

Dear Shareholders,

2006 was a record year for AAC Acoustic Technologies Holdings Inc. (“AAC” or the “Company”). Our profit attributable to equity holders of the Company reached a record high of RMB570.3 million, which was 71.3% higher than our profit attributable to equity holders of the Company of RMB332.9 million we achieved in 2005. Our total turnover also rose to a record high of RMB1,773.4 million, representing an increase of 65.2% over the 2005 turnover of RMB1,073.7 million. Not only did we gain more market share from leading mobile handset manufacturers, but we also managed to gain qualification from new customers in the game console industry. We are proud of the fact that both Nintendo and Sony qualified us as a supplier of acoustic components for Wii and Playstation 3. Our efforts in producing quality miniature acoustic products are being recognized, and we are slowly beginning to diversify into end applications other than mobile handsets.

In 2006, our high margin products such as receivers, polyphonic speakers, multi-function devices (“MFDs”) and speaker modules together accounted for approximately 72.3% of total sales. As a result, we recorded a gross margin of 49.1% in 2006, same as that in 2005. We recorded net income margin of 32.2% in 2006, despite having to record an expense of RMB16.5 million during the fourth quarter of 2006 due to the lawsuit with Knowles Electronics, LLC (“Knowles”).

At the end of 2006, Knowles filed a motion for a preliminary injunction to bar AAC from producing and selling MEMS microphones, allegedly claiming that AAC was involved in unfair trade practices including misappropriation of trade secrets. Subsequently, on 9th March, 2007, the United States District Court for the Northern District of Illinois denied Knowles’ motion finding it to be without merit. We continue to believe that the entire suit is without merit and AAC will vigorously defend itself. For more information on the decision denying the request for an injunction, please go to www.aacacoustic.com and click onto the announcement dated 20th March, 2007 under News Release.

Competition within the miniature acoustic products industry is intense, so it is important for us to remain innovative and competitive at all times. We are therefore committed to investing in our research, product development, engineering and manufacturing capabilities so that we can continue to develop smaller and better quality miniature acoustic products. We also realize that protecting our in-house technologies is crucial for a high-tech company like ours. On this front, we have made a lot of progress during 2006, having received ten additional patents so that we now have a total portfolio of 45 patents. As of 31st December, 2006, we have filed another 23 patent applications which are pending for approval.

Looking ahead, we expect competition in the global mobile handset industry to intensify. End users demand increasingly innovative handset designs and mobile handset manufacturers have to continue to come up with handset designs that can attract end users’ attention. Therefore, mobile handset manufacturers are demanding smaller acoustic products that can be compatible with thinner handset designs. At the same time, their demand on acoustic performance is ever more stringent and rigorous. We believe that we are well-positioned to benefit from this trend going forward as we are one of the few companies in the world that can combine acoustic research together with product development capabilities, engineering expertise and manufacturing know-how to produce quality miniature acoustic products. We also pride ourselves in the constant communication we maintain with our customers so that we can understand what they need and ensure that our acoustic products are compatible with their end products.

Chairman Statement

In 2007, we will launch various new products such as MEMS microphones, SMD microphones, linear vibrators, SMD vibrators, pancake vibrators, speaker box plus antenna and stereo headsets. We are confident that these new products will be well-received by our customers. We will also continue to expand our customer base and target not only global mobile handset manufacturers but also companies that produce game consoles and notebook computers. Our growth opportunities are significant given that our acoustic products can be applied into many different types of handheld electronic devices, not just mobile handsets. While we will face many challenges ahead, we are very excited about the future and we will strive to be ahead of our competitors at all times despite the escalating competition.

I wish to record our deep appreciation for the dedication and professionalism of our staff and management throughout a challenging 2006. I am also indebted to our directors for their guidance and wise counsel. Most importantly, we are grateful to our customers for their support and confidence in AAC.

Koh Boon Hwee

Chairman

10th April, 2007