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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)

RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

The board (the “**Board**”) of directors (the “**Director(s)**”) of AAC Technologies Holdings Inc. (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the nine months ended 30 September 2018 (the “**Unaudited Quarterly Results**”) together with the comparative figures for the corresponding period in 2017.

The Unaudited Quarterly Results have been reviewed by the Company’s audit and risk committee and approved by the Board today.

2018 NINE MONTHS HIGHLIGHTS (UNAUDITED):

<i>(RMB Million)</i>	9M 2018	9M 2017	YoY%	Q3 2018	Q3 2017	YoY%
Revenue	13,293	13,968	-4.8%	4,869	5,324	-8.5%
Gross Profit	4,899	5,741	-14.7%	1,804	2,199	-18.0%
<i>Gross Profit Margin</i>	36.9%	41.1%	-4.2ppt	37.1%	41.3%	-4.2ppt
Net Profit	2,752	3,493	-21.2%	973	1,366	-28.7%
<i>Net Profit Margin</i>	20.7%	25.0%	-4.3ppt	20.0%	25.7%	-5.7ppt
Basic EPS (RMB cents)	225.2	284.9	-21.0%	79.6	111.7	-28.7%
Share Numbers (Weighted average, million)	1,222	1,226		1,222	1,222	

BUSINESS REVIEW

For the nine-month period ended 30 September 2018 (“**9M 2018**”), the weaker global smartphone market continued to cause a negative impact on the Company. The Company’s revenue for 9M 2018 dropped 4.8% year-on-year (“**YoY**”) to RMB13.3 billion, in line with the contracting market shipments. However, driven by Android customers’ adoption of innovative solutions, the contribution to the Company’s revenue generated from Android customers continued to increase by 3.6% YoY for 9M 2018. The 4.2 percentage points decrease in gross profit margin was mainly caused by an appreciation of RMB for 9M 2018, which contributed to 1.5 percentage points, and, a weak upgrade cycle creating unfavorable product mix and reduction in shipment volume. Net profit and net profit margin for 9M 2018 dropped by 21.2% and 4.3 percentage points YoY to RMB2.8 billion and 20.7% respectively. With operating expenses maintained at similar level of last year, the change in net profit and net profit margin was mainly caused by the decline in gross profit margin.

For the third quarter of 2018 (“**Q3 2018**”), although a traditional quarter for launching new smartphones, the global smartphone market remained sluggish with shipments declining by 6.0% YoY according to industry research. Revenue of the Company for Q3 2018 decreased by 8.5% YoY to RMB4.9 billion. Due to pricing pressure from legacy products and reduced shipment volume from a weak upgrade cycle, gross profit margin for Q3 2018 dropped by 4.2 percentage points YoY to 37.1%. The Company continued to adopt strict cost controls and lowered operating expenses. Net profit and net profit margin for Q3 2018 decreased by 28.7% and 5.7 percentage points YoY to RMB973 million and 20.0% respectively.

The Company always emphasizes on financial discipline in managing a strong balance sheet. The solid financial position enables the Company to maintain investment for future growth. For 9M 2018, the Company generated strong cash inflow from operation of approximately RMB5 billion. After deduction of capital expenditure and dividends paid, cash on hand was more than RMB3 billion as at 30 September 2018. In August 2018, Moody’s Investors Service Limited affirmed Baa1 issuer rating to the Company. Going forward, the Company will continue to take a prudent approach in managing capital structure and commit to maintain a robust balance sheet.

Leveraging its advanced R&D capability, the Company will accelerate product upgrade and expand product offerings to differentiate and maintain its leadership position. The Company is confident that the global smartphone market’s long term growth remains positive and is well supported by better user experiences and innovative design.

DEVELOPMENT OF BUSINESS SEGMENTS

Acoustics

For 9M 2018, sales of the acoustic segment has increased 2.0% YoY to RMB6.8 billion. The launch of the Super Linear Structure (“SLS”) for Android customers along with the continual upgrade of acoustic components drove the dollar content growth.

For Q3 2018, revenue of the acoustic segment slightly dropped by 1.2% YoY to RMB2.5 billion under the influence of a weaker smartphone market. However, the product mix within this segment has continued to change. Speaker modules achieved outstanding performance with a YoY increase of 19.8%.

Mainly due to the pricing pressure from the legacy products, gross profit margin, on a YoY basis, for 9M 2018 decreased by 3.7 percentage points to 37.9%, and, for Q3 2018 decreased by 4.7 percentage points to 38.6%.

Accelerating the upgrading process of new technology platforms, the existing SLS version will soon evolve to an upgraded version for Android flagships in delivering better sound quality. At the same time, a modified version of existing SLS will be launched for penetration into mid-tier smartphones. The Company believes both revenue and gross profit margin of this segment can be further enhanced through the wider adoption of the SLS platform.

Haptics and Precision Components/Precision Mechanical

For 9M 2018, sales performance was adversely affected by the current trough in the cyclical specs upgrade. Limited changes in functionality and re-design caused a decrease in average selling price and lower shipment volume. Revenue and gross profit margin of this combined segment decreased by 18.3% YoY to RMB5.3 billion and 4.0 percentage points YoY to 39.1% for 9M 2018 respectively.

For Q3 2018, revenue of this combined segment posted a decline of 21.3% YoY to RMB1.9 billion due to the shipment volume reduction. Gross profit margin decreased by 3.5 percentage points YoY to 38.1%, mainly due to market price pressure in the precision mechanical sub-segment.

Nevertheless, the Company believes that the demand for haptics and precision components such as audio display actuators as well as the new stepping motor modules will drive business growth. These new components help to create innovative and stylish design on smartphones. Full-screen designs are already proving to be increasingly popular. In addition to upgrade of haptic solutions for under-screen-fingerprint and virtual side buttons, a second-generation audio display actuator solution is underway for enhanced user experience. The Company is also prepared to launch early next year advanced stepping motor modules for new pop-up camera designs.

In addition, glass back casing design, which is another clear trend, has not only appeared in high-end devices but also gradually in the mid segment. The Company’s proprietary glass bending capability will deliver integrated 3D-shaped glass casings for customers to differentiate their designs and users’ experience. Together with the strong technical base achieved in CNC capability, it is expected that the precision mechanical segment will deliver further business growth.

The Company is confident that revenue of this combined segment will grow and its gross margin will improve when scale is further ramped up.

Optics

Optic business revenue for 9M 2018 has increased strongly, as expected, by more than 4 times YoY to RMB414 million since ramping up from the second half of last year. And on Q3 2018 basis, revenue of optic business increased significantly by approximately 2 times YoY to RMB174 million. Gross profit margin is expected to improve as scale efficiency continued.

Shipment volume of the optic business has been expanding as planned, by successfully penetrating into all of our major PRC customers. Monthly production capacity is on track to increase to 40 million by end of 2018 for meeting the increasing demand. On the other hand, the design upgrade roadmap of hybrid lens has been recognized by customers. Production capacity is ready for mass production. Together with the continued improvement in production yields and margins in line with the expanding scale, the Company is set to deliver high growth in optic segment.

To this end, the Company continues to invest in strengthening both production and design capabilities. Early this year, the Company has acquired a team of optical experts in Finland to expand R&D resources for high-end differentiating imaging solutions.

MEMS Components

Revenue of Micro Electro-Mechanical Systems (“**MEMS**”) components reported an increase of 5.5% YoY for 9M 2018 to RMB612 million, but decreased by 11.9% for Q3 2018 to RMB268 million on a YoY basis. Gross margin has improved largely by 6.2 and 8.2 percentage points YoY to 26.5% and 35.7% for 9M and Q3 2018 respectively. The strategy of increasing utilization of in-house MEMS and ASIC dies is beginning to pay off.

In integrating up-stream design capability of MEMS design and digital ASIC chips with greater voice recognition ability, the Company continues to offer advanced solutions in meeting customers’ ever-changing specifications. The Company will capture the rising demand in the expanding MEMS components market in order to drive the growth of revenue and profit margin in this segment.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the nine months ended 30 September 2018

	1.1.2018 to 30.9.2018 Unaudited RMB'000	1.1.2017 to 30.9.2017 Unaudited RMB'000
Revenue	13,293,322	13,967,842
Cost of goods sold	(8,394,530)	(8,227,263)
Gross profit	4,898,792	5,740,579
Other income, gains and losses	133,077	127,411
Gain on final settlement of earn-out consideration	147,830	-
Fair value loss on financial assets at fair value through profit or loss	(88,353)	-
Distribution and selling expenses	(218,926)	(234,622)
Administrative expenses	(431,184)	(415,447)
Research and development costs	(1,119,318)	(1,139,098)
Share of results of associates	-	(5,910)
Exchange gain (loss)	6,811	(20,599)
Finance costs	(160,350)	(111,783)
Profit before taxation	3,168,379	3,940,531
Taxation	(416,651)	(447,303)
Profit for the period	2,751,728	3,493,228
Other comprehensive income (expense):		
Items that will not be subsequently reclassified to profit or loss:		
Fair value changes on equity instruments at fair value through other comprehensive income	3,933	-
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation	43,151	(115,462)
Fair value changes on derivative financial instruments	21,285	-
Fair value changes on available-for-sale investments	-	283,487
	68,369	168,025
Total comprehensive income for the period	2,820,097	3,661,253
Profit for the period attributable to:		
Owners of the Company	2,751,728	3,492,675
Non-controlling interests	-	553
	2,751,728	3,493,228
Total comprehensive income attributable to:		
Owners of the Company	2,820,097	3,660,772
Non-controlling interests	-	481
	2,820,097	3,661,253
Earnings per share - Basic	RMB2.25	RMB2.85



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PAST PERFORMANCE AND FORWARD LOOKING STATEMENTS

The performance and the consolidated 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 of Directors of the Company regarding the industry and markets in which it operates. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this results announcement; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialize or turn out to be incorrect.

IMPORTANT NOTE

The Company will have a media conference and investors' webcast for these Unaudited Quarterly Results after trading hours on the date of this announcement. Please visit the Company's website www.aactechnologies.com for the Company's regular investor relations update.

Shareholders and potential investors should be advised that these Unaudited Quarterly 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 Quarterly Results have not been reviewed or audited by independent auditors and are not a forecast of the annual performance of the Group as a whole.

Investors and shareholders of the Company are advised to exercise extreme caution when dealing in the shares of the Company.

By order of the Board
AAC Technologies Holdings Inc.
Pan Benjamin Zhengmin
Director

Hong Kong, 8 November 2018

The Directors of AAC Technologies as at the date of this announcement are:

Independent Non-executive Directors:

Mr. Koh Boon Hwee
Mr. Poon Chung Yin Joseph
Mr. Tan Bian Ee
Mr. Au Siu Cheung Albert
Mr. Kwok Lam Kwong Larry

Non-executive Director:

Ms. Wu Ingrid Chun Yuan

Executive Directors:

Mr. Pan Benjamin Zhengmin
Mr. Mok Joe Kuen Richard