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: 02018)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2010

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, 2010 amounted to RMB3,349.0 million, representing an increase of 52.0% from RMB2,203.1 million for the previous year. Profit attributable to owners of the Company for the year ended 31st December, 2010 amounted to RMB986.7 million, representing an increase of 60.4% from RMB615.0 million for the previous year.

RESULTS

The board of directors (the "**Directors**") of the Company (the "**Board**") hereby announces the audited consolidated results of the Group for the year ended 31st December, 2010 together with the comparative figures for the previous year.

* *For identification purposes only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31st December, 2010

	NOTES	2010 RMB'000	2009 RMB'000
Revenue	3	**3,349,020**	2,203,143
Cost of goods sold		**(1,838,655)**	(1,214,054)
Gross profit		**1,510,365**	989,089
Other income		**46,744**	27,898
Net fair value (loss) gain on foreign currency forward contracts		**(611)**	6,358
Gain on deregistration/disposal of a subsidiary		**583**	1,373
Distribution and selling expenses		**(110,023)**	(79,540)
Administrative expenses		**(126,886)**	(104,590)
Research and development costs		**(213,636)**	(159,105)
Share of results of associates		**810**	-
Exchange (loss) gain		**(4,936)**	1,390
Finance costs	4	**(3,272)**	(4,035)
Other expenses		**-**	(2,364)
Profit before taxation	5	**1,099,138**	676,474
Taxation	6	**(111,661)**	(66,674)
Profit for the year		**987,477**	609,800
Other comprehensive income and expense:			
Exchange differences arising from translation		**(28,854)**	4,686
Exchange differences related on deregistration/ disposal of a subsidiary		**(583)**	2,971
Other comprehensive income and expense		**(29,437)**	7,657
Total comprehensive income and expense for the year		**958,040**	617,457
Profit attributable to:			
Owners of the Company		**986,730**	614,957
Non-controlling interests		**747**	(5,157)
		987,477	609,800
Total comprehensive income and expense attributable to:			
Owners of the Company		**957,205**	622,484
Non-controlling interests		**835**	(5,027)
		958,040	617,457
Earnings per share - Basic	8	**RMB80.35 cents**	RMB50.08 cents

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At 31st December, 2010

	NOTES	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	9	**1,751,559**	1,364,170
Goodwill		**6,753**	5,405
Prepaid lease payments		**98,278**	67,122
Deposits made on acquisition of property, plant and equipment		**153,367**	29,904
Deposits paid for additional interests in an associate		**26,417**	-
Available-for-sale investments	10	**-**	27,676
Interests in associates	11	**103,749**	-
Intangible assets		**41,325**	26,708
		2,181,448	1,520,985
Current assets			
Inventories		**342,943**	230,206
Trade and other receivables	12	**1,292,678**	729,162
Amounts due from related companies		**173**	19,180
Foreign currency forward contracts	13	**585**	6,322
Taxation recoverable		**3,348**	2,169
Pledged bank deposits		**28,035**	10,430
Bank balances and cash		**1,734,609**	1,735,212
		3,402,371	2,732,681
Current liabilities			
Trade and other payables	14	**857,391**	481,960
Amounts due to related companies		**16,423**	8,965
Taxation payable		**54,597**	37,977
Foreign currency forward contracts	13	**9,231**	2,912
Short-term bank loans	15	**470,286**	187,095
		1,407,928	718,909
Net current assets		**1,994,443**	2,013,772
Net assets		**4,175,891**	3,534,757
Capital and reserves			
Share capital		**99,718**	99,718
Reserves		**4,074,827**	3,434,658
Equity attributable to owners of the Company		**4,174,545**	3,534,376
Non-controlling interests		**1,346**	381
Total equity		**4,175,891**	3,534,757

NOTES TO THE AUDITED CONSOLIDATED RESULTS

For The Year Ended 31st December, 2010

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 audited consolidated results 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 a number of new and revised standards, amendments and interpretations ("new and revised IFRSs") that are mandatorily effective for December 2010 financial year ends.

Except as described below, the application of the new and revised IFRSs in the current year has had no material effect on the amounts reported in the audited consolidated results of the Group.

IFRS 3 (as revised in 2008) Business Combinations

IFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1st January, 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

IFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

As a result of the application of IFRS 3 (as revised in 2008), the Group has recognised RMB248,000 of acquisition-related costs in administrative expenses in the consolidated statement of comprehensive income resulting in a decrease in the profit for the year. Previously these costs would have been accounted for as part of the cost of the acquisition, resulting in additional goodwill of the same amount in the consolidated statement of financial position. The impact on earnings per share as a result of the application of IFRS 3 (as revised in 2008) was a decrease in basic earnings per share of RMB0.02 cents.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")-CONTINUED

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRSs (Amendments)	Improvements to IFRSs issued in 2010[1]
IFRS 7 (Amendments)	Disclosures - Transfers of financial assets[3]
IFRS 9	Financial instruments[4]
IAS 12 (Amendments)	Deferred tax - Recovery of underlying assets[5]
IAS 24 (as revised in 2009)	Related party disclosures[6]
IAS 32 (Amendments)	Classification of rights issues[7]
IFRIC 14 (Amendments)	Prepayments of a minimum funding requirement[6]
IFRIC 19	Extinguishing financial liabilities with equity instruments[2]

[1] Effective for annual periods beginning on or after 1st July, 2010 or 1st January, 2011, as appropriate.
[2] Effective for annual periods beginning on or after 1st July, 2010.
[3] Effective for annual periods beginning on or after 1st July, 2011.
[4] Effective for annual periods beginning on or after 1st January, 2013.
[5] Effective for annual periods beginning on or after 1st January, 2012.
[6] Effective for annual periods beginning on or after 1st January, 2011.
[7] Effective for annual periods beginning on or after 1st February, 2010.

The Directors of the Company anticipate that the application of the new or revised IFRSs, issued but not yet adopted will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Operating segments are 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 ("CEO").

Information reported to the CEO for the purpose of resource allocation and assessment of performances focuses specifically on the type of products sold. The Group's operating and reportable segments under IFRS 8 are dynamic components (including receivers and polyphonic speakers normally sold together in sets), microphones, headsets and other products (including transducers and vibrators), which represent the major types of products manufactured and sold by the Group.

3. SEGMENT INFORMATION - CONTINUED

Information regarding these segments is presented below.

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

	2010	2009
	RMB'000	*RMB'000*
Operating segments		
Segment revenue from external customers		
Dynamic components	**2,482,872**	1,678,396
Microphones	**366,242**	137,274
Headsets	**232,917**	221,812
Other products	**266,989**	165,661
Revenue	**3,349,020**	2,203,143
Segment results		
Dynamic components	**1,269,494**	888,463
Microphones	**114,771**	22,139
Headsets	**65,489**	57,734
Other products	**60,611**	20,753
Total profit for operating segments	**1,510,365**	989,089
Unallocated amounts:		
Interest income	**23,032**	15,646
Finance costs	**(3,272)**	(4,035)
Research and development costs	**(213,636)**	(159,105)
Administrative expenses	**(131,822)**	(103,200)
Distribution and selling expenses	**(110,023)**	(79,540)
Other income	**24,494**	19,983
Other expenses	**-**	(2,364)
Profit before taxation	**1,099,138**	676,474

No analysis of the Group's assets and liabilities by operating segments is disclosed as such information 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 expenses, research and development costs, distribution and selling expenses, other income (including the net fair value gain or loss on foreign currency forward contracts and the share of results of associates) and other expenses. 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 domicile of the relevant group entities that holds those assets.

3. SEGMENT INFORMATION - CONTINUED

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

	2010	2009
	RMB'000	*RMB'000*
Greater China* (countries of domicile)	**514,713**	391,515
Other foreign countries:		
Other Asian countries	**96,885**	109,076
America	**1,536,154**	611,286
Europe	**1,201,268**	1,091,266
	3,349,020	2,203,143

* 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 countries in Europe is not available. In the opinion of management, such disclosure is harmful to the Group's business.

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 RMB2,091,906,000 (2009: RMB1,429,411,000). No disclosure of the total amount of revenue by each customer is made, as in the opinion of the Directors such disclosure is harmful to the Group's business.

4. FINANCE COSTS

	2010	2009
	RMB'000	*RMB'000*
Interest on bank borrowings wholly repayable within five years	**3,272**	4,035

5. PROFIT BEFORE TAXATION

	2010	2009
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Directors' emoluments	**6,899**	4,403
Other staff's retirement benefits scheme contributions	**25,007**	21,130
Other staff costs	**616,377**	390,324
Total staff costs	**648,283**	415,857
Less: Staff costs included in research and development costs	**(85,500)**	(57,388)
	562,783	358,469
Depreciation	**188,966**	163,055
Less: Depreciation included in research and development costs	**(21,733)**	(31,159)
	167,233	131,896
Amortisation of intangible assets, included in cost of goods sold	**8,022**	6,871
Allowance for bad and doubtful debts	**17**	1,481
Auditor's remuneration	**2,270**	1,850
Cost of inventories recognised as expense	**1,838,655**	1,214,054
Loss on disposal of property, plant and equipment	**2,639**	883
Provision for obsolete stock	**7,245**	-
Operating lease rentals in respect of		
– building premises	**22,791**	26,245
– prepaid lease payments	**1,703**	1,801
– equipment	**230**	361
and after crediting:		
Fair value gain on foreign exchange linked notes	**-**	44
Government grants*	**9,588**	7,061
Interest income	**23,032**	15,646
Rental income	**904**	1,017
Reversal of allowance for bad and doubtful debts	**-**	1,146

* The amount mainly represents the incentives 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

	2010	2009
	RMB'000	*RMB'000*
The current tax charge comprises:		
PRC income tax	**90,553**	51,928
Other jurisdictions	**20,304**	11,183
Underprovision of taxation in prior years	**804**	3,563
	111,661	66,674

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 for these subsidiaries will expire gradually up to year 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 the Group's PRC subsidiaries is 25% from 1st January, 2008 onwards.

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:

	2010	2009
	RMB'000	*RMB'000*
Profit before taxation	**1,099,138**	676,474
Tax at the applicable income tax rate (note)	**274,785**	169,119
Tax effect of income not taxable for tax purposes	**(9,980)**	(6,103)
Tax effect of expenses not deductible for tax purposes	**1,079**	5,459
Tax effect of Tax Holiday	**(151,538)**	(101,837)
Tax effect of tax losses not recognised	**84**	113
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(2,553)**	(2,742)
Underprovision in prior years	**804**	3,563
Others	**(1,020)**	(898)
Tax charge for the year	**111,661**	66,674

Note: The PRC Enterprise Income Tax rate of 25% (2009: 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

	2010	2009
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2009 final dividend of HK15.5 cents (2008: HK10.9 cents) per ordinary share	**166,774**	117,990
2010 interim dividend of HK14.2 cents (2009: HK7.2 cents) per ordinary share	**150,262**	77,886
	317,036	195,876

Subsequent to end of the reporting period, 2010 proposed final dividend of HK23.7 cents (2009: HK15.5 cents) per ordinary share has been proposed by the Board of Directors 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, 2010 is based on the profit for the year attributable to owners of the Company of RMB986,730,000 (2009: RMB614,957,000) and on the number of ordinary shares of 1,228,000,000 shares in issue during the year (2009: 1,228,000,000 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 EUIPMENT

During the period, the Group made additions to property, plant and equipment of approximately RMB580 million (2009: RMB239 million) on acquisition of property, plant and equipment, including transfers from deposits of approximately RMB30 million (2009: RMB56 million).

10. AVAILABLE-FOR-SALE INVESTMENTS

	2010	2009
	RMB'000	*RMB'000*
Unlisted shares, at cost	**-**	27,676

During the year, the Group signed a shareholders' agreement regarding Heptagon Oy ("Heptagon"), the available-for-sale investment, to increase the Group's investment shareholding. Upon signing the shareholders' agreement, the Group had the right to appoint 2 out of 7 directors of Heptagon and these 2 directors were appointed by the Group as at 31st December, 2010. Thus, the Group had significant influence on Heptagon and the investment was accounted for as an associate as at 31st December, 2010.

11. INTEREST IN ASSOCIATES

	2010 *RMB'000*	2009 *RMB'000*
Cost of investments in associates, unlisted	**102,939**	-
Share of post acquisition profits and other comprehensive income	**810**	-
	103,749	-

Details of the Group's associates are as follows:

Name of associate	Place of incorporation	Percentage of equity interest 2010 %	2009 %	Principal activity
Heptagon	Finland	16.4%	16.7%	Micro optics business
Kaleido Technology ApS ("Kaleido")	Denmark	32.0%	-	Wafer-level glass lens precision molding business
Xenon Technology (Cayman) Limited ("Xenon")	Cayman Islands	39.2%	-	Design and manufacture of Xenon-based flash lamp and flash modules

During the year, the Group acquired Kaleido and Xenon for a total consideration of RMB75.2 million.

Included in the cost of investment in associates is goodwill of RMB31 million arising on acquisitions of associates. The movement of goodwill is set out below.

	RMB'000
Arising during 2010 on acquisitions of associates and at 31st December, 2010	**31,077**

Summarised financial information in respect of the assets and liabilities and post-acquisition results of the Group's associates are set out below:

	2010 *RMB'000*
Total assets	**214,898**
Total liabilities	**(139,433)**
	75,465
Revenue	**144,861**
Profit for the year	**2,223**
Group's share of profit of associates for the year	**810**

12. TRADE AND OTHER RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**996,311**	642,471
Bank acceptance bills	**25,856**	1,933
	1,022,167	644,404
Advance payment to suppliers	**126,212**	35,400
Other receivables and prepayments	**144,299**	49,358
	1,292,678	729,162

Payment terms with customers are mainly on credit. Invoices are normally payable within 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 overdue date at the end of the reporting period:

	2010	2009
	RMB'000	*RMB'000*
Age		
Not yet due	**857,178**	517,821
Overdue 0–90 days	**158,971**	124,596
Overdue 91–180 days	**4,576**	516
Overdue over 180 days	**1,442**	1,471
	1,022,167	644,404

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 an aggregate carrying amount of RMB164,989,000 (2009: RMB126,583,000) which are past due at the reporting date for which the Group has not provided for impairment loss. Based on historical experience the Group considers the amounts which are past due and which impairment loss has not been provided for to be of good credit quality and they are expected to be recovered. 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:

	2010	2009
	RMB'000	*RMB'000*
Overdue 0–90 days	**158,971**	124,596
Overdue 91–180 days	**4,576**	516
Overdue over 180 days	**1,442**	1,471
Total	**164,989**	126,583

12. TRADE AND OTHER RECEIVABLES - CONTINUED

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

	2010	2009
	RMB'000	*RMB'000*
Balance at beginning of the year	**10,079**	9,741
Currency realignment	**(144)**	3
Allowance for bad and doubtful debts	**17**	1,481
Reversal of allowance for bad and doubtful debts	**-**	(1,146)
Amounts written off as uncollectible	**(4,982)**	-
Balance at end of the year	**4,970**	10,079

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 are set out below:

	2010	2009
	RMB'000	*RMB'000*
United States Dollar ("US$")	**168,703**	21,309
Euro	**95,178**	144,163
Japanese Yen	**772**	5,553
Hong Kong Dollar ("HK$")	**135**	-

13. FOREIGN CURRENCY FORWARD CONTRACTS

Details of the foreign currency forward contracts entered by the Group with certain banks and outstanding as at the end of the reporting period (the "Forward Contracts") are as follows:

At 31st December, 2010:

Description	**Settlement date**	**Exchange rates**
4 contracts to sell in aggregate Euro 30.5 million for US$	Settled monthly on various dates from 13th January, 2011 until 13th July, 2011	At exchange rates ranging from US$1.29 to US$1.336 for Euro 1

At 31st December, 2009:

Description	**Settlement date**	**Exchange rates**
9 contracts to sell in aggregate Euro 44 million for US$	Settled monthly on various dates from 20th January, 2010 until 25th May, 2011	At exchange rates ranging from US$1.354 to US$1.58 for Euro 1

13. FOREIGN CURRENCY FORWARD CONTRACTS - CONTINUED

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, 2010, the fair value of the Forward Contracts are determined by the respective issuing banks with reference to forward rates.

14. TRADE AND OTHER PAYABLES

	2010	2009
	RMB'000	*RMB'000*
Trade payables	**389,422**	200,683
Notes payables – secured	**248,483**	135,090
	637,905	335,773
Payroll and welfare payables	**117,198**	86,875
Other payables and accruals	**92,466**	59,312
Contingent consideration payable (note 16)	**9,822**	-
	857,391	481,960

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

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

	2010	2009
	RMB'000	*RMB'000*
Age		
Not yet due	**595,404**	332,312
Overdue 0–90 days	**41,045**	1,878
Overdue 91–180 days	**1,350**	144
Overdue over 180 days	**106**	1,439
	637,905	335,773

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

	2010	2009
	RMB'000	*RMB'000*
US$	**40,813**	1,556
HK$	**18**	17
Japanese Yen	**6,260**	1,883
Euro	**1,780**	398

15. SHORT-TERM BANK LOANS

The short-term bank loans are denominated in US$, HK$ and Japanese Yen. US$ and Japanese Yen are not the functional currency of the relevant group entities. These loans are unsecured and carry interest ranging from 0.45% to 1.0% per annum over London Inter-bank Offered Rate ("LIBOR") (as at 31st December, 2009: from 0.8% to 1.0% per annum over LIBOR).

16. ACQUISITION OF A BUSINESS

On 1st October, 2010, the Group acquired a 96.4% equity interest of I. Square Research Co., Ltd. ("I. Square") from independent third parties. Total consideration for the acquisition was RMB12,289,000. I. Square is engaged in design and manufacture of compact lens modules. The acquired was made to expand the optical products operation and support the growth strategies of the Group. The acquisition has been accounted for using the purchase method.

	RMB'000
Consideration transferred:	
Cash	**2,467**
Contingent consideration (note 14)	**9,822**
	12,289

Pursuant to the sales and purchase agreement, the consideration payable is contingent on the production volume of I. Square for a period of 14 months from the acquisition date. The target production volume is divided into several stages and the contingent consideration is paid in cash to the sellers at each stage. The contingent consideration was determined basing on the production and yield achievements of I. Square for 14 months. The Directors estimate that the amount of contingent consideration payable will be between RMB9,822,000 and RMB10,278,000.

Acquisition-related costs amounting to RMB248,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year within administrative expense.

16. ACQUISITION OF A BUSINESS - CONTINUED

	Provisional fair values *RMB'000*
The assets acquired and liabilities recognized at the date of acquisition were as follows:	
Property, plant and equipment	**1,309**
Intangible assets	**23,083**
Inventories	**12**
Trade and other receivables	**1,998**
Bank balances and cash	**61**
Trade and other payables	**(5,536)**
Bank loans	**(9,856)**
	11,071
Goodwill arising on acquisition:	
Consideration	**12,289**
Add: Non-controlling interest	**130**
Less: Net assets acquired	**(11,071)**
Goodwill arising on acquisition	**1,348**
Net cash outflow arising on acquisition:	
Cash consideration	**(2,467)**
Cash and cash equivalents acquired	**61**
Net outflow of cash and cash equivalents arising on acquisition	**(2,406)**

The Group is finalising the valuation of the assets acquired and liabilities assumed in the business combination, which is being prepared by professional external appraisers. Therefore, the initial accounting for the business combination has been determined only provisionally.

The goodwill is attributable to the anticipated profitability arising from the distribution of the Group's products in the new markets and the future operating synergies from the combination.

The goodwill arising on the acquisition is expected to be non-deductible for tax purpose.

I. Square contributed a revenue of RMB674,000 and a loss of RMB2,324,000 for the period from the date of acquisition to 31st December, 2010.

If the acquisition had been completed on 1st January, 2010, based on the unaudited management accounts of the subsidiary, the impact on the Group's revenue and profit for the year ended 31st December, 2010 would have been insignificant.

Non-controlling interests:

The non-controlling interests in I. Square recognised at the acquisition date was determined with reference to the proportionate share of the acquiree's net assets of the acquisition date and amounted to RMB130,000.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

AAC is one of the world's foremost vertically integrated manufacturers of miniature components. Our Company designs, manufactures and distributes a comprehensive suite of receivers, speakers, speaker modules, multi-function devices, microphones, vibrators, headsets, antennas for use in mobile handsets, PC tablets, game consoles, notebook computers and other consumer electronics devices such as electronic book-readers, MP3 players and MP4 players. We offer a wide-ranging innovative technology design solutions covering mobile telecommunications, IT products, consumer electronics, home appliances, automobile and medical applications markets.

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

MARKET REVIEW

The worldwide economy continued to grow from the strong recovery in the latter periods of the year 2009. Although the overall mobile handsets market grew modestly in the year, the smart phone segment within achieved a more-than-proportionate growth. Our quality miniature components landed us with new projects wins, and new programs designed-in at our key customers. We also broadened our product penetration into our existing and new customers. Our market share within the mobile telecommunications industry increased as a result of these successful efforts.

In order to maximize our potential, the Company continued to expand 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, eBooks and the PC tablets markets. In 2010, we have delivered ceramic products such as ceramic speakers, filters and antennas derived from using technology acquired from our Low Temperature Co-Fired Ceramics design and production knowhow.

The Company is highly committed in advancing our leadership in technology in miniaturized technology components segments beyond the acoustic segment by developing our in-house intellectual property. In 2010, we have successfully obtained 202 additional patents bringing our total portfolio to 416 patents. In total for the year 2010, we filed another 353 patents pending, which brings to 388 patents pending.

FINANCIAL REVIEW

With the successful performance this year, we achieved a strong financial position and we generated RMB877.4 million in net cash flows from operations for the year ended 31st December, 2010. Revenue of the Group for the year ended 31st December, 2010 amounted to RMB3,349.0 million, representing an increase of 52.0% from RMB2,203.1 million for the corresponding period of previous year. Gross profit amounted to RMB1,510.4 million, representing an increase of 52.7% from RMB989.1 million for the corresponding period of 2009. Profit attributable to owners of the Company amounted to RMB986.7 million, representing an increase of 60.4% from RMB615.0 million for the corresponding period of 2009. Basic earnings per share amounted to RMB80.35 cents, representing an increase of 60.4% from RMB50.08 cents for the corresponding period of 2009.

GEARING RATIO

The gearing ratio of the Group, computed by dividing the short-term bank loans by the total assets, as at 31st December, 2010 was 8.4% compared with 4.4% as at 31st December, 2009.

INDEBTEDNESS

As at 31st December, 2010, the Group had RMB470.3 million of short-term bank loans compared with RMB187.1 million as at 31st December, 2009.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st December, 2010, the Group had RMB1,734.6 million in cash and cash equivalents. In addition, the Group had pledged short-term bank deposits of RMB28.0 million. The Group had no long-term debt as at 31st December, 2010. 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

With our international operations and presence, the Group faces foreign exchange exposure including transaction and translation exposure.

It is the Group's policy to centralize foreign currency management to monitor the Group's total foreign currency exposure, to net off affiliate positions and to consolidate hedging transactions with banks. As far as possible, the Group aims to achieve natural hedging by investing and borrowing in the functional currencies. While a complete hedge is not possible, the Group will protect our anticipated foreign currency revenue with appropriate foreign exchange contracts.

The Group will not enter into derivative transactions for trading or speculative purposes.

During the year 2010, the Company has entered into foreign currency forward contracts to minimise the effect of exchange rate fluctuations between Euro and the US$.

CHARGES ON GROUP ASSETS

Apart from the bank deposits amounts of RMB28.0 million and RMB10.4 million pledged to banks respectively as at 31st December, 2010 and 31st December, 2009, no Group asset was under charge to any financial institution.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANY

Acquisition of a subsidiary

In 2010, the Group acquired a 96.4% share capital in I. Square, a Japanese lens design consultancy company for the consideration of RMB12.3 million. The purchase consideration was based on net book value of the net assets acquired at the date of acquisition. At acquisition, I. Square was not engaged in any business activity and therefore the acquisition was accounted for as acquisition of assets and assumed liabilities.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANY - CONTINUED

The goodwill of RMB1.3 million was attributed to the anticipated profitability arising from the distribution of the Group's products in the new markets and the future operating synergies from the combination.

Investments in associates

In June 2010, the Group acquired a 32.0% equity interest in Kaleido, a private company incorporated in Denmark, engaged in wafer-lever glass molding and a 39.2% equity interest in Xenon, a private company incorporated in the Cayman Islands, engaged in the design and manufacture of Xenon-based flash lamp and flash modules used in consumer photography, for a total consideration of RMB75.2 million.

EMPLOYEE INFORMATION

As at 31st December, 2010, the Group employed 12,431 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 staffs. 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 sizeable 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 quality images; wireless transmission antenna components enable complex and fast data signal transmission, Ultimately, our goal is to become one of the world's leading micro components, 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 in general meeting.

During the six months ended 30th June, 2010, a final dividend for the year ended 31st December, 2009 of HK15.5 cents per share was paid to shareholders.

During the six months ended 31st December, 2010, an interim dividend in respect of the six months ended 30th June, 2010 of HK14.2 cents (2009:HK7.2 cents) per share was paid to shareholders.

The Board recommended the payment of a final dividend of HK23.7 cents (2009:HK15.5 cents) per ordinary share in respect of the year ended 31st December, 2010. This final dividend together with the interim dividend represents a total payout ratio of about 40.0% of the profit attributable to owners of the Company for the year.

Subject to the shareholders' approval at the forthcoming annual general meeting, the said final dividend will be paid to shareholders of the Company, whose names appeared on the registers of members of the Company on 21st May, 2011 and payable on or about 7th June, 2011.

CLOSURE OF REGISTER OF MEMBERS

The registers of members of the Company will be closed from 17th May, 2011 to 21st May, 2011, 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 16th May, 2011.

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, 2010.

CORPORATE GOVERNANCE

During the year, 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 of the Company 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, during the year, 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, 2010 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 (the "**Audit Committee**") on 16th April, 2005. The primary duties of the Audit Committee are to assist the Board oversight of the integrity of the Company's financial statements, compliance with legal and regulatory requirements, the external auditors' qualifications and independence, and, the performance of the internal audit function and the external auditors..

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 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, 2010.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company currently comprises of three independent non- executive Directors, namely Mr. Koh Boon Hwee, Dato' Tan Bian Ee, and Ms. Chang Carmen I-Hua. 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.

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

Hong Kong, 30th March, 2011

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Benjamin Zhengmin Pan and Mr. Mok Joe Kuen Richard; a non-executive Director, namely Ms. Ingrid Chunyuan Wu; and four independent non-executive Directors, namely Mr. Koh Boon Hwee, Mr. Poon Chung Yin Joseph and Dato' Tan Bian Ee and Ms. Chang Carmen I-Hua.