, allowances, social insurance and mandatory pension fund. As required by the relevant regulations in the PRC, the Group participates in the social insurance schemes operated by the relevant local government authorities. The Group also participates in the mandatory pension fund and social insurance schemes for our employees in Hong Kong, Taiwan, Singapore, South Korea, USA and various countries in Europe.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

In the first half of this year, the Company recorded similar sales revenue in the second quarter to that of the first quarter. In this second quarter, there were concerns of the US Federal Reserve's plan to reduce the quantitative easing stimulus and signs of a slowdown in China's economy. As consumers turned more value conscious regarding upgrading their devices, mobile devices brands suffered from a lack of new product launches, the mobile consumer electronics segment faced poor market sentiments. However, industry forecasts predict that global shipments of both smartphones and tablets will continue to increase in 2013 and beyond, the outlook for demand of smart mobile devices remains positive.

In particular, the low and mid-end segments targeting emerging markets show strong growth momentum. The rising acoustic and functional specifications of devices in these segments provide exciting business opportunities for the Company. We believe we are well positioned for stronger growth in the second half of the year.

Our customers in designing new devices, focus on better user-experience and a shorter new-model launching cycle. Design innovativeness and responsive quality production capability have become increasingly important criterion for their selection of technology components' solutions providers. We have been able to leverage on our technology and production know-how to meet our existing and new customers' requirements.

The Company remains committed to develop in-house intellectual property and to broaden our technology capabilities beyond our solid foundation in acoustics. During the six months ended 30th June, 2013, we have successfully obtained 168 additional acoustic and non-acoustic patents, bringing our total portfolio to 1,076 patents. In the same period, we filed another 113 patent, which brings patents pending to a total of 373.

Technology leadership, production efficiencies and strong execution have propelled to our business growth. We aim to further increase our market share through innovative solutions and strong R&D, while increasing productivity and manufacturing efficiency.

Ultimately, our goal is to become one of the world's leading micro technology components solution providers.

DIVIDENDS

From time to time, the Company will consider the declaration of dividends based on its earnings, financial position, debt repayment requirements, capital expenditure, and other factors as the Board may deem appropriate. The Board may recommend the amount of dividend to be declared and the declaration and payment of dividends will be determined by shareholders in general meeting. The Board may also from time to time pay to shareholders such interim dividends to be justified by the profit of the Company.

During the first half year of 2013, a final dividend of HK50.8 cents per share for the year ended 31st December, 2012 (2011 final dividend: HK21.6 cents per share) was paid to shareholders of the Company.

The Board have declared an interim dividend of HK25.0 cents (2012: HK20.0 cents) per ordinary share in respect of the first half year of 2013. The interim dividend will be paid on or around 27th September, 2013 to the shareholders of the Company, whose names appeared on the register of members of the Company on 13th September, 2013.

OTHER INFORMATION

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

As at 30th June, 2013, the beneficial interests of the Directors 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 Securities and Futures Ordinance (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 | Capacity | Number of ordinary shares | | | | | Total number of shares | Percentage of the Company's issued share capital as at 30th June, 2013 |
|--|---|---------------------------|-----------------|---------------------|------------------|-----------------|------------------------|--|
| | | Personal interests | Joint interests | Corporate interests | Spouse interests | Other interests | | |
| Mr. Benjamin Zhengmin Pan ("Mr. Pan") ⁽¹⁾ | Beneficial owner/interest of child under 18 and spouse/interest of controlled corporation | 69,512,565 | - | 51,439,440 | 262,820,525 | 117,114,002 | 500,886,532 | 40.79% |
| Ms. Ingrid Chunyuan Wu ("Ms. Wu") ⁽²⁾ | Beneficial owner/interest of child under 18 and spouse | 262,820,525 | - | - | 120,952,005 | 117,114,002 | 500,886,532 | 40.79% |
| Mr. Koh Boon Hwee ("Mr. Koh") | Beneficial owner | 795,562 | - | - | - | - | 795,562 | 0.06% |

Notes:

- (1) 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 which are beneficially 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) 117,114,002 shares representing the aggregate of (a) 112,375,158 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendants, as beneficiaries of the Pan 2005 Irrevocable Trust dated 10th 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 10th May, 2005. One child of Mr. Pan and Ms. Wu is over and the other is under the age of 18.

OTHER INFORMATION

- (2) Ms. Wu beneficially owns 262,820,525 shares. Ms. Wu is also deemed or taken to be interested in the following shares for the purposes of the SFO:
- (i) 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. As Mr. Pan is her spouse, she is deemed to be interested in such 120,952,005 shares; and
 - (ii) 117,114,002 shares representing the aggregate of (a) 112,375,158 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendents, as beneficiaries of the Pan 2005 Irrevocable Trust dated 10th May, 2005; and (b) 4,738,844 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendents, as beneficiaries of the Pan 2005 Exempt Trust dated 10th May, 2005. One child of Mr. Pan and Ms. Wu is over and the other is under the age of 18.

Other than as disclosed above, as at 30th June, 2013, none of the Directors, 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.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2013, the register of interests and short positions kept by the Company under Section 336 of the SFO, other than the Directors and chief executive, showed that the following persons held interests or short positions in the Company's shares:

| Name of Shareholders | Capacity | Number of shares | Derivative interest | Percentage of the Company's issued share capital as at 30th June, 2013 |
|--|--------------------------------------|------------------|---------------------|--|
| JPMorgan Chase & Co. ⁽¹⁾ | Beneficial owner/Investment Manager/ | 263,630,249 (L) | | 21.47% |
| | Trustee/Custodian corporation/ | 1,827,500 (S) | 7,000(S) | 0.15% |
| | Approved lending agent | 94,071,494(P) | | 7.66% |
| Credit Suisse Group ⁽²⁾ | Interest of controlled corporation | 93,600,000(L) | 46,800,000(L) | 7.62% |
| | | 93,600,000(S) | | 7.62% |
| The Capital Group Companies, Inc. ⁽³⁾ | Interest of controlled corporation | 84,035,100(L) | - | 6.84% |

L – Long position

S – Short position

P – Lending pool

OTHER INFORMATION

Notes:

- (1) JPMorgan Chase & Co. through its various controlled corporations is interested in an aggregate of 263,630,249 shares of the Company as follows:

- (i) 1,998,205 shares are directly held in aggregate by J.P. Morgan Securities plc (1,821,500 shares) and J.P. Morgan Whitefriars Inc. (176,705 shares).

1,821,500 shares are directly held by J.P. Morgan Securities plc. By virtue of J.P. Morgan Chase International Holdings' 98.95% interest in J.P. Morgan Securities plc, J.P. Morgan Chase (UK) Holdings Limited's 100% interest in J.P. Morgan Chase International Holdings, J.P. Morgan Capital Holdings Limited's 100% interest in J.P. Morgan Chase (UK) Holdings Limited, J.P. Morgan International Finance Limited's 100% interest in J.P. Morgan Capital Holdings Limited, Bank One International Holdings Corporation's 100% interest in J.P. Morgan International Finance Limited, J.P. Morgan International Inc.'s 100% interest in Bank One International Holdings Corporation, JPMorgan Chase Bank, N.A.'s 100% interest in J.P. Morgan International Inc., JPMorgan Chase & Co.'s 100% interest in JPMorgan Chase Bank, N.A., each of J.P. Morgan Chase International Holdings, J.P. Morgan Chase (UK) Holdings Limited, J.P. Morgan Capital Holdings Limited, J.P. Morgan International Finance Limited, Bank One International Holdings Corporation, J.P. Morgan International Inc., JPMorgan Chase Bank, N.A. and JPMorgan Chase & Co. is deemed to be interested in these 1,821,500 shares.

176,705 shares are directly held by J.P. Morgan Whitefriars Inc.. By virtue of J.P. Morgan Overseas Capital Corporation's 100% interest in J.P. Morgan Whitefriars Inc., J.P. Morgan International Finance Limited's 100% interest in J.P. Morgan Overseas Capital Corporation, Bank One International Holdings Corporation's 100% interest in J.P. Morgan International Finance Limited, each of J.P. Morgan Overseas Capital Corporation, J.P. Morgan International Finance Limited, Bank One International Holdings Corporation, J.P. Morgan International Inc., JPMorgan Chase Bank, N.A. and JPMorgan Chase & Co. is deemed to be interested in these 176,705 shares (and also listed derivative interests of 7,000 shares with cash settled);

- (ii) 117,114,002 shares are directly held by J.P. Morgan Trust Company of Delaware. By virtue of CMC Holding Delaware Inc.'s 100% interest in J.P. Morgan Trust Company of Delaware, J.P. Morgan Equity Holdings, Inc.'s 100% interest in CMC Holding Delaware Inc., JPMorgan Chase & Co.'s 100% interest in J.P. Morgan Equity Holdings, Inc., each of CMC Holding Delaware Inc., J.P. Morgan Equity Holdings, Inc., JPMorgan Chase & Co. is deemed to be interested in these 117,114,002 shares and such shares held by J.P. Morgan Trust Company of Delaware as trustee of trusts;

- (iii) 45,569,500 shares are directly held in aggregate by J.P. Morgan Investment Management Inc. (520,500 shares), JPMorgan Asset Management (UK) Limited (935,500 shares), JF Asset Management Limited (36,249,500 shares), JF International Management Inc. (1,665,500 shares), JPMorgan Asset Management (Japan) Limited (2,854,500 shares) and JPMorgan Asset Management (Taiwan) Limited (3,344,000 shares).

J.P. Morgan Investment Management Inc. is 100% owned by JPMorgan Asset Management Holdings Inc. which in turn is 100% owned by JPMorgan Chase & Co.. Each of JPMorgan Chase & Co. and JPMorgan Asset Management Holdings Inc. is deemed to be interested in 520,500 shares held by J.P. Morgan Investment Management Inc..

JPMorgan Asset Management (UK) Limited is 100% owned by JPMorgan Asset Management Holdings (UK) Limited which in turn is 100% owned by JPMorgan Asset Management International Limited which in turn is 100% owned by JPMorgan Asset Management Holdings Inc.. Each of JPMorgan Chase & Co., JPMorgan Asset Management Holdings Inc., JPMorgan Asset Management International Limited and JPMorgan Asset Management Holdings (UK) Limited is deemed to be interested in 935,500 shares held by JPMorgan Asset Management (UK) Limited.

JF Asset Management Limited, JF International Management Inc., JPMorgan Asset Management (Japan) Limited and JPMorgan Asset Management (Taiwan) Limited are 100% owned by JPMorgan Asset Management (Asia) Inc., which in turn is 100% owned by JPMorgan Asset Management Holdings Inc.. Each of JPMorgan Chase & Co., JPMorgan Asset Management Holdings Inc. and JPMorgan Asset Management (Asia) Inc. is deemed to be interested in respectively 36,249,500 shares held by JF Asset Management Limited, 1,665,500 shares held by JF International Management Inc., 2,854,500 shares held by JPMorgan Asset Management (Japan) Limited and 3,344,000 shares held by JPMorgan Asset Management (Taiwan) Limited;

OTHER INFORMATION

- (iv) 4,593,500 shares are directly held by China International Fund Management Co Ltd. By virtue of JPMorgan Asset Management (UK) Limited's 49% interest in China International Fund Management Co Ltd, JPMorgan Asset Management Holdings (UK) Limited's 100% interest in JPMorgan Asset Management (UK) Limited, JPMorgan Asset Management International Limited's 100% interest in JPMorgan Asset Management Holdings (UK) Limited, JPMorgan Asset Management Holdings Inc.'s 100% interest in JPMorgan Asset Management International Limited, JPMorgan Chase & Co.'s 100% interest in JPMorgan Asset Management Holdings Inc., each of JPMorgan Chase & Co., JPMorgan Asset Management Holdings Inc., JPMorgan Asset Management International Limited, JPMorgan Asset Management Holdings (UK) Limited and JPMorgan Asset Management (UK) Limited is deemed to be interested in 4,593,500 shares;
- (v) 94,175,494 shares are directly held by JPMorgan Chase Bank, N.A. and JPMorgan Chase & Co. is deemed to be interested in these 94,175,494 shares by virtue of its 100% interest in JPMorgan Chase Bank, N.A.; and
- (vi) 179,548 shares are directly held by J.P. Morgan Clearing Corp. By virtue of J.P. Morgan Securities LLC's 100% interest in J.P. Morgan Clearing Corp, J.P. Morgan Broker-Dealer Holdings Inc's 100% interest in J.P. Morgan Securities LLC, JPMorgan Chase & Co.'s 100% interest in J.P. Morgan Broker-Dealer Holdings Inc, each of JPMorgan Chase & Co., J.P. Morgan Broker-Dealer Holdings Inc, J.P. Morgan Securities LLC is deemed to be interested in 179,548 shares.

JPMorgan Chase & Co. is also interested in 94,071,494 shares in the 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.

- (2) 93,600,000 shares are directly held by Credit Suisse First Boston (Hong Kong) Limited. By virtue of Credit Suisse Group's 100% interest in Credit Suisse, Credit Suisse's 100% interest in Credit Suisse First Boston (International) Holding AG, Credit Suisse First Boston (International) Holding AG's 100% interest in Credit Suisse First Boston International (Guernsey) Limited and 70.2% interest in Credit Suisse First Boston (Hong Kong) Limited; and Credit Suisse First Boston International (Guernsey) Limited also owns 29.8% interest in Credit Suisse First Boston (Hong Kong) Limited, each of Credit Suisse Group, Credit Suisse and Credit Suisse First Boston (International) Holding AG is deemed to be interested in 93,600,000 shares (and also unlisted derivative interests of 46,800,000 shares with physically settled (off exchange)) in the Company directly held by Credit Suisse First Boston (Hong Kong) Limited.
- (3) 84,035,100 shares are held in aggregate by Capital International, Inc. (3,052,000 shares) and Capital Research and Management Company (80,983,100 shares). By virtue of The Capital Group Companies, Inc.'s 100% interest in Capital Group International, Inc., Capital Group International, Inc.'s 100% interest in Capital International, Inc., each of The Capital Group Companies, Inc. and Capital Group International, Inc. is deemed to be interested in 3,052,000 shares held by Capital International, Inc.. And by virtue of The Capital Group Companies, Inc.'s 100% interest in Capital Research and Management Company, The Capital Group Companies, Inc. is deemed to be interested in 80,983,100 shares held by Capital Research and Management Company.

Save as the interests and short positions disclosed above, as at 30th June, 2013, so far as was known to any Directors of the Company, no other persons had an interest or short position in the shares, equity derivatives or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO or, who were interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

OTHER INFORMATION

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 9th September, 2013 to 13th September, 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 6th September, 2013.

SHARE OPTION SCHEME

The Company approved and adopted a share option scheme (the "SO Scheme") on 15th July, 2005, which will expire at its tenth anniversary. Details are set out in the 2012 annual report of the Company. The Company has not granted any option under the SO Scheme since its adoption.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the period was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors or their associates (as defined under the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30th June, 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance that properly protect and promote the interests of the shareholders and other stakeholders of the Company.

Our Board of Directors is at the centre of our corporate governance structure regularly reviewing, refining and overseeing enforcement of the Company's corporate governance practices. The Board is of the view that the current framework and internal established processes will enable the Company to comply with applicable statutory and regulatory requirements and the latest best corporate governance practices.

For the period ended 30th June, 2013, the Company had complied with all the Code Provisions as set out in the Corporate Governance Code (the "CG Code") in the Appendix 14 of the Listing Rules.

The Company has adopted a code of conduct regarding securities transactions by Directors and by relevant employees (as defined in the CG Code) on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the "Model Code").

All 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 Directors' securities transactions during the six months ended 30th June, 2013.

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

Change in Directors' information since the date of the 2012 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. Koh, Chairman of the Board and an independent non-executive Director, resigned as director of Yeo Hiap Seng (Malaysia) Berhad (publicly-listed in Malaysia) on 23rd April, 2013.

Save as disclosed above, the Directors are not aware of any other change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2012 annual report of the Company.

OTHER INFORMATION

BOARD COMMITTEES

The Board strives to adhere to the highest principles of corporate governance and adopt sound corporate governance practices to meet legal, regulatory and commercial standards. In relation, the Board has established separate Board Committees with defined terms of reference for assisting the full Board in discharging its governance and other responsibilities such as these specific areas of focus: proper financial reporting and disclosure, risk management and internal controls, size, structure and diversity of the Board, remuneration of Directors and senior management.

Audit Committee

The Audit Committee was established in April 2005 and is currently chaired by Mr. Poon Chung Yin Joseph (an independent non-executive Director) with two other members, Mr. Koh (Chairman of the Board and an independent non-executive Director) and Ms. Wu (a non-executive Director). Its terms of reference, including its duties, has been published on the websites of the Stock Exchange and the Company.

The Audit Committee's responsibilities include the oversight of the integrity of the Company's financial statements and of the Company's system of internal control and risk management. The Audit Committee needs to oversee management while ensuring that it does not step into the management's role. The Audit Committee relies on internal audit to provide an objective view on how well the Company is handling a number of key risks and controls. The external auditors also provide the Audit 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 Committee oversees the relationship and coordination between the Company, internal auditor and external auditors. The Audit Committee reports to the Board of Directors after each meeting.

Adopting a recommended best practice in the CG Code, the Company, since the first date of listing, has been announcing and publishing quarterly financial results. It is believed that shareholders of the Company would be better informed about the performance and business progress of the Company with quarterly reporting. The Audit Committee is involved in the review of the quarterly, half-yearly and annual results and meets at least four times a year and when required, and meets the external auditors at least twice a year, in the absence of management and the executive Directors at least once a year.

The Audit Committee and the auditor of the Company, Deloitte Touche Tohmatsu, have reviewed and discussed with the management the Company's unaudited condensed consolidated financial statements for the six months ended 30th June, 2013.

OTHER INFORMATION

Nomination Committee

The nomination committee of the Company (the “Nomination Committee”) was established in April 2005 and is currently chaired by Dato’ Tan Bian Ee (an independent non-executive Director) with two other members, Mr. Poon Chung Yin Joseph (an independent non-executive Director) and Ms. Chang Carmen I-Hua (an independent non-executive Director). Its terms of reference, including its duties, has been published on the websites of the Stock Exchange and the Company.

The Nomination Committee is responsible for reviewing, advising and making recommendations to the Board on matters in relation to the structure, size and diversity of the Board, the appointment and re-appointment of Directors and the assessment on independence of independent non-executive Directors, and ensuring the proper and transparent procedures for the appointment and re-appointment of Directors.

The Nomination Committee would identify, assess and nominate suitable candidates, including those proposed by the shareholders, by considering their background (including but not limited to education, gender, age, race, in the context of Board diversity), knowledge, skill and experience, and all valid nominations of candidates, accompanied with details of their biographical backgrounds and the Nomination Committee’s recommendations, 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 strategy. It is believed that members of the Nomination Committee collectively would have the required relevant knowledge and skills to identify, invite and evaluate qualifications of nominated candidates for directorship.

During the six months ended 30th June, 2013, there was no change in the directorship of the Company and the composition of the Board.

Remuneration Committee

The remuneration committee of the Company (the “Remuneration Committee”) was established in April 2005 and is currently chaired by Mr. Koh (Chairman of the Board and an independent non-executive Director) with two other members, Dato’ Tan Bian Ee (an independent non-executive Director) and Ms. Chang Carmen I-Hua (an independent non-executive Director). Its terms of reference, including its duties, has been published on the websites of the Stock Exchange and the Company.

The responsibilities of the Remuneration Committee are to advise the Board in relation to the remuneration policy, structure and package for 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.

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

Hong Kong, 16th August, 2013