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

2023

INTERIM REPORT

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 our global footprint, we have established long-term strategic partnerships with global smart device clients. We have strong capabilities in Acoustics, Optics, Electromagnetic Drives, Sensors and Semiconductors, as well as 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 smartphones, intelligent vehicles, virtual reality, augmented reality and smart homes to help create a new era of sensory experience.

www.aactechnologies.com

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Ms. Wu Ingrid Chun Yuan

Independent Non-executive Directors

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

AUDIT AND RISK COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Mr. Pan Benjamin Zhengmin
Mr. Mok Joe Kuen Richard

JOINT COMPANY SECRETARIES

Mr. Ho Siu Tak Jonathan
Ms. Guan Muyi

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Herbert Smith Freehills
JunHe

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1605–7, YF Life 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, proprietary technologies, driving growth through innovation and smart manufacturing capabilities, to achieve diversified development in the fields of smart phones, intelligent vehicles, AR/VR, industry and semiconductors. 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 2019 RMB'000	1H 2020 RMB'000	1H 2021 RMB'000	1H 2022 RMB'000	**1H 2023 RMB'000**	1H 2023 vs 1H 2022 YoY Increase/ (Decrease)
Revenue	7,567,523	7,837,054	8,609,140	9,411,777	**9,218,944**	(2.0%)
Depreciation and Amortisation	1,040,595	1,141,978	1,312,185	1,450,508	**1,479,975**	2.0%
Finance costs	114,360	169,057	210,810	203,846	**203,964**	0.1%
Net profit attributable to owners of the Company	769,809	320,465	920,952	350,090	**150,304**	(57.1%)
EBITDA	2,042,777	1,748,166	2,504,733	2,078,871	**1,858,771**	(10.6%)
CAPEX	(1,319,040)	(2,316,002)	(2,051,902)	(1,061,928)	**(616,099)**	(42.0%)
Taxation paid	(142,091)	(111,461)	(122,447)	(187,668)	**(85,580)**	(54.4%)
Changes in working capital	(153,122)	(119,470)	(1,091,671)	(409,801)	**756,123**	284.5%
Free cash flow	428,524	(798,767)	(761,287)	419,474	**1,913,215**	
Gross margin	27.5%	23.2%	28.1%	18.9%	**14.1%**	(4.8ppts)
Net profit margin	10.2%	4.1%	10.7%	3.7%	**1.6%**	(2.1ppts)
R&D expenses to Revenue	11.0%	12.5%	10.4%	7.7%	**7.3%**	(0.4ppts)
Annualized ROA	5.2%	1.9%	4.6%	1.7%	**0.8%**	(0.9ppts)
Annualized ROE	8.3%	3.3%	8.6%	3.2%	**1.4%**	(1.8ppts)
Per capita output (Revenue/Employees)	210	226	209	271	**355**	31.0%
Net gearing ratio	9.8%	10.4%	5.0%	10.7%	**4.9%**	(5.8ppts)
Current ratio	1.61	1.81	2.01	2.10	**1.96**	(14.0ppts)
CAPEX/EBITDA	64.6%	132.5%	81.9%	51.1%	**33.1%**	(18.0ppts)

Interim Review

For 1H 2023, the Group's revenue amounted to RMB9.22 billion, representing a decrease of 2.0% year-on-year ("YoY"). Against the backdrop of global macroeconomic uncertainties, the Group has made steady progress in business development and constantly improved operational efficiency and cash flow. The Group's diversification strategy has started to show some promising results. Gross profit margin of 1H 2023 was 14.1%, down 4.8 ppts YoY. The decrease was mainly due to the still-weak demand in the global smartphone market in the first quarter 2023 ("Q1 2023") as well as an increase in the proportion of revenues from businesses with lower gross profit margin, while the gross profit margin in the second quarter ("Q2 2023") has significantly improved quarter-on-quarter ("QoQ"). Net profit for the reporting period was RMB150 million, representing a decrease of 57.1% YoY.

For 1H 2023, the Group's operating cash inflow amounted to RMB2.05 billion, up 43.1% YoY. As at 30 June 2023, cash balance was RMB7.13 billion, which remained at a similar level to that as at 31 December 2022. The Group's total debt (including total loans and unsecured notes) declined by approximately RMB575 million (net gearing ratio stood at 4.9%, 1.3 ppts down compared to that as at 31 December 2022). During the reporting period, capital expenditure amounted to RMB616 million, representing a decrease of 42.0% YoY. The inventory turnover days decreased to 91 days as at 30 June 2023 from 109 days for 31 December 2022. The prudent financial position and abundant liquidity are essential to the sustainable growth of the Group, and ensure the Group's ability to continue to innovate and develop going forward. The Group will continue to allocate its capital expenditure and control expenses in accordance with its long-term growth plan to ensure cash sufficiency to support the future development of its business. The Group will continue to stringently manage inventory levels and continuously improve operational efficiency and business management capabilities to reduce costs and increase efficiency.

After careful discussion, the Board has resolved not to declare an interim dividend for 1H 2023 (2022 interim: Nil). The Board will implement a final dividend policy.

Interim Review

PERFORMANCE AND DEVELOPMENT OF BUSINESS SEGMENTS

Acoustics Business

For 1H 2023, the Group's acoustics business recorded a revenue of RMB3.32 billion, representing a decrease of 19.9% YoY. This was mainly due to the weaker-than-expected recovery of the global smartphone market demand which continued to cause the YoY decline in shipment. Gross profit margin was 25.5%, down 1.7 ppts YoY, which was mainly due to the increase in unit costs resulting from the lower shipment volume caused by the weak demand in Android market in Q1 2023.

In 1H 2023, the recovery of demand in the Android market still faced certain pressure, and downstream handset manufacturers continued in destocking, which posed a negative impact on the Group's Android-related acoustic business, resulting in a YoY decline in its revenue and gross margin. Given the solid business connection with overseas customers that has strengthened over the years, the Group has been able to maintain a relatively stable market share with the customers and continues to work closely with customers in technological innovation. Facing uncertain market environment, the Group has continued efforts in reducing cost and improving operational efficiency as well as ramping up revenue contribution from new products. In 1H 2023, the Group launched its proprietary integrated acoustic solutions with a full range of audio system design services to create an immersive sound experience for users. In the future, the Group will continue to create superior audio experiences for consumers in more diversified applications through a broader product portfolio.

Optics Business

For 1H 2023, the Group's optical business recorded a revenue of RMB1.77 billion, representing a decrease of 4.4% YoY. This was primarily due to the weak market demand and ASP pressure in Q1 2023. In Q2 2023, the revenue and gross margin improved QoQ notably, which was largely attributable to increasing market demand, growing shipment and mitigating competition in ASP.

During the reporting period, the Group continued to implement the strategy of premiumization and optimize its product portfolio. Meanwhile, the Group has strengthened inventory management and actively improved internal management and operational efficiency to reduce cost. According to the report of International Data Corporation ("IDC"), global smartphone shipments declined by 14.6% YoY in Q1 2023, and by 7.8% YoY in Q2 2023, with the intensity of competition in the smartphone optics market lessening compared to the second half of 2022. During the period of market demand recovery, the Group has secured more market share in high-end products through technological upgrades. With respect to plastic lens, the shipment contribution of 6P products has ramped up to over 10% in total plastic lens shipments, driving the improvement in overall ASP of plastic lens. With respect to the optic modules, the Group has increased the shipment volume of modules with upgraded specifications, such as optical image stabilizer (OIS) modules. Wafer-level glass (WLG) hybrid lenses are making good progress, with array lenses, cylindrical mirrors and prisms making their debut at the Mobile World Congress in Shanghai in 2023. With respect to virtual reality (VR), the Group's 3P Pancake solution accomplished mass production in 1H 2023; and with respect to augmented reality (AR), the Group has teamed up with Dispelix, a leading optical waveguide manufacturer, and has successfully developed a new generation single-layer full-colour optical waveguide lenses, which will support the continuous development in the extended reality (XR) industry.

Electromagnetic Drives and Precision Mechanics Business

For 1H 2023, the consolidated segment recorded a revenue of RMB3.62 billion, representing a YoY increase of 23.4%, which was mostly attributed by the steady growth in electromagnetic drives business on the back of rapid development of the smartphone and notebook metal casing business. Gross profit margin of this consolidated segment was 19.3%, representing a decrease of 1.2 ppts YoY, mainly due to the change in product mix resulting from the increase in the proportion of revenue of the precision mechanics business.

Electromagnetic Drives Business

In 1H 2023, the Group maintained stable market share in overseas customers. Despite the lower global smartphone shipments, the Group has seen a further expansion in market share with a significant increase of 63.2% YoY in the total shipments of Android haptics products. Riding on its advantages of fast response and better performance in vibration frequency and conversion efficiency, the Group's x-axis haptics motors have been adopted in more models launched by major global smartphone brands. The Group's haptics products have been expanding into other non-smartphone dimensions such as trackpads, game controllers, and VR devices. For example, the Group has achieved remarkable results in the 6DoF VR joystick interaction and positioning solutions, where the hardware products are paired with RichTap® hardware+software integrated haptics solution, to provide users with a multi-dimensional, full-scene and high-quality tactile feedback experience. Given the future trend of hardware intelligence, we believe that the increasing demand for superior haptics feedback will allow for a broader application of the Group's haptics products in more strategic new markets.

Precision Mechanics Business

In 1H 2023, the Group's smartphone metal casing business continued to expand and maintain a leading market share among high-end and flagship models of major customers and revenue from this segment went up by more than 40% YoY, benefiting from the Group's years of efforts in advancing its capabilities in precision manufacturing, production line automation and quality control. Benefitting from the Group's expansion in market share, the utilisation rate of metal casing products continued to climb and the gross profit margin improved YoY. The Group will persist in the strategy of premiumization for the metal casing business and continues to explore high-value projects to enhance profitability. During the reporting period, the Group has achieved an extremely lightweight and robust folding experience in its customised hinges through the usage of new materials, innovative processes and revolutionary structures. The Group also provided customers with ultra-thin and ultra-large vapor chamber and participated in the research and development of annular cold-pumping heat dissipation technology, which substantially improved the cooling capacity of smartphones.

Meanwhile, revenue from the PC market also increased by more than 40% YoY. In 1H 2023, the global personal computer (PC) market demand is still relatively lacklustre and IDC data shows that the traditional PC market (including desktop, notebook and workstation) global shipments fell by 29.0% and 13.4% YoY in Q1 2023 and Q2 2023, respectively. Despite such unfavorable macro environment, precision mechanics business continued to deliver good results. During the reporting period, the Phase II plant in Yangzhou has successfully commenced production. The Group will keep on deepening its cooperation with overseas customers, actively acquire new projects, and accelerate its pace in expanding its domestic and overseas production capacities, with the aim of further ramping up the revenue contribution from Toyo Precision and the overall profitability of this business segment.

Sensor and Semiconductor Business

For 1H 2023, revenue from the sensor and semiconductor business amounted to RMB494 million, up 3.2% YoY, mainly due to the increase in shipment volume. This business segment accounted for approximately 5.4% of the Group's total revenue. Gross profit margin was 11.3%, down 2.4 ppts YoY, primarily caused by the decline in ASP of certain products as a result of the temporarily intensified competition.

In 1H 2023, the Group continued to promote its proprietary MEMS microphones through its structured design to enhance product reliability, and through its differentiated design to satisfy customers' various design specification requirements. The production capacity of the Malaysian plant is gradually strengthening, synergising with Nanning and Shenzhen plants to form a comprehensive domestic and international manufacturing presence to agilely meet customers' needs. As the global smartphone market was undergoing a weaker-than-expected recovery in the first half of the year, the Group focused on upgrading its MEMS microphones to deliver higher performance and provide better signal-to-noise ratio, while gradually expanding into non-smartphone sectors, such as automotive, TWS, smartwatches/bracelets and AR/VR. With respect to the automotive industry, the Group has successfully developed a full set of new modules for automotive MEMS microphones, including audio microphone modules, E-call modules, waterproof microphone modules and vibration sensor modules, which can fully satisfy the functional requirements of zoned calls, voice control, active noise reduction, emergency vehicle monitoring, etc. As of the date, the Group has started cooperation with the worldwide leading automotive manufacturers and expects to mass-produce the relevant new products in 2023. The Group's MEMS microphone has ranked top among its competitors in terms of shipment volume and it is expected that the wave of intelligence will drive increasing demand for intelligent audio interaction in fields such as artificial intelligence and smart home appliances, and MEMS business will foresee more market development opportunities.

STRATEGY DEVELOPMENT AND OUTLOOK

In August 2023, the Group entered into an agreement to acquire Acoustics Solutions International B.V. which owns and operates Premium Sound Solutions ("PSS"), a leading global provider of premium audio systems with over 50 years of history. With a rich history of innovation and a strong track record of delivering quality products, PSS is a Tier 1 supplier to a diversified base of global automotive original equipment manufacturers and provides speakers and modules for premium consumer audio brands.

The Group intends to preserve the operational autonomy of PSS and further foster its leadership in the premium segment, whilst gradually implementing positive enhancements aimed at broadening the available selection of products to be offered toward end-to-end audio systems. The Group started its activities in automotive in 2021 and PSS will help the Group to accelerate its strategic diversification and expansion of its suite of audio solutions for the automotive segment. PSS, combined with the Group's existing capabilities, will better position the Group for future growth in the broader and rapidly evolving market, using technology advantages to empower customers and provide better infotainment and sensory experience for consumers.

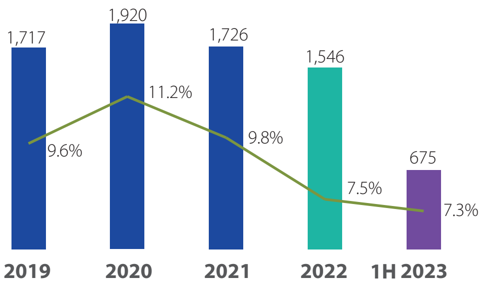
The year of 2023 marks the Group's 18th anniversary of its listing in Hong Kong. Since its listing, the Group has grown from a precision components manufacturer to a global leader in sensory experience solutions, with strong overall competitiveness in the fields of acoustics, optics, haptics, sensors and semiconductors as well as precision mechanics. Looking ahead, the Group will continue to solidify its market-leading position in the smartphone industry while leveraging on its cutting-edge capabilities accumulated over the past three decades to explore the broader and more diversified non-smartphone market space.

Global Presence

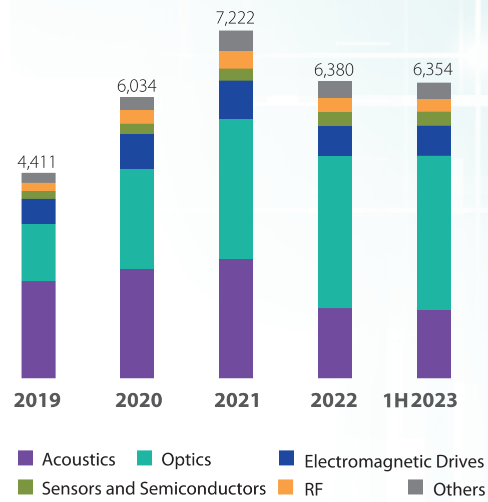
R&D

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

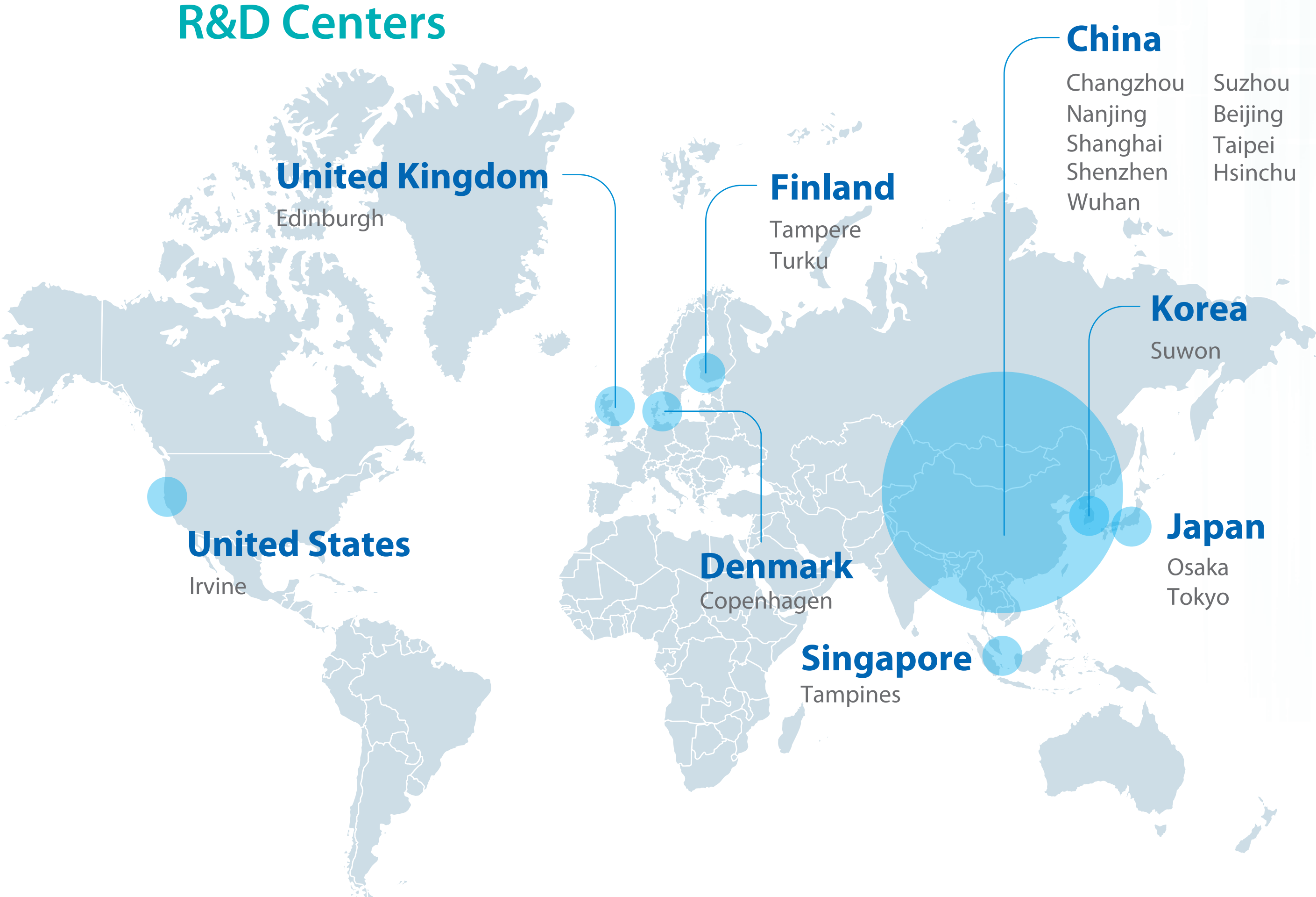
(RMB million or %)



Patents by Segments



R&D Centers



R&D Centers
18

R&D Engineers and Technicians
3,841

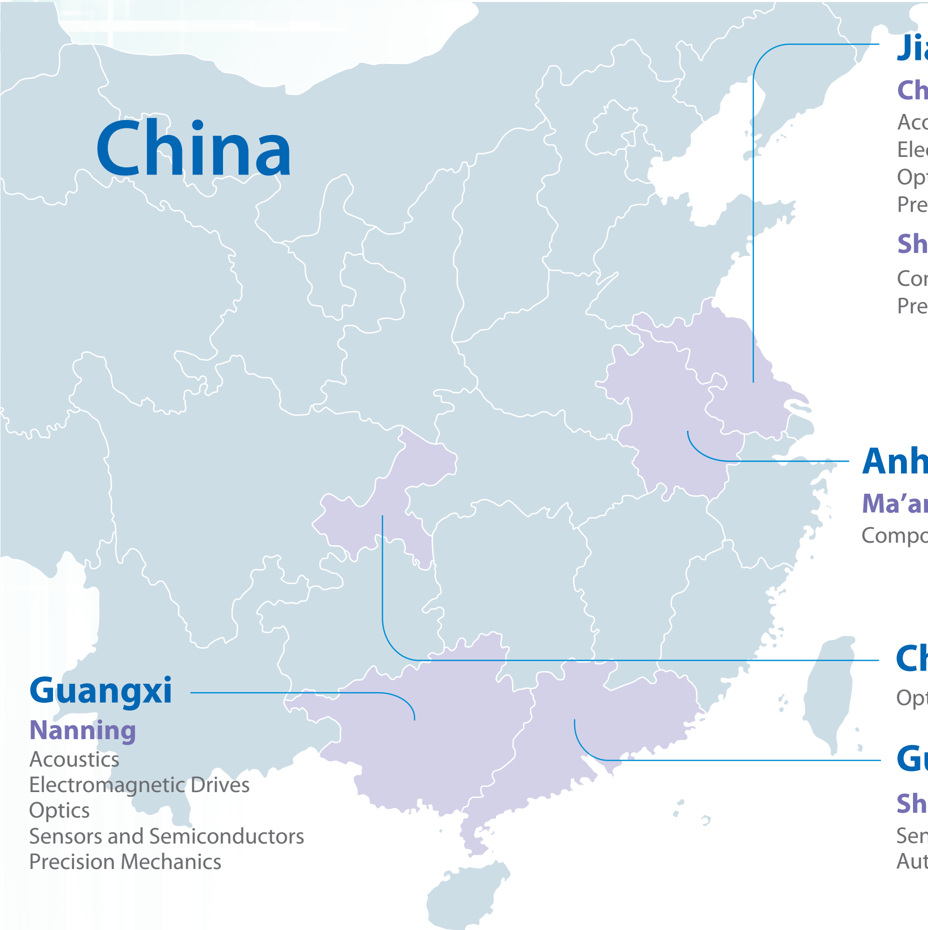
Patents
6,354
Overseas: 2,426

Patent Applications
2,219
Overseas: 1,035

Global Presence

Diversified Manufacturing Bases

China



Jiangsu

Changzhou
Acoustics
Electromagnetic Drives
Optics
Precision Mechanics

Shuyang
Components
Precision Mechanics

Suzhou
Precision Mechanics
Optics

Yangzhou
Precision Mechanics

Anhui

Ma'anshan
Components

Chongqing

Optics

Guangdong

Shenzhen (Longgang)
Sensors and Semiconductors
Automation Equipment

Guangxi

Nanning
Acoustics
Electromagnetic Drives
Optics
Sensors and Semiconductors
Precision Mechanics

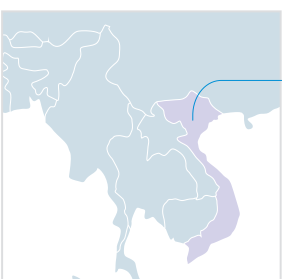
Czech

Kozomín
Optical Mold

Malaysia

Johor
Sensors and Semiconductors

Vietnam

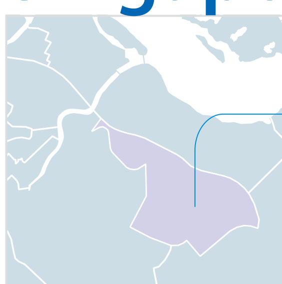


Bac Ninh
Acoustics

Vinh Phuc (under development)
Ba Thien IP Industrial Park

Bac Giang (under development)
Hoa Phu Industrial Park

Singapore



Tampines (under development)
Tampines Wafer Fab Industrial Estate

Financial Review

Revenue

1H 2023 Group revenue decreased YoY by 2.0%, to RMB9.22 billion. Owing to factors discussed under "Interim Review" above, revenue from the acoustics and optics business decreased by RMB824 million and RMB81 million respectively, while electromagnetic drives and precision mechanics increased by RMB687 million. The sensor and semiconductor business was relatively stable as compare with the same period of last year.

Gross Profit and Gross Profit Margin

1H 2023 gross profit was RMB1.30 billion, representing a decrease by 27.2% from the gross profit of RMB1.78 billion in 1H 2022. The drop in gross profit was mainly contributed by market competition in optics and acoustics business and the decline was partly offset by the improved gross profit of precision mechanics.

Gross profit margin decrease to 14.1% in 1H 2023 as compare with 18.9% in 1H 2022. The decrease in gross profit margin was mainly contributed by the decreased sales from acoustics business with higher gross profit margin and margin decrease in optics business.

Other Income, Gains and Losses

The net other income/gains increased by RMB124 million. This was mainly contributed by the gain on repurchase of unsecured notes of RMB78 million and increase in interest income of RMB87 million. The increment was offset by the decrease in government grants of RMB57 million.

Administrative Expenses

Administrative expenses in 1H 2023 were RMB435 million, 3.6% lower, compared with RMB451 million in 1H 2022. The decrease was mainly contributed by the decrease in professional fees.

Distribution and Selling Expenses

Distribution and selling expenses of RMB217 million in 1H 2023, increased by 3.4%, compared with RMB209 million in 1H 2022. The increase was mainly contributed by the increase in staff related cost, while was partly offset by the decrease in delivery and shipping expenses.

Research and Development Expenses

R&D expenses in 1H 2023 were RMB675 million, 7.2% lower than RMB727 million in 1H 2022. The decrease was primarily attributable to improved cost efficiency in research and development.

Finance Costs

Finance costs in 1H 2023 remained stable at RMB204 million.

Taxation

Taxation expenses of the Group were calculated based on the assessable profits of the subsidiaries at the rates prevailing in the relevant jurisdictions. Taxation expenses in 1H 2023 amounted to RMB127 million, representing a decrease of 10.6% from RMB142 million in 1H 2022. The decrease was mainly due to RMB24 million reduction of deferred tax charge relating to tax losses and other temporary difference from RMB40 million.

Profit Attributable to the Owners of the Company

Reported profit attributable to the owners of the Company for 1H 2023 was RMB150 million, a decline by 57.1% compared with RMB350 million in 1H 2022. The decline was mainly due to the decline of gross profit which was partly offset by the increase in net other income/gains, exchange gain incurred during the period and the decrease in operating costs and non-controlling interests.

Earnings before Interest, Taxes, Depreciation and Amortization

As compare with the same period of last year, the EBITDA for the 12-month period ended 30 June 2023 decreased by 2% to RMB4,031 million.

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	
	2023	2022
	RMB million	RMB million
Net cash from operating activities	**2,053.5**	1,434.9
Net cash used in investing activities	**(504.2)**	(1,180.0)
Net cash used in financing activities	**(1,363.3)**	(1,128.4)

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 RMB2,053.5 million for 1H 2023 (1H 2022: RMB1,434.9 million).

i. Trade Receivables and Payables

As at 30 June 2023, turnover days of trade receivables increased by 12 days to 90 days as compared to 31 December 2022. Trade receivables increased by RMB0.49 billion to RMB4.77 billion. Aging of trade receivables (net of allowance for doubtful debts) based on invoice dates between 0–90 days, 91–180 days and over 180 days were RMB4,346.6 million (31 December 2022: RMB4,098.4 million), RMB413.6 million (31 December 2022: RMB169.8 million) and RMB9.9 million (31 December 2022: RMB10.5 million) respectively. The Company has received subsequent settlement totaling RMB1,804.8 million up to 31 July 2023, representing 37.8% 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 4 days to 77 days as compared to 31 December 2022. Trade payables increased by RMB0.23 billion to RMB3.48 billion. Aging of trade payables based on invoice dates between 0–90 days, 91–180 days and over 180 days were RMB2,798.6 million (31 December 2022: RMB2,576.8 million), RMB656.6 million (31 December 2022: RMB654.9 million) and RMB19.9 million (31 December 2022: RMB11.2 million) respectively.

ii. Inventory Turnover

As at 30 June 2023, the inventories have decreased by RMB0.91 billion compared to 31 December 2022. The inventory turnover days decreased to 91 days as at 30 June 2023 from 109 days for 31 December 2022.

Investing Activities

Net cash used in investing activities in 1H 2023 amounted to RMB504.2 million (1H 2022: RMB 1,180.0 million). It mainly represents the cash used in capital expenditures ("CAPEX") of RMB714.9 million (1H 2022: RMB1,121.7 million), addition of intangible assets of RMB151.7 million (1H 2022: 98.2 million) and acquisition of financial assets at FVTPL and equity instruments at FVTOCI of RMB114.2 million (1H 2022: RMB76.6 million), offsetting by the cash inflows arising from the government grants of RMB12.3 million (1H 2022: RMB133.3 million) as well as the withdrawal of short-term fixed deposits of RMB341.3 million (1H 2022: Nil).

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 2023 and 1H 2022, total CAPEX incurred were RMB616.1 million and RMB1,061.9 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 outflow from financing activities of approximately RMB1,363.3 million for 1H 2023. Major outflows from repayment of bank loans of RMB2,077.9 million (1H 2022: RMB2,042.9 million), shares repurchased of RMB315.4 million (1H 2022: RMB62.5 million), payment for repurchase of unsecured notes of RMB251.9 million (1H 2022: Nil) and dividends paid of RMB130.3 million (1H 2022: Nil), and major inflows was due to bank loans raised of RMB1,616.5 million (1H 2022: RMB1,362.4 million).

Cash and Cash Equivalents and Short Term Fixed Deposits

As at 30 June 2023, the unencumbered cash and cash equivalents and short term fixed deposits of the Group amounted to RMB7,126.3 million (31 December 2022: RMB7,155.0 million), of which 59.5% (31 December 2022: 55.7%) was denominated in US dollar, 36.4% (31 December 2022: 39.8%) in RMB, 1.4% (31 December 2022: 0.2%) in Singapore dollar, 0.6% (31 December 2022: 0.5%) in Euros, 0.6% (31 December 2022: 2.5%) in Hong Kong dollar, 0.6% (31 December 2022: 0.5%) in Vietnamese Dong, 0.4% (31 December 2022: 0.2%) in Malaysian Ringgit and 0.5% (31 December 2022: 0.6%) in other currencies.

Gearing Ratio and Indebtedness

As at 30 June 2023, the Group's gearing ratio, defined as total loans and unsecured notes divided by total assets, was 23.0% (31 December 2022: 23.9%). Netting off cash and cash equivalents and short term fixed deposits, net gearing ratio was 4.9% (31 December 2022: 6.2%).

As at 30 June 2023, the unsecured notes of the Group were RMB5,983.5 million (31 December 2022: RMB6,087.8 million), the short-term bank loans and long-term bank loans of the Group amounted to RMB1,258.9 million (31 December 2022: RMB1,832.6 million) and RMB1,829.9 million (31 December 2022: RMB1,727.2 million) respectively.

Charges on Group Assets

Apart from bank deposits amounting to RMB0.2 million that were pledged to secure credit facilities as at 30 June 2023 (31 December 2022: RMB0.2 million), no other Group assets were charged to any financial institutions.

OFF-BALANCE SHEET TRANSACTIONS

As at 30 June 2023, the Group had not entered into any material off-balance sheet transactions.

EVENTS AFTER THE REPORTING PERIOD

For details of the events after the reporting period, please refer to Note 26 to the Condensed Consolidated Financial Statements.

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 are uncertainties due to the potential slow-down in global economy and the ensuing dampened consumer sentiment and weaker demand. A decline in global economic conditions, in particular in China and other geographic regions, 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 81.7% of the Group's total revenue for 1H 2023, 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 11 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

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.

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.

The COVID-19 pandemic broke out globally in 2020, which has adversely impacted the global economy. As the world gradually returns to normal after the pandemic, the disruption of the pandemic to the Company's operation is expected to gradually diminish.

Key Risk Factors

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 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 cash and cash equivalents, short term fixed deposit, 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, other related laws and regulations including export controls, economic sanctions 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 is committed to complying with applicable laws and regulations related to export controls and economic sanctions. As at the date of this interim report, the Group's results of operations have not been materially affected by the expansion of relevant laws and regulations such as export control and economic sanctions, or the new 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 has implemented the trade control compliance management system and has set up a trade compliance committee for overall management of the Group's trade compliance activities initiatives. A Trade Compliance Department has also been established to coordinate with and support other departments on trade compliance matters. 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.

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 2023, 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. Joint Company Secretaries
VI. Internal Audit, Risk Management and Internal Control
VII. External Statutory Audit
VIII. Code of Conduct, Whistleblowing Policy and Anti-Fraud and Anti-Bribery 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 purpose, values, strategic directions and policies of the Company and ensure they are aligned with the Company's culture. 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, management runs the day-to-day operation following the related financial limits for a schedule of matters designated to 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 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 2023 (the date of this report)

Board of Directors	
Zhang Hongjiang	(INED & Chairman of the Board)
Kwok Lam Kwong Larry	(INED)
Peng Zhiyuan	(INED)
Wu Ingrid Chun Yuan	(NED)
Pan Benjamin Zhengmin	(ED & CEO)
Mok Joe Kuen Richard	(ED & MD)

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**
Kwok Lam Kwong Larry (Chairman)	Zhang Hongjiang (Chairman)	Peng Zhiyuan (Chairman)
Peng Zhiyuan	Kwok Lam Kwong Larry	Zhang Hongjiang
Zhang Hongjiang	Peng Zhiyuan	Kwok Lam Kwong Larry

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

The Directors who stood for re-election at the AGM held on 11 May 2023, namely Mr. Kwok Lam Kwong Larry and Mr. Mok Joe Kuen Richard were re-elected with the approval of the Shareholders. There was no change to the composition of the Board during 1H 2023.

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 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, 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 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:

BOARD OF DIRECTORS

- Collectively responsible for long-term success of the Group and interests of Shareholders
- Oversees overall governance, financial performance and sustainability development of the Group

EXECUTIVE DIRECTORS & EXECUTIVE VICE PRESIDENT	AUDIT AND RISK COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE
• Delivers the Company's strategies and objectives including assessing and identifying technology trends and development, for the Company • Day-to-day management of the Group's businesses operation • Analyses the global market situation and sales performance of the Company's products • Provides input on reviewing of production planning • Conducts products and key accounts analysis • Implements sales & products strategy for business units • Estimates products sales status and forecast	• Ensures proper financial reporting and disclosure • Reviews risk management, compliance and internal control systems • Ensures prudent and effective controls are in place to duly assess and manage risks • Reviews the Company's policies and practices on corporate governance • Reviews on compliance with legal and regulatory requirements • Reviews the Company's compliance with the CG Code and disclosure of the CG report • Monitors internal audit, oversees the relationship and coordination between the Company, head of internal audit and external auditor	• Recommends Board appointments and ensures proper and transparent procedures • Reviews structure, size, composition and diversity of the Board • Assesses independence of INEDs • Reviews succession planning for chief officers • Reviews and monitors the training and continuous professional development of Directors • Being consulted upon the hiring, promotion and appointment of senior management	• Sets remuneration policy and structure for executive Directors, non-executive Directors and senior management • Plans and reviews management's remuneration proposals with reference to the Board's corporate goals and objectives • Determines executive Directors' and senior management's remuneration and incentives
Operations	**Internal Audit Team/ External Auditor**	**Board Composition/Senior Management/ Human Resources**	

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.

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 2023 and the unaudited condensed consolidated financial statements for 1H 2023. Members of the Audit and Risk Committee agree with the accounting treatments adopted in the preparation of the condensed consolidated financial statements.

In March 2023, the Board 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.

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 five male Directors. The senior management as set forth on pages 29 to 31 of the 2022 annual report of the Company consists of two females and three 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	Kwok Lam Kwong Larry	Peng Zhiyuan
Gender		Male	Male	Female	Male	Male	Male
Age		54	59	52	62	67	51
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	Master of Laws Bachelor of Economics/ Accounting	Master of Business and Administration Bachelor of Engineering and Finance
Length of service		19 years	18 years	19 years	4 years	5 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.

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 AGM. 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 2023, the Group employed 25,958 permanent employees, a 7% decrease from 27,798 employees as at 31 December 2022. The reduction in total work force was the result of the Group's advancement in automation and production methodologies, and the rather unfavorable overall market conditions.

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 and reposition its various R&D centers in Asia, Europe and North America, including a long-established collaboration with universities, and industrial leaders on many different projects.

Share Award Scheme & Subsidiary Share Incentive Scheme

2016 Share Award Scheme

As announced by the Company on 23 March 2016, the Board resolved to adopt a share award scheme (the "2016 Share Award Scheme") in which Employees (other than Excluded Employees) may be selected by the Board to participate. The purpose of the 2016 Share Award 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. Selected Employees are any employee (including without limitation any executive Director but excluding any non-executive Director or independent non-executive Director) of any member of the Group selected by the Board pursuant to the scheme rules for participation in the 2016 Share Award Scheme. Subject to any early termination as may be determined by the Board pursuant to the scheme rules, the 2016 Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on 23 March 2016.

The maximum number of Shares that may be awarded under the 2016 Share Award Scheme during its term is limited to 1.65% (i.e. 19,775,250 Shares as at 24 August 2023) 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. 5,992,500 Shares as at 24 August 2023) of the issued share capital of the Company from time to time. Pursuant to the 2016 Share Award 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 "2016 Scheme Trustee") at the cost of the Company and will be held by the 2016 Scheme Trustee on trust for the Selected Employee(s) under the 2016 Share Award Scheme before vesting.

Since the date of adoption of the 2016 Share Award Scheme and up to 30 June 2023, no new Shares have been issued to the 2016 Scheme Trustee pursuant to the rules and trust deed of the 2016 Share Award Scheme. In January 2023, March 2023 and April 2023, the 2016 Scheme Trustee of the 2016 Share Award Scheme purchased 3,276,000, 1,385,000 and 4,883,000 Shares, respectively, on the Hong Kong Stock Exchange for the purpose of the 2016 Share Award Scheme, funded by the Company's internal resources.

Since the date of adoption of the 2016 Share Award Scheme and up to 30 June 2023, a total of 10,230,593 Awarded Shares were granted to 340 employees at nil consideration, in which 2,722,799 Awarded Shares have been vested to employees on 24 March 2023. The Awarded Shares shall be vested in the Grantees subject to the terms of the 2016 Share Award Scheme and the vesting conditions as set out in the respective Grant Notice to each Grantees (including a period of continued service within the Group after the grant of the Award and performance targets which must be attained).

No Awarded Shares were granted under the 2016 Share Award Scheme during the six months ended 30 June 2023. The number of Shares that may be issued in respect of the Awarded Shares granted under the 2016 Share Award Scheme during the six months ended 30 June 2023 divided by the weighted average number of Shares in issue for the six months ended 30 June 2023 was nil.

As at 30 June 2023, the 2016 Scheme Trustee held a total of 17,210,645 unvested Shares under the 2016 Share Award Scheme, and the remaining Shares which could be further awarded under the 2016 Share Award Scheme were 11,052,985 Shares.

Details of the Awarded Shares and a summary of the movements under the 2016 Share Award Scheme during 1H 2023 were set out as follows:

Grantees	Date of grant	Vesting period	Closing price of Shares immediately before the date of grant HK$	Number of Awarded Shares: Unvested as at 1 January 2023	Granted during the period	Cancelled during the period	Lapsed during the period	Vested during the period	Unvested as at 30 June 2023	Weighted average closing price immediately before the date of vest HK$
Director of the Company										
Mok Joe Kuen Richard	24 March 2022	24 March 2023 – 24 March 2025	18.46	99,195	–	–	–	33,065	66,130	17.34
Other Grantees in aggregate	24 March 2022	24 March 2023 – 24 March 2025	18.46	9,492,195	–	418,858	450,267	2,689,734	5,933,336	17.34
Total:				**9,591,390**	**-**	**418,858**	**450,267**	**2,722,799**	**5,999,466**	

Note: As at 1 January 2023, the remaining Shares which could be further awarded under the 2016 Share Award Scheme were 10,262,235 Shares. As at 30 June 2023, the remaining Shares which could be further awarded under the 2016 Share Award Scheme were 11,052,985 Shares.

Unless otherwise defined, 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 2016 Share Award Scheme.

2023 Share Award Scheme

As announced by the Company on 17 April 2023, the Board resolved to adopt a share award scheme (the "2023 Share Award Scheme") in which Employees (other than Excluded Employees) may be selected by the Board to participate. The purposes of the 2023 Share Award Scheme are: (i) to achieve the long-term business objectives of the Group; (ii) to implement the Group's long-term business strategy; (iii) to enhance the value of the Group; (iv) to advance the growth and achieve sustainable development of the Group; and (v) to enable the Employees to share the success in the growth of the Group. Selected Employees are any employee (including without limitation any executive Director but excluding any non-executive Director or independent non-executive Director) of any member of the Group selected by the Board pursuant to the scheme rules for participation in the 2023 Share Award Scheme. Subject to any early termination as may be determined by the Board pursuant to the scheme rules, the 2023 Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on 17 April 2023.

The maximum number of Shares that may be awarded under the 2023 Share Award Scheme during its term is limited to 45,000,000 Shares, representing approximately 3.75% of the issued share capital of the Company as at 24 August 2023. The maximum number of Awarded Shares that may be granted to any one Selected Employee shall not exceed 0.5% (i.e. 5,992,500 Shares as at 24 August 2023) of the issued share capital of the Company from time to time. Pursuant to the 2023 Share Award Scheme, Shares will be purchased on the Hong Kong Stock Exchange, by BOCI Trustee (Hong Kong) Limited (the "2023 Scheme Trustee") at the cost of the Company and will be held by the 2023 Scheme Trustee on trust for Selected Employee(s) under the 2023 Share Award Scheme before vesting. Save from above, there is no material difference between the terms of the 2016 Share Award Scheme and the 2023 Share Award Scheme.

In April 2023 and May 2023, the 2023 Scheme Trustee purchased 600,000 and 5,352,500 Shares, respectively, on the Hong Kong Stock Exchange for the purpose of the 2023 Share Award Scheme, funded by the Company's internal resources. As at 30 June 2023, the 2023 Scheme Trustee held a total of 5,952,500 Shares under the 2023 Share Award Scheme.

Since the date of adoption of the 2023 Share Award Scheme and up to 30 June 2023, no Shares had been granted to Selected Employee(s) under the 2023 Share Award Scheme.

Unless otherwise defined, the capitalised terms referred in this section shall have the same meanings as those defined in the announcement made by the Company on 17 April 2023 relating to the adoption of the 2023 Share Award Scheme.

Subsidiary Share Incentive Scheme

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 20 to the condensed consolidated financial statements for details.

Corporate Governance

CORPORATE GOVERNANCE CODE

The Company has continued to fully comply with requirements of the Code Provisions for 1H 2023. The table below illustrates how and in what way the Company has already adopted the recommended best practices of the CG Code:

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.
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.

LEGAL AND REGULATORY COMPLIANCE

Compliance

During 1H 2023, 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.

Corporate Governance

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 2023.

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 2023, 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					Percentage of the Company's issued Shares as at 30 June 2023 (1)
		Personal interests	Corporate interests	Spouse interests	Other interests	Total number of Shares	
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. 54%
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	41.54%
Mr. Mok Joe Kuen Richard ("Mr. Mok") (4)	Beneficial owner/beneficiary of a trust (other than a discretionary trust)	213,065	–	–	66,130	279,195	0.02%

Notes:

(1) Percentage was computed based on 1,198,500,000 issued Shares of the Company as at 30 June 2023.

(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; (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; 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. 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 2016 Share Award Scheme, of which 33,065 Awarded Shares were vested on 24 March 2023.

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 ("2024 Notes"), to be matured in 2024 to third party professional investors, and, the 2024 Notes are listed on the Hong Kong Stock Exchange (stock code: 40075). The 2024 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. Subsequently, the Company successfully completed the purchase of US$111,182,000 of the 2024 Notes, thereby reducing the outstanding aggregate principal amounts of the 2024 Notes to US$276,818,000.

(2) Mr. Pan is deemed or taken to be interested in this amount of the 2024 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 the 2024 Notes.

(3) Ms. Wu is deemed or taken to be interested in this amount of 2024 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 2023, 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 voting in the meetings.

As at 30 June 2023, 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 2023 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 LISTED SECURITIES

Share Repurchase

The Company believes that in addition to the sustained increase of earnings per share and the intrinsic value per share, the repurchase of the Company's Shares at the appropriate timing could also be an important metric to enhance long-term value of our shareholders.

During 1H 2023, the Company had repurchased, under the repurchase mandate granted by the Company's Shareholders, a total of 2,544,500 Shares, representing approximately 0.2% of the issued 1,198,500,000 Shares as at 30 June 2023. The aggregate consideration of HK$42.77 million for the repurchase was paid out from the Company's retained profits.

All repurchased Shares have been cancelled as at the date of this report. The share repurchase reflects the Company's solid financial position and the Board's strong confidence in the Company's future business prospects. The Directors of the Company believe that the share repurchase was in the interest of Shareholders as a whole, enhancing the net asset value per share and earnings per share of the Company.

Details of the repurchases are as follows:

Month	Total number of the Ordinary Shares	Highest price paid per Share HK$	Lowest price paid per Share HK$	Aggregate consideration (1) HK$'000
January 2023	2,544,500	18.02	16.40	42,766

Note:

(1) Including brokerage, transaction levy, stamp duty and transaction cost of HK$123,000.

Bond Purchase

As at 1 January 2023, the outstanding aggregate principal amounts of the 3.00 per cent. notes due 2024 (2024 Notes, stock code: 40075) issued in 2019, 2.625 per cent. notes due 2026 (2026 Notes, stock code: 40699) issued in 2021 and 3.750 per cent. notes due 2031 (2031 Notes, stock code: 40700) issued in 2021 to Professional Investors were US$276,818,000, US$252,604,000 and US$350,000,000, respectively.

In January 2023, the Company had purchased from open market US$1,000,000 of the 2026 Notes and US$1,000,000 of the 2031 Notes, with aggregate amount of US$1,620,000 paid by the Company, and in June 2023, the Company had purchased from open market US$11,000,000 of the 2026 Notes and US$33,927,000 of the 2031 Notes, with aggregate amount of US$33,847,000 paid by the Company, thereby reducing the outstanding aggregate principal amounts of the 2026 Notes and the 2031 Notes to US$240,604,000 and US$315,073,000, respectively.

Save as disclosed above, during the period ended 30 June 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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

There were no changes in Directors' information since the date of the 2022 annual report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2023, 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 2023 (1)
JPMorgan Chase & Co. (2)	Interest of controlled corporation/ Person have security interest in shares/Investment Manager/ Trustee/Approved lending agent	135,418,189 (L) 14,585,772 (S) 6,183,221 (P)	1,221,000 (L) 7,785,550 (S) –	11.40% 1.86% 0.51%

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

Notes:

(1) Percentage was computed based on 1,198,500,000 issued Shares of the Company as at 30 June 2023.

(2) JPMorgan Chase & Co., through its various 100% controlled corporations ("JPMorgan Group"), is indirectly interested in (i) an aggregate of 135,418,189 Shares and listed derivative interests of 557,000 Shares with physically settled, listed derivative interests of 20,000 Shares with cash settled, unlisted derivative interests of 110,000 Shares with physically settled and unlisted derivative interests of 534,000 Shares with cash settled in long position; and (ii) an aggregate of 14,585,772 Shares and listed derivative interests of 857,000 Shares with physically settled, listed derivative interests of 323,500 Shares with cash settled, unlisted derivative interests of 1,339,335 Shares with physically settled, and unlisted derivative interests of 5,265,715 Shares with cash settled in short position. Among Shares held by JPMorgan Group in long position, 111,545,122 Shares were held by JPMorgan Group as a trustee, 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.

    In addition to the above, JPMorgan Chase & Co. is also interested in 6,183,221 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.

(3) Please refer to the section headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES" for the interests held by Mr. Pan, Ms. Wu and their associates, who are also substantial shareholders of the Company.

SHAREHOLDERS ENGAGEMENT AND VALUE

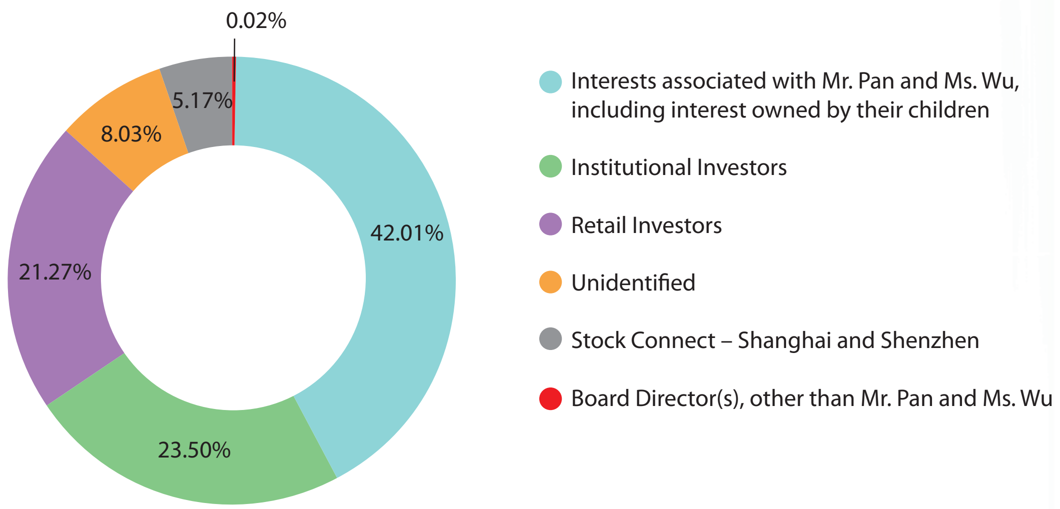
Shareholders

Almost all the Shareholders are holding the Company's Shares through nominees or intermediaries such as HKSCC Nominees Limited. Hence, the register of members of the Company only had 127 direct registered Shareholders as at 30 June 2023. 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 2023, amounted to 62.02 million Shares, or representing 5.17% 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 2023 and revealed the shareholding structure as follows:

I) Shareholders by Category:

(per Shareholder Analysis as at 30 June 2023, rounded to nearest 0.01%)



II) **Shareholders by Domicile:**

	% of Total Issued Shares
Hong Kong	66.01
North America	9.24
China	5.50
United Kingdom	5.39
Europe (ex-United Kingdom)	2.57
Singapore	1.66
Rest of World	9.63
Total	100

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 1,198,500,000 Shares in issue as at the financial year ended 30 June 2023.

Constitutional Documents

During 1H 2023, there was no change to the Company's constitutional documents. 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 significant emphasis on establishing a robust governance structure that fosters long-term sustainable development. In response to the wide-ranging effects of climate change, the Group is committed to formulating adaptive business strategies and raising awareness of ESG concerns to its stakeholders. The Board has overall responsibility for the oversight of ESG risk management, which includes examining ESG risk management issues and establishing relevant sustainability practices to ensure that the Group's sustainability initiatives consistently align with market trends and stakeholders' interests. Furthermore, the SWG, composed of a Board member and senior executives, meets biannually to review the Group's ESG performances and where necessary, propose recommendations to the Board.

The growing awareness of ESG issues has fueled our dedication to enhancing our adaptability to an ever-changing environment while simultaneously increasing our positive and mitigating our negative impacts. The Group continues to support the HKEx in their effort to implement the consultation paper on the Enhancement of Climate Disclosures Under the ESG Framework and to facilitate the implementation process by complying with the new standards and trends. Meetings and training sessions have been held by and for the Board and SWG to disseminate the latest updates and facilitate the discussion of internal views and comments on the proposed changes to the ESG Framework. To better prepare for the upcoming implementation of the proposed changes and satisfy the demands of the international market, professional investors, and other stakeholders, the Group has kickstarted the enhancement of climate-related disclosures by engaging a third-party consultant to identify gaps and enhancement areas against the current climate-related disclosure in 1H 2023.

OPERATIONAL EXCELLENCE AND COMMUNITY CARE

Customer Experience

Aligning with the Group's mission of creating a better sensory experience for the world, the Group continuously strives for improvement in enhancing customer experience. This is achieved through positioning dedicated customer service teams for each product line to better manage customer feedback. A variety of "pre-sales customer communication" techniques was adopted to gain a thorough understanding of customer preferences and deepen customer engagement. Customer feedback is then gathered through a variety of channels and acted upon promptly. Additionally, we conduct regular reviews and gauge our performance in customer satisfaction based on the established in-house procedures. Through strengthening the management of customer engagement processes, we are able to better engage customers, resolve complaints, and significantly improve customer experience.

Supplier Management

Our comprehensive Supplier Code of Conduct details the expectations and criteria for the selection of suppliers. All suppliers are obliged to submit a CSR commitment letter detailing their compliance with the Code of Conduct and the underlying ethical, social, and environmental concerns. According to the Hazardous Substances Management Regulation, suppliers that fall under the scope of conflict minerals must provide a signed Conflict Minerals Declaration. Suppliers are also required to undertake audits on smelters or refineries in their supply chains. The management procedures show our dedication to sourcing responsibly. The Group closely monitors suppliers' continuous performance through due diligence assessments and improvement training programs. The intricate screening methods for suppliers improve the traceability of materials procured and ensure that all minerals obtained from suppliers are conflict-free.

Sustainability

Talent Management

The Group attaches great importance to talent attraction, retention, and development. In addition to the pivotal talent acquisition strategy of conducting university-wide recruitment activities, the Group focuses on delivering comprehensive training programs that enable its employees to maximise their potential, handle obstacles with resilience, and ultimately positively contribute to the Group's growth. A major focus of the Group is strengthening the career transition process for fresh graduates. As part of our effort to help new employees adjust to our corporate culture and facilitate their career development and business success, the Group offers one-to-one training on professional knowledge, as well as travel and accommodation assistance.

Employee engagement is a key component of the Group's talent retention and development practices. We strive to promote team performance, enhance employee benefits and promote the holistic well-being of our employees. Our refined Talent Incentive and Development Framework includes a clear incentive approach to reward and retain exceptional employees at different levels. In addition, the Group regularly evaluates its remuneration and benefits policy to offer young professionals promotion opportunities and enhance employee satisfaction. To cultivate a sense of belonging in our workplace, a series of birthday and festive celebrations and activities were held in various regions in 1H 2023, common practices include making rice dumplings during Dragon Boat Festival, guessing lantern riddles and providing festive treats at all canteens during Lunar New Year.

Community Care

As we expand our business, we will continue to take on social responsibilities and increase the social value of our company. The Group is committed to addressing societal challenges and establishing positive relationships with the communities where it operates through practical compassionate initiatives and partnerships with various stakeholders. The Group continues to engage with the local community to positively influence economic and social development and give back to the communities by participating in charitable events, providing employment and education opportunities, and responding to government policies.

MANAGING ENVIRONMENTAL IMPACTS

As part of the commitment to addressing climate change stated in the Group's Climate Change Policy and strengthening its comprehensive action plans and sustainability strategies, the Group adopted a two-pronged approach: reducing total energy consumption and increasing renewable energy uptake. In respect of reducing energy consumption, apart from expanding retrofitting works to other manufacturing bases, significant reduction in electricity usage has been achieved through the recent implementation of the intelligent energy management system in major manufacturing bases which conducts real-time monitoring and analysis of the production and operations status, allowing for a timelier detection of changes and subsequent rectification. In respect of increasing the production and use of renewable energy, the Group is consistently expanding its total solar photovoltaic generation capacities in various manufacturing bases with annual production capacity now reaching over 20 million kWh and its purchase of Green Electricity Certificates in China. The Group's investment in environmental impact mitigation continues with an array of large-scale energy-saving and solar photovoltaic installation project plans and is progressing as planned. During the reporting period, the annual carbon audit has been completed smoothly as planned in Shenzhen.

Sustainability

With respect to enhancing our climate-related disclosures, a gap analysis has been conducted with assistance from a third-party professional consultant and enhancement areas on existing disclosures have been proposed. The discussion on developing a long-term vision for climate-related targets and strategies is currently underway. We will continue to closely monitor regulatory updates, identify relevant climate-related risks and assess our potential business and financial impacts.

ESG RATINGS

One of the Group's priorities is to create positive sustainability impact. Our progress and achievement in sustainability have been recognised by well-established international institutions. The Group was given an "A" in MSCI ESG Ratings, "Low ESG Risk" by Sustainalytics, and was included in the FTSE4Good Index.

MSCI ESG RATINGS **A** MSCI ESG Ratings	SUSTAINALYTICS a Morningstar company **Low Risk** **17.2** Sustainalytics	FTSE4Good **3.0/5** FTSE4Good

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 39 to 70, which comprise the condensed consolidated statement of financial position as of 30 June 2023 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 2023

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023

	NOTES	1.1.2023 to 30.6.2023 (Unaudited) RMB'000	1.1.2022 to 30.6.2022 (Unaudited) RMB'000
Revenue	3	**9,218,944**	9,411,777
Cost of goods sold		**(7,921,906)**	(7,628,952)
Gross profit		**1,297,038**	1,782,825
Other income	4	**319,193**	284,817
Other gains and losses	5	**85,480**	(4,064)
Share of result of an associate		**(178)**	(594)
Distribution and selling expenses		**(216,500)**	(209,423)
Administrative expenses		**(434,611)**	(450,818)
Research and development costs		**(675,179)**	(727,372)
Exchange gain (loss)		**3,553**	(47,008)
Finance costs		**(203,964)**	(203,846)
Profit before taxation	6	**174,832**	424,517
Taxation	7	**(127,354)**	(142,468)
Profit for the period		**47,478**	282,049
Loss for the period attributable to non-controlling interests		**(102,826)**	(68,041)
Profit for the period attributable to owners of the Company		**150,304**	350,090
Earnings per share			
– Basic	9	**RMB0.13**	RMB0.29
– Diluted	9	**RMB0.11**	RMB0.29

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	1.1.2023 to 30.6.2023 (Unaudited) RMB'000	1.1.2022 to 30.6.2022 (Unaudited) RMB'000
Profit for the period	**47,478**	282,049
Other comprehensive (expense) income:		
Item that will not be subsequently reclassified to profit or loss:		
Fair value changes on equity instruments at fair value through other comprehensive income ("FVTOCI")	**(130)**	(113,127)
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising from translation of foreign operations	**71,485**	(93,954)
Fair value changes on derivative financial instruments	**14,173**	1,738
Gain reclassified to profit or loss on hedged items	**(9,087)**	(12,526)
Total comprehensive income for the period	**123,919**	64,180
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	**223,090**	137,837
Non-controlling interests	**(99,171)**	(73,657)
	123,919	64,180

Condensed Consolidated Statement of Financial Position

At 30 June 2023

	NOTES	30.6.2023 (Unaudited) RMB'000	31.12.2022 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	10	**18,557,230**	19,301,682
Right-of-use assets	10	**1,909,768**	1,959,117
Goodwill		**275,365**	275,365
Deposits made for acquisition of property, plant and equipment		**213,910**	231,906
Investment properties	10	**131,043**	10,078
Interest in an associates		**3,120**	3,299
Equity instruments at FVTOCI	11	**451,772**	467,057
Financial assets at fair value through profit or loss ("FVTPL")	12	**308,700**	186,303
Derivative financial instruments	13	**1,489**	–
Intangible assets		**678,430**	563,954
Deferred tax assets		**210,300**	228,401
		22,741,127	23,227,162
Current assets			
Inventories		**3,495,491**	4,401,418
Trade and other receivables	14	**6,040,025**	5,531,160
Amounts due from related companies		**9,003**	8,259
Taxation recoverable		**7,368**	20,069
Pledged bank deposits		**200**	200
Short term fixed deposits		**–**	341,265
Cash and cash equivalents		**7,126,292**	6,813,725
		16,678,379	17,116,096
Current liabilities			
Trade and other payables	15	**4,915,472**	4,958,743
Contract liabilities		**20,105**	30,435
Amounts due to related companies		**23,279**	23,182
Taxation payable		**134,611**	117,762
Bank loans	16	**1,258,942**	1,832,603
Government grants		**131,064**	138,007
Lease liabilities		**355,439**	292,087
Derivative financial instruments	13	**–**	8,326
Contingent settlement provision	18	**1,684,034**	1,653,461
		8,522,946	9,054,606
Net current assets		**8,155,433**	8,061,490
Total assets less current liabilities		**30,896,560**	31,288,652

Condensed Consolidated Statement of Financial Position

At 30 June 2023

	NOTES	30.6.2023 (Unaudited) RMB'000	31.12.2022 (Audited) RMB'000
Non-current liabilities			
Bank loans	16	**1,829,900**	1,727,200
Unsecured notes	17	**5,983,548**	6,087,845
Government grants		**571,539**	640,368
Lease liabilities		**446,107**	485,095
Deferred tax liabilities		**41,278**	42,847
Derivative financial instruments	13	**–**	7,706
Other payables	15	**96,351**	101,976
		8,968,723	9,093,037
Net assets		**21,927,837**	22,195,615
Capital and reserves			
Share capital	19	**97,321**	97,708
Reserves		**21,393,382**	21,558,537
Equity attributable to owners of the Company		**21,490,703**	21,656,245
Non-controlling interests		**437,134**	539,370
Total equity		**21,927,837**	22,195,615

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the Company													
	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	Total RMB'000
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 FVTOCI	–	–	–	–	–	(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 18)	–	–	–	–	–	–	–	–	–	–	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
At 1 January 2023 (audited)	97,708	(308,292)	1,135	23,391	(503,661)	(472,773)	87,245	68,651	1,916,530	(5,559)	20,751,870	21,656,245	539,370	22,195,615
Exchange differences arising on translation of foreign operations	–	–	–	–	67,830	–	–	–	–	–	–	67,830	3,655	71,485
Fair value changes on equity instruments at FVTOCI	–	–	–	–	–	(130)	–	–	–	–	–	(130)	–	(130)
Fair value changes on derivative financial instruments	–	–	–	–	–	–	–	–	–	14,173	–	14,173	–	14,173
Gain reclassified to profit or loss on hedged items	–	–	–	–	–	–	–	–	–	(9,087)	–	(9,087)	–	(9,087)
Profit for the period	–	–	–	–	–	–	–	–	–	–	150,304	150,304	(102,826)	47,478
Total comprehensive income (expense) for the period	–	–	–	–	67,830	(130)	–	–	–	5,086	150,304	223,090	(99,171)	123,919
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	22,464	–	–	–	22,464	–	22,464
Shares vested under share award scheme (Note 20)	–	73,361	–	–	–	–	–	(39,956)	–	–	(33,405)	–	–	–
Share-based payment reserves under the subsidiary share incentive scheme	–	–	–	–	–	–	–	–	–	–	–	–	(3,065)	(3,065)
Purchase of shares under share award scheme	–	(242,709)	–	–	–	–	–	–	–	–	–	(242,709)	–	(242,709)
Share repurchased	–	(38,057)	–	–	–	–	–	–	–	–	–	(38,057)	–	(38,057)
Share cancelled	(387)	72,661	–	–	–	–	–	–	–	–	(72,274)	–	–	–
Dividends declared	–	–	–	–	–	–	–	–	–	–	(130,330)	(130,330)	–	(130,330)
At 30 June 2023 (unaudited)	97,321	(443,036)	1,135	23,391	(435,831)	(472,903)	87,245	51,159	1,916,530	(473)	20,666,165	21,490,703	437,134	21,927,837

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	NOTES	1.1.2023 to 30.6.2023 (Unaudited) RMB'000	1.1.2022 to 30.6.2022 (Unaudited) RMB'000
Net cash from operating activities		**2,053,543**	1,434,937
Net cash used in investing activities			
Deposits paid for acquisition of property, plant and equipment		**(92,310)**	(683,694)
Purchase of property, plant and equipment		**(622,592)**	(428,352)
Proceeds from disposal of property, plant and equipment		**7,435**	13,429
Acquisition of financial assets at FVTPL		**(114,185)**	(74,136)
Capital return from (acquisition of) equity instruments at FVTOCI		**18,666**	(2,500)
Purchase of intangible assets		**(151,745)**	(98,156)
Payments for rental deposits		**(375)**	(112)
Refund of rental deposits		**234**	–
Withdrawal of short–term fixed deposits		**341,265**	–
Interest received		**97,051**	14,350
Government grants received relating to acquisitions of non-current assets		**12,331**	133,254
Net cash outflow on acquisition of a subsidiary	22	**–**	(53,377)
Additions to right–of–use assets		**–**	(9,656)
Proceed from lessor on land resumption		**–**	7,263
Withdrawal of pledged bank deposits		**–**	1,685
		(504,225)	(1,180,002)
Net cash used in financing activities			
Repayment of bank loans		**(2,077,852)**	(2,042,884)
Bank loans raised		**1,616,544**	1,362,438
Shares repurchased		**(315,370)**	(62,477)
Payment for repurchase of unsecured notes	17	**(251,947)**	–
Dividends paid	8	**(130,330)**	–
Interest paid		**(160,177)**	(159,061)
Repayments of lease liabilities		**(37,079)**	(91,567)
Payment to derivative financial instruments		**(9,219)**	(16,160)
Receipt from derivative financial instruments		**5,224**	7,898
Net (payments for) proceeds from the subsidiary share incentive scheme	20	**(3,068)**	3,422
Return of capital contributions from non-controlling interests of a subsidiary	18	**–**	(130,000)
		(1,363,274)	(1,128,391)
Net increase (decrease) in cash and cash equivalents		**186,044**	(873,456)
Cash and cash equivalents at 1 January		**6,813,725**	6,051,372
Effect of foreign exchange rate changes		**126,523**	40,441
Cash and cash equivalents at 30 June		**7,126,292**	5,218,357

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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") and the application of certain accounting policies became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 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 2022. Prior year disclosure has been represented to conform with the current year presentation for certain line items.

Transfer from owner-occupied property to investment property carried at cost model

If a property becomes an investment property measured using the cost model because its use has changed as evidenced by end of owner-occupation, the carrying amount of the property is transferred to the investment property and continued to be measured at cost less subsequent accumulated depreciation and any accumulated impairment losses.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following new and 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 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of amendments to IFRSs (continued)

Impacts on application of Amendments to IAS 8 "Definition of Accounting Estimates"

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements.

Impacts and changes in accounting policies on application of Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

Accounting Policies

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, for provisions for decommissioning and restoration in which the tax deductions are attributable to ultimate costs incurred the Group applies IAS 12 requirements to the lease liabilities, the provisions for decommissioning and restoration and the related assets separately. The Group recognised a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Transition and summary of effects

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of amendments to IFRSs (continued)

Impacts on application of Amendments to IAS 12 "Income Taxes International Tax Reform Pillar Two model Rules"

IAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"). The amendments require that entities shall apply the amendments immediately upon issuance.

The amendments also require that entities shall disclose separately its current tax expense/income related to Pillar Two income taxes, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on 1 January 2023.

The Group is yet to apply the temporary exception during the current interim period because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

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 "Operating Segments" are acoustics products, electromagnetic drives and precision mechanics, optics products, sensor and semiconductor products 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 had been transferred.

No operating segments had 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 "Revenue from Contracts with Customers", the transaction price allocated to these unsatisfied contracts is not disclosed.

Information regarding these segments is presented below.

3. SEGMENT INFORMATION (continued)

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

	1.1.2023 to 30.6.2023 RMB'000 (Unaudited)	1.1.2022 to 30.6.2022 RMB'000 (Unaudited)
Operating and reportable segments		
Segment revenue – recognised at a point in time		
Acoustics products	**3,323,272**	4,147,709
Electromagnetic drives and precision mechanics	**3,619,700**	2,932,796
Optics products	**1,771,277**	1,852,432
Sensor and semiconductor products	**494,078**	478,840
Other products	**10,617**	–
	9,218,944	9,411,777
Segment results		
Acoustics products	**847,362**	1,129,706
Electromagnetic drives and precision mechanics	**697,361**	598,896
Optics products	**(300,919)**	(11,226)
Sensor and semiconductor products	**55,622**	65,449
Other products	**(2,388)**	–
Total profit for operating and reportable segments – gross profit	**1,297,038**	1,782,825
Unallocated amounts:		
Interest income	**106,836**	19,815
Other income (excluding interest income)	**212,357**	265,002
Other gains and losses	**85,480**	(4,064)
Share of results of an associate	**(178)**	(594)
Distribution and selling expenses	**(216,500)**	(209,423)
Administrative expenses	**(434,611)**	(450,818)
Research and development costs	**(675,179)**	(727,372)
Exchange gain (loss)	**3,553**	(47,008)
Finance costs	**(203,964)**	(203,846)
Profit before taxation	**174,832**	424,517

Segment results represent the profit (loss) earned by each segment without allocation of interest income, other income (excluding interest income), other gains and losses, share of results of an associate, distribution and selling expenses, administration expenses, research and development costs, exchange gain (loss) and finance costs. This is the measure reported to the key operating decision 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.

3. SEGMENT INFORMATION (continued)

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

	1.1.2023 to 30.6.2023 RMB'000 (Unaudited)	1.1.2022 to 30.6.2022 RMB'000 (Unaudited)
Greater China* (country of domicile)	**4,509,060**	4,416,687
Other foreign countries:		
America	**4,139,844**	4,232,858
Other Asian countries	**553,975**	761,255
Europe	**16,065**	977
	9,218,944	9,411,777

* 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 RMB7,015,868,000 (six months ended 30 June 2022: RMB5,848,620,000). 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

	1.1.2023 to 30.6.2023 RMB'000 (Unaudited)	1.1.2022 to 30.6.2022 RMB'000 (Unaudited)
The Group's other income mainly comprises:		
Government grants (note)	**180,003**	237,345
Interest income	**106,836**	19,815
Rental income	**5,168**	5,602

Note: Included in the amount is RMB103,434,000 (six months ended 30 June 2022: RMB144,236,000) representing amortisation of government grants. In addition, during the current interim period, the Group recognised government grants of RMB389,000 in respect of COVID-19-related subsidies (six months ended 30 June 2022: RMB1,111,000). 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 during the period of recognition.

5. OTHER GAINS AND LOSSES

	1.1.2023 to 30.6.2023 RMB'000 (Unaudited)	1.1.2022 to 30.6.2022 RMB'000 (Unaudited)
The Group's other gains and losses mainly comprises:		
Gain on repurchase of unsecured notes	**78,082**	–
Gain (loss) on disposal/write-off of property, plant and equipment	**7,258**	(10,935)
Gain from changes in fair value of derivative financial instruments	**–**	4,812
Gain on termination of leases	**140**	86
Gain on derecognition of right-of-use assets	**–**	1,973

6. PROFIT BEFORE TAXATION

	1.1.2023 to 30.6.2023 RMB'000 (Unaudited)	1.1.2022 to 30.6.2022 RMB'000 (Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**1,327,985**	1,326,600
Depreciation of investment properties	**643**	597
Depreciation of right-of-use assets	**108,080**	109,179
Total depreciation*	**1,436,708**	1,436,376
Less: Depreciation of right-of-use assets capitalised in qualifying assets	**(12,564)**	(15,052)
	1,424,144	1,421,324
Amortisation of intangible assets	**55,831**	29,184
(Reversal of) write-down of inventories included in cost of goods sold	**(116,177)**	66,280
Cost of raw materials included in research and development costs	**80,753**	71,039

* Depreciation of RMB126,174,000 (six months ended 30 June 2022: RMB136,959,000) had been included in research and development costs.

7. TAXATION

	1.1.2023 to 30.6.2023 RMB'000 (Unaudited)	1.1.2022 to 30.6.2022 RMB'000 (Unaudited)
The tax charge comprises:		
PRC Enterprise Income Tax	**99,393**	108,258
Other jurisdictions	**15,618**	6,582
Over provision of taxation in prior years	**(3,506)**	(12,282)
	111,505	102,558
PRC and overseas withholding tax	**108**	51
Deferred tax	**15,741**	39,859
	127,354	142,468

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%, for both periods, unless the group entities entitle to other preferential tax treatment granted by the relevant PRC tax authority.

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

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

In addition, certain PRC subsidiaries were officially endorsed as High-New Technology Enterprises ("HNTE") till the dates ranging from 2023 to 2024 (six months ended 30 June 2022: 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.

In March 2021, the Ministry of Finance and the State Administration of Taxation released No. 13 announcement of 2021 named "Announcement on Further Improving the Policy on Pre-tax Deduction of Research and Development Expenses", according to which certain PRC subsidiaries engaged in manufacturing industry are entitled to an additional 100% 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 fulfilment of carrying out qualifying business activities. This incentive program is effective from 1 January 2019 for 10-year period.

7. TAXATION (continued)

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

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

8. DIVIDENDS

During the current interim period, a final dividend of HK$0.12 per share in respect of the year ended 31 December 2022 (six months ended 30 June 2022: No final dividend in respect of the year ended 31 December 2021) was paid to shareholders of the Company. The aggregate amount of the final dividend was paid in the interim period amounted to HK$143,820,000 (equivalent to RMB130,330,000) (six months ended 30 June 2022: No final dividend).

Subsequent to the end of the interim period, the Directors have resolved not to declare an interim dividend.

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per attributable to owners of the Company is based on the following data:

	Six months ended	
	30.6.2023	30.6.2022
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic earnings per share	**150,304**	350,090
Effect of share of loss of subsidiaries*	**(19,883)**	–
Earnings for the purpose of diluted earnings per share	**130,421**	–

	Six months ended	
	30.6.2023	30.6.2022
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue during the period for the purpose of calculating basic earnings per share	**1,182,185**	1,200,190
Effect of dilutive potential ordinary shares:		
Adjustment in relation to share awards granted by the Company	**4,570**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,186,755**	1,200,190

* Adjustment to the share of loss of subsidiaries based on dilution of the loss per share arising from the effect of contingent settlement provision (six months ended 30 June 2022: the Directors consider the effect of contingent settlement provision was insignificant or antidilution).

The computation of diluted earnings per share for the six months ended 30 June 2023 and 2022 did not consider the effect arising from the unvested restricted shares granted by a subsidiary as set out in note 20 as the exercise would result in an increase in earnings per share.

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

(i) Property, plant and equipment

During the six months ended 30 June 2023, the Group acquired property, plant and equipment of RMB634,095,000 (six months ended 30 June 2022: RMB1,103,353,000). Part of the consideration of RMB231,906,000 (six months ended 30 June 2022: RMB317,127,000) was paid up in advance in prior year.

Also, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB177,000 (six months ended 30 June 2022: RMB24,364,000) for proceeds of RMB7,435,000 (six months ended 30 June 2022: RMB13,429,000) and resulting in a gain on disposal of RMB7,258,000 (six months ended 30 June 2022: loss on disposal of RMB10,935,000).

During the six months ended 30 June 2023, property, plant and equipment with an aggregate carrying amount of RMB113,590,000 is transferred to investment properties (six months ended 30 June 2022: Nil).

(ii) Right-of-use assets

During the six months ended 30 June 2023, the Group renewed several lease agreements and entered into several new lease agreements for the use of land and buildings ranging from 3 to 6 years (six months ended 30 June 2022: 1 to 4.58 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 right of use assets of RMB54,421,000 and lease liabilities of RMB54,046,000 (six months ended 30 June 2022: right-of-use assets of RMB32,950,000 and lease liabilities of RMB32,950,000). The recognition of newly added right-of-use assets constitutes non-cash transactions.

During the six months ended 30 June 2023, leasehold land of RMB8,018,000 is transferred to investment properties (six months ended 30 June 2022: Nil).

During the six months ended 30 June 2022, the Group returned the leasehold land with carrying amount of RMB5,290,000 to government at consideration of RMB7,263,000 and a gain of derecognition of right-of-use assets of RMB1,973,000 was recognised in profit or loss (six months ended 30 June 2023: Nil).

In addition, during the six months ended 30 June 2023, the Group early terminated certain leases which constitutes lease modification. As a result, the Group has derecognised right-of-use assets of RMB889,000 (six months ended 30 June 2022: RMB2,718,000) and lease liabilities of RMB1,029,000 (six months ended 30 June 2022: RMB2,804,000), and a gain of lease termination of RMB140,000 (six months ended 30 June 2022: RMB86,000) is recognised in profit or loss.

(iii) Investment properties

During the six months ended 30 June 2023, property, plant and equipment of RMB113,590,000 and leasehold land of RMB8,018,000 are transferred to investment properties upon leasing to an independent third party for rental income.

During the six months ended 30 June 2023, depreciation on the investment properties amounted to RMB643,000 (six months ended 30 June 2022: RMB597,000) was charged to the profit or loss.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES (continued)

Impairment assessment

Due to the loss from the optics products segment in the current interim period, the management of the Group conducted impairment assessment on certain property plant and equipment and right-of-use assets and intangible assets with finite useful lives with carrying amounts of RMB5,482,377,000 (31 December 2022: RMB5,824,319,000), RMB364,456,000 (31 December 2022: RMB383,727,000) and RMB96,461,000 (31 December 2022: RMB103,487,000) respectively related to the optics products segment. The Group estimates the recoverable amounts of the cash-generating units of optics product segment to which the assets belongs when it is not possible to estimate the recoverable amount individually, including allocation of corporate assets when reasonable and consistent basis can be established.

The recoverable amount of cash-generated unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the respective subsidiary covering the following 5 years with a pre-tax discount rate is 11.7% as at 30 June 2023 (31 December 2022: 11.7%). The cash flows beyond 5-year period are extrapolated using 3% growth rate for the relevant industry (31 December 2022: 3%). Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on the cash-generating units' past performance and management expectations for the market development.

Based on the result of the assessment, management of the Group determined that the carrying amount of the relevant assets does not exceed the recoverable amount based on the value in use and no impairment loss has been recognised for the six months ended 30 June 2023 (31 December 2022: Nil).

11. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30.6.2023 **RMB'000** **(Unaudited)**	31.12.2022 RMB'000 (Audited)
Unlisted shares	**408,076**	424,798
Listed shares	**43,696**	42,259
	451,772	467,057

Unlisted shares

The unlisted equity investments represent the Group's equity interest in private entities. The equity instruments mainly 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, (iv) solid state Light Detection And Ranging ("LiDAR") senor for automotive series use, and (v) research, development, manufacturing and marketing of electronic equipment in the field of high-end audio.

During the six months ended 30 June 2023, the Group received return on capital from a private entity engaged in manufacturing of electromagnetic drives and precision mechanics at a compensation of US$2,761,000 (equivalent to approximately RMB18,666,000).

During the six months ended 30 June 2022, the Group acquired certain equity interests in a private entity engaged in manufacturing of semiconductor components at a consideration of RMB2,500,000.

11. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Listed shares

The amount represents the Group's investment in a company listed in Japan. As at 30 June 2023, the fair value of the investment determined by reference to the quoted market bid prices available was RMB43,696,000 (31 December 2022: RMB42,259,000).

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.6.2023	31.12.2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Convertible loans	**40,475**	39,012
Unlisted shares	**268,225**	147,291
	308,700	186,303

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 ("Fund A"), (ii) a private equity fund primarily investing in private entities in sensor and semiconductor business ("Fund B"), (iii) a preferred shares investment in a private entity in sensor and semiconductor business, and (iv) a private entity in augmented reality displays manufacturing business.

During the six months ended 30 June 2023, the Group acquired certain equity interests in a private entity engaged in automotive business at a consideration of RMB50,000,000. In addition, the Group (i) made addition contribution of US$6,980,000 (equivalent to approximately RMB50,114,000) and GBP359,000 (equivalent to approximately RMB3,232,000) to the private equity funds mentioned above and (ii) acquired additional interest in a private entity which engaged in sensor and semiconductor business at a consideration of US$1,500,000 (equivalent to approximately RMB10,839,000).

During the six months ended 30 June 2022, 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.

The above investments are classified as financial assets at FVTPL and presented under non-current assets as they are not held for trading, instead, they are held for long-term strategic purpose.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	Current		Non-current	
	30.6.2023	31.12.2022	**30.6.2023**	31.12.2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Derivatives financial assets				
Cross currency swap contract	**–**	–	**1,489**	–
Derivatives financial liabilities				
Cross currency swap contract	**–**	8,326	**–**	7,706

The Group entered into a cross currency swap contract with a commercial bank to minimise the exposure to fluctuations in foreign currency exchange rates of US$ denominated unsecured notes. The critical terms of the cross currency swap contract and the corresponding US$ denominated unsecured notes were closely aligned and the management considers that the cross currency swap contract is highly effective hedging instrument and qualified as cash flow hedge. Fair value change on this hedging instrument in cash flow hedge of gain of RMB5,086,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: loss of RMB10,788,000) has been recognised in other comprehensive income and accumulated in the hedging reserve. Gain of RMB9,087,000 (six months ended 30 June 2022: gain of RMB12,526,000) on cash flow hedge was reclassified to profit or loss.

14. TRADE AND OTHER RECEIVABLES

	30.6.2023	31.12.2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables	**4,591,502**	4,089,490
Bank acceptance and commercial bills	**178,598**	189,168
	4,770,100	4,278,658
Prepayments	**299,727**	314,409
Value-added tax recoverable	**647,093**	666,099
Other receivables	**318,752**	263,471
Loan and interest receivables*	**4,353**	8,523
	6,040,025	5,531,160

* Loans of RMB4,347,000 (2022: RMB8,359,000) made to certain suppliers of the Group, which are unsecured, carry interest rates at 1% (2022: 1% to 4.35%) per annum. The amounts are repayable in 1 year.

14. TRADE AND OTHER RECEIVABLES (continued)

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 or notes issued dates at the end of the reporting period, which approximates the respective revenue recognition dates.

	30.6.2023 RMB'000 (Unaudited)	31.12.2022 RMB'000 (Audited)
Age		
0 - 90 days	4,346,564	4,098,361
91 - 180 days	413,640	169,795
Over 180 days	9,896	10,502
	4,770,100	4,278,658

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.

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.

15. TRADE AND OTHER PAYABLES

	30.6.2023 RMB'000 (Unaudited)	31.12.2022 RMB'000 (Audited)
Trade payables	2,603,470	2,131,255
Notes payables - guaranteed	871,641	1,111,657
	3,475,111	3,242,912
Payroll and welfare payables	348,446	444,049
Payables for acquisition of property, plant and equipment	561,766	673,133
Other payables and accruals (note i)	542,701	613,509
Payables related to restricted shares granted to employee (Note 20)	83,799	87,116
	5,011,823	5,060,719
Less: Other payables for settlement after 12 months shown under non-current liabilities (note ii)	(96,351)	(101,976)
	4,915,472	4,958,743

15. TRADE AND OTHER PAYABLES (continued)

Notes:

(i) The consideration for share repurchased in December 2022 amounting to RMB34,604,000 was included in other payables as at 31 December 2022 (30 June 2023: Nil).

(ii) Included in other payables including certain payment of the patent acquired in 2022 which is deferred to be payable after 1 year and presented as non-current liabilities.

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

	30.6.2023 RMB'000 (Unaudited)	31.12.2022 RMB'000 (Audited)
Age		
0 - 90 days	**2,798,612**	2,576,830
91 - 180 days	**656,604**	654,872
Over 180 days	**19,895**	11,210
	3,475,111	3,242,912

16. BANK LOANS

The variable rate bank loans carry interest ranging from 2.67% to 3.17% (31 December 2022: 2.55% to 4.90%) per annum. The fixed rate bank loans carry interest ranging from 1.75% to 3.00% (31 December 2022: 1.75% to 3.80%) per annum. The Company has issued guarantees to respective banks to secure the borrowings.

17. UNSECURED NOTES

Unsecured notes issued in 2019

In 2019, the Group issued unsecured notes of US$388,000,000 due on 27 November 2024 at a fixed interest rate of 3.0% per annum ("2024 Notes"), payable semi-annually in arrears. The unsecured note is listed on the Hong Kong Stock Exchange. The effective interest rate of the 2024 Notes is 3.1506% per annum.

As at period ended 30 June 2023, the principal amounts of the outstanding unsecured notes include 2024 Notes of US$276,818,000 (31 December 2022: US$276,818,000) with the carrying amount of RMB1,995,487,000 (31 December 2022: RMB1,921,798,000).

Unsecured notes issued in 2021

In 2021, the Group issued unsecured notes of US$300,000,000 due on 2 June 2026 at a fixed coupon rate of 2.625% per annum ("2026 Notes") and US$350,000,000 due on 2 June 2031 at fixed coupon rate of 3.750% per annum ("2031 Notes"). The unsecured notes are listed on the Hong Kong Stock Exchange. The effective interest rates of the 2026 Notes and 2031 Notes are 2.7023% and 3.8656% respectively.

As at period ended 30 June 2023, the principal amounts of the outstanding unsecured notes include 2026 Notes of US$240,604,000 (31 December 2022: US$252,604,000) with the carrying amount of RMB1,734,054,000 (31 December 2022: RMB1,753,985,000) and 2031 Notes of US$315,073,000 (31 December 2022: US$350,000,000) with the carrying amount of RMB2,254,007,000 (31 December 2022: RMB2,412,062,000).

During the six months ended 30 June 2023, the Group repurchased the 2026 Notes with the principal amount of US$12,000,000 at a consideration of US$10,485,000 and carrying amount is RMB84,786,000 and 2031 Notes with the principal amount of US$34,927,000 at a consideration of US$24,982,000 and carrying amount is RMB245,243,000 from open market and the notes are cancelled accordingly upon the repurchase. As a result of the derecognition of the unsecured notes repurchased, a gain on derecognition of the financial liabilities of RMB78,082,000 was recognised in the profit or loss. The repurchase of its outstanding 2026 Notes and 2031 Notes is for the purpose of optimising its debt structure and proactive management of its liabilities.

18. 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 in 2023.

According to the share transfer agreement dated 10 May 2022, AAC Technologies Limited ("AAC HK") agreed to purchase 48,289,693 shares of AAC Optics (Changzhou) Co., Ltd. ("AAC Optics"), which represents approximately 0.7133% of the total number of shares issued by AAC Optics, from an independent strategic investor (the "Seller") at a consideration of RMB130,000,000 which was equal to the principal amount of the capital from the Seller in 2020. The gross obligation of RMB130,000,000 was derecognised against the equity upon the return of the capital contribution from that strategic investor. This transaction resulted in changes in the Group's interest in AAC Optics from 80.38% to 81.10%. In addition, the Seller also entered into share transfer agreements with other strategic investors to transfer in aggregate 0.8232% interest in AAC Optics. As a result of these transactions, the contingent settlement provision amounted to RMB147,789,000, which represented the consideration paid by AAC HK and the forfeiture of interests that the Seller was originally entitled to, were derecognised. The difference between the amounts of the contingent settlement provision derecognised and the consideration paid amounting to RMB17,789,000 was credited directly in equity and attributed to owners of the Company.

According to the Company's announcement dated 16 December 2022, the Company decided to delay the timetable for the proposed spin-off and separate listing, and, the Shanghai Stock Exchange accepted the application initiated by AAC Optics to withdraw the application documents in relation to the purposed spin-off and separate listing. The Company considers that the proposed spin-off and separate listing, if it proceeds, will be commercially beneficial to the Company and AAC Optics, and the Company intended to continue to pursue the proposed spin-off and separate listing when, amongst others, market conditions improve.

19. SHARE CAPITAL

	Number of shares	Amount US$'000
Shares of US$0.01 each		
Authorised:		
Ordinary shares at 1 January 2022, 30 June 2022, 1 January 2023 and 30 June 2023	5,000,000,000	50,000
Issued and fully paid:		
Ordinary shares at 1 January 2022, 30 June 2022	1,208,500,000	12,085
Ordinary shares at 1 January 2023	**1,203,250,000**	**12,033**
Shares repurchased and cancelled	**(4,750,000)**	**(48)**
Ordinary shares at 30 June 2023	**1,198,500,000**	**11,985**

19. SHARE CAPITAL (continued)

	RMB'000
Presented in the condensed consolidated statement of financial position	
At 1 January 2022 and 30 June 2022	98,135
At 1 January 2023	**97,708**
Shares repurchased and cancelled	**(387)**
At 30 June 2023	**97,321**

During the six months ended 30 June 2023, the Company repurchased its own ordinary shares through The Hong Kong Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of US$0.01 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration HK$'000
January	2,544,500	18.02	16.40	42,766

During the six months ended 30 June 2023, the Company repurchased a total of 2,544,500 issued ordinary shares of the Company in the market for a consideration of HK$42,766,000 (equivalent to approximately RMB38,057,000) (six months ended 30 June 2022: Nil). During the six months ended 30 June 2023, 2,544,500 ordinary shares repurchased in current period and 2,205,000 ordinary shares repurchased in December 2022 were cancelled (six months ended 30 June 2022: Nil).

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the current interim period.

20. SHARE AWARD SCHEME

Share award scheme of the Company

2016 share award scheme of the Company

The Company on 23 March 2016 had adopted the AAC Share Award Scheme (the "2016 Scheme") constituted by a 2016 trust deed between the Company and Bank of Communications Trustee Limited (the "2016 Trustee"), in which employees may be selected by the Board of Directors to participate. Pursuant to the 2016 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 2016 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 2016 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.

20. SHARE AWARD SCHEME (continued)

Share award scheme of the Company (continued)

2016 share award scheme of the Company (continued)

On 24 March 2022, the Company granted a total of 10,230,593 shares to 340 selected employees pursuant to the 2016 Scheme at nil consideration. The fair value of the shares granted pursuant to the 2016 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 shares granted would be vested over a requisite service period up to three years from the date of grant subject to the relevant key performance targets.

During the six months ended 30 June 2023, the 2016 Trustee purchased an aggregate of 9,544,000 shares at prices ranging from HK$15.3 to HK$21.5 per share at a total consideration of HK$174,746,000 (equivalent to RMB154,042,000) on Hong Kong Stock Exchange for the purpose of the 2016 Scheme (six months ended 30 June 2022: the 2016 Trustee purchased an aggregate of 4,188,500 shares at prices ranging from HK$17.9 to HK$19.2 per share at a total consideration of HK$77,283,000 (equivalent to RMB62,477,000)).

As at 30 June 2023, an aggregate of 17,210,645 shares (31 December 2022: 10,231,000 shares) of the Company had been purchased and held by the 2016 Trustee. Since the date of adoption of the 2016 Scheme up to 30 June 2023, no new shares had been issued to the 2016 Trustee.

Movement of the shares granted to selected employee(s) under the 2016 Scheme during the period ended 30 June 2023 and 30 June 2022 are as follows:

For the period ended 30 June 2023

		Number of shares			
Date of grant	**Vesting period**	**At 1 January 2023**	**Vested on 24 March 2023**	**Shares entitlement forfeited**	**At 30 June 2023**
24 March 2022	24 March 2022 to 24 March 2023	**3,193,933**	**(2,722,799)**	**(471,134)**	**–**
24 March 2022	24 March 2022 to 24 March 2024	**3,193,933**	**–**	**(198,697)**	**2,995,236**
24 March 2022	24 March 2022 to 24 March 2025	**3,203,524**	**–**	**(199,294)**	**3,004,230**
		9,591,390	**(2,722,799)**	**(869,125)**	**5,999,466**

For the period ended 30 June 2022

		Number of shares			
Date of grant	Vesting period	At 1 January 2022	Granted on 24 March 2022	Shares entitlement forfeited	At 30 June 2022
24 March 2022	24 March 2022 to 24 March 2023	–	3,406,787	(48,797)	3,357,990
24 March 2022	24 March 2022 to 24 March 2024	–	3,406,787	(48,797)	3,357,990
24 March 2022	24 March 2022 to 24 March 2025	–	3,417,019	(48,943)	3,368,076
		–	10,230,593	(146,537)	10,084,056

20. SHARE AWARD SCHEME (continued)

Share award scheme of the Company (continued)

2016 share award scheme of the Company (continued)

The terms and conditions of the grants are as follows for both periods:

	Number of shares	Vest 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
	10,230,593					180,467,661

During the six months ended 30 June 2023, the Group recognised total expenses of RMB22,464,000 (six months ended 30 June 2022: RMB24,860,000) in relation to the 2016 Scheme shares granted by the Company.

2023 share award scheme of the Company

The Company has adopted a new share award scheme the ("2023 Scheme") pursuant to a resolution passed on 17 April 2023 which constituted by a Trust Deed between the Company and BOCI Trustee (Hong Kong) Limited (the "2023 Trustee"), in which employees may be selected by the Board of Directors to participate. Pursuant to the 2023 Scheme, shares of the Company will be purchased on the Hong Kong Stock Exchange, by the 2023 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 2023 Trustee who holds the shares for the benefit of the selected employees. A grantee shall not have any interest or rights (including the right to receive dividends) in the shares prior to the vesting of the shares.

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

During the six months ended 30 June 2023, the 2023 Trustee purchased an aggregate of 5,952,500 shares at prices ranging from HK$16.2 to HK$17.5 per share at a total consideration of HK$100,818,000 (equivalent to RMB88,667,000) on the Hong Kong Stock Exchange for the purpose of the 2023 Scheme.

As at 30 June 2023, an aggregate of 5,952,500 shares of the Company had been purchased and held by the 2023 Trustee. Since the adoption of 2023 Scheme up to 30 June 2023, no new shares had been issued to the 2023 Trustee.

No share awards have been granted to any employees since adoption of the 2023 Scheme.

20. SHARE AWARD SCHEME (continued)

Subsidiary share incentive scheme ("Subsidiary Scheme")

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 2023, the net cash payment to the Eligible Scheme Participants under the Subsidiary Scheme was RMB3,068,000 (six months ended 30 June 2022: the repayment of the loans from the Group to certain Eligible Scheme Participants was RMB3,422,000).

Except for 11,163,857 shares which were granted and vested immediately in 2021, the remaining shares would be vested over a requisite service period of up to three-and-a-half years 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.

During the six months ended 30 June 2023, the Group repurchased of 4,260,520 Restricted Shares at the subscription price of RMB1 per share of AAC Optics from the Eligible Scheme Participants and no shares were granted during the six months ended 30 June 2023. The granted shares were vested over a requisite service period from the date of grant in 2022 to the end of 2024 subject to the relevant key performance targets of AAC Optics during the vesting period. During the six months ended 30 June 2022, no Restricted Shares were granted to or repurchase from the Eligible Scheme Participants.

As at 30 June 2023, the net cash proceed of unvested portion of Restricted Shares, amounting to RMB83,799,000, is recorded as other payables as the shares are contingently returnable (31 December 2022: RMB87,116,000).

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 2022 and 30 June 2022	124,214,061	208,957
Unvested as at 1 January 2023	**115,166,715**	**193,891**
Repurchased during the period	**(4,260,520)**	**(7,133)**
Unvested as at 30 June 2023	**110,906,195**	**186,758**

20. SHARE AWARD SCHEME (continued)

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

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

As of 30 June 2023, there are 13,307,866 Restricted Shares (31 December 2022: 9,047,346 Restricted 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 2023, the shared-based payment credited to profit or loss of AAC Optics was RMB3,065,000 (six months ended 30 June 2022: shared-based payment charged to profit or loss of AAC Optics was RMB27,149,000) in relation to the Subsidiary Scheme shares granted by the subsidiary and the amount was debited (six months ended 30 June 2022: 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 granted during the six months ended 30 June 2023 and 30 June 2022 was based on the consideration of the latest transaction price of AAC Optics in 2022.

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 2023 and 2022, no revision of the estimates was noted.

21. CAPITAL COMMITMENTS

	30.6.2023 RMB'000 (Unaudited)	31.12.2022 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	**793,686**	623,271
– capital contribution to financial assets at FVTPL	**309,257**	335,810
	1,102,943	959,081

22. 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 had been accounted for using the acquisition method.

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

Assets and liabilities 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 was 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

22. ACQUISITION OF A SUBSIDIARY (continued)

Impact of acquisition on the results of the Group

Included in the profit for the period ended 30 June 2022 is RMB3,175,000 attributable to the additional business generated by Suzhou Speed. Revenue for the period ended 30 June 2022 includes RMB23,312,000 generated from Suzhou Speed.

Had the acquisition of Suzhou Speed been completed on 1 January 2022, revenue for the period ended 30 June 2022 of the Group would have been RMB9,451,646,000, and the profit for the period ended 30 June 2022 of the Group would have been RMB291,574,000. The pro forma information was for illustrative purposes only and was 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 was 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 period ended 30 June 2022, 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.

23. 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	**1.1.2023 to 30.6.2023 RMB'000 (Unaudited)**	1.1.2022 to 30.6.2022 RMB'000 (Unaudited)
Purchase of raw materials	**26,229**	29,211
Services fee recharged	**385**	104
Payment for leases liabilities	**9,391**	10,059
Property rentals received	**777**	777
Interest on lease liabilities	**795**	379
	US$'000 (Unaudited)	US$'000 (Unaudited)
Payment for leases liabilities	**80**	80
Interest on lease liabilities	**11**	2

23. RELATED PARTY TRANSACTIONS (continued)

Nature of balance	30.6.2023 RMB'000 (Unaudited)	31.12.2022 RMB'000 (Audited)
Lease liabilities	39,541	46,569

	US$'000 (Unaudited)	US$'000 (Audited)
Lease liabilities	376	445

During the period, the emoluments paid to the key management personnel of the Company, who represent the Directors of the Company, were RMB6,349,000 (six months ended 30 June 2022: RMB5,960,000).

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The investment committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Innovation Officer reports the investment committee's findings to the directors of the Company every quarter to explain the cause of fluctuations in the fair value.

The fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) 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 is 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).

24. 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

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.

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30.6.2023 RMB'000 (Unaudited)	31.12.2022 RMB'000 (Audited)		
Equity instruments at FVTOCI – Listed shares	**43,696**	42,259	Level 1	Quoted bid prices in an active market
Equity instruments at FVTOCI – Unlisted equity investments	**62,769**	46,342	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 – Unlisted equity investments	**345,307**	233,115	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 – Unlisted equity investments	**–**	145,341	Level 3	Recent transaction prices of underlying investments
Total equity instruments at FVTOCI	**451,772**	467,057		
Financial assets at FVTPL	**50,906**	–	Level 3	Recent transaction prices of underlying investments
Financial assets at FVTPL	**170,351**	112,468	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.
Financial assets at FVTPL	**46,968**	34,823	Level 3	Income approach. The discounted cash flow method was used to capture future economic benefits or the present value of the future expected cash flows to be derived from the ownership of these investments.
Financial assets at FVTPL	**40,475**	39,012	Level 3	Binomial Option Pricing Model
Total financial assets at FVTPL	**308,700**	186,303		

24. 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/liabilities	Fair value as at 30.6.2023 RMB'000 (Unaudited)	Fair value as at 31.12.2022 RMB'000 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Cross currency swap contract	**1,489 Assets (under hedge accounting)**	– Assets (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.
Cross currency swap contract	**– Liabilities (under hedge accounting)**	16,032 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 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
At 1 January 2023 (audited)	**424,798**	**186,303**
(Capital return) purchase made	**(18,666)**	**114,185**
Fair value loss in other comprehensive income	**(3,369)**	**–**
Currency realignment	**5,313**	**8,212**
At 30 June 2023 (unaudited)	**408,076**	**308,700**

Included in other comprehensive income is an amount of RMB3,369,000 loss (six months ended 30 June 2022: RMB101,987,000 loss) relating to unlisted equity securities classified as equity instruments at FVTOCI held at the end of the current reporting period and is reported as changes of FVTOCI.

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

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 RMB5,055,853,000 (31 December 2022: RMB4,971,698,000), 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.

25. CONTINGENT LIABILITIES

During the period ended 30 June 2023, the subsidiaries of the Group are defendants in a number of litigation proceedings in respect of alleged infringement of certain invention patents and utility model patents. The Directors of the Company consider that no provision is required because the aforesaid legal proceedings are still at early evidence examination stage and based on the advice from the PRC legal advisers, there are valid grounds to defend. Further details of the litigations were set out in the Company's announcements dated 15 November 2022.

26. EVENT AFTER THE REPORTING PERIOD

On 10 August 2023, the Group entered into the sale and purchase agreement pursuant to which the Group agreed to purchase all of the issued shares in Acoustics Solutions International B.V. (the "Target") from Acoustics Solutions Holding B.V. and Stichting Administratiekantoor Acoustics Solutions International (collectively, the "Sellers"). Pursuant to the sale and purchase agreement, the Group will purchase the sale shares from the Sellers in two tranches, with the first tranche shares and the second tranche shares comprising 80% and 20%, respectively, of the issued shares in the capital of the Target.

The first tranche purchase price will comprise the sum of US$320,000,000 (the "Initial Purchase Price") (representing an equity value of US$400,000,000 for 100% of the sale shares) together with interest thereon from 1 April 2023 to the date of first tranche completion less the price adjusting leakage (if any), the second tranche purchase price will comprise the sum of: (i) an agreed multiple of the Target EBITDA plus (ii) the Target adjusted net financial debt (cash) multiplied by 20% together with interest thereon from the second tranche effective date (being 1 April 2025) (or the postponed second tranche effective date, being 1 April 2026 or 1 April 2027) to the date of second tranche completion. The Sellers or the Group have the right to postpone the second tranche effective date from 1 April 2025 by up to two times by one year each time, that is, to 1 April 2026 or 1 April 2027. If the postponement right is exercised by one of the parties and the other party disagrees with the postponement, the Group will purchase the second tranche shares at a fixed purchase price (the maximum purchase price is US$204,613,000) together with interest thereon. For details of the transaction, please refer to the announcement of the Company dated 10 August 2023.

Past 5 First-half Financial Summary

	Six months ended 30 June				
RESULTS	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	**2023** **RMB'000**
Revenue	7,567,523	7,837,054	8,609,140	9,411,777	**9,218,944**
Reported profit before taxation	887,822	437,131	981,738	424,517	**174,832**
Taxation	(118,013)	(116,840)	(53,242)	(142,468)	**(127,354)**
Reported profit	769,809	320,291	928,496	282,049	**47,478**
Attributable to:					
Owners of the Company-reported	769,809	320,465	920,952	350,090	**150,304**
Non-controlling interests	–	(174)	7,544	(68,041)	**(102,826)**
	769,809	320,291	928,496	282,049	**47,478**
Reported Basic EPS	RMB0.64	RMB0.27	RMB0.76	RMB0.29	**RMB0.13**
Adjusted recurring Basic EPS	RMB0.62	RMB0.27	RMB0.76	RMB0.29	**RMB0.13**
Interim dividend	HK$0.40	HK$0.10	HK$0.20	–	**–**
No. of shares (weighted average)	1,211,874,000	1,208,500,000	1,208,500,000	1,200,190,000	**1,182,185,000**
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 in 2019 and the gain on fair value change of derivative financial instruments in 2022, as disclosed in the interim report of reception years:					
i. Deduct the gain on fair value change of derivative financial instruments	–	–	–	(4,812)	**–**
ii. Deduct the fair value gains on financial assets at fair value through profit & loss	(15,179)	–	–	–	**–**
Non-GAAP measure of recurring profit before taxation, as adjusted	872,643	437,131	981,738	419,705	**174,832**
Non-GAAP measure of recurring profit attributable to owners of the Company, as adjusted	754,630	320,465	920,952	345,278	**150,304**
Non-GAAP measure of basic recurring EPS, as adjusted	RMB0.62	RMB0.27	RMB0.76	RMB0.29	**RMB0.13**

	As at 30 June				
ASSETS AND LIABILITIES	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	**2023** **RMB'000**
Total assets	28,931,588	34,478,726	41,648,932	40,590,037	**39,419,506**
Total liabilities	(10,646,367)	(14,851,002)	(19,117,506)	(18,016,536)	**(17,491,669)**
Net assets	18,285,221	19,627,724	22,531,426	22,573,501	**21,927,837**
Attributable to owners of the Company	18,285,221	19,618,099	21,834,870	21,928,675	**21,490,703**
Non-controlling interests	–	9,625	696,556	644,826	**437,134**
	18,285,221	19,627,724	22,531,426	22,573,501	**21,927,837**

Investors Information

STOCK CODES

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

2024 Notes: 40075
2026 Notes: 40699
2031 Notes: 40700

MAJOR MARKET INDEXES

I. Hang Seng Indexes Company Limited Sub-indexes:
   - Composite MidCap Index
   - Composite Industry Index (Industrials)
   - SCHK China Technology Index

II. Hang Seng ESG Indexes:
   - Corporate Sustainability Benchmark 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 2023, the market capitalization of listed Shares of the Company was approximately HK$22.10 billion or US$2.82 billion based on the total number of 1,198,500,000 issued Shares of the Company and the closing price of HK$18.44 per Share.

The daily average number of traded Shares was approximately 5.80 million Shares over an approximate free float of 700.58 million Shares in 1H 2023. The average closing price was HK$17.87 per Share, a decrease of 13.32% when compared with the average of 1H 2022. The highest closing price was HK$22.30 per Share on 26 January 2023 and the lowest was HK$15.18 per Share on 1 June 2023.

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 2023 and has continued to maintain the public float as at the date of this interim report.

KEY DATES FOR SHAREHOLDERS

September 2023	2023 Interim Report available on the websites of the Hong Kong Stock Exchange and the Company
December 2023	EGM
March 2024	2023 Annual Results Announcement

Any changes to these dates in 2023/2024 will be published on the websites of the Hong Kong Stock Exchange and the Company.

Investors Information

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
2016 Share Award Scheme/2016 Scheme	The Employee's Share Award Scheme adopted by the Board on 23 March 2016
2016 Scheme Trustee/2016 Trustee	Bank of Communications Trustee Limited, an independent trustee appointed by the Company for managing the 2016 Share Award Scheme
2023 Share Award Scheme/2023 Scheme	The Employee's Share Award Scheme adopted by the Board on 17 April 2023
2023 Scheme Trustee/2023 Trustee	BOCI Trustee (Hong Kong) Limited, an independent trustee appointed by the Company for managing the 2023 Share Award Scheme
AAC/AAC Technologies/the Company	AAC Technologies Holdings Inc.
AAC Optics	AAC Optics (Changzhou) Co., Ltd.
AGM	Annual General Meeting
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
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
EGM	Extraordinary General Meeting
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
HNTE	High-New Technology Enterprises
Hong Kong Companies Ordinance	The Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

Definition and Glossary

Abbreviations	Meanings
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)
Memorandum	Memorandum of Association of the Company
MD	Managing Director
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
Ordinary Shares	Ordinary shares in the capital of the Company
ROA	Return on average total assets
ROE	Return on average equity
R&D	Research & Development
SFO	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
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
ppts	Percentage points
Q1	The first quarter
Q2	The second quarter
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
GBP	Great Britain pound, the lawful currency of Britain
USD/US$	US Dollars, the lawful currency of United States

Definition and Glossary

Abbreviations	Meanings
Industry	
AR	Augmented Reality
LiDAR	Light detection and ranging
MEMS	Micro Electro-Mechanical Systems
OIS	Optical Image Stabilizer
PSS	Premium Sound Solutions
TWS	True Wireless Stereo
VR	Virtual Reality
WLG	Wafer-level glass
XR	Extended Reality

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