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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 THREE MONTHS ENDED 31 MARCH 2019

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 three months ended 31 March 2019 (the “**Unaudited Quarterly Results**”) together with the comparative figures for the corresponding period in 2018.

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

2019 FIRST QUARTER HIGHLIGHTS (UNAUDITED):

<i>(RMB Million)</i>	Q1 2019	Q1 2018	<i>YoY%</i>
Revenue	3,753	4,638	-19.1%
Gross Profit	1,129	1,764	-36.0%
<i>Gross Profit Margin</i>	30.1%	38.0%	-7.9ppt
Net Profit	432	1,126	-61.6%
<i>Net Profit Margin</i>	11.5%	24.3%	-12.8ppt
Basic EPS (RMB)	0.36	0.92	-60.9%
Share Numbers (Weighted average, million)	1,213	1,222	

BUSINESS REVIEW

In the first quarter of 2019 (“**Q1 2019**”), the Group’s revenue dropped 19.1% year-on-year to RMB3.75 billion, gross profit margin fell by 7.9 percentage points to 30.1% and net profit consequently slipped by 61.6% year-on-year to RMB432 million. Nonetheless, the overall prospect of the Group’s business remained positive. Customers’ orders during the later part of Q1 2019 were better than expected. As more of the Group’s product platforms will be adopted by the new mid-tier and high-tier devices, it is expected that the Group’s revenue are pick up gradually from the second quarter of 2019 (“**Q2 2019**”) and achieve business growth quarter on quarter throughout the year with further increase in capacity utilization.

During Q1 2019, the Group continued to improve customer portfolio, enrich products lines, and accelerate technology platform upgrade. Important progress has been achieved in the Group’s major business segments. In the Acoustic segment, entry-level Super Linear Structure (“**SLS**”) products have completely penetrated all mainstream Android flagship models. The Group’s optical lenses also covered all mainstream Android customers, with shipment and revenue rising 115.2% and 71.7% year-on-year respectively. In the Electromagnetic Drives segment, stepper motor module solutions have gained major Android customers’ recognition and will become a potential growth driver in the second half of 2019 (“**2H 2019**”). The Group continues to strengthen its R&D capabilities in various areas, including completed development of next-generation SLS products. For new generation mobile phones and base stations, AAC launched the highly functional 5G millimeter wave front-end solutions. The Group will continue to put efforts to develop proprietary, innovative optical solutions such as Micro Electro-Mechanical System based optical image stabilization (“**OIS**”), which has potential to replace traditional OIS and auto-focus technologies in the future. The number of patents in the Group has continued to grow to 3,764 as at 31 March 2019: in Q1 2019, 398 patents were granted worldwide, representing an increase of about 12% from 31 December 2018.

PERFORMANCE AND DEVELOPMENT OF BUSINESS SEGMENTS

Acoustics (Dynamic components)

Revenue and gross profit margin respectively declined by 22.3% and 5.2 percentage points year-on-year to RMB1.88 billion and 32.9%, due to reduction in orders and pricing pressure in the legacy products. However, the Group’s innovative entry-level SLS products have successfully penetrated all mainstream Android flagship models in Q1 2019. Leveraging on price competitiveness of entry-level SLS products, the Group expects that such products will gradually penetrate the mid-tier Android models throughout the remaining quarters, and, hence will continue to capture greater market share.

In 2H 2019, the Group will launch upgraded SLS solution for Android flagship smartphones to be newly launched by customers, so as to provide outstanding sound quality for better user experience, and strengthen its market position further. The Group expects SLS shipments will increase in 2H 2019, driving revenue growth for the acoustic segment. With the strong vertical integration capability of AAC’s own technology platform, the Group’s cost structure, production yield and efficiency will be further improved, and along with higher utilization rate. The Group expects the performance of this segment in 2H 2019 will gradually improve.

Optics

Driven by year-on-year shipment growth of 115.2% in Q1 2019, the optic segment experienced strong revenue growth of 71.7% year-on-year to RMB151 million. The Group's plastic lenses were adopted by all mainstream Android customers, and achieved mass production and shipment. However, global Android smartphone shipments fell during the review period. Since the Group's optical products were adopted in low-volume models, the utilization rate remained low. Furthermore, the slip in the price of 5P optical lenses has affected the overall gross profit margin of this segment.

Starting from Q2 2019, Android customers will gradually launch more smartphone models, leading to more shipments. The Group will endeavor to enhance production yield and efficiency so as to get more business on high-volume projects, with the goal of surpassing 30 million units per month in Q2 2019. In addition, in order to increase the average selling price of its product portfolio and improve gross profit margin in 2H 2019, the Group aims to mass produce optical lens products with higher specifications, including wide angle + smaller-head-design 16MP 5P lenses and 48MP 6P lenses.

Electromagnetic Drives and Precision Mechanics

In this combined business segment, revenue declined by 19.5% year-on-year to RMB1.53 billion as shipments to major customer fell. The product mix change and price pressure within the precision mechanics sub-segment caused gross profit margin to drop 9.4 percentage points year-on-year to 32.3%. The Group's strategy of further enriching its product line with electromagnetic drive technology as its core has achieved initial success. Also, the Group's exclusive integrated stepper motor module solutions have been approved by some mainstream Android customers and will be mass-produced in Q2 2019. The Group expects that stepper motor module with pop-up cameras will become mainstream solution for full-screen design smartphones this year, and the overall market shipments will reach 100 million units. As a key player in this market segment, the Group expects a gradual increase in market share in 2H 2019. Though the gross profit margin will be lower during the ramping period in Q2 2019, an improvement is expected in 2H 2019.

As for haptics, the Group's proprietary horizontal (x-axis) vibration motor is becoming increasingly popular among mainstream Android customers and has been adopted in many premium flagship models. It is expected that high growth will begin in 2020. The precision mechanics segment has penetrated more mainstream Android flagship models in Q1 2019 and expects to gain larger market share with rising utilization for this business segment in Q2 2019, and thus achieve growth in revenue.

MEMS

The general decline in devices shipments also affected the MEMS (Micro Electro-Mechanical System) segment performance. Revenue declined by 14.1% year-on-year to RMB154 million. In order to improve the gross profit margin of this segment, the Group continues to increase adoption of self-developed MEMS dies and digital ASIC chips for MEMS microphones.

OUTLOOK

The Group adheres to its strategic goal of "leading innovation and enhancing user experience". The Group will continue to accelerate the upgrading of technological platforms, and enriching and expanding product platforms around its core technologies. Moreover, the Group's two-pronged approach of R&D and manufacturing, proactively developing versatile technologies and equipment platforms, will raise management efficiency and per capita output, and lead to sustainable and high growth in revenue and profit.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2019**

	1.1.2019 to 31.3.2019 Unaudited RMB'000	1.1.2018 to 31.3.2018 Unaudited RMB'000
Revenue	3,752,953	4,638,320
Cost of goods sold	(2,623,456)	<u>(2,874,777)</u>
Gross profit	1,129,497	1,763,543
Other income, gains and losses	64,405	37,368
Fair value gain on financial assets at fair value through profit or loss	2,473	74,562
Distribution and selling expenses	(70,272)	(72,546)
Administrative expenses	(159,884)	(139,540)
Research and development costs	(411,528)	(362,001)
Exchange loss	(4,311)	(15,096)
Finance costs	(56,450)	<u>(50,775)</u>
Profit before taxation	493,930	1,235,515
Taxation	(62,075)	<u>(109,762)</u>
Profit for the period	431,855	1,125,753
Other comprehensive income (expense):		
<i>Items that will not be subsequently reclassified to profit or loss:</i>		
Fair value changes on equity instruments at fair value through other comprehensive income	9,220	13,126
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Fair value changes on derivative financial instruments	(10,445)	7,491
(Gain) loss reclassified to profit or loss on hedged items	(906)	508
Exchange differences arising on translation of foreign operations	(67,767)	<u>(117,201)</u>
	(69,898)	<u>(96,076)</u>
Total comprehensive income for the period	361,957	<u>1,029,677</u>
Profit for the period attributable to:		
Owners of the Company	431,855	1,125,753
Non-controlling interests	-	<u>-</u>
	431,855	<u>1,125,753</u>
Total comprehensive income attributable to:		
Owners of the Company	361,957	1,029,677
Non-controlling interests	-	<u>-</u>
	361,957	<u>1,029,677</u>
Earnings per share - Basic	RMB0.36	<u>RMB0.92</u>



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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 an investors' webcast and a media conference 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, 17 May 2019

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

Executive Directors:

Mr. Pan Benjamin Zhengmin
Mr. Mok Joe Kuen Richard

Independent Non-executive Directors:

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

Non-executive Director:

Ms. Wu Ingrid Chun Yuan