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

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

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the "**Board**") of directors (the "**Director(s)**") of AAC Technologies Holdings Inc. ("**AAC Technologies**" or the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2024 ("**1H 2024**") together with the comparative figures for the corresponding period in 2023 ("**1H 2023**").

These unaudited condensed consolidated financial statements have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu and the Company's audit and risk committee and approved by the Board on 22 August 2024.

2024 INTERIM RESULTS HIGHLIGHTS (UNAUDITED):

(RMB Million)	**1H 2024**	1H 2023	*YoY%*
Revenue	**11,247**	9,219	*+22.0%*
Gross Profit	**2,418**	1,297	*+86.4%*
Gross Profit Margin	***21.5%***	*14.1%*	*+7.4ppts*
Net Profit*	**537**	150	*+257.3%*
Net Profit Margin	***4.8%***	*1.6%*	*+3.2ppts*
Basic EPS (RMB)	**0.46**	0.13	*+253.8%*
Share Numbers (Weighted average, million)	**1,173**	1,182	

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

BUSINESS AND MARKET REVIEW

During the six months ended on 30th June 2024 ("**1H 2024**"), the Group's total operating revenue increased 22.0% year-on-year ("**YoY**") to RMB11.25 billion. The gross profit margin stood at 21.5%, reflecting a 7.4 percentage points ("**ppts**") increase YoY. The notable improvement in gross profit margin was driven by the recovery trend in the smartphone sector, improved product mix mainly from acoustics, optics, precision mechanics, as well as continued improvement in operational efficiency, and contribution from the consolidation of Premium Sound Solutions ("**PSS**"). The Group's existing business (excluding PSS related business) recorded a revenue of RMB9.73 billion, with a gross margin of 20.9%; PSS related business consolidation contributed a revenue of RMB1.52 billion, with a gross margin of 25.0%. During the reporting period, the Group's existing business continued to expand market share and improve operational efficiency, resulting in a notable gross margin improvement of 6.8 ppts, with an improvement in profitability. In 1H 2024, the Group's net profit amounted to RMB537 million, marking a remarkable increase of 257.3% YoY.

During the reporting period, the Group's operating cash inflow amounted to RMB2.65 billion, which has improved by 29.1% YoY, with capital expenditure ("**CAPEX**") amounted to RMB917 million. As at 30 June 2024, the Group's net gearing ratio stood at 6.0%, with cash on book (including short-term fixed deposits) of RMB7.81 billion. The inventory turnover days were 71 days, improving by 9 days from 80 days as of 31 December 2023. The strong operating cash inflow on the back of continued improvement in operational efficiency, along with stringent capex policy, helps to boost the liquidity position post PSS acquisition. Under the current dividend policy approved by the Board, the Group will continue to implement a final dividend payout ratio of 15% with no interim dividend. The Group will remain prudent in financial management, continue to strive for strong cash position for future innovation, in order to create long-term value for Shareholders.

PERFORMANCE AND DEVELOPMENT OF BUSINESS SEGMENTS

Acoustics Business

In 1H 2024, the Group's acoustics business recorded a revenue of RMB3.46 billion, representing an increase of 4.1% YoY. This was primarily attributed to the recovery of global smartphone market demand, as the smartphone shipment volume returned to growth. Thanks to the increasing adoption of the Group's high-end acoustics platform in major smartphone models and higher speaker shipment volume, the gross profit margin reached 29.9%, showing a 4.4 ppts increase YoY.

In 1H 2024, the smartphone market sustained the recovery trend that began in 2H 2023, according to the latest preliminary data of the International Data Corporation ("**IDC**"), the global smartphone shipment grew by 10.4% YoY in the first half of this year. With years of accumulated technological innovations, the Group's acoustics business integrates hardware, algorithms, and tuning services to meet the application demand of smart devices in multiple scenarios, leading the acoustics industry upgrade continuously. In 1H 2024, the Group's share of the mid to high end market rose steadily, and the product portfolio continued to improve. Such as the master-level super linear speakers ("**SLS**") maintained its high growth momentum, with shipments surpassing 12 million units, up by nearly 200% YoY. The Combo series, an innovative two-in-one acoustic and electromagnetic product, shipped close to 4.5 million units, providing customers with a wide range of product choices. For foldable phones, the Group launched high-performance speakers with industry-leading thinness based on the Group's high-performance loudspeaker technology platform and adopted innovative material application and structural design. This not only greatly saved stacking space, but also enhanced the performance of the speakers in the mid-to-low frequencies, optimizing the balance between thinness and performance, gaining major market shares in this space.

PSS - automotive & consumer acoustics products Business
PSS related business consolidation contributed a revenue of RMB1.52 billion, with a gross margin of 25.0%. The Group's automotive acoustics business continued to make breakthroughs, and the synergy with PSS has been progressing well. The future automotive market outlines the second growth curve for the Group, and PSS' product portfolio covers high-performance classic car speakers of various sizes, including low, medium, high, and full-range, with cutting-edge tuning technology, providing high quality sound experience for consumers, penetrating first-tier automotive companies globally. According to the China Association of Automobile Manufacturers, domestic automotive sales increased by 6.1% YoY in 1H 2024, with the sales of new energy vehicles ("**NEVs**") growing rapidly by approximately 32% YoY. After completing the acquisition, the Group will also accelerate its expansion in the domestic market and continue to supply mid-to high-end models to leading NEVs brands. The Group is exploring a vertically integrated solution of loudspeakers, amplifiers, algorithms, and tuning services. Additionally, the collaboration with top global audio brands through brand licensing, provides a wider range of choices for top-tier global automotive companies and end-users.

Optics Business
In 1H 2024, the Group's optics business reported a revenue of RMB2.21 billion, showing a 24.9% YoY increase. This growth was mainly driven by the recovery in demand in the smartphone optics industry, higher shipments, and improved average selling prices of optical lenses and optical modules, as a result of the Group's expansion in the mid-to high-end market. The gross profit margin increased to 4.7%, marking a significant improvement of 21.7 ppts YoY, of which the plastic lens gross margin rose by 27.4 ppts YoY to 16.7% and the optics module gross margin was up by 11.8 ppts YoY to 5.7%.

During the reporting period, the Group focused on upgrading the technology in the optics business and optimizing the product mix. The premiumization of plastic lenses has been progressing well, with 6P lens maintaining more than 15% of the total shipment and the Group winning the design-in for 7P lens projects. Camera modules also saw steady growth in both shipment volume and ASP, resulting in a revenue increase of 29% YoY. Furthermore, 1G6P hybrid lens shipments rose by nearly 40% YoY to nearly 1.4 million units. The Group's proprietary wafer-level-glass ("**WLG**") technology has been gaining positive feedback from smartphone OEMs for its outstanding optical performance. The WLG technology has a unique advantage of unibody molding, which greatly improves the production efficiency and precision of micro prisms. To meet customers' demand for innovation in main cameras, telephoto lenses, and micro prisms, the Group is proactively collaborating with customers in the advanced development of more high-end and flagship models. Additionally, the Group placed great importance on inventory management, accelerated operational efficiency, improved production yield, and further reduced unit costs, resulting in a notable increase in gross profit margin.

Electromagnetic Drives and Precision Mechanics Business
During 1H 2024, this consolidated segment generated a revenue of RMB3.66 billion, noting a YoY increase of 1.1%. The gross profit margin for the combined segment stood at 22.9%, showing a 3.6 ppts increase YoY, of which the gross margins of haptics and precision mechanics both improved between 3-6 ppts each, mainly due to the continuous growth in shipments of high-end haptics products and the Group's continuous optimization of the product mix and emphasis on cost control in precision mechanics. The rapid shipment increase of metal hinges, heat dissipation products, and notebook enclosure business represent key growth drivers for the future.

Electromagnetic Drives Business
In 1H 2024, the electromagnetic drives business saw a notable growth in the gross margin, which was largely fueled by the Group's high performance x-axis motors and product mix improvement. Additionally, RichTap® continues to be highly recognized by numerous customers for its industry-leading algorithms, and professional services. The Group's haptics products are also making significant strides in non-smartphone fields such as games, AR/VR, Intelligent Vehicles, and IoT devices, enabling device manufacturers as well as gaming, audiovisual, and social networking content providers to realize a multi-dimensional premium haptic experience. The Group is promoting the vertical integration of optics modules and proactively accelerating the VCM business with independent production of all key components and integrated solutions for design, simulation, manufacturing, and testing. Leveraging on accumulated technology leadership and production know-how, development with core customers has begun in the first half of the year to achieve mass shipments of high-value VCM motor modules.

Precision Mechanics Business
The Group has maintained stable relationship with various core customers in precision mechanics, which contributed to topline increase in many products, such as metal hinges, heat dissipation components, and the laptop enclosure business, and also fueled the improvement in the gross margin in 1H 2024. The Group has continued to expand the smartphone casing business and engaged in active research and development of emerging categories in cooperation with its customers. As a result, the Group has become the main supplier of high-value structural components for mid-to high-end models and foldable phones to its core customers. This has led to an improvement in ASP and gross profit margin. The Group's vertical integration capability and technological innovation strength in hinge products have been highly recognized by its customers, with shipments of nearly 500,000 units in the first half of 2024. The Group's innovative foldable phone hinge solution sets a new industry standard for hinge technology, achieving unparalleled thinness and improved impact resistance. In 1H 2024, revenue from heat dissipation products increased by almost 100% YoY to RMB150 million. The gross profit margin also demonstrated steady improvement, benefiting from economies of scale and efficient cost control. Additionally, as the newly-built capacity in Yangzhou began to ramp up, the Group's market share in the overseas customers' laptop enclosure is steadily growing.

Sensor and Semiconductor Business
In 1H 2024, revenue from the Sensor and Semiconductor ("**SSE**") business amounted to RMB389 million, down by 21.2% YoY, mainly due to delay in new projects into 2H 2024. The gross profit margin was 16.4%, up by 5.1 ppts YoY, primarily benefitting from the increase in revenue share of high-margin products.

As a top-three global smartphone micro-electro-mechanical system ("**MEMS**") microphone manufacturer, the Group has shipped over 7 billion units to date. Leveraging our in-house capabilities, the Group specializes in developing high-performance MEMS microphones, application-specific integrated circuits ("**ASICs**") and customized microphone modules to better fulfill a variety of industry segments and customer requirements. In 1H 2024, the Group has been promoting the proprietary high-performance MEMS microphone, with shipment proportion of Android mid-to high-end products rising 15 ppts YoY to over 60%, spearheading industry upgrades. Amidst the upcoming artificial intelligence ("**AI**") boom, robust AI phone features will drive rapid innovation in intelligent voice interaction technology, with MEMS microphones, as core components in voice recognition, driving spec upgrades. As one of the earliest players in the industry to lay out high signal-to-noise ratio microphones and realize mass production, the Group has gained customer recognition for its exceptional product performance and is poised to capture the industry upside created by AI.

STRATEGY DEVELOPMENT AND OUTLOOK

In the future, the rapid advancement of AI terminals and the revolution of human-machine interaction are expected to initiate a new replacement cycle in the consumer electronics industry. With the goal of delivering the ultimate sensory experience, the Group will focus on technological innovation to solidify its position as a global leader in component and software solutions through interdisciplinary product development.

FINANCIAL REVIEW

Revenue

1H 2024 Group revenue increased by RMB2.03 billion to RMB11.25 billion. This was mainly contributed by incremental revenue of RMB1.51 billion from PSS related business and the existing business (excluding PSS related business) revenue growth of RMB517 million. The revenue from optics business increased by RMB441 million and acoustic business increased by RMB137 million, while SSE business decreased by RMB105 million.

Gross Profit and Gross Profit Margin

1H 2024 gross profit was RMB2.42 billion, representing a 86.4% increase from the gross profit of RMB1.30 billion in 1H 2023. The increase was mainly due to the additional gross profit of RMB384 million contributed by PSS related business and the improved gross profit of optics and acoustics business.

Gross profit margin improved from 14.1% in 1H 2023 to 21.5% in 1H 2024. As highlighted in "BUSINESS AND MARKET REVIEW", the improvement was driven by margin improvement across all business segments. In particular, optics gross margin turned into positive in 1H 2024.

Other Income, Gains and Losses

The net other income/gains decreased by RMB173 million. This was mainly contributed by the decrease in gain on repurchase of unsecured notes of RMB78 million, government grants of RMB56 million and increase in disposal loss on property, plant and equipment of RMB19 million.

Administrative Expenses

Administrative expenses in 1H 2024 were RMB566 million, 30.2% higher, compared with RMB435 million in 1H 2023. The increase was mainly contributed by the increase in depreciation and PSS acquisition.

Distribution and Selling Expenses

Distribution and selling expenses of RMB297 million in 1H 2024, increased by 37.2%, compared with RMB217 million in 1H 2023. The increase was mainly contributed by the increase in staff related cost and PSS acquisition.

Research and Development Expenses

R&D expenses in 1H 2024 were RMB949 million, 40.6% higher than RMB675 million in 1H 2023. The increase was primarily contributed by investment in new R&D projects for future sales growth and R&D expenses of PSS.

Finance Costs

Finance costs in 1H 2024 were RMB232 million, 13.8% higher than RMB204 million in 1H 2023. The increase was mainly due to interests on additional bank loans under PSS.

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 2024 amounted to RMB112 million, representing a decrease of 12.2% from RMB127 million in 1H 2023. The decrease was mainly due to RMB49 million of deferred tax credit in 1H 2024 while RMB16 million of deferred tax charge in 1H 2023 relating to tax losses and other temporary differences, and the decrease was partly offset by RMB27 million increase in new acquisition of subsidiaries.

Profit attributable to the Owners of the Company

Reported profit attributable to the owners of the Company for 1H 2024 was RMB537 million, increased more than 2.5 times compared with RMB150 million in 1H 2023. The increment was mainly due to the raise of gross profit, whilst partly offset by the increase in operating costs, the decrease in net other income/gains and loss attributed to non-controlling interests.

Earnings before Interest, Taxes, Depreciation and Amortization

As compared with the same period of last year, the EBITDA for the 12-month period ended 30 June 2024 increased by 17.1% to RMB4,722 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	
	2024	2023
	RMB million	*RMB million*
Net cash from operating activities	**2,651.3**	2,053.5
Net cash used in investing activities	**(2,444.0)**	(504.2)
Net cash from (used in) financing activities	**729.8**	(1,363.3)

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 RMB2,651.3 million for 1H 2024 (1H 2023: RMB2,053.5 million).

i. Trade Receivables and Payables

As at 30 June 2024, turnover days of trade receivables remained stable at 86 days as compared to 31 December 2023. Trade receivables decreased by RMB0.10 billion to RMB5.26 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 RMB5,118.5 million (31 December 2023: RMB5,197.8 million), RMB125.0 million (31 December 2023: RMB150.0 million) and RMB18.0 million (31 December 2023: RMB14.3 million) respectively. The Company has received subsequent settlement totaling RMB1,515.1 million up to 31 July 2024, representing 28.8% of the total amount outstanding, net of allowances, as at the end of the reporting period.

The Group's trade payables turnover days increased by 15 days to 94 days as compared to 31 December 2023. Trade payables increased by RMB0.96 billion to RMB5.02 billion. Aging of trade payables based on invoice dates between 0–90 days, 91–180 days and over 180 days were RMB4,199.3 million (31 December 2023: RMB3,366.3 million), RMB788.5 million (31 December 2023: RMB674.0 million) and RMB31.5 million (31 December 2023: RMB20.4 million) respectively.

ii. *Inventory Turnover*

As at 30 June 2024, the inventories have increased by RMB0.88 billion compared to 31 December 2023. The inventory turnover days decreased to 71 days as at 30 June 2024 from 80 days for 31 December 2023.

Investing Activities

Net cash used in investing activities in 1H 2024 amounted to RMB2,444.0 million (1H 2023: RMB 504.2 million). It mainly represents the cash outflows on acquisition of subsidiaries of RMB1,472.8 million (1H 2023: nil), CAPEX of RMB936.9 million (1H 2023: RMB714.9 million), addition of intangible assets of RMB119.4 million (1H 2023: 151.7 million) and acquisition of financial assets at FVTPL of RMB8.2 million (1H 2023: RMB114.2 million), offsetting by the cash inflows arising from the withdrawal of short-term fixed deposits and pledged/restricted bank deposits of RMB14.9 million (1H 2023: RMB341.3 million).

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 2024 and 1H 2023, total CAPEX incurred were RMB916.8 million and RMB616.1 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 inflow from financing activities of approximately RMB729.8 million for 1H 2024. Major inflows from bank loans raised of RMB2,260.1 million (1H 2023: RMB1,616.5 million), and major outflows was due to repayment of bank loans of RMB1,126.7 million (1H 2023: RMB2,077.9 million), interests paid of RMB179.8 million (1H 2023: RMB160.2 million), shares repurchased of RMB59.7 million (1H 2023: RMB315.4 million), dividends paid of RMB103.6 million (1H 2023: RMB130.3 million) and no payment for repurchase of unsecured notes (1H 2023: payment RMB251.9 million).

Cash and Cash Equivalents and Short Term Fixed Deposits

As at 30 June 2024, the unencumbered cash and cash equivalents and short term fixed deposits of the Group amounted to RMB7,806.4 million (31 December 2023: RMB6,824.5 million), of which 48.9% (31 December 2023: 65.2%) was denominated in US dollar, 45.5% (31 December 2023: 30.5%) in RMB, 2.2% (31 December 2023: 1.7%) in Singapore dollar, 1.2% (31 December 2023: 0.5%) in Euros, 1.1% (31 December 2023: 0.5%) in Vietnamese Dong, 0.4% (31 December 2023: 0.6%) in Hong Kong dollar, 0.2% (31 December 2023: 0.2%) in Malaysian Ringgit and 0.5% (31 December 2023: 0.8%) in other currencies.

Gearing Ratio and Indebtedness

As at 30 June 2024, the Group's gearing ratio, defined as total loans and unsecured notes divided by total assets, was 23.7% (31 December 2023: 22.6%). Netting off cash and cash equivalents and short term fixed deposits, net gearing ratio was 6.0% (31 December 2023: 5.1%).

As at 30 June 2024, the unsecured notes of the Group were RMB5,658.2 million (31 December 2023: RMB5,619.7 million), the short-term bank loans and long-term bank loans of the Group amounted to RMB1,556.9 million (31 December 2023: RMB1,463.9 million) and RMB3,228.1 million (31 December 2023: RMB1,726.0 million) respectively.

Charges on Group Assets

Apart from pledged bank deposits amounting to RMB10.5 million as at 30 June 2024 (31 December 2023: RMB15.1 million) and restricted bank deposits amounting to RMB5.0 million as at 30 June 2024 (31 December 2023: RMB6.2 million), no other material group assets were charged to any financial institutions.

OFF-BALANCE SHEET TRANSACTIONS

As at 30 June 2024, 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 23 to the Condensed Consolidated Financial Statements.

KEY RISK FACTORS

Key Risk Factors

The Company has structured risk management and internal control systems for the management of strategic, market, operational, ESG, 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 announcement 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 China and other geographic regions, may affect our operating results and financial performance. To tackle this, the Group is continuously widening its products and technologies platforms to extend its reach to different end applications, including a recent major acquisition made in automotive market, so as to diversify the sources of revenue and profit to reduce its dependency on any single market segment. The growth of electric vehicle (EV) market and existing strategic partnerships with EV brands will lead to new revenue streams.

Reliance on a Number of Key Customers

The Group's five largest customers, which accounted for 67.3% of the Group's total revenue for 1H 2024, 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 long-standing customers with good credit records.

Production Disruption due to Unforeseeable Event and Supply Chain Adversities

Geopolitical events among 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. Any 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.

Supply chain challenges to meet environmental, health and safety standards, may also adversely affect production schedule which may potentially result in customer dissatisfaction, reputational damage and financial losses.

To address these risks, the Group established the Quality and Operations Committee. The committee actively monitors the regulatory environment and allocates resources to plan and comply with regulatory requirements and customer demands. A robust quality management system has been implemented to ensure that all production facilities are certified under the International Organization for Standardization (ISO) standards for quality management and the International Electrotechnical Commission Quality Assessment System for Electronic Components (IECQ) standards for electronic component quality. The Company conducts internal and external audits every year to ensure the efficacy of its product quality and procurement channels. Additionally, the Group has adopted long-standing Supplier Code of Conduct, requiring suppliers to maintain compliance with various standards, including labor and human rights protections, health and safety regulations, and environmental safeguards. This proactive approach not only mitigates risks but also enhances the overall resilience of the supply chain.

Operational, Technology Obsolescence and ESG Considerations

The Group's operations comprised design and delivery of innovative technology solutions. Our business remains dedicated to advancing miniature components while developing cutting-edge products and technologies platforms. However, changes in technological design and performance specifications or related external factors linked with environmental, social, and governance (ESG) considerations may have various levels of negative impact on our operational outcome. In meeting future design specifications and production quality requirements, the Group has implemented robust processes to ensure standards are met.

The Group ensures that its new technology solutions and miniature components align with sustainability standards. This includes applying eco-friendlier materials, promoting energy efficiency, and considering the recyclability of products. Changes in environmental regulations or shifts in consumer preferences towards more sustainable products could impact the Group's operations and lead to product obsolescence, necessitating a proactive approach to environmental considerations in product design and development. The Group has established a quality management system that ensures all products undergo thorough testing to meet customer requirements and international standards. This system, part of our operational "big data" system, is continuously evaluated and improved internally.

The Group's annual budget includes significant investment in R&D in order to build sustainable technology roadmaps and intellectual property portfolios. As data security is a critical concern, the Group treats information security as a strategic priority. The Group has implemented comprehensive measures to protect data assets from breaches, leaks, and hacks, which are also essential for maintaining customer trust and avoiding reputational damage. Moreover, adhering to social standards and regulations, such as the Ethical Trading Initiative and Social Accountability 8000 International Standard, the Group constantly considers social impact of its technologies, ensuring social equalities and that positive contributions are made to society.

ESG and Climate Change

Many governments, regulators, investors, employees, customers and other stakeholders are increasingly focused on ESG considerations relating to businesses, such as climate change, suppliers' complying with ESG criteria and human resources management. In addition, the Company makes statements about its goals and initiatives through its various non-financial reports, information provided on its website, press statements and other communications. Responding to these ESG considerations and implementation of these initiatives involves risks and opportunities.

The Company has published a stand-alone annual Sustainability Report since 2012. Continuously, ESG-related reporting obligations and compliance practices are to evolve, which may expose the Group to increased costs, reputational aspects and other potential adverse effects, such as attention on climate change. Climate change presents significant acute and transition risks to businesses and communities globally. Prolonged and extreme weather increase operational complexities, as well as, manufacturing and maintenance cost. Furthermore, employees' health may also be impacted. Trending customers' preference for green products may impact revenue due to change in product demands. And, enactment of more stringent laws and regulations to environmental impact may also increase our compliance costs.

The Group has this year established the Sustainability Committee and a comprehensive Climate Change Policy has been implemented to drive sustainability progress and manage climate impacts through mitigation, adaptation, and resilience strategies. Our commitment to integrating climate-related issues into our sustainability management system includes the ISO standard of environmental management and energy management. To enhance long-term energy conservation opportunities, the Group continues to adopt energy-saving technologies, establish energy-efficiency facilities and develop sustainable products.

Liquidity and Interest Rate Risk

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

Foreign Exchange Risks

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

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

On-going Global Trade Frictions

Prolonged trade frictions might lead to a slowdown of the global consumer electronic and automotive markets and a decline in 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 announcement, 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 announcement are historical in nature and past performance is not a guarantee of future performance. This announcement may contain certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board regarding the industry and markets in which it operates. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this announcement; 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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	NOTES	**1.1.2024 to 30.6.2024 (Unaudited)** ***RMB'000***	1.1.2023 to 30.6.2023 (Unaudited) *RMB'000*
Revenue	*3*	**11,246,971**	9,218,944
Cost of goods sold		**(8,829,220)**	(7,921,906)
Gross profit		**2,417,751**	1,297,038
Other income	*4*	**251,841**	319,193
Other expenses		**(13,098)**	-
Other gains and losses	*5*	**(7,514)**	85,480
Share of result of an associate		**236**	(178)
Distribution and selling expenses		**(297,022)**	(216,500)
Administrative expenses		**(565,952)**	(434,611)
Research and development costs		**(949,398)**	(675,179)
Exchange gain		**23,170**	3,553
Finance costs		**(232,088)**	(203,964)
Profit before taxation	*6*	**627,926**	174,832
Taxation	*7*	**(111,826)**	(127,354)
Profit for the period		**516,100**	47,478
Loss for the period attributed to non-controlling interests		**(20,928)**	(102,826)
Profit for the period attributed to owners of the Company		**537,028**	150,304
Earnings per share			
- Basic	*9*	**RMB0.46**	RMB0.13
- Diluted	*9*	**RMB0.46**	RMB0.11

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	1.1.2024 to 30.6.2024 (Unaudited) ***RMB'000***	1.1.2023 to 30.6.2023 (Unaudited) *RMB'000*
Profit for the period	**516,100**	47,478
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")	**(22,179)**	(130)
Remeasurement to defined benefit obligations	**(2,110)**	-
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising from translation of foreign operations	**(17,637)**	71,485
Fair value changes on derivative financial instruments	**18,897**	14,173
Gain reclassified to profit or loss on hedged items	**(2,211)**	(9,087)
Total comprehensive income for the period	**490,860**	123,919
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	**513,552**	223,090
Non-controlling interests	**(22,692)**	(99,171)
	490,860	123,919

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2024

	NOTES	**30.6.2024 (Unaudited) *RMB'000***	31.12.2023 (Audited) *RMB'000*
Non-current assets			
Property, plant and equipment	*10*	**17,985,815**	18,070,355
Right-of-use assets	*10*	**2,020,855**	1,798,372
Goodwill		**2,093,389**	275,365
Intangible assets		**1,882,194**	588,623
Deposits made for acquisition of property, plant and equipment		**266,486**	162,589
Escrow deposit for acquisition of subsidiaries		**-**	283,308
Investment properties	*10*	**124,110**	127,576
Interest in an associate		**3,269**	3,033
Equity instruments at FVTOCI	*11*	**426,538**	457,011
Financial assets at fair value through profit or loss ("FVTPL")	*12*	**419,109**	413,301
Derivative financial instruments		**7,844**	-
Contract costs		**69,558**	-
Deferred tax assets		**267,392**	204,242
		25,566,559	22,383,775
Current assets			
Inventories		**3,867,660**	2,992,360
Trade and other receivables	*13*	**6,735,613**	6,653,431
Amounts due from related companies		**10,292**	9,892
Taxation recoverable		**39,010**	22,639
Derivative financial instruments		**31,549**	2,869
Pledged bank deposits		**10,468**	15,085
Restricted bank deposits		**5,000**	6,207
Short term fixed deposits		**21,379**	-
Cash and cash equivalents		**7,784,972**	6,824,525
		18,505,943	16,527,008
Current liabilities			
Trade and other payables	*14*	**7,124,469**	5,796,468
Contract liabilities		**48,960**	15,868
Amounts due to related companies		**35,182**	32,323
Taxation payable		**144,684**	100,542
Bank loans	*15*	**1,556,884**	1,463,885
Unsecured notes	*16*	**1,971,406**	1,957,575
Government grants		**89,837**	122,928
Lease liabilities		**434,218**	389,309
Derivative financial instruments		**10,506**	-
Contingent settlement provision	*17*	**254,930**	250,490
		11,671,076	10,129,388
Net current assets		**6,834,867**	6,397,620
Total assets less current liabilities		**32,401,426**	28,781,395

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2024

	NOTES	**30.6.2024 (Unaudited) *RMB'000***	31.12.2023 (Audited) *RMB'000*
Non-current liabilities			
Bank loans	*15*	**3,228,098**	1,726,000
Unsecured notes	*16*	**3,686,773**	3,662,120
Government grants		**463,067**	508,806
Lease liabilities		**642,958**	380,886
Deferred tax liabilities		**373,441**	47,108
Defined benefit obligations		**8,880**	-
Derivative financial instruments		**23,817**	-
Contingent consideration payables	*21*	**1,228,254**	-
Other payables	*14*	**69,039**	85,206
		9,724,327	6,410,126
Net assets		**22,677,099**	22,371,269
Capital and reserves			
Share capital	*18*	**97,321**	97,321
Reserves		**22,141,735**	21,784,131
Equity attributable to owners of the Company		**22,239,056**	21,881,452
Non-controlling interests		**438,043**	489,817
Total equity		**22,677,099**	22,371,269

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 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.

1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

In the prior year, 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. and its subsidiaries (collectively referred to as the "**PSS Group**") from Acoustics Solutions Holding B.V. and Stichting Administratiekantoor Acoustics Solutions International (collectively, the "**Sellers**"), which principally engaged in the business of trading of acoustic components and sound systems in automotive sector. 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 (the "**First Tranche Transaction**") and the second tranche shares (the "**Second Tranche Transaction**") comprising 80% and 20%, respectively, of the issued shares in the capital of the PSS Group.

The First Tranche Transaction was completed on 9 February 2024. The management considers the acquisition is a strategic move designed to expedite the Group's diversification and enhancement of its audio solution portfolio in the automotive and consumer acoustics products industry and the acquisition has resulted in a positive impact on the Group's revenue and earnings during the current interim period.

Details of the acquisition are set out in note 21 to the condensed consolidated financial statements.

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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the annual consolidated financial statements of the Company and its subsidiaries (collectively referred as the "**Group**") for the year ended 31 December 2023.

2. PRINCIPAL ACCOUNTING POLICIES - continued

Application of amendments to International Financial Reporting Standards ("**IFRSs**")

In the current interim period, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board, for the first time, which are mandatorily effective for the Group's annual periods beginning on 1 January 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The Directors of the Company consider that the application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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.

During the current interim period, the Group acquired PSS Group, which is engaged in trading of automotive & consumer acoustics products, as detailed in notes 1A and 21, and integrated it with the Group's original business in this sector commenced in prior years. The "PSS - automotive & consumer acoustics products" segment is considered as a new operating and reportable segment by the Group's key operating decision makers and the prior year segment disclosure have been represented to conform with current year presentation.

The Group's operating and reportable segments under IFRS 8 "Operating Segment" are acoustics products, electromagnetic drives and precision mechanics, optics products, PSS - automotive & consumer acoustics products, sensor and semiconductor products and other products, which represent the major types of products manufactured and sold by the Group. Revenue from these products is recognised at the point in time when controls of the products has been transferred.

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

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

3. SEGMENT INFORMATION - continued

Information regarding these segments is presented below.

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

	1.1.2024 to 30.6.2024 *RMB'000* **(Unaudited)**	1.1.2023 to 30.6.2023 *RMB'000* (Unaudited and restated)
<u>Operating and reportable segments</u>		
Segment revenue - recognised at a point in time		
Acoustics products	**3,460,259**	3,323,272
Electromagnetic drives and precision mechanics	**3,658,015**	3,619,700
Optics products	**2,212,523**	1,771,277
PSS - automotive & consumer acoustics products*	**1,522,050**	10,617
Sensor and semiconductor products	**389,284**	494,078
Other products	**4,840**	-
	11,246,971	9,218,944
Segment results		
Acoustics products	**1,034,328**	847,362
Electromagnetic drives and precision mechanics	**838,090**	697,361
Optics products	**103,029**	(300,919)
PSS - automotive & consumer acoustics products*	**381,152**	(2,388)
Sensor and semiconductor products	**63,986**	55,622
Other products	**(2,834)**	-
Total profit for operating and reportable segments - gross profit	**2,417,751**	1,297,038
Unallocated amounts:		
Other income	**251,841**	319,193
Other expenses	**(13,098)**	-
Other gains and losses	**(7,514)**	85,480
Share of results of an associate	**236**	(178)
Distribution and selling expenses	**(297,022)**	(216,500)
Administrative expenses	**(565,952)**	(434,611)
Research and development costs	**(949,398)**	(675,179)
Exchange gain	**23,170**	3,553
Finance costs	**(232,088)**	(203,964)
Profit before taxation	**627,926**	174,832

* The amounts included revenue and result of the Group's automotive & consumer acoustic products business commenced in prior years.

3. **SEGMENT INFORMATION - continued**

Segment results represent the profit (loss) earned by each segment without allocation of other income, other expenses, other gains and losses, share of results of an associate, distribution and selling expenses, administration expenses, research and development costs, exchange gain 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.

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

	1.1.2024 to 30.6.2024 ***RMB'000*** **(Unaudited)**	1.1.2023 to 30.6.2023 *RMB'000* (Unaudited)
Greater China* (country of domicile)	**6,133,618**	4,509,060
Other foreign countries:		
America	**3,786,478**	4,139,844
Other Asian countries	**729,847**	553,975
Europe	**572,152**	16,065
Others	**24,876**	-
	11,246,971	9,218,944

* 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 RMB4,677,007,000 (six months ended 30 June 2023: RMB7,015,868,000). 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

The Group's other income mainly comprises:

	1.1.2024 to 30.6.2024	1.1.2023 to 30.6.2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Government grants*	**123,853**	180,003
Interest income	**104,623**	106,836
Rental income	**5,784**	5,168

* Included in the amount is RMB83,825,000 (six months ended 30 June 2023: RMB103,434,000) representing amortisation of government grants. In addition, during the six months ended 30 June 2023, the Group recognised government grants of RMB389,000 in respect of COVID-19-related subsidies (six months ended 30 June 2024: nil). 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 with no unfulfilled conditions/contingencies.

5. OTHER GAINS AND LOSSES

	1.1.2024 to 30.6.2024	1.1.2023 to 30.6.2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss) gain on disposal/write-off of property, plant and equipment	**(11,380)**	7,258
Loss on fair value changes of derivative financial instruments	**(25,676)**	-
Loss on fair value changes of financial assets at FVTPL	**(4,935)**	-
Gain on fair value change of contingent consideration payables	**34,204**	-
Gain on termination of leases	**273**	140
Gain on repurchase of unsecured notes	**-**	78,082

6. PROFIT BEFORE TAXATION

	1.1.2024 to 30.6.2024 *RMB'000* **(Unaudited)**	1.1.2023 to 30.6.2023 *RMB'000* (Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**1,308,047**	1,327,985
Depreciation of investment properties	**3,466**	643
Depreciation of right-of-use assets	**123,798**	108,080
Total depreciation*	**1,435,311**	1,436,708
Less: Depreciation of right-of-use assets capitalised in qualifying assets	**(12,564)**	(12,564)
	1,422,747	1,424,144
Amortisation of intangible assets	**115,098**	55,831
Reversal of allowance for inventories, net, included in cost of goods sold	**-**	(116,177)
Cost of raw materials included in research and development costs	**41,366**	80,753

* Depreciation of RMB168,233,000 (six months ended 30 June 2023: RMB126,174,000) had been included in research and development costs.

7. TAXATION

	1.1.2024 to 30.6.2024 RMB'000 (Unaudited)	1.1.2023 to 30.6.2023 RMB'000 (Unaudited)
The tax charge comprises:		
PRC Enterprise Income Tax	**73,944**	99,393
Singapore	**35,635**	8,200
Europe	**22,883**	-
Other jurisdictions	**27,250**	7,418
Under (over) provision of taxation in prior years	**1,166**	(3,506)
	160,878	111,505
PRC and overseas withholding tax	**41**	108
Deferred tax	**(49,093)**	15,741
	111,826	127,354

7. TAXATION - continued

The Group is operating in certain jurisdictions where the Pillar Two Rules are effective. However, as the Group's estimated effective tax rates of most of the jurisdictions in which the Group operates are higher than 15 per cent, after taking into account the adjustments under The Global Anti-Base Erosion Rules ("**GloBE Rules**") based on management's best estimate, the management of the Group has not made relevant disclosures of qualitative and quantitative information about the Group's exposure to the Pillar Two income taxes as the exposure is insignificant to the Group, while for the Group's estimated effective tax rate of a jurisdiction in which the Group operates is lower than 15 per cent, after taking into account the adjustments under GloBE Rules, the management considers the exposure to the top-up tax is insignificant to the Group.

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 2024 to 2025 (six months ended 30 June 2023: 2023 to 2024). 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

Taxation in Europe mainly represents the corporate income tax calculated at the rate of 25% on the estimated assessable profits of the subsidiaries of the Company which was incorporated in Belgium.

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 jurisdictions are calculated at the rates prevailing in the respective jurisdictions.

8. DIVIDENDS

During the six months ended 30 June 2024, a final dividend of HK$0.10 per share in respect of the year ended 31 December 2023 (six months ended 30 June 2023: HK$0.12 per share in respect of the year ended 31 December 2022) was paid to shareholders of the Company. The aggregate amount of the final dividend was paid in the six months ended 30 June 2024 amounted to HK$119,850,000 (equivalent to RMB108,932,000) (six months ended 30 June 2023: HK$143,820,000 (equivalent to RMB130,330,000)).

Subsequent to the six months ended 30 June 2024, the Directors of the Company have resolved not to declare an interim dividend.

9. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2024	30.6.2023
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share	**537,028**	150,304
Effect of share of loss of subsidiaries (note a)*	**-**	(19,883)
Earnings for the purpose of diluted earnings per share	**537,028**	130,421

9. EARNINGS PER SHARE – continued

	Six months ended	
	30.6.2024	30.6.2023
	'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 (note b)	**1,173,213**	1,182,185
Effect of dilutive potential ordinary shares:		
Adjustment in relation to share awards granted by the Company	**3,411**	4,570
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,176,624**	1,186,755

Notes:

(a) During the six months ended 30 June 2024, the computation of diluted earnings per share did not consider the effect of contingent settlement provision as the Directors of the Company consider the effect is anti-dilutive (six months ended 30 June 2023: Adjustment to the share of loss of subsidiaries based on dilution of their loss per share arising from the effect of contingent settlement provision).

(b) The weighted average number of shares has been calculated taking into account the shares repurchased by the Group or held by the 2016 Trustee and 2023 Trustee (both as defined in note 19) under share award scheme of the Company.

The computation of diluted earnings per share for the six months ended 30 June 2024 and 2023 did not consider the effect arising from the unvested restricted shares granted by a subsidiary as set out in note 19 as the exercise would result in an increase in earnings per share.

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 2024, apart from the acquisition PSS Group as detailed in note 21, the Group acquired property, plant and equipment of RMB825,558,000 (six months ended 30 June 2023: RMB634,095,000). Part of the consideration of RMB162,589,000 (six months ended 30 June 2023: RMB231,906,000) was paid up in advance in prior year.

Also, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB15,946,000 (six months ended 30 June 2023: RMB177,000) for proceeds of RMB4,566,000 (six months ended 30 June 2023: RMB7,435,000) and resulting in a loss on disposal of RMB11,380,000 (six months ended 30 June 2023: gain on disposal of RMB7,258,000).

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

(ii) Right-of-use assets

During the six months ended 30 June 2024, apart from the acquisition PSS Group as detailed in note 21, the addition to the right-of-use assets represents the renewal of several lease agreements and new lease agreements for the use of land and buildings ranging from 2 to 9 years (six months ended 30 June 2023: 3 to 6 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 RMB40,223,000 (six months ended 30 June 2023: RMB54,421,000) of right-of-use assets, and RMB40,190,000 (six months ended 30 June 2023: RMB54,046,000) of lease liabilities. The recognition of newly added right-of-use assets constitutes non-cash transactions.

In addition, during the six months ended 30 June 2024, the Group early terminated certain leases which constitutes lease modification. As a result, the Group has derecognised right-of-use assets of RMB4,896,000 (six months ended 30 June 2023: RMB889,000) and lease liabilities of RMB5,169,000 (six months ended 30 June 2023: RMB1,029,000), and a gain on lease termination of RMB273,000 (six months ended 30 June 2023: RMB140,000) 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 (six months ended 30 June 2024: nil) and leasehold land of RMB8,018,000 (six months ended 30 June 2024: nil) were transferred to investment properties upon leasing to an independent third party for rental income.

Impairment assessment

During the six months ended 30 June 2024, there is no impairment indicator for property, plant and equipment, right-of-use-assets, investment properties and intangible assets with finite useful lives.

During the six months ended 30 June 2023, due to the loss from the optics products segment, 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, RMB364,456,000 and RMB96,461,000 respectively related to the optics products segment. The Group estimated 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 was determined based on a value in use calculation. During the six months ended 30 June 2023, 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 of 11.7%. The cash flows beyond 5-year period are extrapolated using 3% growth rate for the relevant industry. 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. The estimated cash flows and discount rate were subject to higher degree of estimation uncertainties in both years due to uncertainty on the volatility in financial markets, including potential disruptions of the Group's operations.

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

Impairment assessment – continued

Based on the result of the assessment, management of the Group determined that the carrying amount of the relevant assets did not exceed the recoverable amount based on the value in use and believed that any reasonably possible change in any of these assumptions would not result in significant impairment loss, and concluded that no impairment loss had been recognised for the six months ended 30 June 2023.

11. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30.6.2024	31.12.2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Unlisted shares	**394,005**	427,528
Listed shares	**32,533**	29,483
	426,538	457,011

These investments are not held for trading, instead, they are held for long-term strategic purposes. The Directors of the Company have elected to designate these investments in equity instruments at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

Unlisted shares

The unlisted equity investments represent the Group's equity interest in private entities. The equity instruments comprise of equity interests in companies which engaged in:

(i) producing semiconductor components in integrated circuits and development of intellectual properties;
(ii) research, development and manufacturing of sensor and semiconductor business; and
(iii) research, development, manufacturing and marketing of electronic equipment in the field of high-end audio.

During the six months ended 30 June 2024, the Group received return on capital from a private entity engaged in research, development and manufacturing of sensor and semiconductor business at a compensation of US$739,000 (equivalent to approximately RMB5,246,000) (six months ended 30 June 2023: US$2,761,000 (equivalent to approximately RMB18,666,000)).

Listed shares

The amount represents the Group's investment in a company listed in Japan. As at 30 June 2024, the fair value of the investment determined by reference to the quoted market bid prices available was RMB32,533,000 (31 December 2023: RMB29,483,000).

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.6.2024	31.12.2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Convertible loans	**43,984**	43,711
Unlisted shares	**375,125**	369,590
	419,109	413,301

The financial assets at FVTPL represent the Group's investment in:

(i) a private equity fund primarily investing in industry-leading technology companies, mainly in Germany, German speaking countries and regions, the Nordic countries and the Greater China, as well as other technologically-advanced regions with strong growth potential;
(ii) a private equity fund primarily investing in private entities in sensor and semiconductor business;
(iii) a preferred shares investment in a private entity in sensor and semiconductor business;
(iv) a preferred shares investment in a private entity in automotive business; and
(v) a private entity in augmented reality displays manufacturing business.

During the six months ended 30 June 2024, the Group (i) made addition contribution of US$694,000 (equivalent to approximately RMB4,934,000) and GBP355,000 (equivalent to approximately RMB3,234,000) to the private equity funds mentioned above.

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).

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. TRADE AND OTHER RECEIVABLES

	30.6.2024	31.12.2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**5,214,962**	5,292,857
Bank acceptance and commercial bills	**46,535**	69,194
	5,261,497	5,362,051
Prepayments	**366,400**	295,336
Value-added tax recoverable	**702,906**	642,320
Other receivables	**400,450**	349,369
Loan and interest receivables*	**4,360**	4,355
	6,735,613	6,653,431

* Loans of RMB4,347,000 (31 December 2023: RMB4,347,000) made to certain suppliers of the Group, which are unsecured, carry interest rates at 1% (31 December 2023: 1%) per annum. The amounts are repayable in 1 year.

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.

	30.6.2024	31.12.2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Age		
0 - 90 days	**5,118,498**	5,197,770
91 - 180 days	**125,042**	149,996
Over 180 days	**17,957**	14,285
	5,261,497	5,362,051

Payment terms with customers are mainly on credit. Invoices are normally payable within 30 days to 120 days of issuance. The Group accepts bank acceptance and commercial bills with maturities ranging from 30 to 180 days at the end of the credit terms in lieu of immediate cash payment.

As at 30 June 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB113,475,000 (31 December 2023: RMB52,955,000) which are past due as at the reporting date. Included in the past due balances, RMB12,972,000 has been past due 90 days or more (31 December 2023: RMB20,002,000).

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

14. TRADE AND OTHER PAYABLES

	30.6.2024	31.12.2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**3,744,999**	3,054,954
Notes payables - guaranteed (Note)	**1,274,308**	1,005,818
	5,019,307	4,060,772
Payroll and welfare payables	**506,307**	423,731
Payables for acquisition of property, plant and equipment and intangible assets	**765,766**	794,541
Dividend payables	**5,350**	-
Other payables and accruals	**832,975**	540,649
Payables related to restricted shares granted to employee (Note 19)	**63,803**	61,981
	7,193,508	5,881,674
Less: Other payables for settlement after 12 months shown under non-current liabilities	**(69,039)**	(85,206)
Amounts shown under current liabilities	**7,124,469**	5,796,468

Note: These relate to trade payables in which the Group has issued bills to the relevant suppliers for future settlement of trade payables. The Group continues to recognise these trade payables as the relevant banks are obliged to make payments only on due dates of the bills, under the same conditions as agreed with the suppliers without further extension. In the condensed consolidated statement of cash flows, settlements of these bills are included within operating cash flows based on the nature of the arrangements.

Other payables are unsecured, interest-free and have no fixed repayment terms.

An aged analysis of trade and notes payables, presented based on the invoice date or the note issued date, is as follows:

	30.6.2024	31.12.2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Age		
0 - 90 days	**4,199,289**	3,366,334
91 - 180 days	**788,528**	674,020
Over 180 days	**31,490**	20,418
	5,019,307	4,060,772

15. BANK LOANS

The variable rate bank loans carry interest ranging from 5.32% to 5.72% (31 December 2023: nil) per annum. The fixed rate bank loans carry interest ranging from 2.40% to 4.23% (31 December 2023: 2.30% to 3.35%) per annum. The Group and/or its subsidiaries has issued guarantees to respective banks to secure the borrowings.

16. 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 3.000% 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 30 June 2024, the principal amounts of the outstanding unsecured notes include 2024 Notes of US$276,818,000 (31 December 2023: US$276,818,000) with the carrying amount is RMB1,971,406,000 (31 December 2023: RMB1,957,575,000). The amount is repayable in 2024 and shown under current liabilities as at 30 June 2024 (31 December 2023: current liabilities).

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 30 June 2024, the principal amounts of the outstanding unsecured notes include 2026 Notes of US$230,154,000 (31 December 2023: US$230,154,000) with the carrying amount is RMB1,637,429,000 (31 December 2023: RMB1,626,590,000) and 2031 Notes of US$290,123,000 (31 December 2023: US$290,123,000) with the carrying amount is RMB2,049,344,000 (31 December 2023: RMB2,035,530,000). The amount is repayable in 2026 and 2031 shown under non-current liabilities as at 30 June 2024 (31 December 2023: non-current liabilities).

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 (six months ended 30 June 2024: nil) 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 was for the purpose of optimising its debt structure and proactive management of its liabilities.

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

In accordance with the agreement between the Group and certain 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.

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 provisions 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 provisions derecognised and the consideration paid amounting to RMB17,789,000 was credited directly in equity and attributed to owners of the Company in 2022.

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 proposed spin-off and separate listing. The Company considered that the proposed spin-off and separate listing, if it proceeds, will be commercially beneficial to the Company and AAC Optics, and the Company intends to continue to pursue the proposed spin-off and separate listing when, amongst others, market conditions improve.

According to the Company's announcement dated 15 September 2023, AAC Technology Information Consultancy (Changzhou) Co., Ltd. ("**AAC TIC**"), an indirectly wholly owned subsidiary of the Company, AAC Optics and certain second round strategic investors ("**2023 Selling Investors**") entered into separate share transfer agreements, and the 2023 Selling Investors agreed to sell their entire equity interest in AAC Optics to AAC TIC. The 2023 Selling Investors in aggregate held approximately 7.1670% of the equity interest in AAC Optics, and the aggregate consideration under the share transfer agreements was approximately RMB1,448,990,000. Completion under each of the share transfer agreements would take place immediately upon AAC TIC having paid the consideration in full in September 2023 to each of the 2023 Selling Investors pursuant to the share transfer agreements. As a result of these transactions, the contingent settlement provision amounted to RMB1,448,990,000, which represents the considerations paid by AAC TIC, were derecognised. The amount by which the non-controlling interests were adjusted, amounting to RMB141,868,000, was credited directly in equity and attributed to owners of the Company in 2023. After completion of the share transfer agreements and as at 31 December 2023, AAC Optics is held (i) as to approximately 88.2620% indirectly by the Company; (ii) 2% by the share incentive platforms of AAC Optics, of which 0. 1649% of the shares are vested but still held under the platforms; and (iii) approximately 9.7380% by the 5 remaining strategic investors in aggregate.

As at 30 June 2024, AAC Optics is held (i) as to approximately 88.2620% indirectly by the Company; (ii) 2% by the share incentive platforms of AAC Optics, of which 0.1374% of the shares are vested but still held under the platforms; and (iii) approximately 9.7380% by the 5 remaining strategic investors in aggregate.

18. SHARE CAPITAL

	Number of shares	Amount
		US$'000
Shares of US$0.01 each		
Authorised:		
Ordinary shares at 1 January 2023, 30 June 2023, 1 January 2024 and 30 June 2024	5,000,000,000	50,000
Issued and fully paid:		
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
Ordinary shares at 1 January 2024 and 30 June 2024	1,198,500,000	11,985

	RMB'000
Presented in the condensed consolidated statement of financial position	
At 1 January 2023	97,708
Shares repurchased and cancelled	(387)
At 30 June 2023	97,321
At 1 January 2024 and 30 June 2024	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$0.01 each	Price per share Highest	Price per share Lowest	Aggregate consideration
		HK$	*HK$*	*HK$'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). During the six months ended 30 June 2023, 2,544,500 ordinary shares repurchased in the period and 2,205,500 ordinary shares repurchased in December 2022 were cancelled. In addition, the consideration for share repurchased in December 2022 amounting to RMB34,604,000 was included in other payable as at 31 December 2022 and was settled during the six months ended 30 June 2023.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2024.

19. 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 may be 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.

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.

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 2024: nil).

As at 30 June 2024, an aggregate of 14,752,257 shares (31 December 2023: 17,210,645 shares) of the Company had been purchased and held by the 2016 Trustee, in which 327,574 (31 December 2023: 158,444) Awarded Shares were vested and were still held under the 2016 Trust. Since the date of adoption of the 2016 Scheme up to 30 June 2024, no new shares had been issued to the 2016 Trustee.

19. SHARE AWARD SCHEME - continued

Share award scheme of the Company - continued

2016 share award scheme of the Company - continued

Movement of the shares granted to selected employee(s) under the 2016 Scheme during the period ended 30 June 2024 and 30 June 2023 are as follows:

For the period ended 30 June 2024

Date of grant	**Vesting period**	**At 1 January 2024**	**Number of shares** **Vested on 24 March 2024**	**Shares entitlement forfeited**	**At 30 June 2024**
24 March 2022	24 March 2022 to 24 March 2024	**2,790,916**	**(2,627,518)**	**(163,398)**	**-**
24 March 2022	24 March 2022 to 24 March 2025	**2,799,296**	**-**	**(72,730)**	**2,726,566**
		5,590,212	**(2,627,518)**	**(236,128)**	**2,726,566**

For the period ended 30 June 2023

Date of grant	Vesting period	At 1 January 2023	Number of shares 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

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

19. SHARE AWARD SCHEME - continued

Share award scheme of the Company - continued

2016 share award scheme of the Company - continued

During the six months ended 30 June 2024, the Group recognised total expenses of RMB12,650,000 (six months ended 30 June 2023: RMB22,464,000) 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 pursuant to a resolution passed on 17 April 2023 (the "**2023 Scheme**") 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 may be 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 2024, the 2023 Trustee purchased an aggregate of 2,700,000 shares at prices ranging from HK$23.65 to HK$24.70 per share at a total consideration of HK$65,646,000 (equivalent to RMB59,666,000) on the Hong Kong Stock Exchange for the purpose of the 2023 Scheme.

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 approximately RMB88,667,000) on the Hong Kong Stock Exchange for the purpose of the 2023 Scheme.

As at 30 June 2024, an aggregate of 11,819,000 shares (31 December 2023: 9,119,000 shares) of the Company had been purchased and held by the 2023 Trustee. Since the date of adoption of the 2023 Scheme up to 30 June 2024, 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.

19. 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 2024: nil).

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 year subject to the relevant key performance targets of AAC Optics during the vesting period ("**Restricted Shares**"). Upon the issue of new shares that are vested under the Subsidiary Scheme, the Group's interest in AAC Optics has been changed. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity (retained profits) and attributed to owners of the Company.

During the six months ended 30 June 2024, the Group repurchased 21,984,364 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 2024. In addition, during the six months ended 30 June 2024, the Group repurchased 1,866,630 vested shares at the consideration of RMB1,867,000 and the amount is included in other payable as at 30 June 2024, and those repurchased shares are available to be granted to the Eligible Scheme Participants.

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.

As at 30 June 2024, the net cash proceed of unvested portion of Restricted Shares, amounting to RMB24,068,000, is recorded as other payables as the shares are contingently returnable (31 December 2023: RMB46,052,000). In addition, as at 30 June 2024, for the consideration of repurchased shares amounted to RMB39,735,000 (31 December 2023: RMB15,929,000) is not yet repaid and is recorded as other payables.

19. SHARE AWARD SCHEME - continued

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

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

	Number of restricted shares	Fair value of share incentive at grant date *RMB'000*
Unvested as at 1 January 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
Unvested as at 1 January 2024	**46,051,928**	**77,532**
Repurchased during the period	**(21,984,364)**	**(37,012)**
Unvested as at 30 June 2024	**24,067,564**	**40,520**

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

As of 30 June 2024, there are 102,013,127 Restricted Shares arising from the repurchased, including those unvested shares and vested shares (31 December 2023: 78,162,133 Restricted Shares) held under the Platforms which are available to be granted to the Eligible Scheme Participants.

During the six months ended 30 June 2024, the subsidiary reversed share-based payment expense of RMB27,215,000 (six months ended 30 June 2023: RMB3,065,000) in relation to the shares granted by the subsidiary under Subsidiary Scheme and the amount is debited to the non-controlling interests in the Group.

In the opinion of the Directors of the Company, the fair value of Restricted Shares granted during the six months ended 30 June 2023 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.

20. CAPITAL COMMITMENTS

	30.6.2024	31.12.2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
- acquisition of subsidiaries	**-**	3,058,143
- acquisition of property, plant and equipment	**730,591**	705,363
- capital contribution to a financial asset at FVTPL	**250,236**	256,982
	980,827	4,020,488

21. ACQUISITION OF SUBSIDIARIES

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 of the PSS Group. Pursuant to such agreement, the Group will purchase the sale shares from the Sellers in two tranches, with the First Tranche Transaction and the Second Tranche Transaction comprising 80% and 20%, respectively, of the issued shares in the capital of the PSS Group.

The First Tranche Transaction purchase price comprises 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 "**First Tranche Consideration**").

The Second Tranche Transaction purchase price will comprise the sum of: (i) an agreed multiple of the target earnings before interest, taxes, depreciation and amortisation (the "**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 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 an agreed fixed purchase price together with interest thereon (the "**Second Tranche Consideration**").

The First Tranche Transaction is completed on 9 February 2024. After considering the terms under the sale and purchase agreement and shareholders' agreement dated 10 August 2023, the Directors of the Company considered that the Group has effectively acquired 100% interest in the PSS Group upon the completion of the First Tranche Transaction. The Second Tranche Consideration is considered to be deferred consideration. The consideration and PSS Group's financial information represented below are as at acquisition date of 9 February 2024.

21. ACQUISITION OF SUBSIDIARIES - continued

Acquisition Consideration as at 9 February 2024

	RMB'000
First Tranche Transaction - Cash consideration at completion	**1,924,223**
Escrow deposit for acquisition of subsidiaries paid in 2023	**284,156**
First Tranche Consideration (note a)	**2,208,379**
Second Tranche Consideration - Contingent consideration payables (note b)	**1,236,991**
	3,445,370

Notes:

a. The First Tranche Consideration comprise of:

(i) the First Tranche Transaction purchase price of US$320,000,000 (equivalent to RMB2,273,252,000);
(ii) plus the interest thereon from 1 April to 2023 to 9 February 2024 calculated on a daily basis at the rate of 6.75% per annum, amounting to US$18,641,000 (equivalent to approximately RMB132,424,000);
(iii) less the price leakage adjustment of US$27,773,000 (equivalent to approximately RMB197,297,000).

b. The amount represents the Second Tranche Consideration which could be (a) US$136,409,000 (equivalent to RMB969,036,000) if the Sellers exercise their postponement right and the Group disagrees, or (b) US$204,613,000 (equivalent to RMB1,453,550,000) if the Group exercises its postponement right and the Sellers disagree, or (c) an agreed multiple of the PSS Group's EBITDA plus the PSS Group's adjusted net financial debt (cash) multiplied by 20% plus interest on the Second Tranche Purchase Price calculated on a daily basis at the rate of 6.75% per annum 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 Directors of the Company have estimated the Second Tranche Purchase Price to be US$174,128,500 (equivalent to approximately RMB1,236,991,000), which is determined based on the fair value of the identified assets and liabilities with reference to the valuation carried out by an independent qualified professional valuer to purchase remaining 20% of the issued shares of the PSS Group. As at 30 June 2024, the latest fair value of the contingent consideration payables amounted to US$172,343,000 (equivalent to approximately RMB1,228,254,000).

Acquisition-related costs amounting to RMB37,131,000 have been excluded from the consideration transferred, in which RMB6,461,000 have been recognised directly as an expense in the current interim period, while the remaining were recognised during the year ended 31 December 2023, within the "administrative expenses" line item in the condensed consolidated statement of profit or loss.

21. ACQUISITION OF SUBSIDIARIES - continued

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	**440,348**
Right-of-use assets	**316,112**
Intangible assets (note a)	**1,299,025**
Deferred tax assets	**23,022**
Derivative financial instruments - assets	**28,396**
Contract costs	**45,429**
Cash and cash equivalents	**451,422**
Trade and other receivables	**788,051**
Inventories	**533,765**
Taxation recoverable	**14,779**
Trade and other payables	**(1,081,920)**
Contract liabilities	**(57,821)**
Lease liabilities	**(328,727)**
Taxation payable	**(27,575)**
Deferred tax liabilities (note b)	**(335,333)**
Derivative financial instruments - liabilities	**(9,680)**
Bank loans	**(464,181)**
Defined benefit obligations	**(7,766)**
Net assets	**1,627,346**

Notes:

(a) The amounts mainly represent the fair value of customer relationship of RMB966,784,000 and technology of RMB266,396,000 acquired in the acquisition of the PSS Group. The useful life of the intangible assets is determined by reference to the comparable market information.

(b) The deferred tax liabilities relating to the fair value adjustment of property, plant and equipment and intangible assets which deferred tax liabilities amounted to approximately RMB321,967,000, which is calculated at the Belgium corporate income tax rate of 25%.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	**3,445,370**
Less: recognised amounts of net assets acquired	**(1,627,346)**
Goodwill arising on acquisition	**1,818,024**

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

Net cash outflows arising on acquisition of PSS Group

	RMB'000
Total consideration	**3,445,370**
Less: Cash and cash equivalents acquired	**(451,422)**
Escrow deposit for acquisition of a subsidiary	**(284,156)**
Contingent consideration payables	**(1,236,991)**
	1,472,801

21. ACQUISITION OF SUBSIDIARIES - continued

Impact of acquisition on the results of the Group

Included in the profit for the period ended 30 June 2024 is RMB121,752,000 attributable to the additional business generated by the PSS Group. Revenue for the period ended 30 June 2024 includes RMB1,495,635,000 generated from the PSS Group.

Had the acquisition of PSS Group been completed on 1 January 2024, revenue for the period ended 30 June 2024 of the Group (including PSS Group) would have been RMB11,534,082,000, and the profit for the period ended 30 June 2024 of the Group (including PSS Group) would have been RMB557,260,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2024, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had PSS Group been acquired at the beginning of the period ended 30 June 2024, the Directors of the Company calculated depreciation and amortisation of property, plant and equipment, right-of-use assets and intangible assets based on their recognised amounts at the date of the acquisition.

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The Directors of the Company have set up an investment committee, which is headed up by the Chief Innovation Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

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.

22. 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

Financial assets	Fair value as at 30.6.2024 *RMB'000* (Unaudited)	Fair value as at 31.12.2023 *RMB'000* (Audited)	Fair value hierarchy	Valuation technique(s) and key input (s)	Significant unobservable input(s)	Sensitivity/relationship of unobservable inputs to fair value
Equity instruments at FVTOCI - Listed shares	**32,533**	29,483	Level 1	Quoted bid prices in an active market	N/A	N/A
Equity instruments at FVTOCI - Unlisted equity investments	**105,108**	75,477	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.	Discount rate, taking into account weighted average cost of capital determined using a Capital Asset Pricing Model.	The higher the discount rate, the lower the fair value, and vice versa.
					Forecasted future cash flows	The higher the forecast future cash flow, the higher the fair value, and vice versa.
Equity instruments at FVTOCI - Unlisted equity investments	**288,897**	318,829	Level 3	Market approach. The market approach was used to determine the valuation using trailing-twelve-month ("TTM") Price-to-Sales ("P/S") multiples of selected comparable listed companies in a similar business and similar business model and adjusted for the lack of marketability.	The lack of marketability discount.	The higher the lack of marketability discount, the lower the fair value.
					TTM P/S multiples of selected comparable companies.	The higher the TTM P/S multiples, the higher the fair value.
Equity instruments at FVTOCI - Unlisted equity investments	**-**	33,222	Level 3	Recent transaction prices of underlying investments.	N/A	N/A
Total equity instruments for FVTOCI	**426,538**	457,011				
Financial assets at FVTPL	**43,984**	43,711	Level 3	Binomial Option Pricing Model.	Volatility	The higher the volatility, the higher the fair value, and vice versa.
Financial assets at FVTPL	**375,125**	348,342	Level 3	Market approach. The market approach was used to determine the valuation based on the recent transaction prices of underlying investments or using TTM P/S multiples of selected comparable listed companies in a similar business and similar business model and adjusted for the lack of marketability.	The lack of marketability Discount.	The higher the lack of marketability discount, the lower the fair value.
					TTM P/S multiples of selected comparable companies.	The higher the TTM P/S multiples, the higher the fair value.
Financial assets at FVTPL	**-**	21,248	Level 3	Recent transaction prices of underlying investments	N/A	N/A.
Total financial assets at FVTPL	**419,109**	413,301				

22. 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 30.6.2024** *RMB'000* **(Unaudited)**	**Fair value as at** 31.12.2023 *RMB'000* (Audited)	**Fair value hierarchy**	**Valuation technique(s) and key input (s)**	**Significant unobservable input(s)**	**Sensitivity/relationship of unobservable inputs to fair value**
Cross currency swap contract	**19,673**	2,869	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.	N/A	N/A
FX derivatives contracts	**19,720**	-	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.	N/A	N/A
Total derivatives financial assets	**39,393 Assets (under hedge accounting)**	2,869 Assets (under hedge accounting)				
FX derivatives contracts	**34,323 Liabilities (under hedge accounting)**	- 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.	N/A	N/A
Contingent consideration payables	**1,228,254**	-	Level 3	The discounted cash flow method was used to estimate future economic outflow to the sellers.	Discount rate, taking into account incremental borrowing rate.	The higher the discount rate, the lower the fair value, and vice versa.
					Forecasted future cash flows.	The higher the forecast future cash flow, the higher the fair value, and vice versa

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - continued

Reconciliation of Level 3 fair value measurements

	Equity instruments at FVTOCI *RMB'000*	Financial assets at FVTPL *RMB'000*	Contingent consideration payables *RMB'000*
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	-
At 1 January 2024 (audited)	**427,528**	**413,301**	**-**
(Capital return) purchase made	**(5,246)**	**8,168**	**-**
Acquisition of subsidiaries	**-**	**-**	**(1,236,991)**
Interest expenses	**-**	**-**	**(25,467)**
Fair value (loss) gain:			
- in profit and loss	**-**	**(4,935)**	**34,204**
- in other comprehensive income	**(29,064)**	**-**	**-**
Currency realignment	**787**	**2,575**	**-**
At 30 June 2024 (unaudited)	**394,005**	**419,109**	**(1,228,254)**

Fair value changes for the period included in "other gains and losses" in the consolidated statement of profit or loss, of which RMB4,935,000 loss (six months ended 30 June 2023: nil) relates to financial assets at FVTPL and RMB34,204,000 gain relates to contingent consideration payables at the end of the current reporting period.

Included in other comprehensive income is an amount of RMB29,064,000 fair value loss (six months ended 30 June 2023: RMB3,369,000 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.

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 RMB5,252,573,000 (31 December 2023: RMB4,889,467,000), 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.

23. EVENT AFTER THE REPORTING PERIOD

Subsequent to the current interim period, according to the Company's announcement dated 26 July 2024, AAC (China) Investment Co., Ltd ("**AAC Investment**"), an indirectly wholly owned subsidiary of the Company and AAC Optics entered into separate share transfer agreements, with certain first round strategic investors of AAC Optics introduced in 2020 ("**2024 Selling Investors**"), in which the 2024 Selling Investors agreed to sell a portion of their equity interest in AAC Optics to AAC Investment. The 2024 Selling Investors in aggregate sell approximately 1.408% of the equity interest in AAC Optics at the aggregate consideration of RMB235,700,000. As of the date of approval of the condensed consolidated financial statements, the repurchase is completed and the relevant financial impact is under review. The difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid will be recognised directly in equity (retained profits) and attributed to owners of the Company.

CORPORATE GOVERNANCE

The Board and the Company consider effective corporate governance not only a safeguard of the interests and confidence of our stakeholders, but also a key component in the Group's sustainable long term development and value creation. Our Board, which is at the centre of our corporate governance structure, has regularly reviewed and refined principles, policies and practices on the conduct with an aim to support the growth of the Group's operations. Our sound corporate governance structure includes a quality Board, high standards of corporate responsibility and sustainability awareness, a high degree of transparency, accountability and independence, and an effective design, implementation and enforcement of risk management as well as internal control systems. Based on regular reviews of the Company's actual performance against the Corporate Governance Code (the "**CG Code**") in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**"), the Board is satisfied that throughout 1H 2024, the Company has complied with all the code provision(s).

SHARE AWARD SCHEMES

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 the Employees (other than the 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 the Selected Employees as incentives for their contributions to the Group and to attract suitable personnel for further development of the Group. Subject to any early termination as may be determined by the Board pursuant to the scheme rules of the 2016 Share Award Scheme (the "**2016 Scheme Rules**"), the 2016 Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on 23 March 2016.

In this section, Employee(s) refers to 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; Excluded Employee(s) refers to any Employee who is resident in a place where the award of the awarded Shares and/or the vesting and transfer of the awarded Shares pursuant to the terms of the 2016 Share Award Scheme is not permitted under the laws or regulations of such place or where in the view of the Board or Bank of Communications Trustee Limited, an independent trustee appointed by the Company for managing the 2016 Share Award Scheme (the "**2016 Scheme Trustee**") (as the case may be), compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such Employee; Selected Employee(s) refers to Employee(s) selected by the Board pursuant to the 2016 Scheme Rules for participation in the 2016 Share Award Scheme.

Subject to the provisions of the 2016 Scheme Rules, the Board may, from time to time, exercise its absolute discretion in selecting any Employee (other than any Excluded Employee) for participation in the 2016 Share Award Scheme as a Selected Employee, and grant such number of awarded Shares to any Selected Employee at no consideration. The 2016 Scheme Rules do not provide for any amount which will be payable on acceptance of the award or period within which payments must be made.

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 22 August 2024) 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 under the 2016 Share Award Scheme during its term shall not exceed 0.5% (i.e. 5,992,500 Shares as at 22 August 2024) 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 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 2024, no new Shares have been issued to the 2016 Scheme Trustee pursuant to the 2016 Scheme Rules and trust deed of the 2016 Share Award Scheme. During the six months ended 30 June 2024, no Shares were purchased by the 2016 Scheme Trustee on the Hong Kong Stock Exchange for the purpose of the 2016 Share Award Scheme. The total number of Shares available for issue to, or purchase by, the 2016 Scheme Trustee under the 2016 Share Award Scheme are 250 Shares, representing approximately 0.00002% of the issued share capital of the Company as at 22 August 2024.

Since the date of adoption of the 2016 Share Award Scheme and up to 30 June 2024, a total of 10,230,593 Awarded Shares were granted to 340 employees at nil consideration, in which 2,722,799 and 2,627,518 awarded Shares had been vested to employees on 24 March 2023 and 24 March 2024, respectively. The awarded Shares shall be vested in the grantees at nil consideration 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 2024. 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 2024 divided by the weighted average number of Shares in issue for the six months ended 30 June 2024 was nil.

As at 30 June 2024, the 2016 Scheme Trustee held a total of 14,752,257 unvested Shares under the 2016 Share Award Scheme, and the remaining Shares which could be further awarded under the 2016 Share Award Scheme were 11,698,367 Shares.

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 the Employees (other than the 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. Subject to any early termination as may be determined by the Board pursuant to the scheme rules of the 2023 Share Award Scheme (the "**2023 Scheme Rules**"), the 2023 Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on 17 April 2023.

In this section, Employee(s) refers to 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; Excluded Employee(s) refers to any Employee who is resident in a place where the award of the awarded Shares and/or the vesting and transfer of the awarded Shares pursuant to the terms of the 2023 Share Award Scheme is not permitted under the laws or regulations of such place or where in the view of the Board or BOCI Trustee (Hong Kong) Limited, an independent trustee appointed by the Company for managing the 2023 Share Award Scheme (the "**2023 Scheme Trustee**") (as the case may be), compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such Employee; Selected Employee(s) refers to Employee(s) selected by the Board pursuant to the 2023 Scheme Rules for participation in the 2023 Share Award Scheme.

Subject to the provisions of the 2023 Scheme Rules, the Board may, from time to time, exercise its absolute discretion in selecting any Employee (other than any Excluded Employee) for participation in the 2023 Share Award Scheme as a Selected Employee, and grant such number of awarded Shares to any Selected Employee at no consideration. The 2023 Scheme Rules do not provide for any amount which will be payable on acceptance of the award or period within which payments must be made.

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 22 August 2024. The maximum number of awarded Shares that may be granted to any one Selected Employee under the 2023 Share Award Scheme during its term shall not exceed 0.5% (i.e. 5,992,500 Shares as at 22 August 2024) 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 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 May and June 2024, the 2023 Scheme Trustee purchased 2,450,000 and 250,000 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 2024, the 2023 Scheme Trustee held a total of 11,819,000 Shares under the 2023 Share Award Scheme.

Since the date of adoption of the 2023 Share Award Scheme and up to 30 June 2024, no Shares had been granted to Selected Employee(s) under the 2023 Share Award Scheme.

Subsidiary Share Incentive Scheme

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during 1H 2024.

HUMAN RESOURCES

As at 30 June 2024, the Group employed 36,833 permanent employees, a 23.1% increase from 29,922 employees as at 31 December 2023. 60% increment in workforce came from acquisition of PSS and the remaining from increased business volume of the Group's various product lines. The Group's human capital efficiency continued to improve with advanced production methodologies and automation.

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; and during this period adding from the acquisition of PSS, Belgium, Germany, Hungary and Mexico.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted codes of conduct regarding securities transactions by Directors and by relevant employees (as defined in the CG Code) on terms not less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as mentioned in Appendix C3 to the Hong Kong Listing Rules.

On specific enquiries made, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code and the Company's code of conduct regarding the Directors' securities transactions during the period ended 30 June 2024.

DESPATCH OF INTERIM REPORT

The interim report of the Company will be published on the Company's website at www.aactechnologies.com and the website of the Hong Kong Stock Exchange in September 2024.

The interim report of the Company will also be dispatched to shareholders in September 2024.

IMPORTANT NOTE

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

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

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

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

Hong Kong, 22 August 2024

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