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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 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 nine months ended 30 September 2020 ("**9M 2020**") together with the comparative figures for the corresponding period in 2019 ("**9M 2019**").

These unaudited condensed consolidated financial statements have been reviewed by the Company's audit and risk committee and approved by the Board on 13 November 2020.

2020 NINE MONTHS HIGHLIGHTS (UNAUDITED):

<i>(RMB Million)</i>	9M 2020	9M 2019	<i>YoY%</i>	Q3 2020	Q3 2019	<i>YoY%</i>
Revenue	12,357	12,579	-1.8%	4,520	5,012	-9.8%
Gross Profit	2,885	3,568	-19.1%	1,067	1,483	-28.1%
<i>Gross Profit Margin</i>	23.3%	28.4%	-5.1ppt	23.6%	29.6%	-6.0ppt
Net Profit	751	1,465	-48.8%	430	695	-38.1%
<i>Net Profit Margin</i>	6.1%	11.6%	-5.5ppt	9.5%	13.9%	-4.4ppt
Basic EPS (RMB)	0.62	1.21	-48.8%	0.36	0.58	-38.1%
Share Numbers (Weighted average, million)	1,209	1,211		1,209	1,209	

BUSINESS REVIEW

For the third quarter of 2020 ("**Q3 2020**"), Group revenue declined by 9.8% year on year ("**YoY**") to RMB4.52 billion due to cyclicity in global smartphone market and delays in new models. On a quarter on quarter ("**QoQ**") basis, Q3 2020 revenue increased by 5.7% as main business segments continued to recover. During Q3 2020, on the back of improved product portfolio and better cost control, gross profit margin improved QoQ by 0.3 percentage points ("**pppts**") to 23.6% and net profit grew significantly by 60.7% to RMB430 million, respectively. Given the unfavorable results of Q1, for the 9M 2020, Group revenue recorded a YoY decrease of 1.8% to RMB12.36 billion, whereas gross profit margin and net profit declined YoY by 5.1 ppts and 48.8%, respectively, to 23.3% and RMB751 million.

During the period under review, the Group has continued to proactively implement the organizational transformation to improve product line management, and has taken a comprehensive cost control approach to lower cost and enhance productivity per capita. Meanwhile, satisfactory progress has been made across various business segments. In optics, gross margin of plastic lens products continued its sequential uptrend, with gross margin in September further increased to 27.8%. New products such as main cameras of high resolution and small head cameras of high value are gradually set to be launched. The Group has confirmed Wafer-level Glass ("**WLG**") hybrid lens projects with customers, which are targeted to start mass production and shipment in the first half of next year. In acoustics, the launch of the standardized small cavity speaker module will help to reduce product size while continuing to improve in acoustic performance. Leveraging on the technical capabilities of precision manufacturing and automation, and riding on the economy of scale effect from standardized platform-based production, the Group aims to significantly improve productivity through reducing production cost and thereby enhancing profitability in Android acoustics products. In electromagnetic drives, our x-axis haptic motors have been adopted by various high-tier Android models, showing a strong YoY growth momentum in shipment volume. We expect penetration into mid- and low-tier Android models to take place next year. In MEMS, the Group plans to gain market shares and increase revenue via capacity expansion and adoption of distribution channels. Gross margin in this segment as planned, is expected to improve with the use of a higher proportion of in-house chips.

The Group's optics business has successfully brought in a second round of strategic investors as per our recent announcement. This clearly demonstrated market's recognition in the technology leadership and business prospects of our fast-growing optics business. Going forward, the Group will benefit from the strategic investors' industry resources and industry trend development. Establishing an independent capital markets' financing platform and a market-oriented incentive scheme in the future could help to facilitate optics business' sustainable growth, and further enhance the overall value of the Group.

The Group remains prudent in financial management, continues to rigorously review capital expenditure and R&D expense budgets, and closely monitor liquidity positions. As at 30 September 2020, the Group's net gearing ratio was 7.8% with a cash position of RMB5.61 billion. A solid financial position is crucial to the sustainable development of the Group, and continuous innovation and future development.

DEVELOPMENT OF BUSINESS SEGMENTS

Acoustics Business

During Q3 2020, revenue from the acoustics business declined by 5.3% YoY but grew by 13.2% QoQ, respectively, to RMB2.16 billion. Gross profit margin dropped by 6.7 pts YoY to 26.6% whereas remained stabilized QoQ. For 9M 2020, acoustics revenue decreased by 7.4% to RMB5.49 billion as compared to 9M 2019, with gross margin at 26.4%.

In Q3 2020, acoustics revenue and gross profit margin were cyclically impacted as a result of delays in new model launches from certain customers. The Group schedules to launch a standardized small cavity speaker module on the back of our ability to integrate our expertise in acoustic structure, material, algorithm and precision manufacturing. The product size is expected to be reduced by 20-30% while high quality acoustic effect is maintained. This is well aligned with the market trend of thin and light model design, and will further increase our technological barrier in the industry. The Group is actively promoting the small cavity speaker, which has received positive feedbacks from customers, and is expected to be launched gradually next year. Advantages of economy of scale effect will be shown steadily in response to an increasing proportion of small cavity acoustic module in our total Android shipment volume. The Group expects to deploy a platform-based and automation production methodology to effectively diversify product versatility and reduce model types while increasing shipment volume. This will help to optimize cost structure and notably improve profitability in acoustics segment.

In addition, the design of smaller standardized speaker module will accelerate the market trend of stereo acoustics solution in 5G phones. Stereo acoustics replaces the original receiver with a speaker module, increasing the number of acoustic modules per phone, and thereby increasing value of acoustic products per phone. It has become a new standard feature for flagship models, and is expected to further penetrate into mid- and low-tier phone models next year. The Group will also continue to integrate our R&D capability in algorithm and software to customize advanced acoustic modules for high-tier flagship models, and to bring superior acoustic experiences to end-consumers.

Optics Business

During Q3 2020, revenue from optics business significantly increased by 51.6% to RMB474 million, whereas gross profit margin further increased to 24.6% from 13.8% of the previous quarter. For 9M 2020, optics revenue grew by 50.6% YoY to RMB1.10 billion and gross profit margin stood at 17.6%.

Steady progress has been made in plastic lens business in Q3 2020. In September, monthly shipment volume of plastic lens reached 52.4 million units. Although the average selling price ("ASP") declined QoQ reflecting pandemic-related reduced purchasing power of smartphone consumers and short-term change in product portfolio, capacity utilization has increased gradually. As a result, Q3 2020 gross margin increased notably QoQ and reached 27.8% in September. In Q4 2020, the Group plans to make full utilization of existing capacity to continuously increase production output on the basis of Q3 2020. Meanwhile, we will continue to strive for higher production yield, resulting in reduced product unit cost and enhanced profitability of plastic lens products. The proportion of 6P plastic lens in terms of shipment volume in our product portfolio has further increased, with 108M image resolution product scheduled to be certified in Q4 and several higher resolution products in close discussion with customers. New products such as small head cameras are on track of development and mass production. All of these enable the Group to continuously increase market shares in lens, optimize product portfolio, so as to establish a solid foundation for the Group to strive for amongst the highest profitability companies in the industry going forward.

Our proprietary WLG hybrid lens product has received a lot of attention in optics industry. WLG hybrid lens exhibit superior optical performance in product height, light transmission and resolution. The latest version of hybrid lens manages to improve light transmission by 20% compared to pure plastic lens of same number of pieces owing to design upgrade. This effectively enhances the imaging results under dark light condition and night mode, achieving better color revivification, and reducing glare problems. At the moment, the Group has confirmed WLG hybrid lens projects with certain customers and targeted to enter mass production and shipment in the first half of next year. Also, we have reached cooperation intents with various customers on WLG projects, expected to be implemented progressively next year. The Group schedules to mass produce millions of pieces of glass lens this year, which helps to boost customers' confidence in our capability of mass production and delivery of hybrid lens products.

Our camera module has begun mass production and shipment in Q3 2020. Camera module business plays an important role in the Group's strategy, and we will collaborate with other market participants to jointly improve product performance and mass production capabilities of camera modules. We plan to offer holistic optical module solutions covering mid- and high-tier products to customers to further enhance consumer experience.

Electromagnetic Drives and Precision Mechanics Business

For Q3 2020, revenue from electromagnetic drives and precision mechanics decreased by 28.6% YoY to RMB1.52 billion, mainly due to a YoY decline in product ASP and shipment volume of metal casing. Meanwhile, weakened demand from major customers led to lower production utilization rate, dragging down this segment's profitability. Hence, gross margin was compressed by 9.4 ppts to 20.1%. For 9M 2020, revenue and gross margin from the combined segment declined by 5.8% and 7.2 ppts YoY, respectively to RMB4.93 billion and 22.2%.

Electromagnetic Drives

During Q3 2020, electromagnetic drives segment continued to exhibit a steady business momentum. Despite the decline in global smartphone shipments, our x-axis haptic motors have reported a stable growth in shipment volume through active market promotion. Revenue from electromagnetic drives decreased compared to the same period last year owing to ASP pressure caused by slowdown in specification upgrades. Nevertheless, riding on the Group's core technologies and automation advantage in electromagnetic drives, gross profit margin continued to maintain a healthy level and demonstrated a stable trend compared to the previous quarter. Our x-axis haptic motors have been adopted by more Android flagship models this year, and have successfully penetrated into popular mid-tier models. Hence, shipment volume to Android customers achieved a sound growth momentum of 23.1% YoY in Q3 2020.

Our proprietary x-axis haptic motor with advantages of more agile tactile feedback and diverse vibration effects, have received positive feedbacks from customers and end-consumers. In the age of 5G, new application scenarios such as interactive user experience with games and simulation mechanical keyboards will boost stronger market demands in haptics. The Group is now proactively diversifying user experiences through active market promotion and in-depth cooperation with smartphone manufacturers. The Group expects to replace the current mainstream traditional motors and z-axis haptic motors with our x-axis ones. We've launched various x-axis haptic solutions to satisfy different Android customers' demands. Solutions with high vibration quality are provided to Android flagship models to improve end-consumer experience. In the mid- and low-tier smartphone market, we've released entry-level haptic solutions with competitive price and enhanced vibration effect, which would improve performance and control manufacturing costs. We expect shipment volume of x-axis haptic motors to Android models to achieve a robust growth momentum next year with growing demand from end-consumers and costumers. This will allow the Group to achieve production scale, enhance profitability and maintain leading industrial position in this business segment.

Furthermore, the Group is expected to offer a holistic electromagnetic solution of "algorithm + hardware" to customers. Vibration effects are designed to adapt to various mobile Apps to improve product stickiness, so as to provide end consumers with more advanced vibration experiences through a combination of software and hardware.

Precision Mechanics

During Q3 2020, shipment volume in metal casing recorded a YoY decline due to weakened shipment volume of major customers. The decrease in production utilization rate led to YoY declines in both revenue and gross profit in this segment. Precision mechanics business has been playing a strategic role to help us better understand the latest smartphone upgrade trend. The Group's technology knowhow and leading manufacturing position will assist us to expand business into more complex precision mechanic projects. Amid the changing environment, we are taking proactive measures in order to mitigate business risks, by accelerating new customer expansion, and introducing new projects to diversify customer base. Projects on a variety of products such as notebooks and tablets are to kick off progressively. Furthermore, the Group aims to select projects on the basis of increasing utilization rate of the existing capacity and targeting improved profitability in this segment.

MEMS Business

MEMS business showed a healthy growth momentum in Q3 2020. Revenue grew by 27.5% to RMB368 million, whereas gross margin was narrowed by 12.3 ppts YoY to 19.0%, but exhibited a sequential recovery as compared to the previous quarter. For 9M 2020, revenue and gross margin from MEMS increased by 23.5% but declined by 9.4 ppts YoY, respectively, to RMB826 million and 17.5%.

MEMS microphones have been widely adopted in consumer electronic products due to its characteristics of miniaturization and high standardization. Its applications range from smartphones, tablets, smart TVs, wearables to IoT products. The growth uptrend is expected to remain relatively high in the near future. The Group has expanded production capacity in MEMS segment to better meet market demands this year, and in the future. During Q3 2020, our MEMS business showed a considerable YoY growth in shipment volume with a sequential improved gross margin as compared to the previous quarter. The increased adoption of in-house chips in MEMS microphone is expected to contribute to a lower cost, and hence, drive profitability. In terms of product promotion, the Group's high-end MEMS microphone with small size, high signal-to-noise ratio, low energy consumption and enhanced durability has been successfully adopted by laptop market. Our MEMS microphone product has been extended to TWS headset, smart speaker and tablet markets in addition to smartphones. We are prepared to continuously gain market shares via deploying distribution channels to generate greater income for the Group.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

	1.1.2020 to 30.9.2020 (Unaudited) RMB'000	1.1.2019 to 30.9.2019 (Unaudited) RMB'000
Revenue	12,357,069	12,579,185
Cost of goods sold	(9,472,015)	(9,011,612)
Gross profit	2,885,054	3,567,573
Other income, gains and losses	358,953	144,674
Fair value gain on financial assets at fair value through profit or loss	–	19,234
Distribution and selling expenses	(209,814)	(185,572)
Administrative expenses	(507,160)	(447,725)
Research and development costs	(1,435,355)	(1,264,125)
Exchange gain	86,162	48,636
Finance costs	(246,031)	(174,850)
Profit before taxation	931,809	1,707,845
Taxation	(186,044)	(242,637)
Profit for the period	745,765	1,465,208
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	(20,988)	30,888
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising from translation of foreign operations	(36,819)	(6,694)
Fair value changes on derivative financial instruments	(27,632)	(27,552)
Loss (gain) reclassified to profit or loss on hedged items	14,006	(2,110)
	(71,433)	(5,468)
Total comprehensive income for the period	674,332	1,459,740
Profit (loss) for the period attributable to:		
Owners of the Company	750,666	1,465,208
Non-controlling interests	(4,901)	–
	745,765	1,459,208
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	679,233	1,459,740
Non-controlling interests	(4,901)	–
	674,332	1,459,740
Earnings per share – Basic	RMB0.62	RMB1.21

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.
Zhang Hongjiang
Chairman

Hong Kong, 13 November 2020



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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. Zhang Hongjiang

Mr. Au Siu Cheung Albert

Mr. Peng Zhiyuan

Mr. Kwok Lam Kwong Larry

Non-executive Director:

Ms. Wu Ingrid Chun Yuan