



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

2014
Interim Report

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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

LEGAL ADVISOR FOR LISTING MATTERS

Woo, Kwan, Lee & Lo
26th Floor, Jardine House
1 Connaught Place
Central, Hong Kong

REGISTERED OFFICE

Century Yard, Cricket Square, Hutchins Drive,
P.O. Box 2681, George Town,
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

Maples Fund Services (Cayman) Limited
Boundary Hall, Cricket Square,
P.O. Box 1093, Grand Cayman, KY1-1102,
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, 2014

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 condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30th June, 2014 together with the unaudited comparative figures for the corresponding period in 2013. 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 27th August, 2014.

	NOTES	1.1.2014 to 30.6.2014 (Unaudited) RMB'000	1.1.2013 to 30.6.2013 (Unaudited) RMB'000
Revenue	3	3,716,020	3,830,676
Cost of goods sold		(2,185,942)	(2,191,407)
Gross profit		1,530,078	1,639,269
Other income		68,604	39,864
Net fair value gain on foreign currency forward contracts		345	69
Distribution and selling expenses		(79,388)	(95,135)
Administrative expenses		(137,971)	(157,079)
Research and development costs		(281,218)	(284,615)
Share of results of associates		40	16,596
Exchange (loss) gain		(1,034)	31,876
Loss on deemed disposal of partial interest in an associate		-	(2,746)
Finance costs		(6,786)	(5,883)
Profit before taxation	4	1,092,670	1,182,216
Taxation	5	(114,853)	(109,451)
Profit for the period		977,817	1,072,765
Other comprehensive income (expense):			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising from translation		13,296	(11,145)
Total comprehensive income for the period		991,113	1,061,620
Profit (loss) for the period attributable to:			
Owners of the Company		979,753	1,075,391
Non-controlling interests		(1,936)	(2,626)
		977,817	1,072,765
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		993,469	1,064,125
Non-controlling interests		(2,356)	(2,505)
		991,113	1,061,620
Earnings per share – Basic	7	RMB79.78 cents	RMB87.57 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2014

	NOTES	30.6.2014 (Unaudited) RMB'000	31.12.2013 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	8	4,373,460	3,968,788
Goodwill		32,931	32,931
Prepaid lease payments		169,024	110,643
Deposits for acquisition of property, plant and equipment		409,521	199,260
Available-for-sale investments	9	364,531	364,531
Interests in associates		17,102	4,768
Intangible assets		178,443	179,333
Loan receivable from a non-controlling shareholder of a subsidiary		17,030	14,579
		5,562,042	4,874,833
Current assets			
Inventories		834,340	831,559
Trade and other receivables	10	2,639,085	2,580,539
Amounts due from related companies		18,038	16,229
Taxation recoverable		17,727	17,191
Pledged bank deposits		35,066	2,358
Bank balances and cash		1,872,170	2,354,313
		5,416,426	5,802,189
Current liabilities			
Trade and other payables	11	1,713,841	1,616,701
Amounts due to related companies		27,690	22,645
Taxation payable		125,618	130,301
Foreign currency forward contracts		–	820
Short-term bank loans	12	932,563	904,701
Other short-term borrowings		1,736	3,723
		2,801,448	2,678,891
Net current assets		2,614,978	3,123,298
Total assets less current liabilities		8,177,020	7,998,131
Non-current liabilities			
Government grants		11,150	10,613
Deferred tax liabilities		40,976	41,596
Loan payable to a non-controlling shareholder of a subsidiary		11,065	14,133
		63,191	66,342
Net assets		8,113,829	7,931,789
Capital and reserves			
Share capital	13	99,718	99,718
Reserves		7,960,795	7,776,399
Equity attributable to owners of the Company		8,060,513	7,876,117
Non-controlling interests		53,316	55,672
Total equity		8,113,829	7,931,789

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2014

	Attributable to owners of the Company										
	Share capital	Share premium	Special reserve	Capital reserve	Translation reserve	Non-distributable reserve	PRC statutory reserves	Retained profits	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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	-	-	-	-	-	-	-	(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
At 1st January, 2014 (audited)	99,718	746,957	1,135	23,391	(99,701)	87,245	344,860	6,672,512	7,876,117	55,672	7,931,789
Exchange differences arising											
from translation	-	-	-	-	13,716	-	-	-	13,716	(420)	13,296
Profit for the period	-	-	-	-	-	-	-	979,753	979,753	(1,936)	977,817
Total comprehensive (expense) income for the period	-	-	-	-	13,716	-	-	979,753	993,469	(2,356)	991,113
Dividends paid (Note 6)	-	-	-	-	-	-	-	(809,073)	(809,073)	-	(809,073)
Transfer	-	-	-	-	-	-	2,867	(2,867)	-	-	-
At 30th June, 2014 (unaudited)	99,718	746,957	1,135	23,391	(85,985)	87,245	347,727	6,840,325	8,060,513	53,316	8,113,829

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2014

	1.1.2014 to 30.6.2014 (Unaudited) RMB'000	1.1.2013 to 30.6.2013 (Unaudited) RMB'000
Net cash from operating activities	1,278,451	1,678,726
Net cash used in investing activities		
Purchase of property, plant and equipment	(482,739)	(327,808)
Deposits paid for acquisition of property, plant and equipment	(409,521)	(171,291)
Addition of prepaid lease payments	(59,597)	–
Placement of pledged bank deposits	(32,708)	–
Withdrawal of pledged bank deposits	–	1,871
Acquisition of an associate	(12,294)	–
Acquisition of a subsidiary	–	1,608
Additions to intangible assets	(5,975)	(11,329)
Advance to a non-controlling shareholder of a subsidiary	(2,318)	(5,350)
Proceeds from disposal of property, plant and equipment	26,423	7,473
Interest received	17,328	9,612
Other investing cash flows	1,200	616
	(960,201)	(494,598)
Net cash used in financing activities		
Short-term loans raised	2,765,626	2,503,735
Repayment of short-term loans	(2,754,270)	(2,565,036)
Dividends paid	(809,073)	(496,938)
Repayment of other short-term borrowings	(2,104)	–
Acquisition of additional interests in a subsidiary	–	(20,664)
Other financing cash flows	(4,614)	(4,896)
	(804,435)	(583,799)
Net (decrease) increase in cash and cash equivalents	(486,185)	600,329
Cash and cash equivalents at 1st January	2,354,313	1,313,959
Effect of foreign exchange rate changes	4,042	(6,924)
Cash and cash equivalents at 30th June, represented by bank balances and cash	1,872,170	1,907,364

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2014

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 "Stock Exchange") (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, 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2013.

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 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), Micro Electro-Mechanical System ("MEMS") components, haptics, Radio Frequency ("RF") and other products (mainly including optics, traditional microphones and headsets), 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, 2014

3. SEGMENT INFORMATION (CONTINUED)

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

	1.1.2014 to 30.6.2014 RMB'000 (Unaudited)	1.1.2013 to 30.6.2013 RMB'000 (Unaudited)
Operating and reportable segments		
Segment revenue		
Dynamic components	2,944,511	2,957,040
MEMS components	379,084	339,367
Haptics	41,654	35,938
RF	149,052	27,878
Other products	201,719	470,453
	<u>3,716,020</u>	<u>3,830,676</u>
Revenue		
Segment results		
Dynamic components	1,346,393	1,381,777
MEMS components	91,119	117,308
Haptics	9,795	7,004
RF	40,676	12,040
Other products	42,095	121,140
	<u>1,530,078</u>	<u>1,639,269</u>
Total profit for operating and reportable segments		
– gross profit	1,530,078	1,639,269
Unallocated amounts:		
Interest income	17,328	9,612
Other income	51,276	30,252
Net fair value gain on foreign currency forward contracts	345	69
Distribution and selling expenses	(79,388)	(95,135)
Administrative expenses	(137,971)	(157,079)
Research and development costs	(281,218)	(284,615)
Share of results of associates	40	16,596
Exchange (loss) gain	(1,034)	31,876
Loss on deemed disposal of partial interest in an associate	–	(2,746)
Finance costs	(6,786)	(5,883)
	<u>1,092,670</u>	<u>1,182,216</u>
Profit before taxation		

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 (loss) gain, net fair value gain on foreign currency forward contracts and loss on deemed disposal of partial interest in an associate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2014

4. PROFIT BEFORE TAXATION

	1.1.2014 to 30.6.2014 RMB'000 (Unaudited)	1.1.2013 to 30.6.2013 RMB'000 (Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of intangible assets	7,770	6,755
Allowance for obsolete inventories, included in cost of goods sold	51	19,140
Depreciation	237,898	208,317
Impairment loss recognised in respect of property, plant and equipment	472	20,288
(Gain) loss on disposal of property, plant and equipment, net	(6,400)	2,242

5. TAXATION

	1.1.2014 to 30.6.2014 RMB'000 (Unaudited)	1.1.2013 to 30.6.2013 RMB'000 (Unaudited)
The charge comprises:		
PRC Income Tax	93,211	74,738
Overseas taxation	21,642	34,713
	<u>114,853</u>	<u>109,451</u>

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements for the six months period ended 30th June, 2014 and 30th June, 2013 as the Group has no assessable profits for both periods.

Under the law of People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2014

5. TAXATION (CONTINUED)

According to a joint circular of Ministry of Finance and the State Administrative of Taxation of the PRC, Cai Shui [2008] No. 1, only the profits earned by foreign-investment enterprise prior to 1st January, 2008, when distributed to foreign investors, can be grandfathered and exempted from EIT. 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 Detailed Implementation Rules. According to the Tax Arrangement for Avoidance of Double Taxation between China and Hong Kong, 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 remains at 10% otherwise.

Deferred tax liability on the undistributed profits earned has been accrued at the tax rate of 5% on the expected dividend stream determined by the Directors of the Company.

In addition, certain PRC subsidiaries were officially endorsed as High-New Technology Enterprises (“HNTE”) till the dates ranging from 1st August, 2014 to 2nd December, 2016. 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 will expire for the subsidiary up to 2018.

6. DIVIDENDS

During the current interim period, a final dividend of HK83.0 cents per share in respect of the year ended 31st December, 2013 (the six months ended 30th June, 2013: final dividend of HK50.8 cents per share in respect of the year ended 31st December, 2012) was paid to shareholders of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to HK\$1,019,240,000 (equivalent to approximately RMB809,073,000) (the six months ended 30th June, 2013: HK\$623,824,000 (equivalent to approximately RMB496,938,000)).

Subsequent to the end of the interim period, the Directors have determined that an interim dividend of HK25.0 cents per share (2013 interim dividend: HK25.0 cents) will be paid to the shareholders of the Company.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30th June, 2014 is based on the profit for the period attributable to owners of the Company of RMB979,753,000 (the six months ended 30th June, 2013: RMB1,075,391,000) and on the 1,228,000,000 (the six months ended 30th June, 2013: 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.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of RMB681,999,000 (the six months ended 30th June, 2013: RMB486,364,000). Part of the consideration of RMB199,260,000 (the six months ended 30th June, 2013: RMB158,556,000) was paid up in advance in 2013.

Also, during the period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB40,768,000 (the six months ended 30th June, 2013: RMB9,715,000) for proceeds of RMB47,168,000 (the six months ended 30th June, 2013: RMB7,473,000) of which RMB20,745,000 (the six months ended 30th June, 2013: RMB nil) remained unsettled at the end of reporting period and resulting in a gain on disposal of RMB6,400,000 (the six months ended 30th June, 2013: loss on disposal of RMB2,242,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2014

9. AVAILABLE-FOR-SALE INVESTMENTS

	30.6.2014 RMB'000 (Unaudited)	31.12.2013 RMB'000 (Audited)
Unlisted shares, at cost (note a)	3,254	3,254
Unlisted shares, at fair value (note b)	361,277	361,277
	<u>364,531</u>	<u>364,531</u>

Notes:

- (a) The investment is measured at cost less impairment as the range of reasonable fair value estimates is so significant that the Directors are of the opinion that the fair value cannot be measured reliably.
- (b) The investment is measured at fair value. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

The fair value of the investment at 31st December, 2013 was arrived at with reference to a transaction occurred closed to 31st December, 2013 between the Group and certain independent third parties. During the period ended 30th June, 2014, the management has determined that there has been no significant fair value change in the Group's investment based on a valuation conducted by an independent valuer.

The amount of RMB361 million at 30th June, 2014 represents the fair value of the available-for-sale investment which is measured using valuation techniques based on inputs that can be observed in the market in addition to unobservable inputs such as company specific financial information. The Group uses the key inputs of market comparable companies, which includes the valuation multiples, to determine the fair value of the unlisted shares at 30th June, 2014.

The unobservable inputs are valuation multiples, discount for lack of marketability, allocation factors on the value of each class of shares and probabilities of different economic scenarios.

Valuation multiples include enterprise value/earnings before interest, taxes, depreciation and amortisation multiple, enterprise value/revenue multiple. The higher the valuation multiples or lower the discount of lack of marketability, the higher the fair value.

Allocation factors on the value of each class of shares include specific rights and restrictions related to each class of shares. The higher the specific rights or lower the restrictions, the higher the fair value to each class of shares.

Probabilities of different economic scenario include the scenarios that the shares of the investment under initial public offering ("IPO") and under non-IPO. The higher the probability of scenario that the shares of the investment under IPO, the higher the fair value.

In the opinion of the Directors of the Company, fair value hierarchy of the available-for-sale investment is at level 3 at 30th June, 2014 and at level 2 at 31st December, 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2014

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 cash payment. As at 30th June, 2014, the Group has accepted such bills amounting to RMB58,333,000 (as at 31st December, 2013: RMB72,322,000). 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.

	30.6.2014 RMB'000 (Unaudited)	31.12.2013 RMB'000 (Audited)
Age		
0 – 90 days	1,876,829	2,049,383
91 – 180 days	247,649	246,967
Over 180 days	22,455	5,276
	2,146,933	2,301,626

11. TRADE AND OTHER PAYABLES

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

	30.6.2014 RMB'000 (Unaudited)	31.12.2013 RMB'000 (Audited)
Age		
0 – 90 days	1,171,561	1,044,579
91 – 180 days	118,494	129,221
Over 180 days	730	1,168
	1,290,785	1,174,968

12. SHORT-TERM BANK LOANS

These loans carry interest ranging from 0.75% to 2.74% per annum (as at 31st December, 2013: carry interest ranging from 0.76% to 2.37% 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, 2014

13. SHARE CAPITAL

	Number of shares	Amount US\$'000
Shares of US\$0.01 each		
Authorised:		
Ordinary shares at 1st January, 2013, 1st January, 2014 and 30th June, 2014	5,000,000,000	50,000
Issued and fully paid:		
Ordinary shares at 1st January, 2013, 1st January, 2014 and 30th June, 2014	1,228,000,000	12,280
		RMB'000
Presented in the condensed consolidated statement of financial position		
As at 1st January, 2013, 1st January, 2014 and at 30th June, 2014		99,718

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.

As at 30th June, 2014, no foreign currency forward contracts are outstanding. The fair value of foreign currency forward contracts as at 31st December, 2013 liabilities of RMB820,000 was determined by discounted cash flow that future cash flow were 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 were classified in level 2 of the fair value hierarchy with the fair value derived from inputs other than quoted prices that were 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

	30.6.2014 RMB'000 (Unaudited)	31.12.2013 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	72,810	72,067

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2014

16. 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	1.1.2014 to 30.6.2014 RMB'000 (Unaudited)	1.1.2013 to 30.6.2013 RMB'000 (Unaudited)
Companies controlled by close family members of the substantial shareholders of the Company (Note)	Purchase of raw materials by the Group	28,394	58,721
	Property rentals paid by the Group	11,334	5,458
	Sales of raw materials by the Group	1	619
Close family members of the substantial shareholders of the Company (Note)	Property rentals paid by the Group	1,899	1,668

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 RMB10,306,000 (the six months ended 30th June, 2013: RMB7,606,000).

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 14, which comprise the condensed consolidated statement of financial position as of 30th June, 2014 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

27th August, 2014

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

AAC Technologies is an established designer, developer and manufacturer of a broad range of miniaturized acoustic components. Acoustic products include speakers, receivers and microphones. The Company also provides a range of innovative technology design solutions including haptics vibrators, RF and antennas, optical lenses and ceramics products. The Company serves a large number of geographically diverse customers in the consumer electronics market. The Company's products are found in mobile handsets, tablets, wearables, ultrabooks, notebooks 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 Vietnam 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 or form alliances with other global technology companies that will create synergy with the Company's existing technology capabilities.

MARKET REVIEW

In the first half of 2014, the overall smart devices market experienced a positive resilient growth. Smartphone growth was mixed on a regional basis, with slower volumes in the mature markets due to changes in the operator subsidy mix and fewer new product launches, counterbalanced by healthy demand in emerging markets for mid-tier and low-tier smartphones. Expectations that key handset manufacturers will launch new flagship phones in the second half of the year slowed demand as prospective buyers chose to wait for the new devices. As for the tablet market, growth was cannibalized by the rise of large-screen smartphones and a longer than anticipated ownership cycle.

Against these challenges, the Company managed to deliver a stable financial result for the first half of 2014. A number of achievements were made during the period, including the gradual growth of RF businesses and a 77% year-on-year growth in sales to Chinese customers. The early preparation of assembling our in-house team of RF experts who has started interactions with potential customers is now paying off. Responding to customers' dynamics of the different tiers in the global smart devices market, we have adopted a focused approach for enhancing audio quality, increasing market share with leading design and raising automation level. We have continued to invest in R&D and build up capacities in acoustic, RF and haptics solutions for future growth.

FINANCIAL REVIEW

Although we started off 2014 under unfavorable market conditions, the Company managed to achieve solid financial results in the first half and generated RMB1,278.5 million in net cash flow from operations. For the six months ended 30th June, 2014, the Group's total revenue reached RMB3,716.0 million, representing a decrease of RMB114.7 million, or 3.0%, compared with the first half year of 2013. Gross profit of RMB1,530.1 million was RMB109.2 million, or 6.7%, lower than the first half year of 2013. Gross profit margin was 41.2%, 1.6 percentage points lower than the corresponding period of last year. The change in gross profit margin was mainly caused by the shift of customers' product mix. Profit attributable to owners of the Company amounted to RMB979.8 million, a 8.9% decrease from RMB1,075.4 million reported in the corresponding period of 2013. Basic earnings per share amounted to RMB79.78 cents, down 8.9% from RMB87.57 cents for 2013.

The turnover days of trade receivables was 108, 13 days or 13.7% more compared with 2013. Aging of trade receivables which is net of allowance for doubtful debts based on invoice dates between 0-90 days, 91-180 days and over 180 days were RMB1,876.8 million, RMB247.6 million and RMB22.5 million respectively, compared with RMB2,049.4 million, RMB247.0 million and RMB5.2 million in 2013. The quality of receivables remained sound as there was no specific or general bad debt provision required during the period, and total subsequent settlement received up till 31st July, 2014 amounts to RMB703.2 million representing 32.8% of the total amounts outstanding, net of allowances, as at the end of the reporting period.

As for tax, the Group's operating subsidiaries fall under the taxation regimes in Hong Kong, the PRC and Singapore whereby in each of the jurisdiction, different laws and regulations, and, specific preferential incentives are applicable.

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO AND INDEBTEDNESS

The gearing ratio of the Group, computed by dividing total loans and borrowings by total assets, was 8.6% as at 30th June, 2014 compared with 8.6% as at 31st December, 2013.

As at 30th June, 2014, the Group had RMB932.6 million of bank loans, all short term, compared with RMB904.7 million as at 31st December, 2013.

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, 2014, the Group had RMB1,872.2 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 deposits amounting to RMB35.1 million and RMB2.4 million that were pledged to banks respectively as at 30th June, 2014 and 31st December, 2013, no other Group assets were charged to any financial institutions.

EMPLOYEE INFORMATION

As at 30th June, 2014, the Group employed 30,010 permanent employees, an increase from a total of 23,011 as at 31st December, 2013, brought about by the Company's ongoing business development in PRC and in other regions in Asia, especially for new projects of all product segments. 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, bonuses, social insurance and mandatory pension fund contribution. 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, Vietnam, USA and various countries in Europe.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Industry analysts have forecasted smartphone and tablet markets to grow by double-digit percentages year-on-year in 2014. Much attention is focused on delivery in the second half of the year which is most likely to be driven by major new product launches, rapid migration from feature phones to smartphones in emerging markets, increasing penetration of international markets by competitive high-specs devices of Chinese handset makers and the proliferation of 4G networks.

Smart devices market is evolving rapidly. Vendors are focusing on product differentiation to gain market share. We will continue to incur necessary capital expenditure to enhance design and production capabilities to cater for market needs. By continuously upgrading technology, providing innovative and customized solutions to a diverse base of customers, the Company is well-positioned to capture the growth for the rest of this year and the upcoming 2015. We strive to sustain high share allocations from major customers. At the same time, we are well placed to capture any rising stars in the mobile devices market by offering value-added services and the most advanced, competitive and comprehensive technological solutions.

The Company remains committed to developing in-house intellectual property and to broadening our technology capabilities beyond our solid foundation in acoustics. During the six months ended 30th June, 2014, we have successfully obtained 123 additional acoustic, haptics, RF, optics and other patents, bringing our total portfolio to 1,312 patents. In the same period, we filed another 104 patents, which brings patents pending to a total of 328.

Through technology leadership and manufacturing excellence, AAC Technologies will strive to maintain our leading position as a micro technology components solutions provider in smart devices. Our strong commitments and focus on technology innovations are helping us to align ourselves with the development of the industry and deliver sustainable growth for the Company.

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 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 2014, a final dividend of HK83.0 cents per ordinary share for the year ended 31st December, 2013 (2012 final dividend: HK50.8 cents per ordinary share) was paid to shareholders of the Company.

The Board has declared an interim dividend of HK25.0 cents (2013: HK25.0 cents) per ordinary share in respect of the first half year of 2014. The interim dividend will be paid on or around 29th September, 2014 to the shareholders of the Company, whose names appeared on the register of members of the Company on 19th September, 2014.

FORWARD-LOOKING STATEMENTS

This interim report contains 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 of Directors of the Company 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 interim report of the Company; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

OTHER INFORMATION

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

As at 30th June, 2014, 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 Future 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules, were as follows:

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

Name of Directors	Capacity	Number of shares					Total number of shares	Percentage of the Company's issued share capital as at 30th June, 2014
		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	111,545,122	495,317,652	40.34%
Ms. Ingrid Chunyuan Wu ("Ms. Wu") ⁽²⁾	Beneficial owner/interest of child under 18 and spouse	262,820,525	-	-	120,952,005	111,545,122	495,317,652	40.34%
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) 111,545,122 shares representing the aggregate of (a) 106,806,278 shares which are deemed to be interested by Mr. Pan and Ms. Wu's 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.
- (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 and as Mr. Pan is her spouse, she is deemed to be interested in such 120,952,005 shares; and
 - (ii) 111,545,122 shares representing the aggregate of (a) 106,806,278 shares which are deemed to be interested by Mr. Pan and Ms. Wu's 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 INFORMATION

Other than as disclosed above, as at 30th June, 2014, 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, 2014, the register of interests and short positions kept by the Company under Section 336 of the SFO, other than the Directors and chief executive as disclosed in the section "Directors' and Chief Executive's Interest in Shares and Underlying Shares and Debentures" above, showed that the following corporations or persons held interests or short position(s) 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, 2014
JPMorgan Chase & Co. ⁽¹⁾	Beneficial owner/Investment Manager/	220,512,702(L)	12,520(L)	17.95%
	Trustee/Custodian corporation/	4,413,598(S)	-	0.35%
	Approved lending agent	73,540,235(P)	-	5.98%
The Capital Group Companies, Inc. ⁽²⁾	Interest of controlled corporation	197,824,350(L)	-	16.11%

L – Long position

S – Short position

P – Lending pool

Notes:

- (1) JPMorgan Chase & Co., through its various 100% controlled corporations, and a 49% controlled corporation (China International Fund Management Co Ltd), is interested in (i) an aggregate of 220,512,702 shares and listed derivative interests of 12,520 shares with physically settled in long position; and (ii) an aggregate of 4,413,598 shares in short position. Among them, 111,545,122 shares in long position held by J.P. Morgan Trust Company of Delaware as a trustee representing the same batch of other interests of Mr. Pan and Ms. Wu as disclosed in the above section "Directors' and Chief Executive's Interest in Shares and Underlying Shares and Debentures".

In addition to the above, JPMorgan Chase & Co. is also interested in 73,540,235 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) 197,824,350 shares in long position comprise 196,794,850 shares held by Capital Research and Management Company and 1,029,500 shares held by Capital International, Inc.. By virtue of Capital Group International, Inc.'s 100% interest in Capital International, Inc., The Capital Group Companies, Inc.'s 100% interest in Capital Group International, Inc., each of Capital Group International, Inc. and The Capital Group Companies, Inc. is deemed to be interested in 1,029,500 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 196,794,850 shares held by Capital Research and Management Company.

OTHER INFORMATION

Save as the interests and short position disclosed above, as at 30th June, 2014, so far as was known to any Directors of the Company, no other persons had an interest or short position(s) 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 15th September, 2014 to 19th September, 2014, 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 12th September, 2014.

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 2013 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 close 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, 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Board and the Company are 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 is at the centre of our corporate governance structure regularly reviewing, refining and overseeing the implementation and enforcement of the Company's corporate governance. A more comprehensive corporate governance overview covering the following key components of the Company's governance framework is available on the Company's website www.aactechnologies.com:

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

OTHER INFORMATION

For the period ended 30th June, 2014, the Company met the Code Provisions as set out in the Corporate Governance Code in Appendix 14 of the Listing Rules ("CG Code"). The Company has a culture of adopting governance best practices even though they were not required by the prevailing regulations where the Board deemed adoption would enhance the Company's governance standards. Some examples of this are quarterly financial results reporting and whistle-blowing policy.

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.

On specific enquiries made, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code and the Company's code of conduct regarding the Directors' securities transactions during the six months ended 30th June, 2014.

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

Change in Directors' information since the date of the 2013 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:

The basic salary of Mr. Pan, an executive Director and CEO of the Company, has been increased from USD200,000 to USD635,000 per annum with effect from 1st April, 2014.

The basic salary of Mr. Mok Joe Kuen Richard, an executive Director of the Company, has been increased from HK\$1,860,000 to HK\$2,557,500 per annum with effect from 1st April, 2014.

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 2013 annual report of the Company.

BOARD COMMITTEES

The Board has established separate Board Committees with defined terms of reference to assist the full Board in discharging its governance and other responsibilities, particularly over proper financial reporting and disclosure; risk management and internal controls; size, structure and diversity of the Board, and remuneration of Board 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 auditor 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 auditor.

OTHER INFORMATION

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 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. It meets at least four times a year and when required, and meets the external auditor 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, 2014. The Audit Committee and the Board have also reviewed this interim report.

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.

During the six months ended 30th June, 2014, there was no change in the directorship of the Company and the composition of the Board.

Board Diversity

The Board's composition under diversified perspectives was summarized as follows:

1.	Designation	Executive Director (2)		Non-executive Director (1)	
		Independent Non-executive Director (4)			
2.	Gender	Male (5)		Female (2)	
3.	Ethnicity	Chinese (7)			
4.	Age group	61-70 (3)	51-60 (2)	40-50 (2)	
5.	Length of service (year)	6-10 (4)		1-5 (3)	
6.	Skills, knowledge and professional experience ^{Note 1}	Investment (5)		Management & Commercial (5)	
		Technologies & Manufacturing (4)		Accounting & Finance (4)	
		Investor Relations (4)		Banking (2)	
		Human Resources (2)		Legal (1)	
7.	Academic background	University (5)			

Notes:

- (1) Directors may possess multiple skills, knowledge and professional experience.
- (2) The numbers in brackets refer to the number of Directors under the relevant category.

OTHER INFORMATION

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

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

Hong Kong, 27th August, 2014