



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

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

Interim Report **2022**



AAC Technologies is a leading provider of sensory experience solutions with the goal of building the future of interactive sensory technologies. Through continuous innovation and global presence, we have established long-term strategic partnerships with global smart device clients. We have strong capabilities in Acoustics, Optics, Haptics, Sensor and Semiconductor, and Precision Manufacturing based on decades of industry experience. AAC Technologies' mission is to create a better sensory experience for the world, and our vision is to become a global leader in sensory technology with a broad solution portfolio. We keep innovating sensory technologies to create new interactive experiences. In the future, we will focus our efforts on the industries of smartphones, intelligent vehicles, virtual reality, artificial reality and smart homes to help create a new era of sensory experience.

www.aactechnologies.com

In the event of any inconsistency between the English version and the Chinese version of this interim report, the English version shall prevail.



This interim report is printed on environmentally friendly paper.



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Ms. Wu Ingrid Chun Yuan

Independent Non-executive Directors

Mr. Zhang Hongjiang (Chairman of the Board)
Mr. Peng Zhiyuan
Mr. Kwok Lam Kwong Larry
Mr. Au Siu Cheung Albert
(resigned with effect from 31 August 2022)

AUDIT AND RISK COMMITTEE

Mr. Kwok Lam Kwong Larry (Chairman)
(appointed as Chairman with effect from 31 August 2022)
Mr. Au Siu Cheung Albert (Chairman)
(resigned as Chairman with effect from 31 August 2022)
Mr. Peng Zhiyuan
Mr. Zhang Hongjiang
(appointed as member with effect from 31 August 2022)

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Peng Zhiyuan (Chairman)
Mr. Zhang Hongjiang
Mr. Kwok Lam Kwong Larry
(appointed as member with effect from 31 August 2022)
Mr. Au Siu Cheung Albert
(resigned as member with effect from 31 August 2022)

AUTHORIZED REPRESENTATIVES

Mr. Pan Benjamin Zhengmin
Mr. Mok Joe Kuen Richard

COMPANY SECRETARY

Mr. Ho Siu Tak Jonathan

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Herbert Smith Freehills
JunHe

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

STOCK CODE

2018

WEBSITE

www.aactechnologies.com

FINANCIAL YEAR END

31 December

Core Development Strategies

AAC Technologies is determined to offer advanced and proprietary technologies, driving growth through innovation and smart manufacturing capabilities. We continue penetrating new markets including intelligent vehicles, AR/VR, AIoT, and smart homes through technology innovation, systematic product development and a high standard of quality assurance. We focus on effective management, talent development and social responsibilities to ensure sustainable and high-quality growth.

Financial Highlights

Past 5 First-half Operating Financial Data

	1H 2018 RMB'000	1H 2019 RMB'000	1H 2020 RMB'000	1H 2021 RMB'000	1H 2022 RMB'000	1H 2022 vs 1H 2021 YoY Increase/ (Decrease)
Revenue	8,424,381	7,567,523	7,837,054	8,609,140	9,411,777	9.3%
Depreciation and Amortisation	840,606	1,040,595	1,141,978	1,312,185	1,450,508	10.5%
Finance costs	102,671	114,360	169,057	210,810	203,846	(3.3%)
Net profit attributable to owners of the Company	1,778,421	769,809	320,465	920,952	350,090	(62.0%)
EBITDA	2,939,981	2,042,777	1,748,166	2,504,733	2,078,871	(17.0%)
CAPEX	(2,270,951)	(1,319,040)	(2,316,002)	(2,051,902)	(1,061,928)	(48.2%)
Taxation paid	(271,611)	(142,091)	(111,461)	(122,447)	(187,668)	53.3%
Changes in working capital	1,227,539	(153,122)	(119,470)	(1,091,671)	(409,801)	(62.5%)
Free cash flow	1,624,958	428,524	(798,767)	(761,287)	419,474	
Gross margin	36.7%	27.5%	23.2%	28.1%	18.9%	(9.2ppts)
Net profit margin	21.1%	10.2%	4.1%	10.7%	3.7%	(7.0ppts)
R&D expenses to Revenue	8.6%	11.0%	12.5%	10.4%	7.7%	(2.7ppts)
Annualized ROA	12.0%	5.2%	1.9%	4.6%	1.7%	(2.9ppts)
Annualized ROE	20.2%	8.3%	3.3%	8.6%	3.2%	(5.4ppts)
Per capita output (Revenue/Employees)	221	210	226	209	271	29.7%
Net gearing ratio	9.9%	9.8%	10.4%	5.0%	10.7%	5.7ppts
Current ratio	1.30	1.61	1.81	2.01	2.10	9.0ppts
CAPEX/EBITDA	77.2%	64.6%	132.5%	81.9%	51.1%	(30.8ppts)

Interim Review

For Q2 2022, the resurgence of the pandemic in China and the volatility of global macroeconomics weakened the market demand for smartphones, but the Group's market share of multiple product lines rose steadily, achieving revenue of RMB4.52 billion, up 4.6% YoY. As a result of the changes in product portfolio induced by the expansion of the Group's business scale and the decrease in ASP caused by intensified industry competition in the optics business, gross profit margin decreased by 6.7 pts YoY to 18.3% and net profit decreased by 62.8% YoY to RMB145 million. For 1H 2022, the Group's revenue was RMB9.41 billion, up 9.3% YoY. Gross profit margin was 18.9%, down 9.2 pts YoY. Net profit was RMB350 million, down 62.0% YoY.

According to IDC's latest report, the global smartphone shipment in Q2 2022 declined 8.7% YoY. In view of declining demand in the smartphone market, the Group continued to strengthen its principal businesses and to improve market share of each business segment. In particular, the demand from overseas customers were stable, while the Group's market shares increased. For the Android business, despite the decline in overall market demand, the Group was able to sustain the market share with major customers and maintained a stable gross profit margin. For the new strategic markets, the Group continued to develop new projects and secured a number of automotive and AR/VR projects by actively expanding into the respective markets. With respect to internal operations, the Group promoted smart manufacturing through automated production and digitalized management, developing the Group's digital capabilities. With respect to the sales operation, the Group's sales were forecasted dynamically according to specific demands: efficient resource allocation, dynamic adjustment, timely feedback, strict inventory control and improved turnover rates. The marketing teams in each business unit were merged to integrate sales resources, improve efficiency and achieve composite sales to key customers. The Group continues to reduce costs, increase efficiency and improve its operation capability, laying a solid foundation for continuous increase of market share and sustainable growth in the future.

After careful review, the Board has resolved not to declare an interim dividend for the six months ended 30 June 2022 (2021: HK\$0.20), in light of the resurgence of COVID-19 pandemic and uncertain market outlook. The Group remains prudent in financial management and conducts active liquidity management by stringently managing capital expenditures and R&D expenses. During the reporting period, operating cash inflows were RMB1.43 billion and major capital expenditures amounted to RMB1.06 billion. As of 30 June 2022, net gearing ratio was 10.7%, and cash on book was RMB5.22 billion. A sound financial position is critical to the sustainability of the Group's development, which ensures the Group's ability to continuously innovate and develop going forward.

Interim Review

PERFORMANCE AND DEVELOPMENT OF BUSINESS SEGMENTS

Acoustics Business

For Q2 2022, the Group's market share with overseas customers was stable, leading to a significant increase in sales YoY. However, due to external factors such as the pandemic, the market demand from Android smartphones weakened. Sales of the acoustics business decreased by 6.4% YoY to RMB1.91 billion. Gross profit margin remained relatively stable at 27.7%. For 1H 2022, revenue generated from the Group's acoustics business was RMB4.14 billion, which was at the same level as last year. Gross margin was 27.1%, down 5.9 ppts YoY which was mainly due to a YoY decrease in ASP from our overseas customers in the first quarter and higher operating costs caused by the pandemic.

The second quarter was a traditional low season for overseas customers, therefore revenue experienced a seasonal decline QoQ. However, the Group increased its market share by consistently securing stable deliveries to its major customers. With respect to the Android market, the Group continued to optimize its product line management through digital transformation and closed-loop project management to improve efficiency in human resources, resulting in significant cost reductions and efficiency enhancement. While maintaining our market position in the mid-to-high-end smartphones, a series of products with a higher price-performance ratio were launched to further increase its market share in the mid-to-low-end smartphones and improve its overall market share. The automotive acoustics business was progressing smoothly; the Group has already secured a number of projects, including integrated solutions, partial application of speaker modules and tuning projects, covering a wide range of customers ranging from traditional automotive to new energy vehicle OEMs and overseas mid-to-high-end automotive OEMs. The Group is expected to secure more projects in the second half of the year and leverage its technical strength to solidify its influence in the automotive acoustics market.

Optics Business

In Q2 2022, revenue from the optics business increased by 14.9% YoY to RMB929 million. In 1H 2022, revenue was RMB1.85 billion, up 24.7% YoY, which was mainly attributed to the Group's core strategy of vertical integration and customers' full recognition of its R&D and manufacturing capabilities. The camera module business was on track with increasing market share. In Q2 2022, the total shipment of camera module increased by 116.6% YoY. The VCM business has commenced production and products have been shipped to customers in small batches.

In Q2 2022, the gross profit margin for plastic lens was affected by intensified market competition, weaker market demand due to the resurgence of the pandemic, the reduced overall ASP of plastic lens. In addition to continued increase in the market share of the optics market, the Group will continue to optimize internal operation, tighten expense control, improve operational efficiency, accelerate the progress of high-end projects with domestic and overseas Android customers as well as optimizing customer and product portfolios, in order to further enhance the profitability of plastic lens. The Group had announced the proposed spin-off and separate listing of the optical business and an independent financing platform will be established to provide support for the development of optics business.

The WLG technology together with the associated general technologies including molding, crafting, simulation, algorithm, etc., have strengthened the technical capability of the optics business and built a higher technological barrier. Currently, the Group is promoting the validation of hybrid lens solutions with various smartphone OEMs. 1G5P and 1G6P hybrid lens products are being steadily delivered to customers. The Group will actively promote and realize the application of WLG products in various projects in industrial fields such as automotive, AR/VR equipment, semiconductor manufacturing and testing.

Interim Review

Electromagnetic drives and Precision mechanics Business

For Q2 2022, revenue from this combined segment was RMB1.43 billion, up 17.4% YoY, given the continued increase in the total shipment of Android haptics products and significant revenue contribution from Toyo Precision. Gross profit margin remained stable at 21.2%. For 1H 2022, revenue from this combined segment amounted to RMB2.93 billion, up 19.8% YoY. Gross profit margin was 20.4%, down 3.4 ppts YoY, which was mainly due to an increased revenue contribution of precision mechanics business and the reduction in ASP of electromagnetic drives products.

The RichTap® solution, an industry-leading cross-platform haptics solution launched by the Group has been fully recognized by the smartphone customers with a steady increase in the penetration rate. In spite of the soft market demand from the Android market, the shipment volume of Android haptics increased by 49.4% QoQ in Q2 2022. It is expected that the annual shipment volume will continue to achieve rapid growth in 2022. At the same time, the Group has also introduced this technology platform into game consoles, AR/VR and automotive markets, which has progressed smoothly. The Group's haptics solution has already successfully entered into the supply chain of a leading global VR player.

In Q2 2022, due to expansion in new customer bases and contribution from Toyo Precision, the revenue of precision mechanics increased by 40.2% YoY. The utilization rate and gross profit margin were enhanced steadily through flexible capacity adjustment and effective cost control. As a result, the gross profit margin increased by 5.2 ppts YoY. In addition, through the integration of Toyo Precision, the Group has gained the experience of serving customers in Europe and the United States. On top of the steady progress of Toyo Precision's business, the Group was able to further obtain new projects, thereby improved the overall synergies. It is expected that the new projects will be delivered in the first half of the following year.

Sensor and Semiconductor Business

For Q2 2022, due to the increased market share, revenue for the sensor and semiconductor business increased by 1.3% YoY to RMB241 million. Gross profit margin was 13.2%, down 2.6 ppts YoY. In 1H 2022, the sensor and semiconductor business recorded a revenue of RMB479 million, down by 8.2% YoY. Gross profit margin was 13.7%, down 2.6 ppts YoY. The Group will continue to increase its overall market share this year. While maintaining a relatively high market share in the smartphone market, the Group will continue to expand into IoT, smart home appliances, wearables devices and automotive markets. Due to their high degree of versatility and standardization, these products have led to a significant increase in overall capacity utilization. In addition, the Group will launch high-end products with higher signal-to-noise ratio to meet the upgraded demand in smartphone, TV, TWS earphone and notebook markets regarding the requirements of higher signal-to-noise ratio, smaller dimensions and lower power consumption.

OUTLOOK

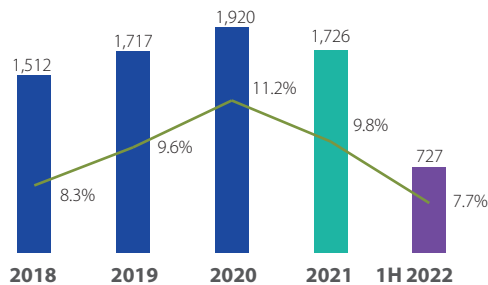
As the operating market continues to evolve, it is crucial to identify and capture the opportunities arisen from the market movement. In the long run, it's expected that the smart device solutions will continue to upgrade. The Group will leverage on the existing customer networks to continuously expand the market share and provide customers with quality-leading product portfolios and comprehensive technical support. In the future, the Group will take optimizing production costs as a key value in pursuit and strengthening the management as a core competency, and will maximize the value for its shareholders by achieving continuous growth and diversified business development.

Global Presence

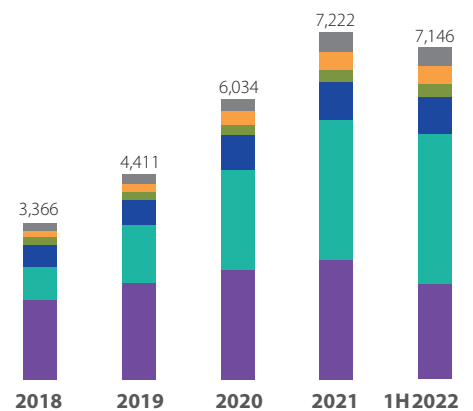
R&D

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

(RMB million or %)

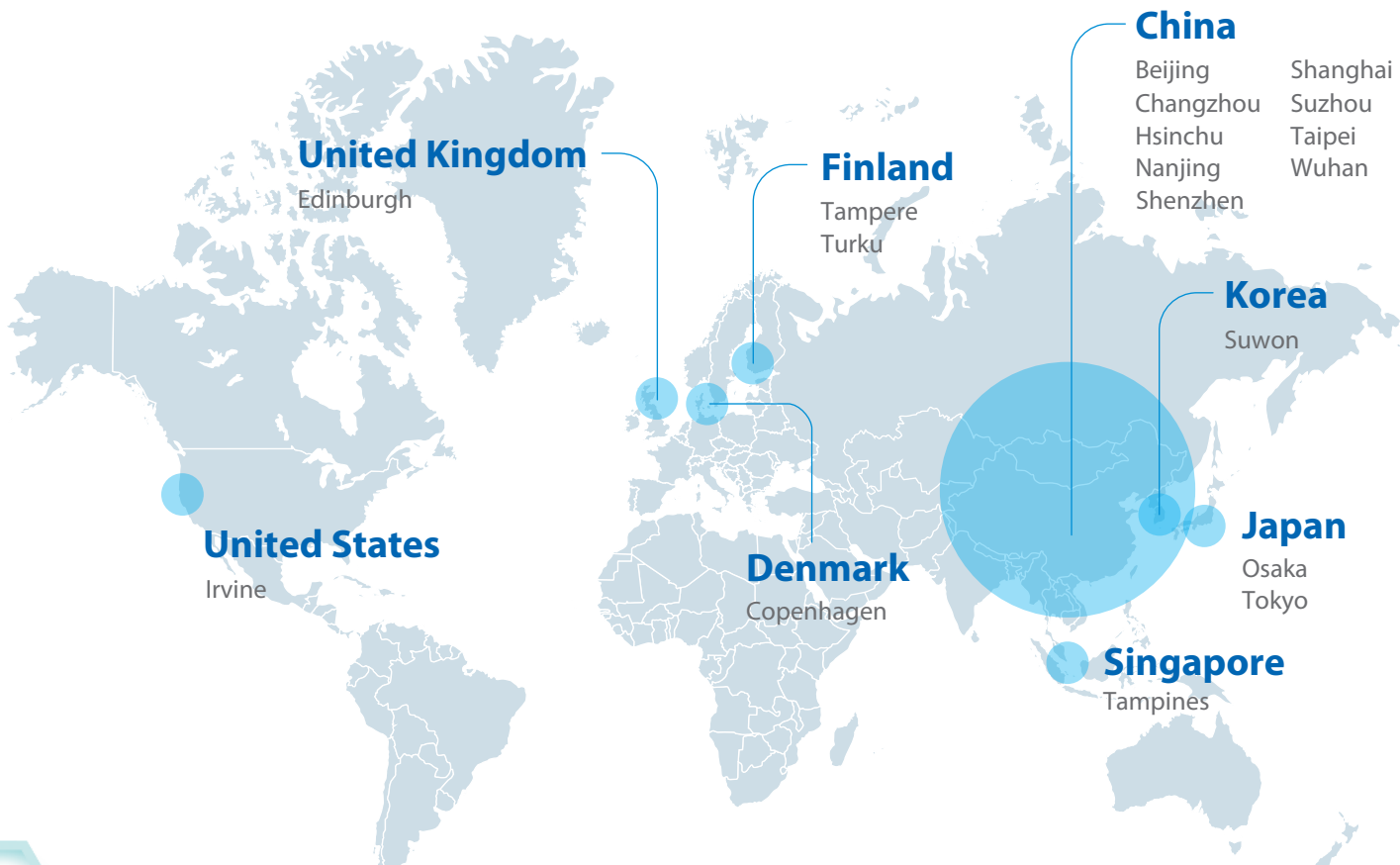


Patents by Segments



■ Acoustics ■ Optics ■ Electromagnetic Drives
■ Sensor and Semiconductor ■ RF ■ Others

R&D Centers



R&D Centers

18



R&D Engineers and Technicians

4,251



Patents

7,146



Overseas: 2,264

Patent Applications

3,142



Overseas: 777

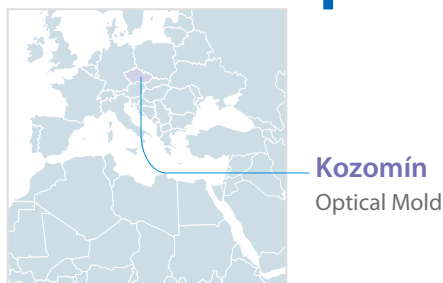
PCT: 1,670

Global Presence

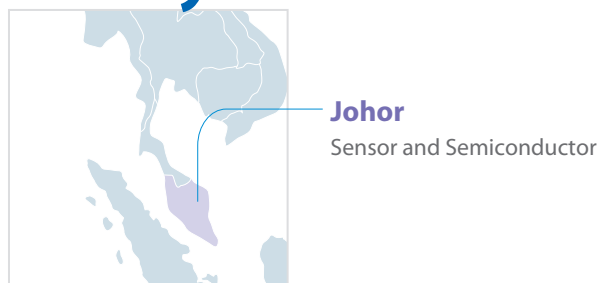
Diversified Manufacturing Bases



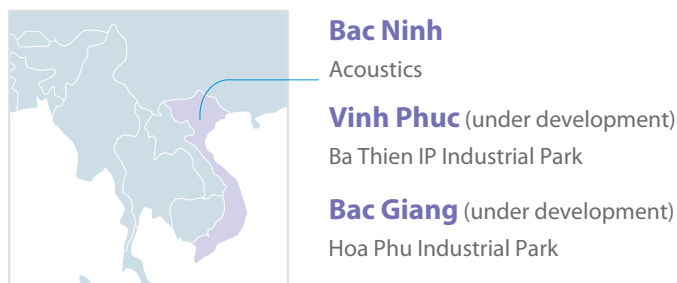
Czech Republic



Malaysia



Vietnam



Financial Review

Revenue

1H 2022 Group revenue increased YoY by 9.3%, to RMB9.4 billion. Owing to factors discussed under “Interim Review” above, revenue from the electromagnetic drives & precision mechanics and optics products increased by RMB484.5 million and RMB366.8 million respectively, whilst sensor and semiconductor products revenue decreased by RMB42.5 million, compared with 1H 2021.

Gross Profit and Gross Profit Margin

1H 2022 gross profit was RMB1.8 billion, representing a decrease by 26.2%, from the gross profit of RMB2.4 billion in 1H 2021. The decrease in gross profit was primarily due to the rising in cost of goods sold while the reduction in gross profit margin. Gross profit margin decrease to 18.9% in 1H 2022 as compared with 28.1% in 1H 2021. The gross profit margin decrease was mainly contributed by the margin decrease in acoustics and optics businesses.

Administrative Expenses

Administrative expenses in 1H 2022 were RMB451 million, 14.0% higher, compared with RMB395 million in 1H 2021. This was mainly contributed by increase in staff related cost, share incentive expenses and professional fees. To cope with the new strategic developments and drive long term growth, the Group had enhanced the management team and launched new share award scheme.

Distribution and Selling Expenses

Distribution and selling expenses were RMB209 million in 1H 2022, increased by 45.6%, compared with RMB144 million in 1H 2021. The increase was mainly contributed by the increased staff related cost and share incentive expenses to strengthen our sales force in new market segment like automotive.

Research and Development Expenses

R&D expenses in 1H 2022 were RMB727 million, 18.6% lower than RMB894 million in 1H 2021. The decrease was primarily attributable to improved use of engineering resources in R&D stage of current product platforms and new solutions.

Finance Costs

Finance costs in 1H 2022 amounted to RMB204 million, representing a decrease of 3.3% compared with RMB211 million in 1H 2021. Such decrease was mainly due to the reduction of average bank loan balance, which was offset by the additional interest on unsecured notes accompany with the issuance of 5-year unsecured notes USD300 million at annual interest rate 2.625% and 10-year unsecured notes USD350 million at annual interest rate 3.75% in June 2021.

Taxation

Taxation expenses of the Group were calculated based on the assessable profits of the subsidiaries at the rates prevailing in the relevant jurisdictions. Taxation expenses increased from RMB53 million in 1H 2021 to RMB142 million in 1H 2022. The increase was mainly due to RMB35 million reduction of deferred tax assets relating to tax losses and other temporary differences in 1H 2022 and the RMB76 million increase in deferred tax assets relating to tax losses and other temporary difference in 1H 2021.

Profit attributable to the owners of the Company

Profit attributable to the owners of the Company for 1H 2022 was RMB350 million, a decrease by 62.0% compared with RMB921 million in 1H 2021. The decline was mainly due to the decline of gross profit and the increase in exchanges loss incurred during the period which was partly offset by the decrease in operating costs and increase in government grants.

Financial Review

LIQUIDITY AND FINANCIAL RESOURCES

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

	For the six months ended 30 June	
	2022	2021
	RMB million	RMB million
Net cash from operating activities	1,434.9	1,222.8
Net cash used in investing activities	(1,180.0)	(2,181.8)
Net cash (used in) from financing activities	(1,128.4)	1,231.7

Operating Activities

Cash inflow from operating activities was mainly generated from cash receipts from the Group's sales. Cash outflows were related to raw materials purchases, payroll, distribution and selling expenses, expenses incurred in R&D, administrative items and taxation charges. Net cash generated from operating activities was RMB1,434.9 million for 1H 2022 (1H 2021: RMB1,222.8 million).

i. Trade Receivables and Payables

As at 30 June 2022, turnover days of trade receivables increased by 1 day to 84 days as compared to 31 December 2021. Trade receivables decreased by RMB330.1 million to RMB4.2 billion. Ageing of trade receivables (net of allowance for doubtful debts) based on invoice dates between 0–90 days, 91–180 days and over 180 days were RMB3,616.0 million (31 December 2021: RMB4,133.2 million), RMB543.8 million (31 December 2021: RMB293.7 million) and RMB7.4 million (31 December 2021: RMB70.4 million) respectively. The Company has received subsequent settlement totaling RMB1,555.6 million up to 31 July 2022, representing 37.3% of the total amount outstanding, net of allowances, as at the end of the reporting period.

The Group's trade payables turnover days decreased by 13 days to 96 days as compared to 31 December 2021. Ageing of trade payables based on invoice dates between 0–90 days, 91–180 days and over 180 days were RMB2,916.6 million (31 December 2021: RMB3,300.4 million), RMB797.7 million (31 December 2021: RMB949.9 million) and RMB17.2 million (31 December 2021: RMB13.4 million) respectively.

ii. Inventory Turnover

As at 30 June 2022, the inventories have increased by RMB363.2 million compared to 31 December 2021. The inventory turnover days increased to 141 days as at 30 June 2022 from 133 days for 31 December 2021.

Investing Activities

Net cash invested in 1H 2022 and 1H 2021, amounted to RMB1,180.0 million and RMB2,181.8 million, respectively. It mainly represents the cash used in CAPEX of RMB1,121.7 million (1H 2021: RMB2,022.2 million), additions to intangible assets of RMB98.2 million (1H 2021: nil), acquisition of a subsidiary of RMB53.4 million and acquisition of equity instruments at FVTOCI and financial assets at FVTPL of RMB76.6 million (1H 2021: RMB532.1 million) offsetting by the cash inflow arising from the government grants of RMB133.3 million (1H 2021: RMB250.2 million) and withdrawal of pledged bank deposits of RMB1.7 million (1H 2021: RMB89.6 million).

Financial Review

CAPEX included acquisition of land use rights, additional production plant and property, and, latest automation machinery and equipment for modifications and upgrades as well as capacity expansion. For 1H 2022 and 1H 2021, total CAPEX incurred were RMB1,061.9 million and RMB2,051.9 million respectively. Investing activities are focused on sustained CAPEX programs in building technology platform per the Group's business progress to capture new market opportunities and support its long-term business strategies. CAPEX are funded by internal resources and bank loans, and are subject to annual CAPEX budgeting and approval by the Board.

Financing Activities

The Group recorded net cash used in financing activities of approximately RMB1,128.4 million for 1H 2022. Major outflows from repayment of bank loans of RMB2,042.9 million (1H 2021: RMB5,292.7 million) and interest paid of RMB159.1 million (1H 2021: RMB125.3 million), and major inflow was due to the bank loans raised amounted to RMB1,362.4 million (1H 2021: RMB2,654.6 million).

Cash and Cash Equivalents

As at 30 June 2022, the unencumbered cash and cash equivalents of the Group amounted to RMB5,218.4 million (31 December 2021: RMB6,051.4 million), of which 48.3% (31 December 2021: 57.9%) was denominated in US dollar, 46.4% (31 December 2021: 36.1%) in RMB, 1.4% (31 December 2021: 1.1%) in Vietnamese Dong, 1.3% (31 December 2021: 1.3%) in Hong Kong dollar, 0.8% (31 December 2021: 0.4%) in Japanese Yen, 0.7% (31 December 2021: 0.3%) in Singapore dollar, 0.4% (31 December 2021: 1.0%) in Malaysian ringgit, 0.3% (31 December 2021: 1.4%) in Euros, and 0.4% (31 December 2021: 0.5%) in other currencies.

Gearing Ratio and Indebtedness

As at 30 June 2022, the Group's gearing ratio, defined as total loans and unsecured notes divided by total assets, was 23.5% (31 December 2021: 23.3%). Netting off cash and cash equivalents, net gearing ratio was 10.7% (31 December 2021: 8.9%).

As at 30 June 2022, the unsecured notes of the Group were RMB6,923.3 million (31 December 2021: RMB6,573.2 million), the short-term bank loans and long-term bank loans of the Group amounted to RMB2,298.3 million (31 December 2021: RMB2,902.4 million) and RMB320.0 million (31 December 2021: RMB330.0 million) respectively.

Charges on Group Assets

Apart from bank deposits amounting to RMB0.5 million that were pledged to banks mainly in relation to construction work as at 30 June 2022 (31 December 2021: RMB2.2 million), no other Group assets were charged to any financial institutions.

OFF-BALANCE SHEET TRANSACTIONS

As at 30 June 2022, the Group had not entered into any material off-balance sheet transactions.

EVENTS AFTER THE REPORTING PERIOD

On 13 July 2022, the Company published an announcement in relation to the proposed spin-off and separate listing of AAC Optics on the Shanghai Stock Exchange, which, if materialised, may constitute a deemed disposal of the interest in a subsidiary of the Company under Rule 14.29 of the Hong Kong Listing Rules and a major transaction of the Company under Chapter 14 of the Hong Kong Listing Rules. The proposed spin-off was approved by the Shareholders at its extraordinary general meeting convened on 20 August 2022. For further details, please refer to the Company's announcements dated 13 July 2022 and 21 August 2022, and the Company's circular dated 3 August 2022.

Key Risk Factors

The Company has structured risk management and internal control systems for the management of strategic, market, operational, financial and compliance risks. In our pursuit of technology innovation, the Company is committed to building sustainable risk management and operational information systems. We have been focusing on systematic review and upgrading our risk and control measures in chosen business processes, benchmarking against international best practices. Such systems are designed to manage the risk of failure to achieve business objectives, and can provide reasonable assurance against material misstatement or loss. Certain key risk factors affecting the Group are outlined below. The list of these factors is non-exhaustive, and there may be other risks and uncertainties which are not known to the Group or which may be immaterial now but could become material in the future. Besides, this interim report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

Risks Pertaining to the Smartphones Market

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

Reliance on a Number of Key Customers

The Group's five largest customers, which accounted for 84.7% of the Group's total revenue for 1H 2022, are all related to the consumer electronics industry, characterized by innovation-driven and user experience-oriented business growth. Loss of or changes in market position of any of these customers may materially and adversely affect the Group's business, financial condition and results of operations. Nevertheless, the Group has focused on technology innovation to continuously enhance user experience meeting customers' specification upgrade needs. We have also implemented standardized procedures for handling all forms of customer information to ensure it is not improperly or inadvertently disclosed to third parties. The Group has established strong relationships with these major customers; all of them have been our customers for over 8 years. The credit terms granted to them are in the range of 60- to 90-day periods and are generally in line with those granted to other customers.

Risks of Supply Chain and Production Disruption due to Unforeseeable Events

The COVID-19 pandemic broke out globally in 2020. The ongoing of the pandemic in 2021 and 2022 has adversely impacted the global economy recovery. The risk of a prolonged duration of the COVID-19 pandemic might lead to significant disruption of production and shipment in the smartphone supply chain, including that of the Group. In the unlikely event that COVID-19 infects a large number of the Group's employees, the productivity of the Group's operations might be adversely affected, including the possibility of closing some premises of the Group. The above might adversely affect the Group's operating results.

Protecting the employees from the spread of COVID-19 has always been a key priority for the Group. A pandemic prevention taskforce was established and is in charge of monitoring and implementing all appropriate hygiene and distancing measures to keep the Group's employees safe while maintaining the integrity of operations to ensure supply of products to the customers. For instance, to stabilize the production capacity and the COVID-19 situation in the vicinity of our Vietnam operation, the Group made monetary donations to the Vietnam government for the purchase of vaccines for the Group's employees and the local community.

In addition to COVID-19, geopolitical events between different nations may impose unpredictable impacts to the global markets and the Company, such as disruption to the global supply of commodities including base metals and driving up the commodities' prices. The continuous increase in the prices of raw materials might lead to margin compression. Furthermore, geopolitical uncertainties may directly or indirectly impact the Group's customers, which in turn may disrupt supply chain and impact end-consumer demand.

Key Risk Factors

In view of the uncertain market outlook, the Group will actively monitor the market and allocate resources flexibly to meet customers' changing demand. To mitigate the potential impacts from geopolitical events, the Group will actively manage the procurement channels, operation and production.

Operational and Obsolescence Risks

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

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

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

Liquidity and Interest Rate Risks

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

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

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

Key Risk Factors

Foreign Exchange Risks

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

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

Intensifying Global Trade Frictions

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

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

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

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

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

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

Corporate Governance

CORPORATE GOVERNANCE POLICY AND PRACTICES

The Board and the Company consider effective corporate governance not only a safeguard of the interests and confidence of our stakeholders, but also a key component in the Group's sustainable long term development and value creation. Our Board, which is at the centre of our corporate governance structure, has regularly reviewed and refined principles, policies and practices on the conduct with an aim to support the growth of the Group's operations. Our sound corporate governance structure includes a quality Board, high standards of corporate responsibility and sustainability awareness, a high degree of transparency, accountability and independence, and, an effective design, implementation and enforcement of the risk management as well as internal control systems. Based on regular reviews of the Company's actual performance against the CG Code in Appendix 14 to the Hong Kong Listing Rules, the Board is satisfied that throughout 1H 2022, the Company has complied with all Code Provision(s).

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

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

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

BOARD AND EXECUTIVE MANAGEMENT

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

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

Corporate Governance

GOVERNANCE STRUCTURE & BOARD COMMITTEES

Composition of Board and Board Committees as at 24 August 2022 (the date of this report)

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

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

* Please refer to page 27 of this report for changes in composition of the Board and Board Committees with effect from 31 August 2022.

The Directors who stood for re-election at the annual general meeting held on 12 May 2022, namely Mr. Zhang Hongjiang, Mr. Peng Zhiyuan and Mr. Pan Benjamin Zhengmin were re-elected with the approval of the Shareholders. There was no change to the composition of the Board during 1H 2022.

Corporate Governance

The Board's Roles and Responsibilities

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

Some of the key responsibilities of the Board include:

Strategy & Management



- The Board will formulate, update and refine the Group's strategy and business objectives.
- Every quarter, major investing and financing activities will be approved and management is evaluated on the implementation progress to monitor the Group's businesses against plan and budget.
- Overseeing the management of the Group's relationships with stakeholders.

Corporate Governance, Risk Management & Sustainability



- The Board will approve amendments to policies and review implementations related to Group's Corporate Governance, internal controls, risk management and sustainability practices.

Financial Results



- The Board will approve the Group's annual budgets, quarterly, interim and annual financial statements and results announcements, recommend reappointment of external auditor and declare interim and final dividends (if any).

Effectiveness of Board Committees

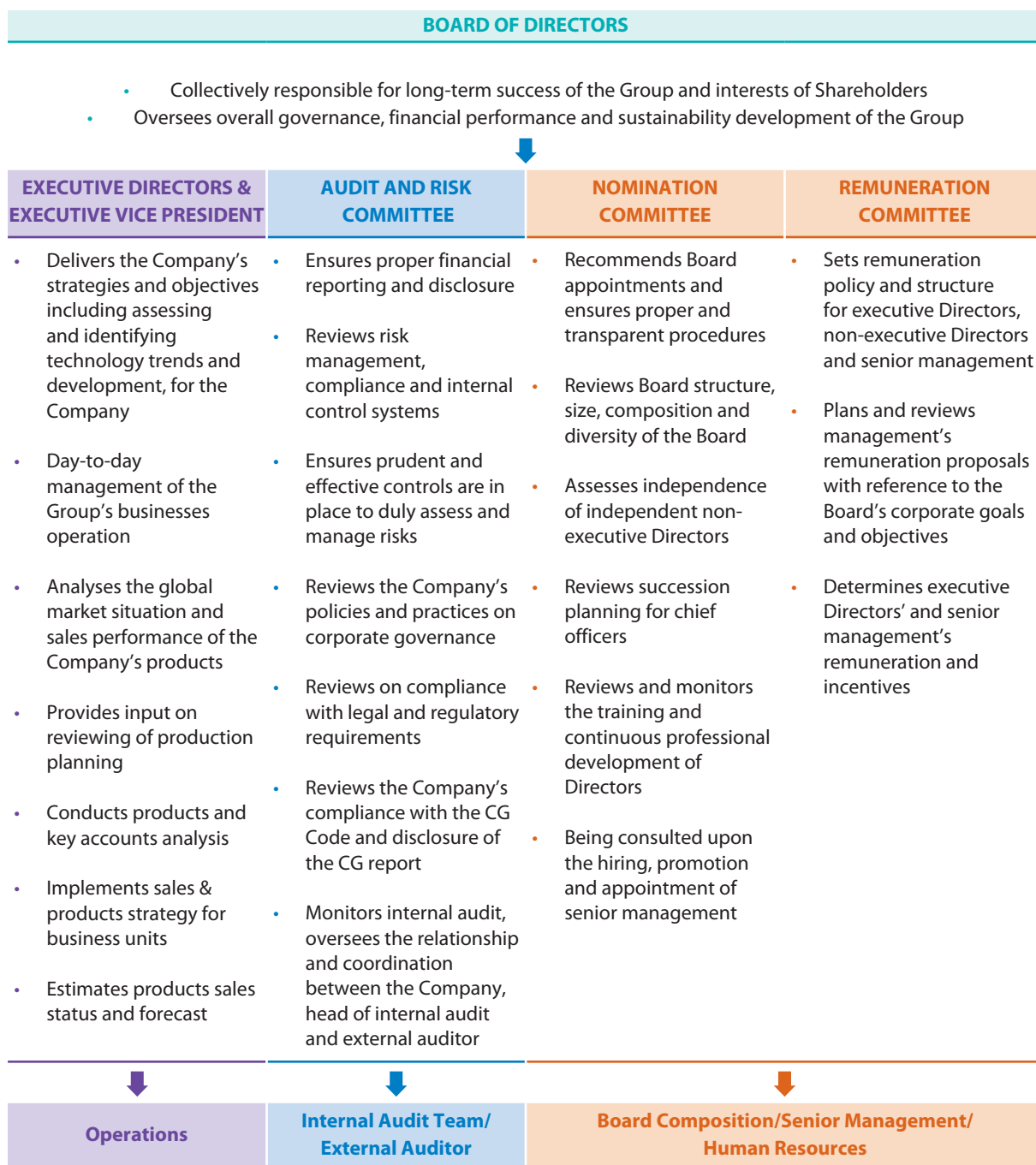


- The performances of the Board and the Board Committees are evaluated by all Directors annually.
- All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

Corporate Governance

Board Committees & Executive Management Structure

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



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

Corporate Governance

Delegation by the Board

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

Board Process

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

Individual Board Committees

Audit and Risk Committee

Roles and Authority

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

The Audit and Risk Committee, together with the Company's external auditor, has reviewed the interim report of 2022 and the unaudited condensed consolidated financial statements for 1H 2022. Members of the Audit and Risk Committee agree with the accounting treatments adopted in the preparation of the condensed consolidated financial statements.

In August 2022, the Board, pursuant to the new requirements of the Hong Kong Listing Rules, reviewed and updated the terms of reference of the Audit and Risk Committee. The latest terms of reference of the Audit and Risk Committee are available on the websites of the Hong Kong Stock Exchange and the Company.

Nomination Committee

Board Diversity

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

Corporate Governance

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

The Board is comprised of one female Director and six male Directors. The senior management as set forth on pages 33 to 34 of the 2021 annual report of the Company consists of two females and four males. Our ultimate goal is to achieve gender parity on the Board and senior management leadership.

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

Name	Pan Benjamin Zhengmin	Mok Joe Kuen Richard	Wu Ingrid Chun Yuan	Zhang Hongjiang	Au Siu Cheung Albert	Peng Zhiyuan	Kwok Lam Kwong Larry
Gender	Male	Male	Female	Male	Male	Male	Male
Age	53	58	51	61	71	50	66
Academic Background	Graduated from the Jiangsu Province Wujin Teacher School	Bachelor of Economics	Graduated from Changzhou School of Public Health	Ph.D in Electrical Engineering Bachelor of Science	Bachelor of Commerce	Master of Business and Administration Bachelor of Engineering and Finance	Master of Laws Bachelor of Economics/Accounting
Length of service	18 years	17 years	18 years	3 years	4 years	3 years	4 years
Skills, knowledge & professional experience	(a) Accounting & Finance		✓	✓	✓	✓	✓
	(b) Corporate Social Responsibility/ Sustainability		✓	✓		✓	✓
	(c) Executive management and leadership skills	✓	✓	✓	✓	✓	✓
	(d) Financial Service		✓			✓	✓
	(e) Human Resources		✓	✓			
	(f) Information Technology & Security				✓		
	(g) Investment Banking	✓		✓		✓	✓
	(h) Investor Relations	✓	✓			✓	✓
	(i) Legal		✓				✓
	(j) Other listed Board Experience/Role			✓	✓	✓	✓
	(k) Risk Management		✓			✓	✓
	(l) Strategic Planning	✓			✓	✓	✓
	(m) Technologies & Manufacturing	✓	✓	✓	✓		✓

The Nomination Committee reviewed the Board's composition under diversified perspectives and monitored the implementation of the Board Diversity Policy and considered that the said policy is effective.

Corporate Governance

Roles and Authority

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

Nomination Policy & Practice

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

Remuneration Committee

Roles and Authority

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

Human Resources

As at 30 June 2022, the Group employed 34,678 permanent employees, an 8% decrease from 37,591 employees as at 31 December 2021. It was mainly due to improvement in the Group's productivity per employee resulting from the Group's continuous effort on implementation of automation. During 1H 2022, the worldwide pandemic situation continued and unfavorable market environment also contributed to lower manpower requirement.

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

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

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

Corporate Governance

Share Award Scheme & Subsidiary Share Incentive Scheme

As announced by the Company on 23 March 2016, the Board resolved to adopt a share award scheme (the “Scheme”) in which Employees (other than Excluded Employees) may be selected by the Board to participate. The purpose of the Scheme is to permit the Company to grant Awards to Selected Employees as incentives for their contributions to the Group and to attract suitable personnel for further development of the Group. The maximum number of shares that may be awarded under the Scheme during its term is limited to 1.65% (i.e. 19,940,250 shares as at 24 August 2022) of the issued share capital of the Company from time to time. The maximum number of Awarded Shares that may be granted to any one Selected Employee shall not exceed 0.5% (i.e. 6,042,500 shares as at 24 August 2022) of the issued share capital of the Company from time to time. Pursuant to the Scheme, shares will be subscribed for at a subscription price as determined by the Board, or purchased on the Hong Kong Stock Exchange, by Bank of Communications Trustee Limited (the “Trustee”) at the cost of the Company and will be held by the Trustee on trust for the Selected Employee(s) under the Scheme before vesting. The capitalised terms referred in this section shall have the same meanings as those defined in the announcement made by the Company on 23 March 2016 relating to the adoption of the Scheme.

Since the date of adoption of the Scheme and up to 30 June 2022, no new shares have been issued to the Trustee pursuant to the rules and trust deed of the Scheme. On 26 August 2021 and 25 March 2022, the Trustee of the Scheme purchased 6,042,500 shares and 4,188,500 shares, respectively, on the Hong Kong Stock Exchange for the purpose of the Scheme, funded by the Company’s internal resources. On 24 March 2022, a total of 10,230,593 Awarded Shares were granted to 340 employees and no shares have been vested to employees.

In addition to the above Scheme, AAC Optics, a subsidiary of the Company, operates a share incentive scheme (the “Subsidiary Share Incentive Scheme”). The purpose of the Subsidiary Share Incentive Scheme is to provide the selected employees of AAC Optics and relevant personnel a market oriented incentive scheme and attract top talents. AAC Optics intends to incentivise and reward them for their commitment and dedication to its business expansion. Please refer to Note 19 to the condensed consolidated financial statements for details.

CORPORATE GOVERNANCE CODE

The Company has continued to fully comply with requirements of the Code Provisions for 1H 2022. The Company has always aimed to go beyond compliance with the Code Provisions by adopting the Recommended Best Practices of the CG Code. The table below illustrates how and in what way the Company has already adopted these items:

Recommended Best Practices	Adopted by the Company
Regular board evaluation	The Board conducts an annual evaluation of the Board’s and the Board Committees’ performance.
Quarterly financial results announcement	Since listing, the Company has adopted quarterly reporting of financial results.
Management’s confirmation on the effectiveness of risk management and internal control systems	The Board has received confirmation from management on a semi-annual basis.
A significant proportion of the executive directors’ remuneration should link rewards to corporate and individual performance	A significant proportion of an executive Director’s remuneration has been correlated with the corporate and individual performance since his appointment.
No equity-based remuneration (e.g. share options or grants) with performance-related elements to independent non-executive directors	No equity-based remuneration with performance-related elements were granted to INEDs.
Disclosure of important information to shareholders in the corporate governance report	Details of Shareholders by type and aggregate shareholding are included in the Corporate Governance Report and important Shareholders’ dates in the coming financial year are indicated under “Investors Information” section.

Corporate Governance

LEGAL AND REGULATORY COMPLIANCE

Compliance

During 1H 2022, the Board continued to review the Company's legal framework on implementing policies and practices to ensure the operations of the Company are in compliance with existing or any new legal and regulatory requirements of all applicable jurisdictions, including updates of the Hong Kong Listing Rules and disclosure requirements under the Hong Kong Securities and Futures Ordinance, the Companies Act of the Cayman Islands as well as the Hong Kong Companies Ordinance.

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

Model Code For Securities Transactions by Directors

The Company has adopted codes of conduct regarding securities transactions by Directors and by relevant employees (as defined in the CG Code) on terms no less exacting than the required standards set out in the Model Code as mentioned in Appendix 10 to the Hong Kong Listing Rules.

On specific enquiries made, all the Directors have confirmed that they have complied with the required standard as set out in the Model Code and the Company's code of conduct regarding the Directors' securities transactions during 1H 2022.

Securities Dealing Restriction to Management and Staff

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

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

As at 30 June 2022, the interests and short positions of the Directors and chief executive of the Company in any shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO 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 the Company:

Name of Directors of the Company	Capacity	Number of ordinary shares				Total number of shares	Percentage of the Company's issued shares as at 30 June 2022 ⁽¹⁾
		Personal interests	Corporate interests	Spouse interests	Other interests		
Mr. Pan Benjamin Zhengmin ("Mr. Pan") ⁽²⁾	Beneficial owner/interest of spouse/ interest of controlled corporation/ founder of a discretionary trust	70,262,162	51,439,440	263,420,525	112,795,525	497,917,652	41.20%
Ms. Wu Ingrid Chun Yuan ("Ms. Wu") ⁽³⁾	Interest of spouse/interest of controlled corporation/founder of a discretionary trust	-	263,420,525	122,952,005	111,545,122	497,917,652	41.20%
Mr. Mok Joe Kuen Richard ("Mr. Mok") ⁽⁴⁾	Beneficial owner/beneficiary of a trust (other than a discretionary trust)	180,000	-	-	99,195	279,195	0.02%

Corporate Governance

Notes:

- (1) Percentage was computed based on 1,208,500,000 issued shares of the Company as at 30 June 2022.
- (2) Mr. Pan beneficially owns 70,262,162 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) 263,420,525 shares representing the aggregate of (a) 134,828,594 shares which are beneficially owned by Sapphire Hill Holdings Limited and (b) 128,591,931 shares which are beneficially owned by K&G International Limited. These two companies are wholly-owned by Ms. Wu and as Ms. Wu is his spouse, he is deemed to be interested in such 263,420,525 shares; and
 - (iii) 112,795,525 shares representing the aggregate of (a) 106,806,278 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendants, as beneficiaries of the Pan 2005 Irrevocable Trust dated 10 May 2005; and (b) 4,738,844 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendants, as beneficiaries of the Pan 2005 Exempt Trust dated 10 May 2005. Two children of Mr. Pan and Ms. Wu are over the age of 18 and they have no discretion over distributions or investments in these trusts until distribution is made to them; (c) 1,250,403 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendant, as beneficiaries of the Pan 2020 Exempt Trust dated 3 December 2020. One child of Mr. Pan and Ms. Wu is under the age of 18 and has no discretion over distributions or investments in the trust until distribution is made to him.
- (3) Ms. Wu is deemed or taken to be interested in the following shares for the purposes of the SFO:
 - (i) 263,420,525 shares representing the aggregate of (a) 134,828,594 shares which are beneficially owned by Sapphire Hill Holdings Limited; and (b) 128,591,931 shares which are beneficially owned by K&G International Limited. These two companies are wholly-owned by Ms. Wu;
 - (ii) 122,952,005 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; (b) 70,262,162 shares which are beneficially owned by Mr. Pan; and (c) 1,250,403 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendant, as beneficiaries of the Pan 2020 Exempt Trust dated 3 December 2020, and as Mr. Pan is her spouse, she is deemed to be interested in such 122,952,005 shares; and
 - (iii) 111,545,122 shares representing the aggregate of (a) 106,806,278 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendants, as beneficiaries of the Pan 2005 Irrevocable Trust dated 10 May 2005; and (b) 4,738,844 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendants, as beneficiaries of the Pan 2005 Exempt Trust dated 10 May 2005. Two children of Mr. Pan and Ms. Wu are over the age of 18 and they have no discretion over distributions or investments in these trusts until distribution is made to them.
- (4) On 24 March 2022, Mr. Mok was granted 99,195 Awarded Shares pursuant to the Share Award Scheme adopted by the Company on 23 March 2016.

Corporate Governance

Interests in the debentures of the Company:

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

Notes:

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

Other than as disclosed above, as at 30 June 2022, none of the Directors of the Company, chief executive nor their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register of interests required to be kept by the Company under Section 352 of the SFO.

Disclosure of Conflict of Interest

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

As at 30 June 2022, Ms. Wu, a non-executive Director of the Company, holding more than 5% of the Company's share capital had beneficial interests in one of the Group's five largest customers. The customer has the usual trading terms as any other customers of the Group. At no time during 1H 2022 and up to the date of this report, had Ms. Wu's interests in the customer exceeded 1%. To the knowledge of the Directors of the Company, Ms. Wu has never acted as a director, nor involved in management, of any of these customers or suppliers.

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

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

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during 1H 2022.

Corporate Governance

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

Changes in Directors' information since the date of the 2021 annual report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules, are set out below:

1. Mr. Kwok Lam Kwong Larry has been appointed as an independent non-executive director of China Oilfield Services Limited, listed in Hong Kong and Shanghai, with effect from 1 June 2022.
2. Mr. Au Siu Cheung Albert resigned as an independent non-executive Director, the chairman of the Audit and Risk Committee and a member of the Remuneration Committee of the Company, with effect from 31 August 2022.
3. Mr. Kwok Lam Kwong Larry was appointed as the chairman of the Audit and Risk Committee and a member of the Remuneration Committee of the Company, with effect from 31 August 2022.
4. Mr. Zhang Hongjiang was appointed as a member of the Audit and Risk Committee of the Company, with effect from 31 August 2022.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2022, the register of interests and short positions kept by the Company under Section 336 of the SFO, other than the Directors and chief executive of the Company, showed that the following persons held interests or short positions in the Company's shares and underlying shares, some of which represented the same batch of other interests of Mr. Pan and Ms. Wu as disclosed in the section of "Directors' and Chief Executive's Interests in Shares and Underlying Shares and Debentures" above:

Name of Shareholders	Capacity	Number of shares	Derivative interest	Percentage of the Company's issued shares as at 30 June 2022 ⁽¹⁾
JPMorgan Chase & Co. ⁽²⁾	Interest of controlled corporation/	136,254,167 (L)	2,570,500 (L)	11.48%
	Person have security interest	17,068,431 (S)	10,452,329 (S)	2.27%
	in shares/Investment Manager/	7,237,503 (P)	–	0.59%
	Trustee/ Approved lending agent			

L — Long position

S — Short position

P — Lending pool

Notes:

- (1) Percentage was computed based on 1,208,500,000 issued shares of the Company as at 30 June 2022.

Corporate Governance

(2) JPMorgan Chase & Co., through its various 100% controlled corporations (“JPMorgan Group”), is indirectly interested in (i) an aggregate of 136,254,167 shares and listed derivative interests of 362,000 shares with physically settled, listed derivative interests of 242,000 shares with cash settled and unlisted derivative interests of 1,966,500 shares with cash settled in long position; and (ii) an aggregate of 17,068,431 shares and listed derivative interests of 306,000 shares with physically settled, listed derivative interests of 3,318,000 shares with cash settled, unlisted derivative interests of 1,545,293 shares with physically settled, unlisted derivative interests of 5,283,035 shares with cash settled and listed derivative interests of 1 share with convertible instruments in short position. Among shares held by JPMorgan Group in long position, 111,547,857 shares were held by it as a trustee, in which 111,545,122 shares represented the same batch of other interests of Mr. Pan and Ms. Wu as disclosed in the section of “Directors’ and Chief Executive’s Interests in Shares and Underlying Shares and Debentures” above.

In addition to the above, JPMorgan Chase & Co. is also interested in 7,237,503 shares in lending pool as described in the SFO. The term “lending pool” is defined as (i) shares that the approved lending agent holds as agent for a third party which he is authorised to lend and other shares that can be lent according to the requirements of the Securities Borrowing and Lending Rules; and (ii) shares that have been lent by the approved lending agent and only if the right of the approved lending agent to require the return of the shares has not yet been extinguished.

SHAREHOLDERS STRUCTURE

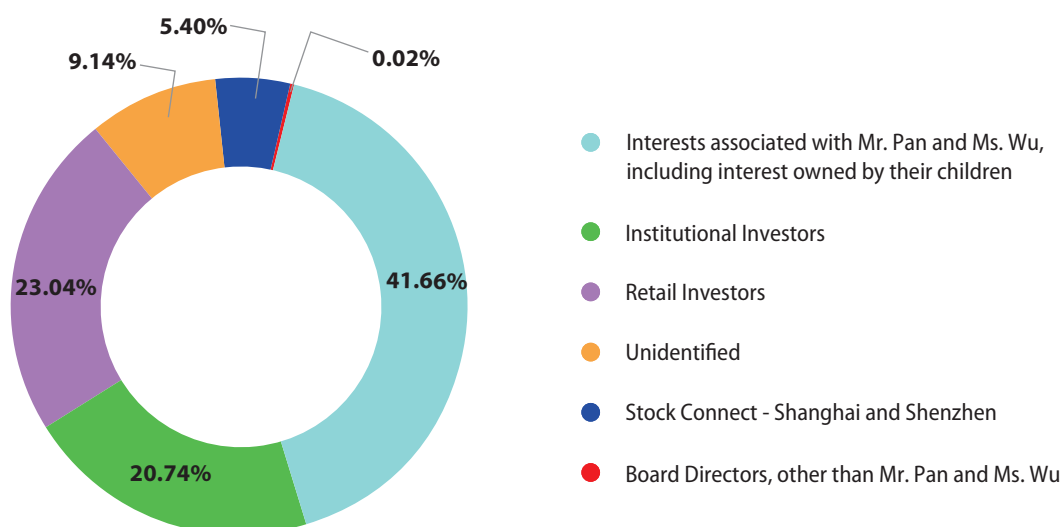
Shareholders

Almost all the Shareholders are holding the Company’s shares through nominees or intermediaries such as HKSCC Nominees Limited. The register of members of the Company had 112 direct registered Shareholders as at 30 June 2022. Separately, as the Company’s shares are eligible for trading in the Shanghai/Shenzhen-Hong Kong Stock Connect, an aggregate shareholding was held through China Securities Depository and Clearing Corporation Limited as one single Shareholder, which as at 30 June 2022, amounted to 65.24 million shares, or representing 5.40% of total issued shares, of the Company.

The Company analyses its shareholding structure on a regular basis, including a review of the register of institutional and retail investors, to keep track of changes in shareholdings by type of investors. A shareholding register analysis was conducted as at 30 June 2022 and revealed the shareholding structure as follows:

I) Shareholders by Category:

(per Shareholder Analysis as at 30 June 2022, rounded to nearest 0.01%)



Corporate Governance

II) Shareholders by Domicile:

	% of Total Issued Shares
Hong Kong	68.13
North America	8.65
China	5.58
Singapore	3.55
United Kingdom	2.31
Europe (ex-United Kingdom)	1.46
Rest of the World	10.32
Total	<u>100</u>

Notes:

1. The shareholding in Hong Kong included the interests associated with Mr. Pan, Ms. Wu and their children.
2. 99.99% of all issued shares were held through HKSCC Nominees Limited.
3. The approximate percentage of shareholding is calculated on the basis of 1,208,500,000 shares in issue as at 30 June 2022.

In support of environmental protection, pursuant to Rules 2.07A and 2.07B of the Hong Kong Listing Rules and the Articles, the Company made arrangements to ascertain the Shareholders' preferences as to the election of means of receipt (in printed form or by electronic means through the website of the Company) and the language (in English only, in Chinese only or in both Chinese and English) of its future corporate communications. The Company encourages and recommends the Shareholders to take advantage of the electronics means in respect of its future corporate communications.

Other relevant information, including but not limited to the key dates for Shareholders, is set out in the "Investors Information" section of this interim report.

Constitutional Documents

During 1H 2022, in order to comply with the amendments to Chapter 13 and Appendix 3 of the Hong Kong Listing Rules in relation to the enhanced listing regime for overseas issuers, certain amendments were made to the Company's Articles. An up-to-date consolidated version of the Memorandum and Articles is available on the websites of the Hong Kong Stock Exchange and the Company.

Sustainability

SUSTAINABILITY GOVERNANCE

The Group places a strong emphasis on implementing corporate strategies that contribute to its long-term sustainable development. The growing awareness of ESG issues has fueled our commitment to strengthening our flexibility in adapting to the ever-changing environment whilst increasing our positive impacts and mitigating the negative. Therefore, to weather the external turbulences, a robust governance structure with strong commitment is indispensable to achieving continued business success.

The Board has overall responsibility for the oversight of ESG risk management. In 1H 2022, an ESG training session was arranged and participated by members of the Board on the development of a new global sustainability disclosures baseline, which is expected to be published in late 2022. In addition, the dedicated SWG meets biannually to review ESG performances and where necessary, make recommendations to the Board. The SWG will continue to incorporate new and reinforce existing ESG strategies to further enhance the Group's holistic ESG performance.

MANAGING ENVIRONMENTAL CHALLENGES

Collective actions on mitigating climate change are non-negotiable. To contribute to reducing our environmental impact and aligning our ESG plans and actions with China's twin goals as early as possible, a two-pronged approach is adopted: reducing total energy consumption and increasing renewable energy uptake. With respect to reducing energy consumption, significant progress has been made in enhancing energy efficiency by retrofitting existing air conditioning systems and applying exterior wall thermal insulation. With respect to increasing the production and use of renewable energy, we are consistently expanding our total solar photovoltaic generation capacities in both Changzhou and Shuyang areas in China and purchasing clean energy. An array of large-scale energy-saving and solar photovoltaic installation project plans is progressing as planned. In addition, we continue to attain third-party certified zero-waste-to-landfill certifications at relevant plants and are currently working to expand to cover more plants. During the reporting period, the annual carbon audit has been completed smoothly as planned in Shenzhen.

Policies and comprehensive systems are in place to ensure compliance with all applicable environmental laws and regulations in respective jurisdictions. All of our manufacturing facilities in China and Vietnam are certified under the ISO 14001 standard. Qualified independent consultants are engaged to perform audits periodically to ensure adequate internal controls and procedures are in place and corrective actions are promptly made to resolve any identified problems.

During the reporting period, the Group was not aware of any material non-compliance with laws and regulations, in the context of air and greenhouse gas emissions, discharges into water and land, or generation of hazardous and non-hazardous waste, that could have a significant impact on the Group.

Sustainability

ATTRACTING AND RETAINING TALENTS

Future-proofing our workforce is vital to achieving continued success in this competitive industry. The Group focuses on attracting future leaders while retaining strong and dedicated employees. In addition to our pivotal talent acquisition strategy through university-enterprise co-operation, the Group focuses on tailoring detailed training plans to help employees realise their potential, rise to challenges and ultimately develop a team of resilient leaders. Particular emphasis is placed on the systematic development of product directors/managers, who play a critical role in product, development evolution and business success. The Group's comprehensive training programmes are also attended by employees of other business departments, with an aim to strengthen employees' technical skills, provide a platform for skills sharing and enhance communication between employees.

During the reporting period, notable progress on the launch and optimisation of our new mobile office and e-learning platform has been made. The new platform is intended to provide a more holistic approach to day-to-day collaboration and better management of HR-related issues. Not only has the number of e-learning courses increased, around 70% of the said courses have also been reviewed and furnished to better adapt to the current needs. The timely and continuous digitalisation of the online platform has played a central role in addressing employees' satisfaction and maintaining business productivity and stability through the challenging and unprecedented times.

The Group stays vigilant in adopting control measures to safeguard employees' safety and minimise disruption to operational efficiency. The pandemic prevention taskforce continues to closely monitor and make revisions to controls measures and contingency plans swiftly according to the national regulations and the actual situation at respective premises.

MANAGING UPSTREAM AND DOWNSTREAM SUPPLY CHAIN

Customers

The Group strives hard to provide users with a differentiated experience and to create a better sensory experience for the world. Departments work together to evaluate data and feedback while maintaining transparency regarding raw materials sourcing, design, testing and quality management. Each product line now has its dedicated customer service team following our business transformation to manage feedback in a timelier and responsive manner. The upgraded operational structure allows us to better engage with customers on specific requirements, handle grievances and improve overall customer experience, which aligns with the Group's core values, mission and vision.

Suppliers







The Supplier Code of Conduct (the "Code") clearly sets out the requirements on supplier selection and our expectations of suppliers, the Code aligns with a number of international standards including the SA8000 Standard and the Responsible Business Alliance. All suppliers are required to submit a signed CSR commitment letter before the commencement of business dealing. To improve the traceability of materials procured, the Group's Hazardous Substances Management Regulation states that suppliers of minerals falling under the ambit of conflict minerals are required to submit a signed Conflict Minerals Declaration to declare that minerals provided to the Group are conflict-free. It goes without saying, the Group conducts due diligence on suppliers to ensure minerals procured are 100% conflict-free.

Sustainability

CARING FOR THE LOCAL COMMUNITIES WHERE WE OPERATE

The Group is eager to build a positive relationship with the local community where it operates. Amidst the persistent pandemic, the Group continued to participate, where practicable, in various communities' activities. For example, during the reporting period, on behalf of the Group's Nanning subsidiary, employees volunteered at a rural village and donated daily necessities to the villagers.

MAJOR ESG ACCOMPLISHMENTS AND ACCOLADES

ESG Ratings		
 A MSCI ESG Ratings	 2.9/5 FTSE4Good	 Low Risk 17.2 Sustainalytics
Highlights of 1H 2022		
 16,400 MWh average annual power generation capacity	 599 new patents obtained	 ISO 27001 Information Security Management System Certification covering 9 sites

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF AAC TECHNOLOGIES HOLDINGS INC.

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of AAC Technologies Holdings Inc. (the “Company”) and its subsidiaries set out on pages 34 to 58, which comprise the condensed consolidated statement of financial position as of 30 June 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by International Accounting Standards Board. The Directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

24 August 2022

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

	NOTES	1.1.2022 to 30.6.2022 (Unaudited) RMB'000	1.1.2021 to 30.6.2021 (Unaudited) RMB'000
Revenue	3	9,411,777	8,609,140
Cost of goods sold		(7,628,952)	(6,194,094)
Gross profit		1,782,825	2,415,046
Other income, gains and losses	4	280,753	195,638
Share of result of an associate		(594)	–
Distribution and selling expenses		(209,423)	(143,821)
Administrative expenses		(450,818)	(395,462)
Research and development costs		(727,372)	(893,829)
Exchange (loss) gain		(47,008)	14,976
Finance costs		(203,846)	(210,810)
Profit before taxation	5	424,517	981,738
Taxation	6	(142,468)	(53,242)
Profit for the period		282,049	928,496
Other comprehensive (expense) income:			
<i>Item that will not be subsequently reclassified to profit or loss:</i>			
Fair value changes on equity instruments at fair value through other comprehensive income (“FVTOCI”)		(113,127)	8,411
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		(93,954)	(66,213)
Fair value changes on derivative financial instruments		1,738	(6,709)
(Gain) loss reclassified to profit or loss on hedged items		(12,526)	17,152
		(217,869)	(47,359)
Total comprehensive income for the period		64,180	881,137
Profit (loss) for the period attributable to:			
Owners of the Company		350,090	920,952
Non-controlling interests		(68,041)	7,544
		282,049	928,496
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		137,837	874,473
Non-controlling interests		(73,657)	6,664
		64,180	881,137
Earnings per share			
– Basic	8	RMB0.29	RMB0.76
– Diluted	8	RMB0.29	RMB0.76

Condensed Consolidated Statement of Financial Position

At 30 June 2022

	NOTES	30.6.2022 (Unaudited) RMB'000	31.12.2021 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	9	19,758,177	19,987,447
Right-of-use assets	9	1,963,827	2,033,673
Goodwill		275,365	220,346
Deposits made for acquisition of property, plant and equipment		266,046	317,127
Investment properties	9	10,675	11,272
Interest in an associates		3,873	4,464
Equity instruments at FVTOCI	10	763,161	847,953
Financial assets at fair value through profit or loss ("FVTPL")	11	128,176	50,349
Intangible assets		463,319	383,758
Deferred tax assets		176,617	211,045
		23,809,236	24,067,434
Current assets			
Inventories		6,058,447	5,695,245
Trade and other receivables	13	5,452,018	6,012,727
Escrow deposit for acquisition of a subsidiary		–	169,443
Amounts due from related parties		9,119	5,601
Taxation recoverable		42,326	18,027
Pledged bank deposits		534	2,219
Bank balances and cash		5,218,357	6,051,372
		16,780,801	17,954,634
Current liabilities			
Trade and other payables	14	5,176,024	6,147,520
Contract liabilities		17,752	22,324
Amounts due to related companies		22,789	33,577
Taxation payable		107,053	164,932
Bank loans	15	2,298,291	2,902,389
Government grants		128,872	141,266
Lease liabilities		215,850	242,035
Derivative financial instruments	12	8,713	13,589
		7,975,344	9,667,632
Net current assets		8,805,457	8,287,002
Total assets less current liabilities		32,614,693	32,354,436

Condensed Consolidated Statement of Financial Position

At 30 June 2022

	NOTES	30.6.2022 (Unaudited) RMB'000	31.12.2021 (Audited) RMB'000
Non-current liabilities			
Bank loans	15	320,000	330,000
Unsecured notes	16	6,923,342	6,573,182
Contingent settlement provision	17	1,620,821	1,738,830
Government grants		701,663	700,251
Lease liabilities		416,522	452,435
Deferred tax liabilities		46,085	40,735
Derivative financial instruments	12	12,759	17,003
		10,041,192	9,852,436
Net assets		22,573,501	22,502,000
Capital and reserves			
Share capital	18	98,135	98,135
Reserves		21,830,540	21,712,531
Equity attributable to owners of the Company		21,928,675	21,810,666
Non-controlling interests		644,826	691,334
Total equity		22,573,501	22,502,000

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Attributable to owners of the Company													Total RMB'000
	Share capital RMB'000	Treasury reserve RMB'000	Special reserve RMB'000	Capital reserve RMB'000	Translation reserve RMB'000	Investments revaluation reserve RMB'000	Non-distributable reserve RMB'000	Share-based payments reserve RMB'000	PRC statutory reserve RMB'000	Hedging reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	
At 1 January 2021 (audited)	98,135	-	1,135	23,391	(133,606)	114,932	87,245	-	1,482,261	(8,534)	19,493,782	21,158,741	662,094	21,820,835
Exchange differences arising on translation of foreign operations	-	-	-	-	(65,333)	-	-	-	-	-	-	(65,333)	(880)	(66,213)
Fair value changes on equity instruments at fair value through other comprehensive income	-	-	-	-	-	8,411	-	-	-	-	-	8,411	-	8,411
Fair value changes on derivative financial instruments	-	-	-	-	-	-	-	-	(6,709)	-	(6,709)	-	-	(6,709)
Loss reclassified to profit or loss on hedged items	-	-	-	-	-	-	-	-	17,152	-	17,152	-	-	17,152
Profit for the period	-	-	-	-	-	-	-	-	-	920,952	920,952	-	7,544	928,496
Total comprehensive (expense) income for the period	-	-	-	-	(65,333)	8,411	-	-	-	10,443	920,952	874,473	6,664	881,137
Dividend declared	-	-	-	-	-	-	-	-	-	-	(201,892)	(201,892)	-	(201,892)
Dilution of interest in a subsidiary (Note 19)	-	-	-	-	-	-	-	-	-	-	3,548	3,548	7,616	11,164
Share-based payment reserves under the subsidiary share incentive scheme	-	-	-	-	-	-	-	-	-	-	-	-	20,182	20,182
Transfer to reserve	-	-	-	-	-	-	-	-	196	-	(196)	-	-	-
At 30 June 2021 (unaudited)	98,135	-	1,135	23,391	(198,939)	123,343	87,245	-	1,482,457	1,909	20,216,194	21,834,870	696,556	22,531,426
At 1 January 2022 (audited)	98,135	(211,211)	1,135	23,391	(190,471)	96,055	87,245	-	1,772,143	12,060	20,122,184	21,810,666	691,334	22,502,000
Exchange differences arising on translation of foreign operations	-	-	-	-	(90,561)	-	-	-	-	-	-	(90,561)	(3,393)	(93,954)
Fair value changes on equity instruments at fair value through other comprehensive income	-	-	-	-	-	(110,904)	-	-	-	-	-	(110,904)	(2,223)	(113,127)
Fair value changes on derivative financial instruments	-	-	-	-	-	-	-	-	1,738	-	1,738	-	-	1,738
Gain reclassified to profit or loss on hedged items	-	-	-	-	-	-	-	-	(12,526)	-	(12,526)	-	-	(12,526)
Profit for the period	-	-	-	-	-	-	-	-	-	350,090	350,090	-	(68,041)	282,049
Total comprehensive (expense) income for the period	-	-	-	-	(90,561)	(110,904)	-	-	-	(10,788)	350,090	137,837	(73,657)	64,180
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	24,860	-	-	-	24,860	-	24,860
Return of capital contributions from non-controlling interest of a subsidiary and settlement of contingent settlement provision (Note 17)	-	-	-	-	-	-	-	-	-	-	17,789	17,789	-	17,789
Share-based payment reserves under the subsidiary share incentive scheme	-	-	-	-	-	-	-	-	-	-	-	-	27,149	27,149
Purchase of shares under share award scheme	-	(62,477)	-	-	-	-	-	-	-	-	-	(62,477)	-	(62,477)
At 30 June 2022 (unaudited)	98,135	(273,688)	1,135	23,391	(281,032)	(14,849)	87,245	24,860	1,772,143	1,272	20,490,063	21,928,675	644,826	22,573,501

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	NOTES	1.1.2022 to 30.6.2022 (Unaudited) RMB'000	1.1.2021 to 30.6.2021 (Unaudited) RMB'000
Net cash from operating activities		1,434,937	1,222,788
Net cash used in investing activities			
Deposits paid for acquisition of property, plant and equipment		(683,694)	(1,048,438)
Purchase of property, plant and equipment		(428,352)	(973,786)
Proceeds from disposal of property, plant and equipment		13,429	13,209
Acquisition of financial assets at FVTPL		(74,136)	(13,310)
Net cash outflow on acquisition of a subsidiary	21	(53,377)	–
Acquisition of equity instruments at FVTOCI		(2,500)	(518,821)
Payments for right-of-use assets		(9,656)	–
Additions to intangible assets		(98,156)	–
Proceed from lessor on land resumption		7,263	–
Payments for rental deposits		(112)	(9)
Government grants received relating to acquisitions of non-current assets		133,254	250,208
Interest received		14,350	21,617
Withdrawal of pledged bank deposits		1,685	89,599
Investment in an associate		–	(1,853)
Placement of pledged bank deposits		–	(200)
		(1,180,002)	(2,181,784)
Net cash (used in) from financing activities			
Repayment of bank loans		(2,042,884)	(5,292,739)
Bank loans raised		1,362,438	2,654,594
Interest paid		(159,061)	(125,275)
Return of capital contributions from non-controlling interests of a subsidiary	17	(130,000)	–
Repayments of lease liabilities		(91,567)	(45,550)
Shares repurchased		(62,477)	–
Payment to derivative financial instruments		(16,160)	(25,175)
Receipt from derivative financial instruments		7,898	11,281
Proceeds from the subsidiary share incentive scheme	19	3,422	92,969
Dividends paid	7	–	(201,892)
Proceed from issuance of unsecured notes	16	–	4,163,441
		(1,128,391)	1,231,654
Net (decrease) increase in cash and cash equivalents		(873,456)	272,658
Cash and cash equivalents at 1 January		6,051,372	7,540,330
Effect of foreign exchange rate changes		40,441	(14,129)
Cash and cash equivalents at 30 June		5,218,357	7,798,859

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

1. GENERAL

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the preparation of the annual financial statements of the Company and its subsidiaries (collectively referred as the “Group”) for the year ended 31 December 2021.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”), for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018 – 2020

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of amendments to IFRSs (continued)

2.1 Impacts and changes in accounting policies on application of Amendments to IFRS 3 Reference to the Conceptual Framework

2.1.1 Accounting policies

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting issued by International Accounting Standards Board in March 2018 (the "Conceptual Framework") except for transactions and events within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

2.1.2 Transition and summary of effects

The Group applies the amendments to business combinations for which the acquisition date is on or after 1 January 2022. The application of the amendments in the current period had no impact on the condensed consolidated financial statements.

2.2 Impacts and accounting policies on application of Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use

2.2.1 Accounting policies

Property, plant and equipment

Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing the related assets functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss.

2.2.2 Transition and summary of effects

The application of the amendments has had no material impact on the Group's financial position and performance.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of amendments to IFRSs (continued)

2.3 Impacts on application of Amendments to IFRSs Annual Improvements to IFRSs 2018 – 2020

The Group has applied the annual improvements which make amendments to the following standards:

IFRS 9 “Financial Instruments”

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the “10 per cent” test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other’s behalf.

IFRS 16 “Leases”

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

The application of the amendments in the current period had no impact on the 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 key operating decision makers in order to allocate resources to the segments and assess their performance.

Information reported to the key operating decision makers for the purposes of resource allocation and assessment of performance focuses specifically on the type of products sold. This is also the basis upon which the Group is organised and managed.

The Group’s operating and reportable segments under IFRS 8 are acoustics products, electromagnetic drives and precision mechanics, optics products, sensor and semiconductor products (formerly known as MEMS components) and other products, which represent the major types of products manufactured and sold by the Group. Revenues from these products is recognised at the point in time when controls of the products has been transferred.

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

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

Information regarding these segments is presented below.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

3. SEGMENT INFORMATION (CONTINUED)

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

	1.1.2022 to 30.6.2022 RMB'000 (Unaudited)	1.1.2021 to 30.6.2021 RMB'000 (Unaudited)
Operating and reportable segments		
Segment revenue – recognised at a point in time		
Acoustics products	4,139,367	4,137,689
Electromagnetic drives and precision mechanics	2,931,448	2,446,915
Optics products	1,852,432	1,485,654
Sensor and semiconductor products	478,840	521,332
Other products	9,690	17,550
	9,411,777	8,609,140
Segment results		
Acoustics products	1,121,967	1,364,580
Electromagnetic drives and precision mechanics	597,757	583,135
Optics products	(11,226)	363,924
Sensor and semiconductor products	65,449	84,936
Other products	8,878	18,471
Total profit for operating and reportable segments – gross profit	1,782,825	2,415,046
Unallocated amounts:		
Interest income	19,815	26,021
Other income, gains and losses	260,938	169,617
Distribution and selling expenses	(209,423)	(143,821)
Administrative expenses	(450,818)	(395,462)
Research and development costs	(727,372)	(893,829)
Exchange (loss) gain	(47,008)	14,976
Share of results of an associate	(594)	–
Finance costs	(203,846)	(210,810)
Profit before taxation	424,517	981,738

Segment profit (loss) represents the profit (loss) earned (incurred) by each segment without allocation of finance costs, interest income, administrative expenses, research and development costs, distribution and selling expenses, other income, gains and losses, exchange (loss) gain and share of result of an associate. This is the measure reported to the key operating decisions makers for the purpose of resource allocation and performance assessment.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

3. SEGMENT INFORMATION (CONTINUED)

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

	1.1.2022 to 30.6.2022 RMB'000 (Unaudited)	1.1.2021 to 30.6.2021 RMB'000 (Unaudited)
Greater China* (country of domicile)	4,416,687	4,570,699
Other foreign countries:		
America	4,232,858	3,612,773
Other Asian countries	761,255	424,414
Europe	977	1,254
	9,411,777	8,609,140

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

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

During the period, the aggregate amount of revenue derived from the Group's top customers which individually has contributed to over 10% of the Group's revenue and included in all of the Group's segments, amounted to RMB5,848,620,000 (six months ended 30 June 2021: RMB6,283,474,000). The total amount of revenue by each customer and number of customers is not disclosed, as in the opinion of the management of the Company such disclosure is harmful to the Group's business.

4. OTHER INCOME, GAINS AND LOSSES

Other income, gains and losses mainly comprise of:

	1.1.2022 to 30.6.2022 RMB'000 (Unaudited)	1.1.2021 to 30.6.2021 RMB'000 (Unaudited)
Government grants*	237,345	130,828
Interest income	19,815	26,021
Rental income	5,602	6,922
Loss on disposal of property, plant and equipment	(10,935)	(86)

* Included in the amount is RMB144,236,000 (six months ended 30 June 2021: RMB80,654,000) representing amortisation of government grants. In addition, during the current interim period, the Group recognised government grants of RMB1,111,000 in respect of COVID-19-related subsidies (six months ended 30 June 2021: RMB1,062,000). The remaining amount mainly represents the incentives granted by the People's Republic of China (the "PRC") local authorities to the Group for engaging in High Technology business, employment of expatriates and technologically advanced staff. All the grants were approved and received during the period of recognition.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

5. PROFIT BEFORE TAXATION

	1.1.2022 to 30.6.2022 RMB'000 (Unaudited)	1.1.2021 to 30.6.2021 RMB'000 (Unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	1,326,600	1,202,251
Depreciation of investment properties	597	597
Depreciation of right-of-use assets	109,179	98,121
Total depreciation*	1,436,376	1,300,969
Less: Depreciation of right-of-use assets capitalised in qualifying assets	(15,052)	(11,151)
	1,421,324	1,289,818
Amortisation of intangible assets	29,184	22,367
Write-down of inventories included in cost of goods sold	66,280	8,672
Cost of raw materials included in research and development costs	71,039	116,235

* Depreciation of RMB136,959,000 (six months ended 30 June 2021: RMB141,123,000) had been included in research and development costs.

6. TAXATION

	1.1.2022 to 30.6.2022 RMB'000 (Unaudited)	1.1.2021 to 30.6.2021 RMB'000 (Unaudited)
The tax charge comprises:		
PRC Enterprise Income Tax	108,258	77,760
Other jurisdictions	6,582	42,455
(Over) under provision of taxation in prior years	(12,282)	15,912
	102,558	136,127
PRC and overseas withholding tax	51	118
Deferred tax	39,859	(83,003)
	142,468	53,242

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

The PRC dividend withholding tax is calculated at the applicable rate in accordance with the relevant laws and regulations in the PRC.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

6. TAXATION (CONTINUED)

According to a joint circular of Ministry of Finance and the State Taxation Administration of the PRC, Cai Shui [2008] No. 1, the accumulated undistributed profits earned by foreign invested enterprise prior to 1 January 2008 can be exempted from EIT when they are distributed to foreign investor after 2008. Whereas, dividend distributed out of the profits generated thereafter, shall be subject to EIT at 10% and withheld by the PRC subsidiary, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Implementation Regulation. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to the Taxes on Income, the withholding tax rate on dividend paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise and it is considered as the beneficial owner of the dividend, and remains at 10% otherwise.

In addition, certain PRC subsidiaries were officially endorsed as High-New Technology Enterprises (“HNTE”) till the dates ranging from 2022 to 2023. 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.

Cai Shui [2018] No. 99 “Notice on Increasing the Pre-tax Deduction Ratio of Research and Development Expenses” (the “Notice”) was released in August 2018. According to the Notice, certain PRC subsidiaries are entitled to an additional 75% tax deduction on eligible research and development expenses incurred by them for both periods.

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 is effective from 1 January 2019 for 10-year period.

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

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

As at 30 June 2022, the Group has reversed a deferred tax asset in respect of the tax losses of RMB35,339,000 due to the unpredictable profit streams causing by impact of COVID-19 in the first half of 2022 (six months ended 30 June 2021: the Group had recognised deferred tax assets in respect of tax losses of RMB52,094,000 and government grants of RMB43,481,000).

7. DIVIDENDS

During the current interim period, no final dividend of the year in respect of the year ended 31 December 2021 (six months ended 30 June 2021: a final dividend of HK\$0.20 per share in respect of the year ended 31 December 2020) was paid to shareholders of the Company. No final dividend was declared and paid in the interim period (six months ended 30 June 2021: HK\$241,700,000 (equivalent to RMB201,892,000)).

Subsequent to the end of the current interim period, the Directors have resolved not to declare an interim dividend (2021 interim dividend declared: HK\$0.20 per share).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the six months ended 30 June 2022 are based on the profit for the period attributable to owners of the Company of RMB350,090,000 (six months ended 30 June 2021: RMB920,952,000) and on the 1,200,190,000 (six months ended 30 June 2021: 1,208,500,000) shares in issue during the period.

The computation of diluted earnings per share for the six months ended 30 June 2021 and 30 June 2022 did not consider the effect arising from the unvested restricted shares granted by a subsidiary as set out in note 19 as the exercise would result in an increase in earnings per share.

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

(i) Property, plant and equipment

During the current interim period, the Group acquired property, plant and equipment of RMB1,103,353,000 (six months ended 30 June 2021: RMB2,273,063,000). Part of the consideration of RMB317,127,000 (six months ended 30 June 2021: RMB576,467,000) was paid up in advance in prior year.

Also, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB24,364,000 (six months ended 30 June 2021: RMB13,295,000) for proceeds of RMB13,429,000 (six months ended 30 June 2021: RMB13,209,000) and resulting in a loss on disposal of RMB10,935,000 (six months ended 30 June 2021: loss on disposal of RMB86,000).

(ii) Right-of-use assets

During the current interim period, the Group entered into a number of new lease agreements for the use of land and buildings ranging from 1 to 4.58 years (six months ended 30 June 2021: 1 to 10 years). The Group is required to make fixed future payment and, in certain cases, is required to make prepayments. On lease commencement, the Group recognised RMB32,950,000 (six months ended 30 June 2021: RMB221,322,000) of right-of-use assets, and RMB32,950,000 (six months ended 30 June 2021: RMB221,322,000) of lease liabilities.

Also, the Group returned the leasehold land of RMB5,290,000 (six months ended 30 June 2021: nil) to government at consideration of RMB7,263,000 and a gain of derecognition of RMB1,973,000 had been recognised in profit or loss.

(iii) Investment properties

During the period, depreciation on the investment properties amounted to RMB597,000 (six months ended 30 June 2021: RMB597,000) was charged to the profit or loss.

Impairment assessment

Due to the loss from the optics products segment in the current interim period, the management of the Group concluded there was indication for impairment and conducted impairment assessment on carrying amounts of certain cash-generating units within the optics products segment. Based on the result of the assessment, no impairment loss related to property, plant and equipment and right-of-use assets was recognised during the current interim period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

10. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30.6.2022 RMB'000 (Unaudited)	31.12.2021 RMB'000 (Audited)
Unlisted shares	731,321	800,553
Listed shares	31,840	47,400
	763,161	847,953

Unlisted shares

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

During the current interim period, the Group acquired certain equity interests in a private entity engaged in manufacturing of semiconductor components at a consideration of RMB2,500,000.

During the six months ended 30 June 2021, the Group acquired certain equity interests in private entities, mainly comprising the investment in a Germany based company which engaged in solid state LiDAR sensor for automotive series use at a consideration of Euro59,992,000 (equivalent to approximately RMB473,821,000).

Listed shares

The amount represents the Group's investment in a company listed in Japan. As at 30 June 2022, the fair value of the investment determined by reference to the quoted market bid prices available was RMB31,840,000 (31 December 2021: RMB47,400,000).

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial assets at FVTPL represent the Group's investment in (i) a private equity fund primarily investing in industry-leading technology companies, mainly in Germany, German speaking countries and regions, the Nordic countries and the Greater China, as well as other technologically-advanced regions with strong growth potential, (ii) a preferred shares investment in a private entity in sensor and semiconductor business and (iii) a private entity in AR displays manufacturing business.

During the current interim period, the Group (i) made contribution of US\$4,592,000 (equivalent to approximately RMB30,059,000) to the private equity fund mentioned above and (ii) granted a convertible loan amounted to Euro5,000,000 (equivalent to approximately RMB37,594,000) in a private entity in Finland. As the convertible loan contains derivative feature for the holder to convert the outstanding amount into equity interest of the issuer, it was accounted for as financial assets at FVTPL.

As at 30 June 2022, the financial assets at FVTPL is RMB128,176,000 (31 December 2021: RMB50,349,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

12. DERIVATIVE FINANCIAL INSTRUMENTS

	Current		Non-current	
	30.6.2022 RMB'000 (Unaudited)	31.12.2021 RMB'000 (Audited)	30.6.2022 RMB'000 (Unaudited)	31.12.2021 RMB'000 (Audited)
Derivatives financial liabilities				
Interest rate swap contracts	309	5,014	–	–
Cross currency swap contract	8,404	8,575	12,759	17,003
	8,713	13,589	12,759	17,003

The Group entered into the interest rate swap contracts with commercial banks to minimise its exposure to cash flow changes of its floating-rate United States dollars (“US\$”) bank loans by swapping floating interest rates to fixed interest rates. The terms of these contracts were negotiated to match with those of the hedged bank loans with the same notional amounts to principal amounts of bank loans. During the year ended 31 December 2021, the Group repaid the floating-rate US-denominated bank loans. As a result, the hedge accounting was discontinued and the accumulated hedging reserve of RMB23,661,000 was released to profit or loss. During the six month ended 30 June 2022, gain on fair value change of interest rate swap contracts of RMB4,812,000 was recognised in profit or loss (six months ended 30 June 2021: loss of RMB9,569,000 on cash flow hedge was reclassified to profit or loss under hedge accounting).

The Group entered into a cross currency swap contract with a commercial bank to minimise the exposure to fluctuations in foreign currency exchange rates of US\$ denominated unsecured notes. The critical terms of the cross currency swap contract and the corresponding US\$ denominated unsecured notes were closely aligned and the management considers that the cross currency swap contract is highly effective hedging instrument and qualified as cash flow hedge. Fair value change on this hedging instrument in cash flow hedge of loss of RMB10,788,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: gain of RMB1,003,000) has been recognised in other comprehensive income and accumulated in the hedging reserve. Gain of RMB12,526,000 (six months ended 30 June 2021: loss of RMB7,583,000) on cash flow hedge was reclassified to profit or loss.

13. TRADE AND OTHER RECEIVABLES

	30.6.2022 RMB'000 (Unaudited)	31.12.2021 RMB'000 (Audited)
Trade receivables	3,760,310	4,062,457
Bank acceptance and commercial bills	406,916	434,863
	4,167,226	4,497,320
Prepayments	360,684	373,853
Value-added tax recoverable	667,988	836,684
Other receivables	247,331	292,900
Loan and interest receivables*	8,789	11,970
	5,452,018	6,012,727

* Loans of RMB8,359,000 (2021: RMB11,609,000) made to certain suppliers of the Group, which are unsecured, carry interest rates at 4.35% (2021: 4.35%) per annum. The amounts are repayable in 1 year.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

Payment terms with customers are mainly on credit. Invoices are normally payable within 30 days to 120 days of issuance. The Group may accept bank acceptance bills with maturities ranging from 30 days to 180 days at the end of the credit terms in lieu of cash payment. As at 30 June 2022, included in trade and other receivables, the Group has bank acceptance and commercial bills amounting to RMB406,916,000 (31 December 2021: RMB434,863,000). The following is an aged analysis of trade receivables and bank acceptance and commercial bills, net of allowance for credit losses, presented based on the invoice date, which approximates the revenue recognition dates.

	30.6.2022 RMB'000 (Unaudited)	31.12.2021 RMB'000 (Audited)
Age		
0 - 90 days	3,616,051	4,133,170
91 - 180 days	543,779	293,704
Over 180 days	7,396	70,446
	4,167,226	4,497,320

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

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

14. TRADE AND OTHER PAYABLES

	30.6.2022 RMB'000 (Unaudited)	31.12.2021 RMB'000 (Audited)
Trade payables	2,542,667	2,626,140
Notes payables - guaranteed	1,188,812	1,637,537
	3,731,479	4,263,677
Payroll and welfare payables	380,124	476,776
Payables for acquisition of property, plant and equipment	522,955	599,105
Other payables and accruals	444,891	545,434
Payables of acquisition of a subsidiary	-	169,605
Payables related to restricted shares granted to employee (Note 19)	96,575	92,923
	5,176,024	6,147,520

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

14. TRADE AND OTHER PAYABLES (CONTINUED)

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

	30.6.2022	31.12.2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Age		
0 - 90 days	2,916,624	3,300,438
91 - 180 days	797,698	949,924
Over 180 days	17,157	13,315
	3,731,479	4,263,677

15. BANK LOANS

The variable rate bank loans carry interest ranging from 1.87% to 2.48% (31 December 2021: 0.70% to 1.00%) per annum. The fixed rate bank loans carry interest ranging from 2.30% to 3.90% (31 December 2021: 0.90% to 4.30%) per annum. The Company has issued guarantees to respective banks to secure the borrowings.

During the six months ended 30 June 2021, certain non-current bank loans of RMB1,034,369,000 were early repaid due to strategy plan. No bank loans were early repaid during current interim period.

16. UNSECURED NOTES

The Group has unsecured notes of US\$388,000,000 due November 2024 at a fixed interest rate of 3.0% ("2024 Notes"), US\$300,000,000 due 2 June 2026 at a fixed interest rate of 2.625% ("2026 Notes") and US\$350,000,000 due 2 June 2031 at fixed interest rate of 3.750% ("2031 Notes"). The unsecured notes are listed on the Hong Kong Stock Exchange. The effective interest rates of the 2024 Notes, 2026 Notes and 2031 Notes are 3.1506%, 2.7023% and 3.8656% respectively.

17. CAPITAL CONTRIBUTION FROM NON-CONTROLLING INTERESTS OF A SUBSIDIARY AND CONTINGENT SETTLEMENT PROVISION

In accordance with the agreement between the Group and the non-controlling interests of a subsidiary, on occurrence or non-occurrence of future events including the separate listing condition, certain non-controlling interests of a subsidiary are entitled to require the Group for capital repayment plus a premium. A contingent settlement provision has been recognised against the equity as the Group has a contractual obligation to deliver cash and presented under non-current liabilities as the conditions set have a three-year period.

According to the Company's announcement dated 10 May 2022, AAC Technologies Limited, a wholly-owned subsidiary of the Group, agreed to purchase 48,289,693 shares, approximately 0.7133% of the total number of shares issued by AAC Optics (Changzhou) Co., Ltd. ("AAC Optics") from an independent strategic investor (the "Seller") at a consideration of RMB130,000,000 which is equal to the principal amount of the capital from the Seller in 2020. The gross obligation of RMB130,000,000 is derecognised upon the repayment of the capital contribution from that strategic investor, and the accumulated impact arising from the remeasurement of the present value of such gross obligation under the contract to the non-controlling shareholder amounted to RMB8,289,000 is derecognised and credited directly in equity and attributed to owners of the Company. In addition, the Seller has also entered into the share transfer agreements with other strategic investors to transfer in aggregate 0.8232% interest in AAC Optics and the accumulated impact arising from the remeasurement of the present value of the gross obligation under the contract amounted to RMB9,500,000 is derecognised and credited directly in equity and attributed to owners of the Company.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

18. SHARE CAPITAL

	Number of shares	Amount US\$'000
Shares of US\$0.01 each		
Authorised:		
Ordinary shares at 1 January 2021, 30 June 2021, 1 January 2022 and 30 June 2022	5,000,000,000	50,000
Issued and fully paid:		
Ordinary shares at 1 January 2021, 30 June 2021, 1 January 2022 and 30 June 2022	1,208,500,000	12,085
		RMB'000
Presented in the condensed consolidated statement of financial position As at 1 January 2021, 30 June 2021, 1 January 2022 and 30 June 2022		98,135

19. SHARE AWARD SCHEME

Share award scheme of the Company

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

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

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

On 24 March 2022, the Company granted a total of 10,230,593 shares to 340 selected employees pursuant to the Scheme at nil consideration. The fair value of the shares granted pursuant to the Scheme were determined with reference to market value of the shares at the award date taking into account the exclusion of the expected dividends as the employees were not entitled to receive dividends paid during the vesting periods of the shares. The Group recognised share-based payments amounting to RMB24,860,000 for the six months ended 30 June 2022.

On 25 March 2022, an aggregate of 4,188,500 shares of the Company had been purchased by the Trustee at a consideration of HK\$77,283,190 (approximately RMB62,477,000) (31 December 2021: 6,042,500 shares at a consideration of HK\$253,287,800 (approximately RMB211,211,000)). No new shares had been issued to the Trustee.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

19. SHARE AWARD SCHEME (CONTINUED)

Share award scheme of the Company (continued)

The terms and conditions of the grants are as follows:

	Number of shares	Vesting condition	Date of grant	Vesting period	Market value per share HK\$	Fair value of shares HK\$
Shares awarded to selected employees	3,406,787	1 year from the date of grant	24 March 2022	24 March 2022 to 24 March 2023	17.64	60,095,731
	3,406,787	2 years from the date of grant	24 March 2022	24 March 2022 to 24 March 2024	17.64	60,095,731
	3,417,019	3 years from the date of grant	24 March 2022	24 March 2022 to 24 March 2025	17.64	60,276,199

During the six months ended 30 June 2022, the Group recognised total expenses of RMB24,860,000 (six months ended 30 June 2021: nil) in relation to the Scheme shares granted by the Company.

Subsidiary share incentive scheme ("Subsidiary Scheme")

AAC Optics (Changzhou) Co., Ltd. ("AAC Optics"), a subsidiary of the Company, entered into a capital increase agreement with three limited partnerships ("Platforms"), with the purpose to create share incentive platforms. The Subsidiary Scheme entitles selected employees of AAC Optics ("Eligible Scheme Participants") to subscribe the shares of AAC Optics, accounted for approximately 2.0% of the enlarged share capital or 135,377,918 shares of AAC Optics, corresponding to a consideration of RMB135,377,918 or at the subscription price of RMB1 per share of AAC Optics at the time of grant, which is payable at the same time. Under the Subsidiary Scheme, the Eligible Scheme Participants would settle the subscription price of shares by cash or by combination of cash and related approved loans from the Group or Platforms at market interest rate.

During the six months ended 30 June 2022, the repayment of the loans from the Group to certain Eligible Scheme Participants was RMB3,422,000. (Six months ended 30 June 2021: the fund raised from the Subsidiary Scheme is RMB135,378,000. After deducting the loans of RMB42,409,000 from the Group to certain Eligible Scheme Participants, the net cash proceeds was RMB92,969,000.)

Except for 11,163,857 shares which were granted and vested immediately, the remaining shares would be vested over a requisite service period of three-and-a-half year subject to the relevant key performance targets of AAC Optics during the vesting period ("Restricted Shares"). Upon the issue of new shares that are vested under the Subsidiary Scheme, the Group's interest in AAC Optics has been changed. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity (retained profits) and attributed to owners of the Company. As at 30 June 2022, the net cash proceed of unvested portion of Restricted Shares, amounting to RMB96,575,000, is recorded as other payables as the shares are contingently returnable (31 December 2021: RMB92,923,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

19. SHARE AWARD SCHEME (CONTINUED)

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

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

	Number of restricted shares	Fair value of share incentive at grant date RMB'000
Unvested as at 1 January 2021	–	–
Granted during the period	98,936,893	162,083
Vested during the period	(11,163,857)	(18,289)
Unvested as at 30 June 2021	87,773,036	143,794
	Number of restricted shares	Fair value of share incentive at grant date RMB'000
Unvested as at 1 January 2022 and 30 June 2022	124,214,061	208,957

The fair value of Restricted Shares granted is measured on the basis of an observable market price.

As of 30 June 2022, there are no share (30 June 2021: 36,441,025 shares) held under the Platforms which are available to be granted to the eligible employees under the Subsidiary Scheme.

During the six months ended 30 June 2022, the subsidiary recognised total expenses of RMB27,149,000 (six months ended 30 June 2021: RMB20,182,000) in relation to the Subsidiary Scheme shares granted by the subsidiary and the amount is credited to the non-controlling interests in the Group.

In the opinion of the Directors of the Company, the estimated compensation cost of Restricted Shares was based on the fair value of shares of AAC Optics at the date of grant by reference to the consideration of the latest share issue of AAC Optics in October 2020. At the end of each reporting period, the Group revises its estimates of the restricted shares that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to share-based payments reserve including in the non-controlling interests. During the six months ended 30 June 2022 and 30 June 2021, no revision of the estimates was noted.

20. CAPITAL COMMITMENTS

	30.6.2022 RMB'000 (Unaudited)	31.12.2021 RMB'000 (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	722,112	987,298
– capital contribution to a financial asset at FVTPL	387,817	364,071
	1,109,929	1,351,369

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

21. ACQUISITION OF A SUBSIDIARY

In April 2022, a wholly-owned subsidiary of the Company entered into an agreement with an independent third party to acquire entire issued capital of Suzhou Speed Communication Technology Limited (“Suzhou Speed”, which was renamed as TRM Precision Manufactory (Suzhou) Ltd. on 11 May 2022) which principally engaged in the business of trading of electronics related accessories and components, at a cash consideration of RMB65,000,000. The acquisition has been accounted for using the acquisition method.

The acquisition-related costs are insignificant and have been excluded from the consideration transferred and recognised in profit or loss.

Assets and liabilities to be recognised at the date of acquisition

	RMB'000
Property, plant and equipment	1,818
Right-of-use assets	56
Deferred tax assets	232
Bank balance and cash	11,623
Trade and other receivables	25,877
Inventories	4,824
Trade and other payables	(34,235)
Tax payable	(214)
Net assets	9,981

Goodwill arising on acquisition

	RMB'000
Consideration transferred	65,000
Less: recognised amounts of net assets acquired	(9,981)
Goodwill arising on acquisition	55,019

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflows arising on acquisition of Suzhou Speed

	RMB'000
Consideration paid in cash	65,000
Less: bank balances and cash acquired	(11,623)
	53,377

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

21. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Impact of acquisition on the results of the Group

Included in the profit for the interim period is RMB3,175,000 attributable to the additional business generated by Suzhou Speed. Revenue for the interim period includes RMB23,312,000 generated from Suzhou Speed.

Had the acquisition of Suzhou Speed been completed on 1 January 2022, revenue for the interim period of the Group would have been RMB9,451,646,000, and the profit for the interim period of the Group would have been RMB291,574,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Suzhou Speed been acquired at the beginning of the interim period, the Directors of the Company calculated depreciation and amortisation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

22. RELATED PARTY TRANSACTIONS

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

Nature of transactions	1.1.2022 to 30.6.2022 RMB'000 (Unaudited)	1.1.2021 to 30.6.2021 RMB'000 (Unaudited)
Purchase of raw materials	29,211	27,756
Services fee recharged	104	61
Payment for leases liabilities	10,059	13,056
Property rentals received	777	777
Interest on lease liabilities	394	967
	US\$'000 (Unaudited)	US\$'000 (Unaudited)
Payment for leases liabilities	80	80
Nature of balance	30.6.2022 RMB'000 (Unaudited)	31.12.2021 RMB'000 (Audited)
Lease liabilities	12,223	25,399

During the period, the emoluments paid to the key management personnel of the Company, who represent the Directors of the Company, were RMB5,960,000 (six months ended 30 June 2021: RMB5,672,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30.6.2022 RMB'000 (Unaudited)	31.12.2021 RMB'000 (Audited)		
Equity instruments at FVTOCI – Listed shares	31,840	47,400	Level 1	Quoted bid prices in an active market
Equity instruments at FVTOCI – Unquoted equity investments	386,993	450,362	Level 3	Income approach. The discounted cash flow method was used to capture future economic benefits to be derived from the ownership of these investments.
Equity instruments at FVTOCI – Unquoted equity investments	328,152	336,717	Level 3	Market approach. The market approach was used to determine the valuation using trailing-twelve-month Price-to-Sales multiples of selected comparable listed companies in a similar business and similar business model and adjusted for the lack of marketability.
Equity instruments at FVTOCI – Unquoted equity investments	13,676	13,474*	Level 3	Income approach. The discounted cash flow method was used to capture future economic benefits to be derived from the ownership of these investments.
Equity instruments at FVTOCI – Unquoted equity investments	2,500*	–	Level 2	N/A
Financial assets at FVTPL – Unquoted investments	83,818	50,349*	Level 3	Recent transaction prices of underlying investments.
Financial assets at FVTPL – Unquoted investments	44,358*	–	Level 2	N/A

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30.6.2022 RMB'000 (Unaudited)	31.12.2021 RMB'000 (Audited)		
Interest rate swap contracts	309 Liabilities	5,014 Liabilities (under hedge accounting)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at an applicable discount rate taking into account the credit risk of the counter-parties and of the Group as appropriate.
Cross currency swap contract	21,163 Liabilities (under hedge accounting)	25,578 Liabilities (under hedge accounting)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable yield curves at the end of the reporting period) and contracted exchange rates, discounted at an applicable discount rate taking into account the credit risk of the counter-parties and of the Group as appropriate.

Reconciliation of Level 3 fair value measurements

	Equity instruments at FVTOCI RMB'000	Financial assets at FVTPL RMB'000
At 1 January 2021 (audited)	303,995	–
Currency realignment	(1,633)	–
At 30 June 2021 (unaudited)	302,362	–
At 1 January 2022 (audited)	787,079	–
Transfer from level 2 to level 3	13,475	50,349
Purchase made	–	30,059
Fair value loss in other comprehensive income	(101,987)	–
Currency realignment	30,254	3,410
At 30 June 2022 (unaudited)	728,821	83,818

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

Except for those listed unsecured notes in which there is fair value based on the quoted bid price in an active market, amounting to RMB5,963,345,000 (31 December 2021: RMB6,575,029,000), the management considers that the carrying amounts of the other financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

Past 5 First-half Financial Summary

RESULTS	Six months ended 30 June				2022 RMB'000
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	
Revenue	8,424,381	7,567,523	7,837,054	8,609,140	9,411,777
Reported profit before taxation	1,996,704	887,822	437,131	981,738	424,517
Taxation	(218,283)	(118,013)	(116,840)	(53,242)	(142,468)
Reported profit	1,778,421	769,809	320,291	928,496	282,049
Attributable to:					
Owners of the Company – reported	1,778,421	769,809	320,465	920,952	350,090
Non-controlling interests	–	–	(174)	7,544	(68,041)
	1,778,421	769,809	320,291	928,496	282,049
Reported basic EPS	RMB1.46	RMB0.64	RMB0.27	RMB0.76	RMB0.29
Adjusted recurring basic EPS	RMB1.41	RMB0.62	RMB0.27	RMB0.76	RMB0.29
Interim dividend	HK\$0.40	HK\$0.40	HK\$0.10	HK\$0.20	–
No. of shares (weighted average)	1,222,000,000	1,211,874,000	1,208,500,000	1,208,500,000	1,200,190,000
Non-GAAP financial measure of non-recurring gains and/or losses:					
Adjustment related to the Group's one-off financial asset investment in AMS AG and fair value changes on derivative financial instruments, as disclosed in the interim report of reception years:					
i. Deduct the gain on fair value changes of derivative financial instruments	–	–	–	–	(4,812)
ii. Deduct the gains on one-off settlement of final earn-out consideration	(147,830)	–	–	–	–
iii. Add back the losses/(deduct the gains) on changes in fair value on financial assets at FVTPL	93,056	(15,179)	–	–	–
Non-GAAP measure of recurring profit before taxation, as adjusted	1,941,930	872,643	437,131	981,738	419,705
Non-GAAP measure of recurring profit attributable to owners of the Company, as adjusted	1,723,647	754,630	320,465	920,952	345,278
Non-GAAP measure of recurring basic EPS, as adjusted	RMB1.41	RMB0.62	RMB0.27	RMB0.76	RMB0.29
As at 30 June					
ASSETS AND LIABILITIES	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000
Total assets	28,641,023	28,931,588	34,478,726	41,648,932	40,590,037
Total liabilities	(11,025,175)	(10,646,367)	(14,851,002)	(19,117,506)	(18,016,536)
Net assets	17,615,848	18,285,221	19,627,724	22,531,426	22,573,501
Attributable to owners of the Company	17,615,848	18,285,221	19,618,099	21,834,870	21,928,675
Non-controlling interests	–	–	9,625	696,556	644,826
	17,615,848	18,285,221	19,627,724	22,531,426	22,573,501

Investors Information

STOCK CODES

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

The Company issued: (i) US\$388,000,000 3.00 per cent. notes due 2024 (stock code: 40075); (ii) US\$300,000,000 2.625 per cent. notes due 2026 (stock code: 40699); and (iii) US\$350,000,000 3.750 per cent. notes due 2031 (stock code: 40700) to Professional Investors.

MAJOR MARKET INDEXES

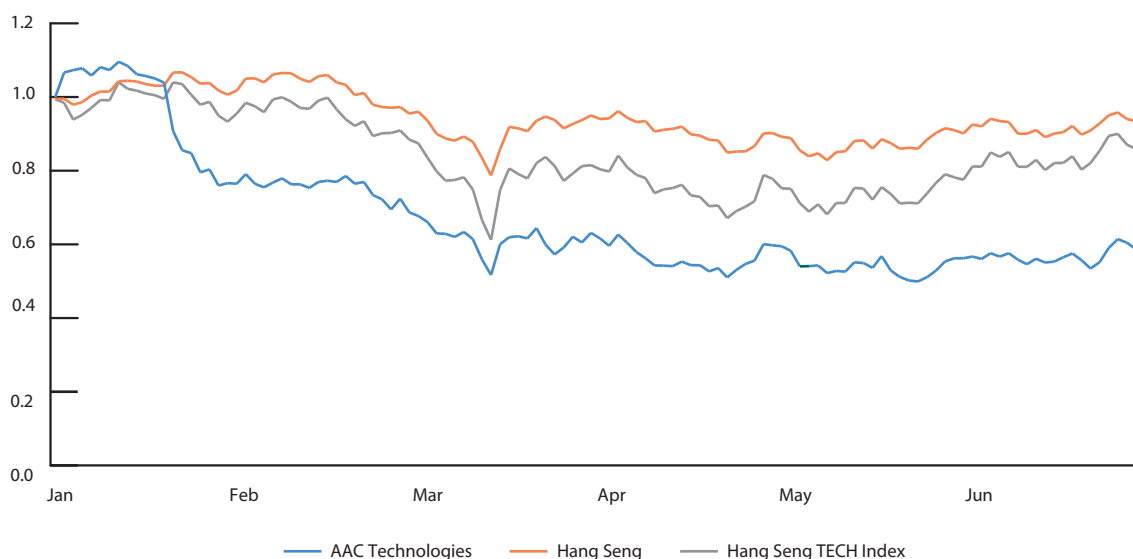
- I. Hang Seng Indexes Company Limited Sub-indexes:
 - TECH Index
 - Composite MidCap Index
 - Composite Industry Index (Industrials)
 - SCHK China Technology Index
- II. Hang Seng ESG Indexes:
 - Corporate Sustainability Benchmark Index
 - ESG 50 Index
- III. Constituent stock of the FTSE4Good Index
- IV. MSCI China Index:
 - China ESG Universal Index
 - MSCI China ESG Leaders Index

MARKET CAPITALIZATION AND SHARE PRICE PERFORMANCE

As at 30 June 2022, the market capitalization of listed shares of the Company was approximately HK\$21.83 billion or US\$2.81 billion based on the total number of 1,208,500,000 issued shares of the Company and the closing price of HK\$18.06 per share.

The daily average number of traded shares was approximately 9.56 million shares over an approximate free float of 707.61 million shares in 1H 2022. The average closing price was HK\$20.61 per share, a decrease of 35.56% when compared with the average of 1H 2021. The highest closing price was HK\$33.75 per share on 12 Jan 2022 and the lowest was HK\$15.38 per share on 26 May 2022.

6-month relative performance of the Company vs Hang Seng Index and Hang Seng TECH Index from 1 January 2022 to 30 June 2022 is set out below:



Base: 31 December 2021 closing = 1.0
Source: Bloomberg

Investors Information

Based on the publicly available information and as far as the Directors are aware, the Company has maintained a public float of more than 25% of the Company's issued shares throughout the six months ended 30 June 2022 and has continued to maintain the public float as at the date of this interim report.

KEY DATES FOR SHAREHOLDERS

23 September 2022	2022 Interim Report available on the websites of the Hong Kong Stock Exchange and the Company
Mid-November 2022	2022 Third Quarter Results Announcement
End-March 2023	2022 Annual Results Announcement

Any changes to these dates in 2022/2023 will be published on the websites of the Hong Kong Stock Exchange and the Company.

FINANCIAL REPORTS

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

Both registered Shareholders and non-registered Shareholders may at any time change their means of receipt of the financial reports by reasonable notice in writing (not less than seven days) to the Company or Computershare at the address stated in "Corporate Information" of this interim report or via e-mail (aac.ecom@computershare.com.hk).

CONTACT INVESTOR RELATIONS

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Official IR wechat group:



Definition and Glossary

Abbreviations	Meanings
General	
1H	The first half of the year
AAC/AAC Technologies/the Company	AAC Technologies Holdings Inc.
AAC Optics	AAC Optics (Changzhou) Co., Ltd.
Articles	The articles of association of the Company
ASP(s)	Average selling price
Board	The Board of directors of the Company
CAPEX	Capital expenditure
CCASS	Central Clearing and Settlement System
CEO	Chief Executive Officer
CG Code	Corporate Governance Code
Code Provision(s)	Code Provisions of the CG Code
Board Committees	Committees of the Board
Companies Ordinance	The Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Computershare	Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited
COVID-19	Novel Coronavirus
CSR	Corporate Social Responsibility
Deloitte	Messrs. Deloitte Touche Tohmatsu
Director(s)	The director(s) of the Company
EBITDA	Profit (Earnings) before interest, tax, depreciation and amortization
ED	Executive Director
EIT Law	Law of the PRC on Enterprise Income Tax
EPS	Earnings per share
ESG	Environmental, Social and Governance
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
HKEx/Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
HR	Human Resources
HNTE	High-New Technology Enterprises
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
IAS	International Accounting Standard
IDC	International Data Corporation
IFRS(s)	International Financial Reporting Standards
INED(s)	Independent non-executive Director(s)
ISO 14001	The International Standard that specifies requirements for an effective environmental management system (EMS)
ISO 27001	The International Standard that sets out the specification for an information security management system (ISMS)

Definition and Glossary

Abbreviations	Meanings
Memorandum	Memorandum of Association of the Company
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the Hong Kong Listing Rules
MSCI	Morgan Stanley Capital International
OEM	Original Equipment Manufacturer
Ordinary Shares	Ordinary shares in the capital of the Company
PCT	Patent Cooperation Treaty
ppts	Percentage points
Q1	The first quarter
Q2	The second quarter
ROA	Return on average total assets
ROE	Return on average equity
R&D	Research & Development
SA 8000	An international certification standard that encourages organizations to develop, maintain and apply socially acceptable practices in the workplace
SFO	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
Share Award Scheme/AAC Share Award Scheme/Scheme	The Employee's Share Award Scheme adopted by the Board on 23 March 2016
Shareholders	The shareholders of the Company
Suzhou Speed	Suzhou Speed Communication Technology Limited, which was renamed as TRM Precision Manufactory (Suzhou) Ltd. on 11 May 2022
SWG	Sustainability Working Group
The Group	AAC Technologies Holdings Inc. and its subsidiaries
Toyo Precision	Toyo Precision Appliance (Kunshan) Co., Ltd., which was renamed as TRM (Kunshan) Technologies Co., Ltd. on 3 August 2022
Trustee	Bank of Communications Trustee Limited, an independent trustee appointed by the Company for managing the Share Award Scheme
TV	Television
QoQ	Quarter-on-quarter
YoY	Year-on-year
America/US	The United States of America
China/PRC	The People's Republic of China
Hong Kong	Hong Kong Special Administrative Region
HKD/HK\$	Hong Kong dollars, the lawful currency of Hong Kong
RMB	Renminbi, the lawful currency of PRC
USD/US\$	US Dollars, the lawful currency of United States

Definition and Glossary

Abbreviations	Meanings
Industry	
1G5P	1 glass lens + 5 plastic lenses
1G6P	1 glass lens + 6 plastic lenses
AIoT	Artificial Intelligence of Things
AR/VR	Augmented reality/virtual reality
IoT	Internet of Things
LiDAR	Light detection and ranging
RF	Radio Frequency
TWS	True Wireless Stereo
VCM	Voice Coil Motor
WLG	Wafer-level glass



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