

**AAC ACOUSTIC TECHNOLOGIES HOLDINGS INCORPORATED:  
THIS COMPANY HAS ONLY FIVE MAJOR CUSTOMERS**

The most-worrisome aspects of one of the latest and largest Initial Public Offerings of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) are:

1. Its tiny customer base; and,
2. The fact that, for a company which is 12 years old, it, really, has not done very well in terms of its Turnover and Bottom Line.

The company is AAC Acoustic Technologies Holdings Incorporated (Code: 2018, The Main Board, The Stock Exchange of Hongkong Ltd).

AAC Acoustic Technologies describes its business at Page 55 of its Global Offering Prospectus in the following manner:

*'We are one of the leading manufacturers focusing on the design and production of miniature acoustic components, which are used in the mobile (tele)phone handsets, MP3 players\* and other consumer handheld devices. We sold approximately 243 million miniature acoustic components in 2004.*

*'Since commencing operations in 1993, we have grown our customer base and expanded our product portfolio. Our products are used by leading global mobile phone handset and consumer electronics OEMs\*\*, including Motorola, Sony-Ericsson, Kyocera, UTStarcom, Creative Technology and Nintendo. We provide a broad range of acoustic products, including miniature receivers, polyphonic speakers, multi-function devices, speaker modules, ECM microphone\*\*\*, headsets and transducers ...'.*

<p>* MP3 = MPEG, audio layer 3 ** OEM = Original Equipment Manufacturer, the original manufacturer and their designated contract manufacturers. *** ECM = Electret Condenser Microphone</p>
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The products of this Company are well known to anybody who owns a mobile telephone and to the young generation, who like to listen to music, using their little MP3 players, which they carry in their pockets.

As for the statement that the Company is 'one of the leading manufacturers ...', **TARGET** notes that this Company's Net Profit Attributable to Shareholders for the Financial Year, ended December 31, 2004, was about 198.34 million renminbi, while the Turnover for that Financial Year was 626.85 million renminbi.

For a company, which is about 12 years old, one cannot be very impressed by this result.

Further, according to Page 68 of the Prospectus, 5 of the Company's most-important customers accounted for about 52 percent of the Turnover for the 2004-Year.

One need not speculate as to a very likely result in the event that one of these 5 customers should, for one reason or another, decide to switch suppliers.

**The Flotation**

AAC Acoustic Technologies pitched its story to the investing public on July 28, 2005, when it had a Public Offer of 31.20 million, one-cent (US) Shares at a maximum Offer Price of \$HK2.82 per Share.

The Company, also, had what it termed, an International Offer Share tranche of 280 million, one-cent (US) Shares on the same basis as the Public Offer tranche.

After all of the Application Forms were tallied, it was discovered that the Public Offer tranche had been oversubscribed by about 1.39 times, while the International Offer Share tranche had, also, been oversubscribed. On August 15, 2005 ... [CLICK TO ORDER FULL ARTICLE](#)

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