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瑞聲科技控股有限公司
AAC TECHNOLOGIES HOLDINGS INC.

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 2018)

**UPDATE ON THE PROGRESS OF
THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF
AAC OPTICS ON A STOCK EXCHANGE IN THE PRC**

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**DISCLOSEABLE TRANSACTION IN RELATION TO:
(1) TERMINATION OF THE SHAREHOLDERS AGREEMENT
AND
(2) ENTERING INTO OF A SUPPLEMENTAL AGREEMENT**

References are made to: (i) the announcements of the Company dated 22 July 2020 and 9 October 2020 (the “**Strategic Investors Announcements**”) with respect to the introduction of strategic investors to AAC Optics (Changzhou) Co., Ltd.* (誠瑞光學(常州)股份有限公司) (“**AAC Optics**”); and (ii) the announcements of the Company dated 23 December 2020, 1 February 2021 and 16 February 2021 (the “**Spin-off Announcements**”) in relation to the proposed spin-off and separate listing of AAC Optics. Unless the context requires otherwise, capitalised terms used in this announcement shall have the same meaning as those defined in the Strategic Investors Announcements and/or the Spin-off Announcements.

I. BACKGROUND

As disclosed in the Strategic Investors Announcements, AAC Optics and AAC Optics Controlling Shareholders (namely AAC Technologies Limited and AAC Technology Information Consultancy (Changzhou) Co., Ltd.* (瑞聲科技信息諮詢(常州)有限公司), both being wholly-owned subsidiaries of the Company) entered into capital increase agreements with four strategic investors (the “**First Round Strategic Investors**”) and 18 strategic investors (the “**Second Round Strategic Investors**”) to introduce strategic

investors to AAC Optics. AAC Optics, AAC Optics Controlling Shareholders, the First Round Strategic Investors and the Second Round Strategic Investors entered into the Shareholders Agreement, pursuant to which the First Round Strategic Investors and the Second Round Strategic Investors were granted certain shareholder rights including, among others, investor options. Subsequently, one of the Second Round Strategic Investors transferred a portion of shares of AAC Optics then held by it to Changzhou Mingde Venture Capital Investment Partnership (Limited Partnership)* (常州銘德創業投資合夥企業(有限合夥)) (together with the First Round Strategic Investors and Second Round Strategic Investors, the “**Existing Strategic Investors**”), which is entitled to the rights and obligations under the Shareholders Agreement.

As disclosed in the Spin-off Announcements, the Company is considering the Proposed Spin-off and Separate Listing of its optics business, which will be held through AAC Optics on a stock exchange in the PRC. The Company has received approval from the Hong Kong Stock Exchange that the Company may proceed with the Proposed Spin-off under Practice Note 15 of the Listing Rules. In connection with the Proposed Spin-off and Separate Listing, it is anticipated that AAC Optics will issue new shares by initial public offering on a stock exchange in the PRC.

Given that AAC Optics is in preparation for the Proposed Spin-off and Separate Listing, in order to comply with the regulatory requirements and market practices for listing in the PRC, the parties thereto agreed to terminate the Shareholders Agreement. AAC Optics Controlling Shareholders and the Existing Strategic Investors further entered into a supplemental agreement to agree on certain rights of the Existing Strategic Investors.

II. TERMINATION OF THE SHAREHOLDERS AGREEMENT

On 31 October 2021, AAC Optics, AAC Optics Controlling Shareholders and the Existing Strategic Investors entered into a termination agreement to terminate the Shareholders Agreement (the “**Termination Agreement**”). Pursuant to the Termination Agreement, the Shareholders Agreement shall be terminated with effect from the date of the Termination Agreement and the parties thereto agreed that, among others, all unperformed shareholder rights granted to the Existing Strategic Investors shall be terminated and cease to have any effect from the date of the Termination Agreement.

III. ENTERING INTO OF THE SUPPLEMENTAL AGREEMENT

On the same day, AAC Optics Controlling Shareholders and the Existing Strategic Investors entered into a supplemental agreement to the Termination Agreement (the “**Supplemental Agreement**”), pursuant to which certain rights were granted to the Existing Strategic Investors, to the effect that certain shareholder rights originally granted to the Existing Strategic Investors under the Shareholders Agreement are amended. The Supplemental Agreement shall be effective from the date of the Supplemental Agreement. The principal terms of the Supplemental Agreement are set out as follows:

Date

31 October 2021

Parties

- (1) AAC Optics Controlling Shareholders; and
- (2) Existing Strategic Investors

For further information of the parties, please refer to Part VII “General Information of the Parties” of this announcement.

To the best of the Board’s knowledge, information and belief having made all reasonable inquiries, the Existing Round Strategic Investors and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

Investor Rights

- (1) Pre-emptive rights to subscribe: Subject to the provisions of the Supplemental Agreement, when AAC Optics increases its registered capital or issues new shares, the Existing Strategic Investors have priority over other shareholders or any other third party to subscribe for AAC Optics’ increased registered capital or newly issued shares, on a pro-rata basis, under the same terms and price. Notwithstanding the provisions above, the Existing Strategic Investors agree to waive their pre-emptive rights to any AAC Optics’ increased registered capital or issued new shares in relation to employee share incentive schemes.
- (2) Investor options (Redemption rights): If (1) AAC Optics fails to complete the Separate Listing within three years after the completion of the introduction of the latest round of strategic investors; or (2) there is a material breach by AAC Optics or AAC Optics Controlling Shareholders in the capital increase agreements, the Supplemental Agreement, the articles of association and other transaction documents with respect to the introduction of the latest round of strategic investors, the Second Round Strategic Investors and their successors are entitled to require AAC Optics Controlling Shareholders to redeem all or part of AAC Optics’ shares held by them then at the redemption price, which is equal to the sum of the consideration paid by such Second Round Strategic Investors or their successors to subscribe for such shares $\times (1+4\% \times N/365)$ (“N” means the days from the date of settlement of the consideration up to the date of the settlement of such redemption), plus any dividends accrued but unpaid on the shares held by such Second Round Strategic Investors or their successors.

“Separate Listing” means AAC Optics completing its public offering and listing on a PRC stock exchange (including but not limited to the A-share market in the PRC) or other securities trading markets approved by the strategic investors.

- (3) Anti-dilution rights: Prior to AAC Optics completing the Separate Listing, save for subsequent employee share incentive schemes, without the prior written consent of the Existing Strategic Investors, AAC Optics Controlling Shareholders shall not give consent to AAC Optics to increase its registered capital or issue new shares at a price less than the subscription price per share of each Existing Strategic Investor (regardless of equity securities or debt securities).
- (4) Right of first refusal: Subject to the provisions of the Supplemental Agreement, if AAC Optics Controlling Shareholders propose to dispose of their shares in AAC Optics, the Existing Strategic Investors are entitled to exercise their right of first refusal to purchase the proposed transferred shares, on a pro-rata basis, under the same terms and price. However, transfers of shares for the purpose of employee share incentive schemes are not subject to the restrictions above.
- (5) Co-sale rights: Subject to the provisions of the Supplemental Agreement, when AAC Optics Controlling Shareholders propose to directly or indirectly transfer their shares in AAC Optics, if any Existing Strategic Investor has not exercised its right of first refusal in full or in part, then it is entitled to participate in such co-sale of the shares on the same terms and conditions and sell all or part of its shares to the proposed transferee.
- (6) Share transfer restrictions: Prior to AAC Optics completing its Separate Listing, without the consent of the Existing Strategic Investors, AAC Optics Controlling Shareholders shall not, by any means, directly or indirectly sell, pledge, or dispose of AAC Optics’ shares by other means, and shall procure their controlled entities to perform such obligations. However, the implementation of employee share incentive schemes approved by the board of directors and general meetings of AAC Optics is not subject to these restrictions.

Prior to AAC Optics completing its Separate Listing, without AAC Optics Controlling Shareholders’ consent, each Existing Strategic Investor shall not transfer its shares to any entity whose business competes with that of AAC Optics Group.

- (7) Liquidation preference: Upon any liquidation, dissolution, winding up, termination or deemed liquidation as stipulated in the Supplemental Agreement, the AAC Optics Controlling Shareholders shall procure AAC Optics to distribute the liquidation proceeds in accordance with the following arrangement: (i) the Second Round Strategic Investors and their successors are entitled to a preferential liquidation amount, which is equal to the sum of the respective consideration paid to AAC Optics plus any accrued but unpaid dividends on the relevant shares; (ii) after the distribution of the above preferential liquidation amount to the Second Round Strategic Investors and their successors, the remaining liquidation proceeds (if any) shall be distributed in proportion to the paid-in capital contributions amongst all the shareholders of AAC Optics (including the Second Round Strategic Investors) at the relevant time.

Consideration

As disclosed in the Strategic Investors Announcements, the total consideration paid by the Second Round Strategic Investors and their successors to subscribe for the shares of AAC Optics amounted to RMB1,658,000,000. In the event the investor options are exercised in full (the exercise of which is at the discretion of the Second Round Strategic Investors or their successors), a total of 94,764,543,258 issued shares of AAC Optics will be repurchased, representing approximately 9.0987% of the equity interest of AAC Optics. Based on the calculation formula as disclosed in Part III “Entering into of the Supplemental Agreement” of this announcement, the maximum redemption price in total payable by AAC Optics Controlling Shareholders upon exercise of the investor options is expected to be approximately RMB1,872,223,000, which will be settled in cash and funded by internal resources of the Group if so exercise in full.

The maximum redemption price in total (including its calculation formula) are the same that set out in the Shareholders Agreement, which was determined after arm’s length negotiation between the Company and the Second Round Strategic Investors, base on the principles of willingness, equality and fairness after taking into account commercial factors such as AAC Optics’ market leading position, the Second Round Strategic Investors’ assessment towards AAC Optics’ development prospects and the synergistic effect between AAC Optics and the strength of each Second Round Strategic Investor in the technology industry and investment field.

IV. REASONS FOR AND BENEFITS OF THE TRANSACTION

AAC Optics is in preparation for the Proposed Spin-off and Separate Listing on a stock exchange in the PRC. The proposed entering into of the Termination Agreement and the Supplemental Agreement by the AAC Optics Controlling Shareholders is required for the compliance with the regulatory requirements for the listing in the PRC and is consistent with the latest market practices in the PRC. From the Group’s prospective, the investor options granted by the Group under the Supplemental Agreement are substantially the same as those under the Shareholders Agreement.

Considering the above, the Board believes that the termination of the Shareholder Agreement, the entering into of the Supplemental Agreement, and the terms in the Termination Agreement and the Supplemental Agreement are fair and reasonable, and in the interests of the Company and Shareholders as a whole.

V. FINANCIAL IMPACT OF THE TRANSACTION

The investor options were granted to the Second Round Strategic Investors and their successors under the Shareholders Agreement on 9 October 2020, and has been recorded and reported in the Company's audited consolidated financial statements contained in its annual report for the year ended 31 December 2020.

As the investor options granted to the Second Round Strategic Investors and their successors under the Shareholders Agreement were first terminated under the Termination Agreement and subsequently re-granted to the same parties under the Supplemental Agreement, the Board believes that there is no financial impact on the Group.

VI. IMPLICATION UNDER THE LISTING RULES

Pursuant to the Supplemental Agreement, AAC Optics Controlling Shareholders granted the Second Round Strategic Investors and their successors investor options. Under Rule 14.04(1) of the Listing Rules, the grant of options constitutes a transaction. Pursuant to Rule 14.74(1) of the Listing Rules, upon the grant of investor options, the transaction will be classified as if the investor options had been exercised. As the highest applicable percentage ratio in respect of the grant of investor options is more than 5% but less than 25%, the grant of investor options constitutes a discloseable transaction of the Company, is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules, but is exempt from the Shareholders' approval requirement.

VII. GENERAL INFORMATION OF THE PARTIES

The Group

The Group is the world's leading solutions provider for smart devices with cutting-edge technologies in materials research, simulation, algorithms, design, automation and process development. We provide advanced miniaturized and proprietary technology solutions in Acoustics, Optics, Electromagnetic Drives and Precision Mechanics, MEMS, Radio Frequency and Antenna. Our goal for long-term sustainable development is to "Lead Innovation & Enhance User Experience". In order to deliver high-performance and superior quality products, the Group will continue to create value for customers with differentiated user experience.

AAC Optics

AAC Optics is a joint stock limited company established in the PRC. As at the date of this announcement, AAC Optics is the Company's subsidiary, and 80.3816% of its shares are owned by the Company (through AAC Optics Controlling Shareholders).

AAC Optics is principally engaged in the research and development, production and sale of optics products. Based on AAC Optics' unaudited consolidated financial statements prepared according to PRC Accounting Standards for Business Enterprises, AAC Optics' total assets as at 30 June 2021 were RMB10,923,732,000, and net assets were RMB7,622,162,000. Details of AAC Optics' net loss before and after tax for the two financial years ended 31 December 2019 and 31 December 2020, based on its consolidated financial statements prepared according to PRC Accounting Standards for Business Enterprises are as follows:

	<i>RMB'000</i>	
	For the year ended 31 December 2020 (unaudited)	For the year ended 31 December 2019 (unaudited)
Net loss before tax	401,197	644,938
Net loss after tax	345,906	646,698

Changzhou Mingde Venture Capital Investment Partnership (Limited Partnership)* (常州銘德創業投資合夥企業(有限合夥))

Changzhou Mingde Venture Capital Investment Partnership (Limited Partnership) was established in the PRC as a limited partnership, the principal business activity of which is engaging in start-up investment. Its general partner is Haining Hairui Investment Management Co., Ltd.* (海寧海睿投資管理有限公司), and the ultimate beneficial owner is Qun Hao. Amongst the limited partners, Jiang Huaxing, Changzhou Wujin Technology Venture Capital Co., Ltd.* (常州武進科技創業投資有限公司) and Jiangsu Lanyi Industrial Investment Co., Ltd.* (江蘇藍翼實業投資有限公司) own approximately 20% partnership interest respectively. Hao Qun and Qi Guoqiang own approximately 10% partnership interest respectively. Save for the above, no other limited partners of Changzhou Mingde Venture Capital Investment Partnership (Limited Partnership) owns 10% or more partnership interest.

For the information relating to the principal business of Hubei Xiaomi Changjiang Industrial Fund Partnership (Limited Partnership), OPPO Guangdong Mobile Communication Co., Ltd., Shenzhen Huiyou Haochuang Technology Investment Partnership (Limited Partnership) and Nanjing Huarui Ruijun Entrepreneurship Investment Center (Limited Partnership), please refer to the announcement of the Company dated 22 July 2020.

For the information relating to the principal business of AAC Technologies Limited, AAC Technology Information Consultancy (Changzhou) Co., Ltd., Sequoia Chi Chen (Xiamen) Equity Investment Partnership (Limited Partnership), Advanced Manufacturing Industry Investment Fund (Limited Partnership), CICC Win-Win Qijiang (Shanghai) Science & Innovation Equity Investment Fund Partnership (Limited Partnership), Qilu (Xiamen) Equity Investment Partnership (Limited Partnership), CICC Jiatai Phase II (Tianjin) Equity Investment Fund Partnership (Limited Partnership), CICC Qizhi

(Shanghai) Equity Investment Center (Limited Partnership), CICC Qichen (Suzhou) Emerging Industry Equity Investment Fund Partnership (Limited Partnership), CICC Cultural Consumption Industry Equity Investment Fund (Xiamen) Partnership (Limited Partnership), CICC Pucheng Investment Co., Ltd., Gongqingcheng Jianyi Investment Partnership (Limited Partnership), Guangdong Midea Intelligent Technology Industry Investment Fund Management Center (Limited Partnership), Haining Hairui Industrial Investment Partnership (Limited Partnership), Gongqingcheng Danhe Yucheng Investment Partnership (Limited Partnership), Shanghai Runxin Investment Management Co., Ltd., Shenzhen Songhe Venture Capital Investment Co., Ltd., Wentianxia Technological Group Co., Limited* (聞天下科技集團有限公司) (formerly known as Lhasa Economic and Technological Development Zone Wentianxia Investment Co., Ltd., Shengzhen Jiaxin Yuande Equity Investment Fund Partnership (Limited Partnership) and Dongguan Changjinshi Equity Investment Partnership (Limited Partnership), please refer to the announcement of the Company dated 9 October 2020.

* *For ease of reference, the names of the companies or entities (including the PRC established companies or entities) have been included in this announcement in both the Chinese and English languages. The name in Chinese language is the official name of each such company or entity, while that in English language is translation of the Chinese name, and is included herein for identification purpose only. In the event of any inconsistency, the Chinese version shall prevail.*

On behalf of the Board
AAC Technologies Holdings Inc.
Ho Siu Tak Jonathan
Company Secretary

Hong Kong, 31 October 2021

As at the date of this announcement, the Board comprises Mr. Pan Benjamin Zhengmin, Mr. Mok Joe Kuen Richard and Ms. Wu Ingrid Chun Yuan, together with four Independent Non-executive Directors, namely Mr. Zhang Hongjiang, Mr. Au Siu Cheung Albert, Mr. Peng Zhiyuan and Mr. Kwok Lam Kwong Larry.