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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 2022

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 2022 ("**Q1 2022**") together with the comparative figures for the corresponding period in 2021 ("**Q1 2021**").

These unaudited condensed consolidated financial statements have been reviewed by the Company's audit and risk committee and approved by the Board on 12 May 2022.

2022 FIRST QUARTER HIGHLIGHTS (UNAUDITED):

<i>(RMB Million)</i>	Q1 2022	Q1 2021	YoY%
Revenue	4,896	4,292	+14.1%
Gross Profit	957	1,337	-28.4%
<i>Gross Profit Margin</i>	19.5%	31.1%	-11.6ppts
Net Profit*	205	532	-61.4%
<i>Net Profit Margin</i>	4.2%	12.4%	-8.2ppts
Basic EPS (RMB)	0.17	0.44	-61.2%
Share Numbers (Weighted average, million)	1,202	1,209	

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

BUSINESS REVIEW

For the first quarter of 2022 ("**Q1 2022**"), the Group's revenue, on the back of business diversification strategy, was up 14.1% year-on-year ("**YoY**") to RMB4.90 billion, due to a strong demand from overseas key customers in acoustics and haptics products, as well as increased contributions from Precision Mechanics and Optics business segments. The Group has implemented a flexible business strategy to gain additional market share and diversify growth opportunities during changing market dynamics, which impacted the ASP of major products to a certain extent. Changes in product portfolio mix, increased raw material and labor costs also contributed to a lower gross profit margin, with a reduction of 11.6 percentage points ("**ppts**") YoY to 19.5%, and, a decline of net profit by 61.4% YoY to RMB205 million for Q1 2022. Overall, the Group increased market share and maintained a strong business partnership with all major customers.

According to the International Data Corporation ("**IDC**") report, global smartphone shipment volume in Q1 2022 was down 8.9% YoY. In the near term, the resurgence of Covid-19 pandemic could cause certain disruptions to the Group's business operations. A prolonged pandemic might lead to weaker consumer sentiment and further disruption to global supply chain. Despite the changing external business environment and challenges ensued, the Group adjusted business strategy with a focus on customers' demand by expanding product portfolio and optimising price to performance ratio. By reviewing business opportunities and flexibly allocating capital resources to better position for future growth potential, the capital expenditure in Q1 2022 has been reduced to RMB545 million, lowered by 50.8% YoY. The Group remains prudent in financial management implementing stringent controls on operating expenses. During the reporting period, operating cash inflows were RMB465 million. As of 31 March 2022, net gearing ratio was 9.6%, and cash on book was RMB5.64 billion.

The Group will expand into other markets, including the automotive market. In 2021, the Group established an independent business unit for expansion into automotive segment products. It will provide a synergistic product portfolio across acoustics, optics and haptics to address the growing demand for smart cabin solutions. The Group is working with both traditional automotive and new energy vehicle OEMs to jointly develop products for future car models. Recently, the Group has locked in several automotive acoustics projects, which will proceed to mass production in 2022. In the AR/VR markets, the Group has established cooperation with a global leading VR player to provide haptic solutions for VR devices. The Group will continue to actively engage with global leading players to develop new products for the AR/VR markets.

BUSINESS SEGMENTS

Acoustics Business

In Q1 2022, the acoustics business revenue was RMB2.23 billion, up 6.4% YoY. Gross profit margin was 26.6%, down 10.8 ppts YoY, mainly due to ASP pressure from overseas customer. Compared to Q4 2021, the gross profit margin remained stable QoQ.

In terms of Android acoustics products, the Group will continue to implement the diversification strategy and actively expand acoustics products into notebooks, tablets and wearables markets. It is expected that such revenue will account for more than 5% of Android acoustics in 2022. At the same time, the standardized speaker module solutions will help introduce products with a higher price to performance ratio to meet the demand from price-for-value market, increase the Group's market share and boost the revenue from Android acoustics products. In terms of gross profit margin, in Q1 2022, Android acoustic products' gross profit margin continued to improve further from the growth momentum since fourth quarter of 2021. Going forward, the Group will focus on lowering production costs and improving gross profit margin for Android acoustics products through further optimization of product line management, enhancement of automation production capabilities and economies of scale brought by product standardization.

The automotive acoustics business is progressing smoothly, with the integrated automotive acoustics solution project moving into mass production in 2022. Tuning and software algorithm projects are currently under development. In addition, car headrests speaker module project is on track for mass production and delivery next year. This year, leveraging on years of precision manufacturing knowhow, the Group is actively engaging with traditional automotive and new energy vehicle OEMs to jointly develop products and solutions that can provide differentiated customer experience.

Optics Business

In Q1 2022, revenue from the optics business was RMB924 million, up 36.4% YoY. Gross profit margin was 3.5%, down 24.0 ppts YoY. Compared to Q4 2021, revenue increased by 80.1% QoQ on the back of a strong shipment growth from camera module products. On a QoQ basis, gross profit margin was up by 5.6 ppts, among which the gross profit margin for plastic lens was 4.4%, increased by 10.5 ppts QoQ, which was mainly due to the low base in Q4 2021 from one-time adjustments.

In Q1 2022, although the market demand in the global smartphone industry was below market expectation, the Group increased its market share in the optics market through overseas customer expansion and broader platform coverage of smartphone models. Despite a generally weaker market backdrop, the total shipment of plastic lens increased by 15.9% QoQ to 135 million, including the plastics lens sold to our own camera module business. The WLG hybrid lens business is progressing as planned with 1G6P high-end hybrid lens projects targeting for mass production and delivery in 2H 2022.

The camera module business has seen steady growth. The Group's high-end camera module products have been recognized by the customers with the successful delivery of 108M main camera module. In Q1 2022, the total shipment for camera module reached 42 million, representing a QoQ increase of 129.3%. The optimized product portfolio will improve the overall ASP for the camera module business. VCM business is progressing as scheduled. The 50M AF module is expected to be mass-produced and delivered this year. The optimization of product offering across camera module and VCM will enhance the Group's capabilities via vertical integration.

Electromagnetic Drives and Precision Mechanics Business

For Q1 2022, revenue from this combined segment was RMB1.50 billion, up 22.2% YoY from an increased revenue contribution from Precision Mechanics business segment. Gross profit margin was 19.6%, down 5.9 ppts YoY, due to ASP pressure from overseas customer. Compared to Q4 2021, the revenue decreased by 16.5% QoQ due to seasonality reasons, while gross profit margin remained stable QoQ.

Electromagnetic Drives Business

In Q1 2022, the total shipment volume of x-axis haptics motors for Android customers reached 17 million, increased by 20.5% YoY. The ultra-wide x-axis haptics motor launched by the Group has received positive feedbacks from the market with unique tactile sensory solutions, providing better tactile feedback and vibration effect. It will help to accelerate the penetration of the x-axis haptics motors across high end and mid-to-low end smartphone models. In the new market, the Group has already entered into the supply chain and provided x-axis haptics motor for a leading global VR player. The Group is also working on developing ultra-thin haptics which can be standardized and used in the touchpad of notebooks. In addition, the Group will promote haptics solutions in the automotive market and aim to secure projects this year. It is expected that the shipment volume of the Group's Android x-axis haptics motors will continue to maintain rapid growth in 2022.

Precision Mechanics Business

In Q1 2022, due to the successful customer diversification strategy, shipment for metal casing products increased by 38.9% YoY. Benefitting from the increased market share from key customers, as well as smooth progress of tablet projects for overseas Android customer and wearable projects, the revenue of precision mechanics business increased 52.0% YoY. In addition, the Group will continue to leverage Toyo Precision's experience in serving overseas customers, and continue to expand its market share and product portfolio to improve revenue and overall profitability of this business segment.

MEMS Business

In Q1 2022, the MEMS business recorded a revenue of RMB238 million, down by 16.1% YoY. Gross profit margin was 14.1%, down 2.6 ppts YoY. This was mainly driven by change in product portfolio, and a delay in major customer's demand. Compared to Q4 2021, revenue remained stable and gross profit margin increased by 1.6 ppts.

The shipment volume for MEMS increased by 27.8% YoY in Q1 2022, with a steady increase in market share. With more in-house chips being introduced, it will optimize cost structure and increase the gross profit margin of MEMS microphones. In the future, while maintaining a stable and high market share in the smartphone market, the Group's MEMS microphone products will continue to expand into other markets such as true wireless stereo earphones, smart speakers, tablets and automotive markets.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE THREE MONTHS ENDED 31 MARCH 2022

	1.1.2022 to 31.3.2022 Unaudited RMB'000	1.1.2021 to 31.3.2021 Unaudited RMB'000
Revenue	4,895,947	4,291,989
Cost of goods sold	<u>(3,939,073)</u>	<u>(2,955,091)</u>
Gross profit	956,874	1,336,898
Other income, gains and losses	124,657	73,822
Share of results of an associate	(357)	-
Distribution and selling expenses	(103,016)	(68,733)
Administrative expenses	(227,999)	(175,686)
Research and development costs	(386,585)	(452,814)
Exchange (loss) gain	(13,486)	5,531
Finance costs	<u>(102,372)</u>	<u>(97,631)</u>
Profit before taxation	247,716	621,387
Taxation	<u>(53,529)</u>	<u>(85,623)</u>
Profit for the period	194,187	535,764
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 (expense) income	(5,278)	14,192
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Fair value changes on derivative financial instruments	(12,949)	(144)
Loss reclassified to profit or loss on hedged items	3,525	4,764
Exchange differences arising on translation of foreign operations	<u>44,903</u>	<u>(9,506)</u>
Total comprehensive income for the period	<u>224,388</u>	<u>545,070</u>
Profit (loss) for the year attributable to:		
Owners of the Company	205,292	532,099
Non-controlling interests	<u>(11,105)</u>	<u>3,665</u>
	<u>194,187</u>	<u>535,764</u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	235,782	543,110
Non-controlling interests	<u>(11,394)</u>	<u>1,960</u>
	<u>224,388</u>	<u>545,070</u>
Earnings per share - Basic	<u>RMB0.17</u>	<u>RMB0.44</u>

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 may have an investors' webcast and media conference for these unaudited quarterly 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 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.

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, 12 May 2022

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 four Independent Non-executive Directors, namely Mr. Zhang Hongjiang, Mr. Au Siu Cheung Albert, Mr. Peng Zhiyuan and Mr. Kwok Lam Kwong Larry.