# AAC ACOUSTIC TECHNOLOGIES HOLDINGS INC.

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 2018)**

## FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2007

### FINANCIAL HIGHLIGHTS

Turnover of the Group for the year ended 31st December, 2007 amounted to RMB1,952.2 million, representing an increase of 10.1% from RMB1,773.4 million for the previous year. Profit attributable to equity holders of the Company for the year ended 31st December, 2007 amounted to RMB551.1 million, representing a decrease of 3.4% from RMB570.3 million for the previous year.

### RESULTS

The board of directors (the "Board") of AAC Acoustic Technologies Holdings Inc. (the "Company") is pleased to announce the audited consolidated final results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 2007 together with comparative figures for the previous year.

**CONSOLIDATED INCOME STATEMENT**
*For The Year Ended 31st December, 2007*

| | NOTES | 2007 RMB'000 | 2006 RMB'000 |
|---|---|---|---|
| Turnover | 3 | **1,952,212** | 1,773,371 |
| Cost of goods sold | | **(1,028,751)** | (902,121) |
| Gross profit | | **923,461** | 871,250 |
| Other income | | **26,089** | 45,464 |
| Fair value gain on foreign exchange linked notes | | **6,344** | 860 |
| Distribution and selling expenses | | **(117,314)** | (113,413) |
| Administrative expenses | | **(148,355)** | (154,719) |
| Research and development costs | | **(85,662)** | (48,783) |
| Finance costs | 5 | **(6,585)** | (627) |
| Profit before taxation | 6 | **597,978** | 600,032 |
| Taxation | 7 | **(49,936)** | (31,515) |
| Profit for the year | | **548,042** | 568,517 |
| Attributable to: | | | |
| Equity holders of the Company | | **551,133** | 570,314 |
| Minority interests | | **(3,091)** | (1,797) |
| | | **548,042** | 568,517 |
| Earnings per share — Basic | 9 | **RMB44.37 cents** | RMB45.70 cents |

**CONSOLIDATED BALANCE SHEET**

*At 31st December, 2007*

| | NOTES | 2007 RMB'000 | 2006 RMB'000 |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | | **833,811** | 618,842 |
| Goodwill | | **3,655** | — |
| Prepaid lease payments | | **36,026** | 7,921 |
| Foreign exchange linked notes | | **85,632** | 79,288 |
| Deposits made on acquisition of property, plant and equipment | | **123,118** | 55,712 |
| Prepaid licence rights | | **—** | 12,145 |
| Intangible assets | | **31,732** | — |
| | | **1,113,974** | 773,908 |
| Current assets | | | |
| Inventories | | **271,029** | 188,470 |
| Trade and other receivables | 10 | **762,226** | 553,926 |
| Amount due from a minority shareholder of a subsidiary | | **11,503** | 7,807 |
| Taxation recoverable | | **2,200** | 2,168 |
| Pledged bank deposits | | **26,278** | 26,952 |
| Bank balances and cash | | **1,024,538** | 988,992 |
| | | **2,097,774** | 1,768,315 |
| Current liabilities | | | |
| Trade and other payables | 11 | **414,921** | 374,010 |
| Amounts due to related companies | | **2,195** | 11,165 |
| Taxation payable | | **24,327** | 22,000 |
| Short-term bank loans | | **182,330** | 10,000 |
| | | **623,773** | 417,175 |
| Net current assets | | **1,474,001** | 1,351,140 |
| Net assets | | **2,587,975** | 2,125,048 |
| Capital and reserves | | | |
| Share capital | | **100,530** | 101,342 |
| Reserves | | **2,476,806** | 2,009,793 |
| Equity attributable to equity holders of the Company | | **2,577,336** | 2,111,135 |
| Minority interests | | **10,639** | 13,913 |
| Total equity | | **2,587,975** | 2,125,048 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For The Year Ended 31st December, 2007*

## 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, for the first time, the following new standard, amendment and interpretations ("new IFRSs"), which are effective for the Group's financial year beginning 1st January, 2007.

| | |
|---|---|
| IAS 1 (Amendment) | Capital disclosures |
| IFRS 7 | Financial instruments: Disclosures |
| IFRIC 7 | Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies |
| IFRIC 8 | Scope of IFRS 2 |
| IFRIC 9 | Reassessment of Embedded Derivatives |
| IFRIC 10 | Interim Financial Reporting and Impairment |

The adoption of the new IFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under IAS 1 (Amendment) and IFRS 7 retrospectively. Certain information presented in prior year under the requirements of IAS 32 has been removed and the relevant comparative information based on the requirements of IAS 1 (Amendment) and IFRS 7 has been presented for the first time in the current year.

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

| | |
|---|---|
| IAS 1 (Revised) | Presentation of financial statements [1] |
| IAS 23 (Revised) | Borrowing costs [1] |
| IAS 27 (Revised) | Consolidated and separate financial statements [5] |
| IAS 32 & IAS 1 (Amendments) | Puttable financial instruments and obligations arising on liquidation [1] |
| IFRS 2 (Amendment) | Vesting conditions and cancellations [1] |
| IFRS 3 (Revised) | Business combinations [5] |
| IFRS 8 | Operating segments [1] |
| IFRIC 11 | IFRS 2: Group and Treasury Share Transactions [2] |
| IFRIC 12 | Service concession arrangements [3] |
| IFRIC 13 | Customer loyalty programmes [4] |
| IFRIC 14 | IAS 10 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [3] |

[1] Effective for annual periods beginning on or after 1st January, 2009.

[2] Effective for annual periods beginning on or after 1st March, 2007.

[3] Effective for annual periods beginning on or after 1st January, 2008.

[4] Effective for annual periods beginning on or after 1st July, 2008.

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

The adoption 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 that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new or revised standards or interpretations will have no material impact on the results and the financial position of the Group.

## 3. TURNOVER

Turnover represents amounts received and receivable for goods sold by the Group to outside customers during the year, net of discounts and sales related taxes.

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments

Over 90% of the Group's turnover, segment results and assets are attributable to the manufacture and sales of acoustic related products, thus business segment information is not presented.

**Geographical segments**

The following table provides an analysis of the Group's turnover by location of customers, irrespective of the origin of the goods and are the basis on which the Group reports its primary segment information:

| | **2007** | 2006 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Turnover** | | |
| — United States of America ("USA") | **545,237** | 684,599 |
| — Greater China | **953,297** | 813,932 |
| — Asia (excluding Greater China) | **101,779** | 106,692 |
| — Europe | **351,899** | 168,148 |
| | **1,952,212** | 1,773,371 |
| **Results:** | | |
| Segment results | | |
| — USA | **143,591** | 222,740 |
| — Greater China | **270,807** | 243,628 |
| — Asia (excluding Greater China) | **21,196** | 37,214 |
| — Europe | **140,757** | 55,812 |
| | **576,351** | 559,394 |
| Other income | **6,488** | 17,016 |
| Interest income | **19,601** | 28,448 |
| Fair value gain on foreign exchange linked notes | **6,344** | 860 |
| Unallocated expenses | **(4,221)** | (5,059) |
| Finance costs | **(6,585)** | (627) |
| Profit before taxation | **597,978** | 600,032 |
| Taxation | **(49,936)** | (31,515) |
| Profit for the year | **548,042** | 568,517 |

The following is an analysis of the Group's carrying amount of segment assets and liabilities analysed by the location of customers:

| | **2007** | 2006 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Segment assets | | |
| — USA | **557,532** | 629,084 |
| — Greater China | **1,039,997** | 617,819 |
| — Asia (excluding Greater China) | **91,167** | 82,665 |
| — Europe | **384,404** | 115,255 |
| | **2,073,100** | 1,444,823 |
| Unallocated | **1,138,648** | 1,097,400 |
| | **3,211,748** | 2,542,223 |
| Segment liabilities | | |
| — USA | **105,935** | 132,030 |
| — Greater China | **230,648** | 204,383 |
| — Asia (excluding Greater China) | **19,904** | 19,571 |
| — Europe | **60,629** | 29,191 |
| | **417,116** | 385,175 |
| Unallocated | **206,657** | 32,000 |
| | **623,773** | 417,175 |

**Other information**

| | **2007** | 2006 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Capital additions | | |
| — USA | **83,034** | 108,716 |
| — Greater China | **174,437** | 177,516 |
| — Asia (excluding Greater China) | **11,928** | 16,458 |
| — Europe | **64,243** | 24,194 |
| | **333,642** | 326,884 |
| Depreciation and amortisation | | |
| — USA | **20,818** | 14,743 |
| — Greater China | **48,860** | 27,515 |
| — Asia (excluding Greater China) | **3,492** | 2,264 |
| — Europe | **8,617** | 3,657 |
| | **81,787** | 48,179 |
| Allowance for bad and doubtful debts | | |
| — USA | **—** | 5 |
| — Greater China | **835** | 3,551 |
| — Europe | **—** | 170 |
| | **835** | 3,726 |

The goods sold to various geographical markets were principally produced from the same production facilities located in Mainland China (the "PRC"), therefore, analysis of assets and liabilities and capital addition by location of assets are not presented.

## 5. FINANCE COSTS

| | 2007 | 2006 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Interest on bank borrowings wholly repayable within five years | **6,594** | 756 |
| Less: Interest capitalised in construction in progress | **(9)** | (129) |
| | **6,585** | 627 |

## 6. PROFIT BEFORE TAXATION

| | 2007 | 2006 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Profit before taxation has been arrived at after charging: | | |
| Directors' emoluments | **2,277** | 3,219 |
| Other staff's retirement benefits scheme contributions | **26,150** | 17,460 |
| Other staff costs | **437,990** | 336,243 |
| Total staff costs | **466,417** | 356,922 |
| Less: Staff costs included in research and development costs | **(37,310)** | (29,542) |
| | **429,107** | 327,380 |
| Depreciation | **77,144** | 48,179 |
| Less: Depreciation included in research and development costs | **(10,048)** | (3,802) |
| | **67,096** | 44,377 |
| Amortisation of development expenditure, included in cost of goods sold | **4,643** | — |
| Allowance for bad and doubtful debts | **835** | 3,726 |
| Cost of inventories recognised as expense | **1,028,751** | 902,121 |
| Auditors' remuneration | **1,944** | 1,840 |
| Impairment loss on property, plant and equipment | **—** | 413 |
| Loss on disposal of property, plant and equipment | **937** | 540 |
| Net exchange loss | **28,667** | 41,790 |
| Operating lease rentals in respect of | | |
| — building premises | **18,484** | 13,846 |
| — land use rights | **768** | 594 |
| and after crediting: | | |
| Government subsidies* | **1,932** | 11,999 |
| Fair value gain on foreign exchange linked notes | **6,344** | 860 |
| Interest income from bank balances and deposits | **19,601** | 28,448 |

* The amount represents the incentive subsidies granted by the PRC local authorities to the Group. All the grants were approved and received during the year.

## 7. TAXATION

| | **2007** | 2006 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| The charge comprises: | | |
| Hong Kong Profits Tax calculated at 17.5% on the estimated assessable profit for the year | **2** | 148 |
| PRC income tax | **51,129** | 31,659 |
| Overseas taxation | **86** | 3 |
| Overprovision of taxation in prior years | **(1,281)** | (295) |
| | **49,936** | 31,515 |

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 2011.

On 16th March, 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for certain PRC subsidiaries from 1st January, 2008. PRC subsidiaries which are entitled to the Tax Holiday, as mentioned above, will continue to enjoy the preferential tax treatment until expiration, on effect of the New Law.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

There was no significant unprovided deferred taxation for the year or at the balance sheet date.

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

| | **2007** | 2006 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Profit before taxation | **597,978** | 600,032 |
| Tax at the applicable income tax rate | **143,515** | 144,008 |
| Tax effect of income not taxable for tax purposes | **(3,256)** | (5,386) |
| Tax effect of expenses not deductible for tax purposes | **15,633** | 8,299 |
| Tax effect of Tax Holiday | **(95,528)** | (110,861) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **(9,267)** | (3,804) |
| Overprovision in prior years | **(1,281)** | (295) |
| Others | **120** | (446) |
| Tax charge for the year | **49,936** | 31,515 |

The PRC Enterprise Income Tax rate of 24% is the domestic tax rate in the jurisdiction where the operations of the Group are substantially based.

## 8. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31st December, 2007.

## 9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31st December, 2007 is based on the profit for the year attributable to equity holders of the Company of RMB551,133,000 (2006: RMB570,314,000) and on the weighted average number of ordinary shares of 1,241,992,668 shares in issue during the year (2006: 1,248,000,000 shares).

## 10. TRADE AND OTHER RECEIVABLES

| | **2007** | 2006 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **668,757** | 492,481 |
| Bank acceptance bills | **25,800** | 14,646 |
| | **694,557** | 507,127 |
| Advanced payment to suppliers | **22,978** | 12,725 |
| Other receivables | **44,691** | 34,074 |
| | **762,226** | 553,926 |

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 90 days at the end of the credit terms in lieu of payment. The following is an aging analysis of trade receivables and bank acceptance bills at the balance sheet date:

| | **2007** | 2006 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Age | | |
| Not yet due | **568,156** | 439,498 |
| Overdue 0 – 90 days | **126,401** | 62,816 |
| Overdue 91 – 180 days | **—** | 3,890 |
| Overdue over 181 days | **—** | 923 |
| | **694,557** | 507,127 |

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 RMB126,401,000 (2006: RMB67,629,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group based on historical experience considers the amounts which have past due and which impairment loss 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 aging analysis of trade receivables which are past due but not impaired:

| | 2007 *RMB'000* | 2006 *RMB'000* |
|---|---|---|
| Overdue 0 – 90 days | **126,401** | 62,816 |
| Overdue 91 – 180 days | **—** | 3,890 |
| Overdue over 181 days | **—** | 923 |
| Total | **126,401** | 67,629 |

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

| | 2007 *RMB'000* | 2006 *RMB'000* |
|---|---|---|
| Balance at beginning of the year | **4,956** | 1,230 |
| Currency realignment | **(89)** | — |
| Impairment losses recognised on receivables | **835** | 3,726 |
| Amounts written off | **(17)** | — |
| Balance at end of the year | **5,685** | 4,956 |

Impairment losses was 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 the relevant group entities are set out below:

| | 2007 *RMB'000* | 2006 *RMB'000* |
|---|---|---|
| US$ | **397,242** | 368,761 |
| Others | **6,537** | 5,843 |

## 11. TRADE AND OTHER PAYABLES

| | 2007 *RMB'000* | 2006 *RMB'000* |
|---|---|---|
| Trade payables | **194,112** | 186,924 |
| Notes payables — secured | **44,202** | 52,509 |
| | **238,314** | 239,433 |
| Payroll and welfare payables | **79,542** | 59,706 |
| Other payables | **97,065** | 74,871 |
| | **414,921** | 374,010 |

An aging analysis of trade payables and notes payables is as follows:

| | 2007 | 2006 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Age | | |
| Not yet due | **234,686** | 224,295 |
| Overdue 0 – 90 days | **1,872** | 13,660 |
| Overdue 91 – 180 days | **180** | 47 |
| Overdue over 181 days | **1,576** | 1,431 |
| | **238,314** | 239,433 |

The Group's trade payables which are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

| | 2007 | 2006 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| US$ | **1,783** | 14,024 |
| HK$ | **834** | 606 |
| Japanese Yen | **5,117** | 1,242 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

We are one of the world's leading 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 MP3 players and MP4 players. Recently, the Company launched a variety of miniature vibrators and also acquired an antenna design house in order to diversify into the production of non-acoustic components.

### Market Review

2007 was a challenging and exciting year for us. During the first half of the year, our revenue declined due to slower demand from certain key customers. Yet during the second half of the year, we received qualifications from three renowned global companies that design and produce mobile handset and other consumer electronic devices. We were able to ramp up product platforms for these customers very quickly. Hence, our revenue for 2007 was still higher than the revenue we attained in 2006. These new customers are well-known for their stringent requirements on quality, performance, technology and reliability that they expect from their suppliers. We are proud to have been qualified by such customers, as this is a strong endorsement of our superior research, product development and manufacturing capabilities.

In December 2007, Knowles Electronics LLC (Knowles) and the Company resolved all litigations in the US and China and entered into a world-wide cross-license agreement which should reinforce the strength of both companies' patent portfolios related to MEMS technology. We are happy with this arrangement as it encourages competition and stimulates innovation. We continue to charge ahead with the development of MEMS technology and there is no restriction on our sale of MEMS microphones.

Our market share within the mobile handset industry continued to increase during 2007. Our plan to expand our customer base to include customers from other consumer electronic industries such as game consoles, notebooks and MP3 and MP4 players are also progressing well. We intend to leverage on our existing technology platform and manufacturing know-how to go beyond acoustics. As such, we have launched a variety of vibrators and acquired an antenna design house which helped with the development of the "speaker box with antenna" product.

Our research and development personnel made significant progress during 2007. We received 10 additional patents, so that we now have a total of 55 patents. As of 31st December, 2007, we have filed another 63 patent applications which are pending for approval.

**Financial Review**

We experienced challenging year in 2007. But we still maintained a strong financial position, as we generated RMB374.2 million in net cash flows from operations for the year ended 31st December, 2007. Turnover of the Group for the year ended 31st December, 2007 amounted to RMB1,952.2 million, representing an increase of 10.1% from RMB1,773.4 million for the previous year. Gross profit amounted to RMB923.5 million, representing an increase of 6.0% from RMB871.3 million for the previous year. Profit attributable to equity holders of the Company amounted to RMB551.1 million, representing a decrease of 3.4% from RMB570.3 million for the previous year. Basic earnings per share amounted to RMB44.37 cents, representing a decrease of 2.9% from RMB45.70 cents for the previous year.

**Gearing Ratio**

The gearing ratio of the Group, computed by dividing the short-term bank loans, by the total assets, as at 31st December, 2007 was 5.7% compared to 0.4% as at 31st December, 2006.

**Indebtedness**

As at 31st December, 2007, the Group had RMB182.3 million short-term bank loans compared with RMB10.0 million as at 31st December, 2006.

**Contingent Liabilities**

In 2006, a subsidiary was named as a defendant in a United States District Court action in respect of an alleged claim of trade secret misappropriation under the Illinois Trade Secrets Act (the "Complaint"). The Complaint sought injunctive relief and damages for an unspecified amount. The Group believed that it has meritorious defenses to the Complaint and thus no provision for any potential liability was made.

During the year ended 31st December, 2007, the Complaint has been resolved and the Company has entered into a world-wide cross-licence agreement with the plaintiff.

**Liquidity, Financial Resources and Capital Structure**

As at 31st December, 2007, the Group had RMB1,024.5 million in cash and cash equivalents. In addition, the Group has pledged short-term bank deposits of RMB26.3 million. The Group had no long-term debt as at 31st December, 2007. 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 need of the Group for capital.

**Foreign Exchange**

Majority of the Group's sales, purchases and operating expenses were denominated in RMB, U.S. 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 risk. 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. From the year of 2006, the Group has entered into foreign exchange linked contracts to minimise the effect of exchange rate fluctuations between the RMB and the U.S. dollars.

**Charges on Group Assets**

As at 31st December, 2007, none of the Group's assets was charged to any financial institution.

**Material Acquisitions or Disposals of Subsidiaries and Associated Companies**

In July 2007, the Group acquired 76% of the issued share capital of AAC Wireless Technologies AB for a consideration of RMB7,710,000.

**Post Balance Sheet Event**

In January 2008, the Group has completed its acquisition of the entire paid-in capital of Shenzhen Meiou Electronics Co., Ltd. (深圳市美歐電子有限責任公司), a company which close family members of the directors has beneficial interest in, for a total consideration of RMB120,000,000.

**Investments on Technology and New Products**

Future plans for investments will focus on MEMS technology (including MEMS microphones and MEMS accelerometers), ceramic technology (including speakers, antennas, motors and sensors), SMD microphones, digital microphones, linear vibrators, SMD vibrators, pancake vibrators and speaker box with antenna. We will also devote resources into the design and packaging of ASIC components including digital/analog and analog/digital converters and power amplifiers for miniature speakers. Other key focus areas include the technologies related to active noise-cancellation, super audio as well as the related digital processing methods and software development.

**Employee Information**

As at 31st December, 2007, the Group employed 10,762 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 or mandatory pension fund. As required by the relevant regulations in the PRC, the Group participated in the social insurance schemes operated by the relevant local government authorities. The Group also participated in the mandatory pension fund and social insurance schemes for our employees in Hong Kong, Taiwan, USA and Europe.

**Prospects**

With a much more diversified customer base, we are well-positioned for strong growth in the year 2008 and beyond. We are well-known for our superior research and development capabilities as well as our ability to ramp up new product platforms quickly due to the flexibility brought about by our semi-automated manufacturing processes and fully vertically-integrated production model. We will strive to get qualified by both mobile handset customers as well as non-mobile handset customers such as companies that design and manufacture game consoles, notebook computers, and MP3 and MP4 players. We intend to go beyond acoustics and launch more non-acoustic miniature components. Ultimately, our goal is to become the world's leading solution provider of a large variety of miniature components for use in different kinds of consumer electronic devices.

## DIVIDENDS

From time to time, the Company will consider 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 dividends to be declared and the declaration and payments of dividends will be determined by the shareholders in general meeting. No dividends have been paid or declared by the Company for the year ended 31st December, 2007.

## CLOSURE OF REGISTER OF MEMBERS

The registers of the Company will be closed from 9th May, 2008 to 14th May, 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for 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 8th May, 2008.

## PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year, the Company repurchased its own 10,000,000 shares through the Stock Exchange. The above shares were cancelled upon repurchase.

Save as disclosed above, none of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

## 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 Listing Rules.

The Company has adopted codes of conduct regarding securities transactions by the directors and by relevant employees (as defined in the CG Code) on terms not less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules.

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.

## AUDIT COMMITTEE

The Board has established an 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. Mok Joe Kuen Richard and Mr. Koh Boon Hwee and a non-executive director, Ms. Ingrid Chunyuan Wu. Mr. Mok Joe Kuen Richard is the chairman of the Audit Committee.

The Audit Committee and the auditors 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, 2007.

## SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31st December, 2007 as set out in the Final Results 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 on the Final Results Announcement.

## 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

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|---|---|
| "MEMS microphone" | Micro Electro Mechanical Systems ("MEMS") microphones are compact, light weight and based on MEMS technology. MEMS is based on semiconductor technology which uses silicon to create pathways for electricity within components |
| "SMD" | Surface Mount Device which is readily fed into a SMT production line |
| "SMT" | Surface Mount Technology |
| "ASIC" | Application Specific Intergrated Circuits which is an intergrated circuit (IC) customized for a particular use, rather than intended for general-purpose use. |

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

Hong Kong, 7th April, 2008

*As at the date of this announcement, the Board comprises an executive Director, Mr. Benjamin Zhengmin Pan; three non-executive Directors, Ms. Ingrid Chunyuan Wu, Mr. Pei Kang and Dr. Thomas Kalon Ng, and three independent non-executive Directors, Mr. Koh Boon Hwee, Dr. Dick Mei Chang and Mr. Mok Joe Kuen Richard.*