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AAC ACOUSTIC TECHNOLOGIES HOLDINGS INC.

瑞聲聲學科技控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2018)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2009

FINANCIAL HIGHLIGHTS

Revenue of the AAC Acoustic Technologies Holdings Inc. (the “**Company**” and together with its subsidiaries, collectively the “**Group**”) for the year ended 31st December, 2009 amounted to RMB2,203.1 million, representing a decrease of 2.3% from RMB2,256.0 million for the previous year. Profit attributable to owners of the Company for the year ended 31st December, 2009 amounted to RMB615.0 million, representing an increase of 4.2% from RMB590.4 million for the previous year.

RESULTS

The board of directors (the “**Directors**”) of the Company (the “**Board**”) hereby announces the audited consolidated financial statements of the Group for the year ended 31st December, 2009 together with the comparative figures for the previous year.

* *For identification purposes only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31st December, 2009

	NOTES	2009 RMB'000	2008 RMB'000
Revenue	3	2,203,143	2,256,022
Cost of goods sold		<u>(1,214,054)</u>	<u>(1,315,537)</u>
Gross profit		989,089	940,485
Other income		27,854	65,495
Fair value gain (loss) on foreign exchange linked notes		44	(4,709)
Net fair value gain on foreign currency forward contracts		6,358	–
Gain on disposal of a subsidiary		1,373	–
Distribution and selling expenses		(79,540)	(103,017)
Administrative expenses		(103,200)	(120,254)
Research and development costs		(159,105)	(123,418)
Finance costs	4	(4,035)	(10,026)
Other expenses		<u>(2,364)</u>	<u>(28,315)</u>
Profit before taxation	5	676,474	616,241
Taxation	6	<u>(66,674)</u>	<u>(25,638)</u>
Profit for the year		<u>609,800</u>	<u>590,603</u>
Attributable to:			
Owners of the Company		614,957	590,434
Minority interests		<u>(5,157)</u>	<u>169</u>
		<u>609,800</u>	<u>590,603</u>
Profit for the year		609,800	590,603
Other comprehensive income and expense:			
Exchange differences arising from translation		4,686	(19,419)
Exchange difference released on disposal of a subsidiary		<u>2,971</u>	<u>–</u>
Other comprehensive income and expense		<u>7,657</u>	<u>(19,419)</u>
Total comprehensive income and expense for the year		<u>617,457</u>	<u>571,184</u>
Total comprehensive income and expense attributable to:			
Owners of the Company		622,484	572,612
Minority interests		<u>(5,027)</u>	<u>(1,428)</u>
		<u>617,457</u>	<u>571,184</u>
Earnings per share – Basic	8	<u>RMB50.08 cents</u>	<u>RMB48.01 cents</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At 31st December, 2009

	NOTES	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	9	1,364,170	1,289,356
Goodwill		5,405	5,405
Prepaid lease payments		67,122	70,024
Deposits made on acquisition of property, plant and equipment		29,904	56,049
Available-for-sale investments	10	27,676	–
Intangible assets		26,708	29,126
		<u>1,520,985</u>	<u>1,449,960</u>
Current assets			
Inventories		230,206	295,762
Trade and other receivables	11	729,162	563,130
Amount due from a minority shareholder of a subsidiary		–	10,537
Amounts due from related companies		19,180	19,152
Foreign exchange linked notes		–	80,923
Foreign currency forward contracts	12	6,322	–
Taxation recoverable		2,169	2,118
Pledged bank deposits		10,430	16,624
Bank balances and cash		1,735,212	1,266,011
		<u>2,732,681</u>	<u>2,254,257</u>
Current liabilities			
Trade and other payables	13	481,960	365,766
Amounts due to related companies		8,965	9,777
Taxation payable		37,977	13,176
Foreign currency forward contracts	12	2,912	–
Short-term bank loans	14	187,095	200,295
		<u>718,909</u>	<u>589,014</u>
Net current assets		<u>2,013,772</u>	<u>1,665,243</u>
Net assets		<u>3,534,757</u>	<u>3,115,203</u>
Capital and reserves			
Share capital		99,718	99,718
Reserves		3,434,658	3,008,050
Equity attributable to owners of the Company		3,534,376	3,107,768
Minority interests		381	7,435
Total equity		<u>3,534,757</u>	<u>3,115,203</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2009

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands with its shares listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The consolidated financial statements are presented in Renminbi (“RMB”), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

In the current year, the Group has applied the following new and revised standards, amendments and interpretations (“new and revised IFRSs”).

IAS 1 (Revised 2007)	Presentation of financial statements
IAS 23 (Revised 2007)	Borrowing costs
IAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
IFRS 1 & IAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
IFRS 2 (Amendment)	Vesting conditions and cancellations
IFRS 7 (Amendment)	Improving disclosures about financial instruments
IFRS 8	Operating segments
IFRIC 9 & IAS 39 (Amendments)	Embedded derivatives
IFRIC 13	Customer loyalty programmes
IFRIC 15	Agreements for the construction of real estate
IFRIC 16	Hedges of a net investment in a foreign operation
IFRIC 18	Transfers of assets from customers
IFRSs (Amendments)	Improvements to IFRSs issued in 2008, except for the amendment to IFRS 5 that is effective for annual periods beginning or after 1 July 2009
IFRSs (Amendments)	Improvements to IFRSs issued in 2009 in relation to the amendment to paragraph 80 of IAS 39

The adoption of these new standards has resulted in the following changes.

Presentation of financial statements

In the current year, the Group has adopted International Accounting Standards (“IAS”) 1 (Revised 2007) “Presentation of financial statements” which has introduced a number of terminology changes (including revised titles for the consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. The adoption of IAS 1 (Revised 2007), however, has no impact on the reported results or financial position of the Group.

Segment information

In the current year, the Group has adopted International Financial Reporting Standard (“IFRS”) 8 “Operating segments”. IFRS 8 requires the presentation of operating segments in a manner consistent with the internal reports that are regularly reviewed by the Group’s chief operating decision maker. IFRS 8 replaces IAS 14 “Segment reporting” which required an entity to identify two sets of segments (business and geographical). The adoption of IFRS 8 has resulted in a redesignation of the Group’s reportable segments but has no impact on the reported results of financial position of the Group (see note 3 for details).

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

IFRSs (Amendments)	Amendment to IFRS 5 as part of improvements to IFRSs 2008 ¹
IFRSs (Amendments)	Improvements to IFRSs 2009 ²
IAS 24 (Revised)	Related party disclosures ⁵
IAS 27 (Revised)	Consolidated and separate financial statements ¹
IAS 32 (Amendment)	Classification of right issues ⁴
IAS 39 (Amendment)	Eligible hedged items ¹
IFRS 1 (Amendment)	Additional exemptions for first-time adopters ³
IFRS 1 (Amendment)	Limited exemption from comparative HKFRS7 disclosures for first time adopters ⁵
IFRS 2 (Amendment)	Group cash-settled share-based payment transactions ³
IFRS 3 (Revised)	Business combinations ¹
IFRS 9	Financial instruments ⁷
IFRIC 14 (Amendment)	Prepayments of a minimum funding requirement ⁵
IFRIC 17	Distributions of non-cash assets to owners ¹
IFRIC 19	Extinguishing financial liabilities with equity instruments ⁶

¹ Effective for annual periods beginning on or after 1st July, 2009.

² Amendments that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate.

³ Effective for annual periods beginning on or after 1st January, 2010.

⁴ Effective for annual periods beginning on or after 1st February, 2010.

⁵ Effective for annual periods beginning on or after 1st January, 2010.

⁶ Effective for annual periods beginning on or after 1st July, 2011.

⁷ Effective for annual periods beginning on or after 1st January, 2013.

The application of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. IAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

IFRS 9 "Financial instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of IAS 39 "Financial instruments: Recognition and measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of the Group's financial assets.

3. SEGMENT INFORMATION

The Group has adopted IFRS 8 “Operating segments” with effect from 1st January, 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group’s chief operating decision maker in order to allocate resources to the segment and to assess its performance. The chief operating decision maker of the Group has been identified as the Chief Executive Officer (the “CEO”).

The Group determines its operating segments based on the internal reports reviewed by the CEO that are used to make strategic decisions.

As a result of the adoption of IFRS 8, the identification of the Group’s reportable segments has changed. In prior years, segment information reported externally was analysed on the basis of location of customers, irrespective of the origin of the goods. However, information reported to the CEO for the purpose of resource allocation and assessment of performances focuses more specifically on the type of products sold. Therefore, on adoption of IFRS 8, management has identified the following reportable segments: dynamic components (including receivers and polyphonic speakers), microphones, headsets and other products (including transducers and vibrators), which represents the major types of products manufactured and sold by the Group.

Information regarding these segments is presented below. The segment information reported for the prior period have been restated to conform with the requirements of IFRS 8.

An analysis of the Group’s revenue and results by operating segments is as follows:

	2009 <i>RMB’000</i>	2008 <i>RMB’000</i>
Operating segments		
Segment revenue		
Dynamic components	1,678,396	1,638,564
Microphones	137,274	154,885
Headsets	221,812	292,431
Other products	165,661	170,142
	<hr/> 2,203,143	<hr/> 2,256,022
Group revenue		
Segment results		
Dynamic components	888,463	781,584
Microphones	22,139	39,861
Headsets	57,734	63,299
Other products	20,753	55,741
	<hr/> 989,089	<hr/> 940,485
Total profit for operating segments		
Unallocated amounts:		
Interest income	15,646	29,743
Finance costs	(4,035)	(10,026)
Research and development costs	(159,105)	(123,418)
Administrative expenses	(103,200)	(120,254)
Distribution and selling expenses	(79,540)	(103,017)
Other income	19,983	35,752
Other expenses	(2,364)	(33,024)
	<hr/> 676,474	<hr/> 616,241
Profit before taxation		

No analysis of the Group's assets and liabilities by operating segments is disclosed as it is not regularly provided to the CEO for review.

Segment profit represents the profit earned by each segment without allocation of finance costs, interest income, administration costs, research and development costs, distribution and selling expenses and other income. This is the measure reported to the CEO for the purpose of resource allocation and performance assessment.

Over 90% of the Group's non-current assets other than financial instruments were located in the PRC, the place of dominate of the relevant group entities that holds those assets.

The Group's revenue from external customers by their geographic locations are detailed below:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Greater China* (countries of domicile)	391,515	404,037
Other foreign countries:		
Other Asian countries	109,076	130,671
America	611,286	833,146
Europe	1,091,266	888,168
	<u>2,203,143</u>	<u>2,256,022</u>

* Majority of the revenue from Greater China were derived from the PRC.

The geographical information of the Group's revenue from external customer by individual significant countries in Europe is not available and in the opinion of management the cost to develop would be excessive.

During the year, the aggregate amount of revenue derived from the Group's top 3 customers which individually has contributed to over 10% of the Group's revenue, amounted to RMB1,429,411,000 (2008: RMB1,309,391,000). No disclosure of the total amount of revenue by each customer is disclosed, as in the opinion of the Directors such disclosure is harmful to the Group's business.

4. FINANCE COSTS

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Interest on bank borrowings wholly repayable within five years	4,035	10,086
Less: Interest capitalised in construction in progress	<u>—</u>	<u>(60)</u>
	<u>4,035</u>	<u>10,026</u>

5. PROFIT BEFORE TAXATION

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Profit before taxation has been arrived at after charging:		
Directors' emoluments	4,403	3,564
Other staff's retirement benefits scheme contributions	21,130	25,103
Other staff costs	<u>390,324</u>	<u>522,097</u>
Total staff costs	415,857	550,765
Less: Staff costs included in research and development costs	<u>(57,388)</u>	<u>(51,140)</u>
	<u>358,469</u>	<u>499,625</u>
Depreciation	163,055	126,126
Less: Depreciation included in research and development costs	<u>(31,159)</u>	<u>(17,225)</u>
	<u>131,896</u>	<u>108,901</u>
Amortisation of development expenditure, included in cost of goods sold	6,871	6,647
Allowance for bad and doubtful debts	1,481	6,068
Auditor's remuneration	1,850	2,028
Cost of inventories recognised as expense	1,214,054	1,315,537
Loss on disposal of property, plant and equipment	883	4,840
Net exchange loss	–	17,407
Operating lease rentals in respect of		
– building premises	26,245	18,880
– prepaid lease payments	1,801	1,295
– equipment	361	–
and after crediting:		
Discount on acquisition of additional interests in a subsidiary	–	2,477
Government subsidies*	7,061	30,862
Net exchange gain	1,390	–
Interest income	15,646	29,743
Rental income	1,017	–
Reversal of allowance for bad and doubtful debts	<u>1,146</u>	<u>1,865</u>

* The amount mainly represents the incentive subsidies granted by the PRC local authorities to the Group for engaging in High Technology business, employment of expatriates and technologically advanced staff and for reinvestment in its PRC subsidiaries. All the grants were approved and received during the year of recognition.

6. TAXATION

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
The current tax charge comprises:		
PRC income tax	51,928	25,183
Other jurisdictions	11,183	914
Under (over) provision of taxation in prior years	<u>3,563</u>	<u>(459)</u>
	<u>66,674</u>	<u>25,638</u>

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries are entitled to exemption from PRC income tax for two years commencing from their first profit making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC income tax for the following three years ("Tax Holiday"). The Tax Holiday will expire gradually up to 2012.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of certain of the Group's PRC subsidiaries has changed to 25% from 1 January 2008 onwards. The relevant deferred tax balance had been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

Taxation in other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year is reconciled to the profit before taxation as follows:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Profit before taxation	<u>676,474</u>	<u>616,241</u>
Tax at the applicable income tax rate (<i>Note</i>)	169,119	154,060
Tax effect of income not taxable for tax purposes	(6,103)	(10,215)
Tax effect of expenses not deductible for tax purposes	5,459	18,179
Tax effect of Tax Holiday	(101,837)	(136,077)
Tax effect of tax losses not recognized	113	4,758
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,742)	(6,063)
Under(over)provision in prior years	3,563	(459)
Others	<u>(898)</u>	<u>1,455</u>
Tax charge for the year	<u>66,674</u>	<u>25,638</u>

Note: The PRC Enterprise Income Tax rate of 25% (2008: 25%) is the domestic tax rate in the jurisdiction where the operations of the Group are substantially based.

No deferred tax liability has been recognised in respect of temporary differences associated with undistributed earnings of subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

7. DIVIDENDS

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Dividends recognised as distribution during the year:		
2008 final dividend of HK10.9 cents per ordinary share	117,990	–
2009 interim dividend of HK7.2 cents (2008: Nil) per ordinary share	<u>77,886</u>	<u>–</u>
	<u>195,876</u>	<u>–</u>

Subsequent to end of the reporting period, 2009 proposed final dividend of HK15.5 cents (2008: HK10.9 cents) per share has been proposed by the Board and is subject to approval by the shareholders in the forthcoming annual general meeting.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31st December, 2009 is based on the profit for the year attributable to owners of the Company of RMB614,957,000 (2008: RMB590,434,000) and on the weighted average number of ordinary shares of 1,228,000,000 shares in issue during the year (2008: 1,229,711,497 shares).

No diluted earnings per share is presented as there were no potential ordinary shares outstanding during both years.

9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group made additions to property, plant and equipment of approximately RMB239 million (2008: RMB553 million) on acquisition of property, plant and equipment, including transfers from deposits of approximately RMB56 million (2008: RMB123 million).

10. AVAILABLE-FOR-SALE INVESTMENTS

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Unlisted shares, at cost	<u>27,676</u>	<u>–</u>

In the current year, the Group acquired a 16.7% equity interest in a private limited liability company incorporated in Finland, engaged in the business of applications of micro and nano technologies for a consideration of RMB27,676,000. The investment is measured at cost less impairment, as the fair value cannot be reliably measured.

11. TRADE AND OTHER RECEIVABLES

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Trade receivables	642,471	455,861
Bank acceptance bills	<u>1,933</u>	<u>1,326</u>
	644,404	457,187
Advance payment to suppliers	35,400	16,301
Loan receivables	–	50,000
Other receivables and prepayments	<u>49,358</u>	<u>39,642</u>
	<u>729,162</u>	<u>563,130</u>

The loan receivable was a loan advanced by the Group to an independent third party. The loan bore interest at 4.7% per annum, is unsecured and was settled during the year. Other receivables are unsecured, interest-free and is repayable on demand. In the opinion of the directors, the other receivables and loan receivables are recoverable within one year from the balance sheet date.

Payment terms with customers are mainly on credit. Invoices are normally payable from 45 days to 120 days of issuance. The Group accepts bank acceptance bills with maturities ranging from 30 to 180 days at the end of the credit terms in lieu of immediate cash payment. The following is an aged analysis of trade receivables and bank acceptance bills presented based on the invoice date or date of the bills at the end of the reporting period:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Age		
Not yet due	517,821	387,247
Overdue 0–90 days	124,596	66,028
Overdue 91–180 days	516	3,052
Overdue over 180 days	<u>1,471</u>	<u>860</u>
	<u>644,404</u>	<u>457,187</u>

Management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good credit quality. Included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB126,583,000 (2008: RMB69,940,000) which are past due at the reporting date for which the Group has not provided for allowances. The Group based on historical experience considers the amounts which have past due and which allowances has not been provided to be of good credit quality and are generally recoverable. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables which are past due but not impaired:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Overdue 0–90 days	124,596	66,028
Overdue 91–180 days	516	3,052
Overdue over 180 days	1,471	860
Total	<u>126,583</u>	<u>69,940</u>

The following is a movement in the allowance for bad and doubtful debts account:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Balance at beginning of the year	9,741	5,685
Currency realignment	3	(147)
Allowance for bad and doubtful debts	1,481	6,068
Reversal of allowance for bad and doubtful debts	(1,146)	(1,865)
Balance at end of the year	<u>10,079</u>	<u>9,741</u>

Allowances are recognised based on the Group's historical experience, aging analysis and internal assessment of the recoverability of the debt.

The Group's trade receivables which are denominated in currencies other than the functional currencies of the relevant group entities excluding balances which are denominated in US\$ in group companies with HK\$ as its functional currency because HK\$ is pegged to US\$ are set out below:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
US\$	21,309	17,957
EURO	144,163	43,105
Japanese Yen	5,553	20,177

12. FOREIGN CURRENCY FORWARD CONTRACTS

Details of the foreign currency forward contracts entered by the Group with certain banks during the year and outstanding as at 31st December, 2009 (the "Forward Contracts") are as follows:

Description	Settlement date	Exchange rates
9 contracts to sell in aggregate Euro 44 million for United States Dollars ("US\$")	Settled monthly on various dates from 20th January, 2009 until 25th May, 2011	At exchange rates ranging from US\$1.354 to US\$1.580 for Euro 1

At any time prior to maturity of the Forward Contracts, if the spot rate between the US\$ and Euro falls below an agreed rate, the Forward Contracts will be automatically terminated. The Forward Contracts are not designated and effective as a hedging instrument. Therefore, the fair value gains or losses are recognised in profit or loss in the period in which they arise. At 31st December, 2009, the fair value of the Forward Contracts are determined by the respective issuing banks with reference to forward rates.

13. TRADE AND OTHER PAYABLES

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Trade payables	200,683	168,156
Notes payables – secured	<u>135,090</u>	<u>58,209</u>
	335,773	226,365
Payroll and welfare payables	86,875	67,909
Consideration payable for acquisition of subsidiaries	–	2,040
Other payables and accruals	<u>59,312</u>	<u>69,452</u>
	<u>481,960</u>	<u>365,766</u>

Other payables are unsecured, interest-free and have no fixed repayment terms.

An aged analysis of trade payables, presented based on the invoice date, and notes payables is as follows:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Age		
Not yet due	332,312	220,921
Overdue 0–90 days	1,878	159
Overdue 91–180 days	144	82
Overdue over 180 days	<u>1,439</u>	<u>5,203</u>
	<u>335,773</u>	<u>226,365</u>

The Group's trade payables which are denominated in currencies other than the functional currencies of the relevant group entities excluding balances which are denominated in US\$ in group companies with HK\$ as its functional currency because HK\$ is pegged to US\$ are set out below:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
US\$	1,556	205
HK\$	17	453
Japanese Yen	1,883	18,631
EUR	<u>398</u>	<u>416</u>

14. SHORT-TERM BANK LOANS

The short-term bank loans are denominated in US\$, which is not the functional currency of the relevant group entities holding such short-term bank loans, are unsecured and carry interest ranging from 0.2366% to 0.38% per annum over London Inter-bank Offered Rate (“LIBOR”) (as at 31st December, 2008: from 0.8% to 1.25% per annum over LIBOR).

15. DISPOSAL OF A SUBSIDIARY

During the year, the Group disposed of its entire interests in AAC Electronics Ltd. (“AACE”) to the minority shareholder of AACE for an aggregate consideration of RMB8,884,000. The net assets at the date of disposal were as follows:

	<i>RMB'000</i>
Amounts due from related parties	7,566
Bank balances and cash	<u>1</u>
	7,567
Minority interests	(3,027)
Translation reserve released upon disposal	2,971
Gain on disposal	<u>1,373</u>
Total consideration	<u>8,884</u>
Satisfied by:	
Cash	1,367
Balance of consideration receivable from the minority shareholder	<u>7,517</u>
	<u>8,884</u>
Net cash inflow arising on disposal:	
Cash consideration	1,367
Bank balances and cash disposed of	<u>(1)</u>
	<u>1,366</u>

During the year ended 31st December, 2009, AACE contributed a loss of RMB6,844,000 to the Group's profit for the year.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

AAC is one of the world's foremost vertically integrated manufacturers of miniature acoustic components. The Company designs, manufactures and distributes a comprehensive suite of receivers, speakers, speaker modules, multi-function devices, microphones, transducers and headsets for use in mobile handsets, game consoles, notebook computers and other consumer electronics devices such as electronic book-readers, MP3 players and MP4 players.

Besides growing organically with continuous development of in-house intellectual property, we also intend to strengthen our technology portfolio through investments, mergers and acquisitions. Our management team is committed to seeking appropriate investment targets globally for companies and technologies that further broaden and strengthen the Company's existing technology base.

MARKET REVIEW

The worldwide economy was at the trough of the economic downturn during the early part of the year 2009. We had a difficult first quarter as customers continue to push out and cancel projects. With new projects wins, and new programs designed-in at our key customers, the Company managed to sustain healthy financial performance and regained our revenue growth momentum during the second half of 2009. Our market share within the mobile handset industry increased as a result of this continuous effort.

In order to diversify risks and maximize our potential, the Company expanded its market reach to include areas other than acoustic components solutions and mobile handset industry. Our solutions and markets expand to notebooks, personal navigation devices, digital cameras and camcorders, MP3 and MP4 players, eBooks and LED backlight LCD TV's. In 2009, we also launched our ceramic speakers using technology acquired from our LTCC acquisition.

The Company remains committed in advancing our leadership in technology, and the development of in-house intellectual property. In 2009, we have successfully obtained 116 additional patents bringing our total portfolio of 214 patents. In total for the year 2009, we filed another 251 patents pending, which brings to 313 patents pending.

FINANCIAL REVIEW

Although we started off in an unfavorable economic environment at the beginning of 2009, we managed to achieve a decent financial position and we generated RMB821.1 million in net cash flows from operations for the year ended 31st December, 2009. Revenue of the Group for the year ended 31st December, 2009 amounted to RMB2,203.1 million, representing a decrease of 2.3% from RMB2,256.0 million for the corresponding period of previous year. Gross profit amounted to RMB989.1 million, representing an increase of 5.2% from RMB940.5 million for the corresponding period of 2008. Profit attributable to owners of the Company amounted to RMB615.0 million, representing an increase of 4.2% from RMB590.4 million for the corresponding period of 2008. Basic earnings per share amounted to RMB50.08 cents, representing an increase of 4.3% from RMB48.01 cents for the corresponding period of 2008.

GEARING RATIO

The gearing ratio of the Group, computed by dividing the short-term bank loans by the total assets, as at 31st December, 2009 was 4.4% compared with 5.4% as at 31st December, 2008.

INDEBTEDNESS

As at 31st December, 2009, the Group had RMB187.1 million of short-term bank loans compared with RMB200.3 million as at 31st December, 2008.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st December, 2009, the Group had RMB1,735.2 million in cash and cash equivalents. In addition, the Group had restricted short-term bank deposits of RMB10.4 million. The Group had no long-term debt as at 31st December, 2009. The management believes the Group's current cash and cash equivalents, together with available credit facilities and expected cash flow from operations, will be sufficient to satisfy the current operational requirements capital of the Group.

FOREIGN EXCHANGE

The majority of the Group's sales, purchases and operating expenses were denominated in RMB, US dollars, Japanese yen, Hong Kong dollars and Euro. The Board believes that the Group has been and will continue to be exposed to foreign currency exchange risks. The Group does not have a formal hedging policy. Management closely monitors such risks and will consider hedging significant foreign currency exposure should the need arise. During the year 2009, the Company has entered into foreign currency forward contracts to minimise the effect of exchange rate fluctuations between Euro and the US dollars.

CHARGES ON GROUP ASSETS

As at 31st December, 2009 and 31st December, 2008, no Group asset was under charge to any financial institution.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANY

During the year, the Group disposed of its entire interests in AACE to the minority shareholder of AACE for an aggregate consideration of RMB8.9 million. Other than as disclosed above, the Group had no material acquisition or disposal of any subsidiaries and associated companies for the year ended 31st December, 2009.

INVESTMENTS IN TECHNOLOGY AND NEW PRODUCTS

During the year 2009, we made two strategic investments. First, we made an investment in multi-layer ceramic technology, as a material medium to improve our product portfolio. The technology provides leading product solutions in the Piezo ceramic speaker, vibrator (Haptics), and many RF key components, such as ceramic chip antenna, filter, diplexer and substrate for wireless communication. In May 2009, the Group completed its acquisition of the entire LTCC division of a Korean component manufacturer for a total consideration of RMB15.0 million. With this investment, we are able to bridge the technology gap to embed multi-layer ceramic technology to build more completed acoustic-RF integrated modules and imaging component solutions, increasing the Company's total available market and accessibility. Second, in June 2009, the Group acquired 16.7% of the issued share capital of Heptagon Oy for a consideration of RMB27.7 million. This particular investment in WLO lens technology enables us to participate in reflowable fine-structure free-form/aspheric micro-optics solutions.

Our on-going focus on MEMS technology (microphones and accelerometers) research investments include the design and packaging of MEMS (including use of LTCC technologies) as well as technologies related to active noise-cancellation, sound projection, related digital processing methods and software development. We will continue our focus on further investment in imaging component technologies.

EMPLOYEE INFORMATION

As at 31st December, 2009, the Group employed 8,034 permanent employees. Employees of the Group are remunerated based on their individual performance, professional qualifications, experience in the industry and relevant market trends. The management regularly reviews the Group's remuneration policy and appraises the work performance of its staff. Employee remuneration includes salaries, allowances, social insurance and mandatory pension fund. As required by the relevant regulations in the PRC, the Group participates in the social insurance schemes operated by the relevant local government authorities. The Group also participates in the mandatory pension fund and social insurance schemes for our employees in Hong Kong, Taiwan, Singapore, South Korea, USA and various countries in Europe.

PROSPECTS

With a much more diversified customer and market base, we are well-positioned for stronger growth. We are able to leverage our strengths in research and development to quickly ramp up new product platforms to increase market share in existing customers and acquire new customer, and to make use of our fully automated and semi-automated manufacturing processes to realize a fully vertically-integrated production model for increasingly complex acoustic-wireless solutions. Looking ahead, we strive to achieve long term sustainable growth by advancing our integrated solution products and diversifying our market focus.

In addition to our important marketing share in acoustic and vibrator product segments, we are also addressing potential markets of other miniature components. For instance, optical components are widely used in all kinds of consumer electronics, enabling customers to capture their precious moments, anytime, anywhere; wireless transmission antenna components enable complex signal transmission, allowing people to stay connected. Ultimately, our goal is to become one of the world's leading micro components, accessories and total solution providers for manufacturers of all kinds of consumer electronic devices.

DIVIDENDS

From time to time, the Company will consider the declaration of dividend based on its financial position, results of operations, debt repayment ability, capital expenditures, Group's earnings and other factors as the Board may deem appropriate. The Board may recommend the amount of dividend to be declared, and the declaration and payment of dividends will be determined by the shareholders of the Company in general meeting.

During the six months ended 30th June, 2009, a final dividend for the year ended 31st December, 2008 of HK10.9 cents per share was paid to shareholders of the Company.

During the six months ended 31st December, 2009, an interim dividend in respect of the six months ended 30th June, 2009 of HK7.2 cents per share was paid to shareholders of the Company.

The Board recommended the payment of a final dividend of HK15.5 cents per ordinary share in respect of the year ended 31st December, 2009. This final dividend together with the interim dividend represents a total payout ratio of about 40% of the profit attributable to owners of the company for the year ended 31st December 2009.

CLOSURE OF REGISTER OF MEMBERS

The registers of the Company will be closed from 17th May, 2010 to 22nd May, 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and attending the forthcoming annual general meeting, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 14th May, 2010.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company during the year ended 31st December, 2009.

CORPORATE GOVERNANCE

From the date of the listing to the date of this announcement, the Company has complied with the code provisions of the "Code on Corporate Governance Practices" (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities of the Stock Exchange (the "**Listing Rules**").

The Company has adopted its code of conduct regarding securities transactions by the Directors and by relevant employees (as defined in the CG Code) on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the "**Model Code**").

On specific enquiries made, all the Directors have confirmed that, in respect of the period from the date of the listing to the date of this announcement, they have complied with the required standards as set out in the Model Code and the Company's code of conduct regarding the Directors' securities transactions.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December, 2009 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu in this announcement.

AUDIT COMMITTEE

The Board has established an audit committee of the Company (the "**Audit Committee**") on 16th April, 2005. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group.

The Audit Committee comprises two independent non-executive Directors, namely Mr. Poon Chung Yin Joseph and Mr. Koh Boon Hwee and a non-executive Director, Ms. Ingrid Chunyuan Wu. Mr. Poon Chung Yin Joseph is the chairman of the Audit Committee.

The Audit Committee and the auditor of the Company, Messrs. Deloitte Touche Tohmatsu, have reviewed and discussed with the management regarding the Company's audited consolidated financial statements for the year ended 31st December, 2009.

REMUNERATION COMMITTEE

The remuneration committee of the Company currently comprises of two independent non-executive Directors, namely Mr. Koh Boon Hwee and Dato' Tan Bian Ee, and one non-executive Director, namely Mr. Pei Kang. Mr. Koh Boon Hwee is the chairman of the remuneration committee of the Company.

APPRECIATION

Finally, on behalf of the Board, I would like to express my gratitude to our management and staff for their hard work and dedication throughout the year.

DEFINITIONS

“LTCC”	Low Temperature Co-Fired Ceramics (“LTCC”) technology which is a technology used in Chip Antenna and substrate for wireless communication.
“MEMS”	Micro Electro Mechanical Systems (“MEMS”) is based on semiconductor technology which uses silicon to create electrical pathways within components.
“RF”	Radio Frequency (“RF”) is the frequency used for transmitting data, audio, or video.
“WLO”	Wafer Level Optic Lens technology.

By order of the Board
AAC Acoustic Technologies Holdings Inc.
Koh Boon Hwee
Chairman

Hong Kong, 29th March, 2010

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Benjamin Zhengmin Pan and Mr. Mok Joe Kuen Richard; two non-executive Directors, namely Ms. Ingrid Chunyuan Wu and Mr. Pei Kang; and three independent non-executive Directors, namely Mr. Koh Boon Hwee, Mr. Poon Chung Yin Joseph and Dato’ Tan Bian Ee.