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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 2020

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 condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the three months ended 31 March 2020 ("**Q1 2020**") together with the comparative figures for the corresponding period in 2019 ("**Q1 2019**").

The Q1 2020 results have been reviewed by the Company's audit and risk committee and approved by the Board today.

2020 FIRST QUARTER HIGHLIGHTS (UNAUDITED):

<i>(RMB Million)</i>	Q1 2020	Q1 2019	<i>YoY%</i>
Revenue	3,560	3,753	-5.1%
Gross Profit	823	1,129	-27.1%
<i>Gross Profit Margin</i>	23.1%	30.1%	-7.0ppts
Operating Expenses	(728)	(642)	+13.4%
Net Profit	53	432	-87.8%
<i>Net Profit Margin</i>	1.5%	11.5%	-10.0ppts
Basic EPS (RMB)	0.04	0.36	-87.8%
Share Numbers (Weighted average, million)	1,209	1,213	

BUSINESS REVIEW

For Q1 2020, Group revenue and gross profit declined by 5.1% and 27.1% YoY, to RMB3.56 billion and RMB823 million, respectively, whereas gross margin narrowed by 7.0 percentage points ("ppts") YoY to 23.1%. Net profit decreased by 87.8% YoY to RMB53 million. During the period under review, seasonality factors and the outbreak impact of COVID-19 significantly affected the operation and production utilization of the Group. Additional non-recurring production costs and operating expenses related to work resumption under COVID-19 pandemic had further weighed on the Group performance in Q1 2020.

5G is under rapid development, providing a new boost to the market. The Group continues to enhance our technologies research and development ("R&D") and high precision manufacturing capabilities and their impact, ensuring our leadership in the various sectors. During the period under review, the Group invested RMB489 million in R&D. At present, the Group has 4,273 employees in R&D and owns 4,885 patents, an increase of 474 from 31 December 2019. In acoustics, our SLS platform, with scheduled launch of $\pm 0.75\text{mm}$ vibration amplitude by second half of this year, lays down a clear platform upgrade roadmap. In optics, we expect continual growth momentum and uptrend in both revenue and gross margin this year. Both higher specs 7P plastic lens and the proprietary wafer-level glass ("WLG") lens will enter mass production this year, along with steady progress in camera module business. In electromagnetic drives, our x-axis haptics motors have already become a key selling point of Android flagship models, and, will further penetrate into the mid to low-end models. The MEMS segment has delivered continuous revenue growth and enlarged market share in the smartphones sector.

Under the COVID-19 pandemic, the Group spent almost RMB10 million for carrying out nucleic acid tests and health checks on all employees and maintained close communications with suppliers and customers. Working together, overcoming different challenges, the Group achieved full resumption of operation and production activities by mid-March. The pandemic has impacted the economy significantly and created uncertainties in the outlook for market demand. For that reason, the Group remains prudent in financial management, proactively managing cash flow and liquidity positions and rigorously reviewing capital expenditure and R&D budgets. During the period under review, operating cash inflow amounted to RMB1.08 billion, and after capital expenditure of RMB1.01 billion, as at 31 March 2020, the Group's net gearing remained at 8.7% with a cash position of RMB5.81 billion. A solid financial condition is crucial to the sustainable development of the Group, enabling continuing innovation and development in the future.

DEVELOPMENT OF BUSINESS SEGMENTS

Acoustics business

Q1 2020 revenue and gross profit margin from the acoustics business declined by 24.3% and 6.8 ppts YoY, to RMB1.42 billion and 26.0%, respectively.

As at 31 March 2020, the penetration of SLS platform in terms of our total shipment volume of Android models has further increased to 70%. We are striving for 80% penetration rate by the end of 2020. The upgraded classical SLS version, with diaphragm vibration amplitude increased to $\pm 0.75\text{mm}$, is scheduled to begin shipment by second half of 2020. The Group is proactively extending into other markets, such as automobile, smart speakers, smart TV, AR, TWS headphones and wearable devices.

Furthermore, stereo acoustics has become a standard feature for flagship smartphone models, and gradually moving to mid- and low-tier models. The latest top scorer smartphone in DXOMARK, the independent assessor of smartphone acoustic performance, has adopted a stereo acoustic solution of the Group – a testimonial to our core competencies in acoustics technology segment. The Group would continue with the development of next-generation acoustic platforms and enhancing their acoustic performance, in order to bring high-end audio experiences to customers and consumers.

Optics

During Q1 2020, revenue from optics business increased 61.7% YoY to RMB245 million, while the gross margin continued its uptrend.

The Group remains confident of the business outlook of this segment, and its importance as a strategic growth driver for the Group. For plastic lens, leveraging on big data modelling and simulation in our high-precision and customized production equipment of our automation manufacturing, good progress has been achieved. Both yields and production efficiencies have steadily improved. Monthly production output is close to 60 million units in the second quarter of 2020, and expected to reach 100 million units by the third quarter of 2020 ("Q3 2020"). Various 6P projects have been agreed with several customers, and 7P projects are under promotion and close discussion with customers in this Q3 2020 with planning for mass production in Q4 2020, and achievement of higher image resolution standards of above 108M.

Optics remains one of the key direction for smartphone innovations. Upgrade trends for tele-zoom, night mode, ultra-wide angle and high image resolution features have set more demanding standards for camera stability, height thickness and optical resolution. Hybrid lens exhibits superior optical performance and overcomes the key limitations of plastic lens such as low peripheral resolutions and lower stability upon prolonged usage and temperature variations. Also, hybrid lens exhibits larger aperture and superiority in the night mode, with lower height thickness. The Group's competitive advantage, based on its proprietary WLG production technology, is making steady progress on project collaborations with various mainstream smartphone producers, scheduled to achieve production of 30 million glass lenses in this year 2020. The Group firmly believes that the WLG platform would make a significant contribution to the Group in the long term.

Steady progress has also been made for camera module business, which would complement the Group's core strategy of vertical integration in optics business, providing better user experience by offering a holistic optical solution across mid- and high-end camera modules.

Electromagnetic Drives and Precision Mechanics

During Q1 2020, the combined revenue from electromagnetic drives and precision mechanics segments has increased 8.1% YoY to RMB1.69 billion. The blended gross margin has compressed by 8.4 ppts to 23.6%.

The margin was affected by the COVID-19 outbreak as it has adversely affected the manufacturing utilisation and product shipment. However, the industry demand for haptics upgrade remains strong. During the period under review, the proprietary x-axis haptics motors have been adopted by most of the Android flagship models as a key selling point to end-users, providing new user experience on screen tactile feedback, interactive user experience with mobile games, and on edge haptics. We are prepared for shipment of x-axis haptic motors to Android models to increase multifold to the range of 45–50 million units in this year 2020. The Group further increased the market share of the stepper motor modules by developing new stepper motor modules with lower costs, for mid- and low-tier smartphone models. Together with gradual penetration into smart home market, the Group expects the annual shipment could reach a total of 20 million units for this year 2020.

The Group remains positive on precision mechanics segment and expects its strong business growth momentum to continue. Unit price related to 5G smartphones has a significant premium to that for 4G smartphones, as there are higher requirements for high-precision metal casing and heat dissipation by 5G smartphones. The Group's plan is to have more than 50% of business related to 5G smartphone projects. Leveraging on our precision mechanics capabilities and liquid metal processing knowhow, the Group has developed its own mechanic hinges for folding panels, and has already started discussions with customers. Furthermore, the Group is also promoting its 3D cover-glass casing solutions to customers.

MEMS Components

During Q1 2020, revenue from MEMS component grew 29.1% YoY to RMB199 million, while the gross margin edged down by 2 ppts to 16.5%. Despite the COVID-19 outbreak, the segment revenue had exhibited positive growth, and gradually increased its market share. The strong demand for MEMS microphones was fueled by noise-cancelling TWS headphones, smartphones and smart home appliances. The Group plans to double the production capacity in 2020 from previous year. The Group also expects the high-end miniaturized microphone products to become a new bright spot for growth, such as those with signal-to-noise ratio of over 70 dB and low energy consumption, which are already well received by the smartphone and smart-watches customers.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2020**

	1.1.2020 to 31.3.2020 Unaudited RMB'000	1.1.2019 to 31.3.2019 Unaudited RMB'000
Revenue	3,560,095	3,752,953
Cost of goods sold	(2,737,245)	(2,623,456)
Gross profit	822,850	1,129,497
Other income, gains and losses	129,533	64,405
Fair value gain on financial assets at fair value through profit or loss	-	2,473
Distribution and selling expenses	(66,958)	(70,272)
Administrative expenses	(171,705)	(159,884)
Research and development costs	(489,232)	(411,528)
Exchange loss	(11,582)	(4,311)
Finance costs	(83,682)	(56,450)
Profit before taxation	129,224	493,930
Taxation	(76,570)	(62,075)
Profit for the period	52,654	431,855
Other comprehensive (expense) income:		
<i>Item that will not be subsequently reclassified to profit or loss:</i>		
Fair value changes on equity instruments at fair value through other comprehensive income	(10,432)	9,220
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Fair value changes on derivative financial instruments	(24,778)	(10,445)
Loss (Gain) reclassified to profit or loss on hedged items	1,840	(906)
Exchange differences arising on translation of foreign operations	18,364	(67,767)
Total comprehensive income for the period	37,648	361,957
Profit (loss) for the year attributable to:		
Owners of the Company	52,704	431,855
Non-controlling interests	(50)	-
	52,654	431,855
Total comprehensive income (expense) attributable to:		
Owners of the Company	37,698	361,957
Non-controlling interests	(50)	-
	37,648	361,957
Earnings per share - Basic	RMB0.04	RMB0.36

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, 15 May 2020



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The Directors of the Company 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. Zhang Hongjiang
Mr. Poon Chung Yin Joseph
Mr. Kwok Lam Kwong Larry
Mr. Peng Zhiyuan

Non-executive Director:

Ms. Wu Ingrid Chun Yuan