

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement is for information purpose only and does not constitute an invitation or offer to the Shareholders or any other person to acquire, purchase or subscribe for securities of the Company or its subsidiaries in Hong Kong, the PRC or elsewhere.



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)

**POSSIBLE DEEMED DISPOSAL AND MAJOR TRANSACTION
IN RELATION TO
THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF
AAC OPTICS ON THE SHANGHAI STOCK EXCHANGE**

THE PROPOSED SPIN-OFF

Subject to approvals by the Shareholders and the relevant PRC regulators, it is currently proposed that AAC Optics will issue A-shares on the STAR Market of the Shanghai Stock Exchange by way of an initial public offering to public investors in the market, or other methods as requested or agreed by the CSRC.

LISTING RULES IMPLICATIONS

The Proposed Spin-off constitutes a deemed disposal of the interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules. As the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Proposed Spin-off may be higher than 25% but less than 75%, the Proposed Spin-off, if materialised, may constitute a major transaction of the Company under Chapter 14 of the Listing Rules. The Company therefore convenes the EGM to obtain the approval of Shareholders under paragraph 3(e)(1) of PN15 and Chapter 14 of the Listing Rules.

The EGM will be convened by the Company at which resolution will be proposed to the Shareholders to consider and, if thought fit, approve the Proposed Spin-off.

A circular containing, amongst others, (i) information on the Proposed Spin-off and Separate Listing and the waiver in respect of the assured entitlement requirement under the Proposed Spin-off; (ii) the letter of recommendation of the Independent Board Committee to the Shareholders in respect of the Proposed Spin-off; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Shareholders in respect of the Proposed Spin-off; (iv) the financial information of the Group; (v) a notice of the EGM; and (vi) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 5 August 2022.

The final structure of the Proposed Spin-off and Separate Listing is subject to, amongst others, the approval of relevant authorities including the Shanghai Stock Exchange and CSRC, the market conditions and other considerations. Accordingly, Shareholders and potential investors of the Company should be aware that there is no assurance that the Proposed Spin-off and Separate Listing must take place and, if so, when it may take place. Shareholders and potential investors of the Company should exercise caution when dealing in or investing in the securities of the Company.

References are made to the announcements of the Company dated 23 December 2020, 1 February 2021, 16 February 2021, 31 October 2021 and 6 June 2022 (the “**Announcements**”) in relation to, amongst others, 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 meanings as those defined in the Announcements.

THE PROPOSED SPIN-OFF

Subject to approvals by the Shareholders and the relevant PRC regulators, it is currently proposed that AAC Optics will issue A-shares on the STAR Market of the Shanghai Stock Exchange by way of an initial public offering to public investors in the market, or other methods as requested or agreed by the CSRC. The actual number of shares to be offered by AAC Optics will depend on the market conditions and the relevant rules and regulations of the CSRC as amended from time to time. Based on the current structure of the Proposed Spin-off which is subject to finalisation, it is expected that immediately upon completion of the Proposed Spin-off, AAC Optics will remain as an indirect subsidiary of the Company and its financial results will continue to be consolidated into the accounts of the Group, with the Company’s interest in the Spin-off Company expected to decrease from 81.0949% to (i) approximately 72.9855% (assuming the number of new shares to be issued by the Spin-off Company under the Separate Listing represents approximately 10% of the enlarged issued share capital of the Spin-off Company and the over-allotment option is not exercised); or (ii) approximately 62.9865% (assuming the number of new shares to be issued by the Spin-off Company under the Separate Listing represents approximately 22.3301% of the enlarged issued share capital of the Spin-off Company, with the offering size being 20% (before the exercise of the over-allotment option) and the over-allotment option being exercised in full).

The Spin-off Company has applied for, and on 11 February 2021 the Stock Exchange has granted, the approval for the Proposed Spin-off and Separate Listing pursuant to PN15 and a waiver from strict compliance with the applicable requirements in relation to the assured entitlement under the Proposed Spin-off as required by paragraph 3(f) of PN15.

The Spin-off Company has submitted an application to the Shanghai Stock Exchange for the Separate Listing and received the notice of acceptance of the Listing Application from the Shanghai Stock Exchange on 6 June 2022. According to this notice of acceptance, the Shanghai Stock Exchange has formally accepted the Listing Application.

Conditions of the Proposed Spin-off

The Proposed Spin-off will be conditional upon, amongst others, the following:-

- (a) approval of the Proposed Spin-off by the Shareholders at the EGM;
- (b) approval of the Separate Listing by the board of directors and the shareholders of the Spin-off Company;
- (c) approval of the Proposed Spin-off by the Listing Committee of the Stock Exchange;
- (d) approval and/or registration of the Shanghai Stock Exchange and the CSRC in relation to the Separate Listing; and
- (e) any other PRC regulatory approvals required by the relevant laws and regulations.

As at the date of this announcement, conditions (b) and (c) have been fulfilled. None of the conditions is waivable. If any one of the conditions (a), (d) or (e) is not fulfilled, the Proposed Spin-off will not proceed and an announcement will be published by the Company as soon as practicable.

Proceeds to be raised from the proposed Separate Listing and intended use of proceeds

As the exact offer price and the expected size of the Separate Listing are not determined at this stage, the proceeds to be raised from the Separate Listing cannot be determined yet. It is currently expected that the proceeds to be raised from the Separate Listing will range from approximately RMB4 billion to RMB8 billion based on, amongst others, expected market conditions and proposed upper range of the offering size, being 20% (before the exercise of the over-allotment option) of the enlarged issued share capital of the Spin-off Company. However, investors should be aware that the proceeds to be raised are subject to future business needs of the Spin-off Company and the market conditions closer to the launch of the Separate Listing.

The offer price of shares of the Spin-off Company to be offered under the Separate Listing has not been fixed yet and is subject to market conditions close to the launch of the Separate Listing and will be determined with reference to the then responses to the price consultation and other method(s) to be agreed between the Spin-off Company and the lead underwriters. In determining the offer price, the Spin-off Company will take into account, amongst others, (i) its historical operating results and financial performance; (ii) its business prospects; (iii) its expansion plan and capital needs; (iv) the responses to price consultation to the Separate Listing in the book-building process; and (v) the trading multiples to be determined by the Spin-off Company and the lead underwriters having considered those of comparable companies listed in the PRC in the same industry as the Spin-off Company.

The Spin-off Company intends to apply the net proceeds from the Separate Listing (after deducting related expenses) in the following manner:

- (i) Approximately 25.72% of the net proceeds for developing and improving the production of high-precision glass-plastic hybrid optical lenses;
- (ii) Approximately 50.24% of the net proceeds for improving the production of WLG (wafer-level glass) lenses and extreme-precision optical components; and
- (iii) Approximately 24.04% of the net proceeds for general working capital purposes.

The intended use of proceeds and the above allocation of use of proceeds are determined based on the current business, the expansion plan of the Spin-off Group and the capital required for above purposes.

Lock-up and non-competition undertakings

As required by the Rules Governing the Listing of Stocks on Shanghai Stock Exchange relevant to the Separate Listing, amongst others,

- (a) each of AAC Technology Information Consultancy (Changzhou) Co., Ltd., Tianjin Chengrui Optical Technology Partnership (Limited Partnership), Tianjin Ruitai Optoelectronics Technology Partnership (Limited Partnership), Tianjin Ruicheng Optical Technology Partnership (Limited Partnership), Pan Benjamin Zhengmin, Wu Ingrid Chun Yuan and AAC Technologies Limited (the “**Undertakers**”) will undertake that, if the Spin-off Company does not have profit at the time of the Separate Listing, he/she/it will not reduce his/her/its shareholding in the Spin-off Company held before the Separate Listing within 36 months from the date of the Separate Listing (the “**Lock-up Period**”) and his/her/its shareholding in the Spin-off Company held before the Separate Listing will not reduce by more than 2% of the share capital of the Spin-off Company per year for two years after the end of the Lock-up Period;

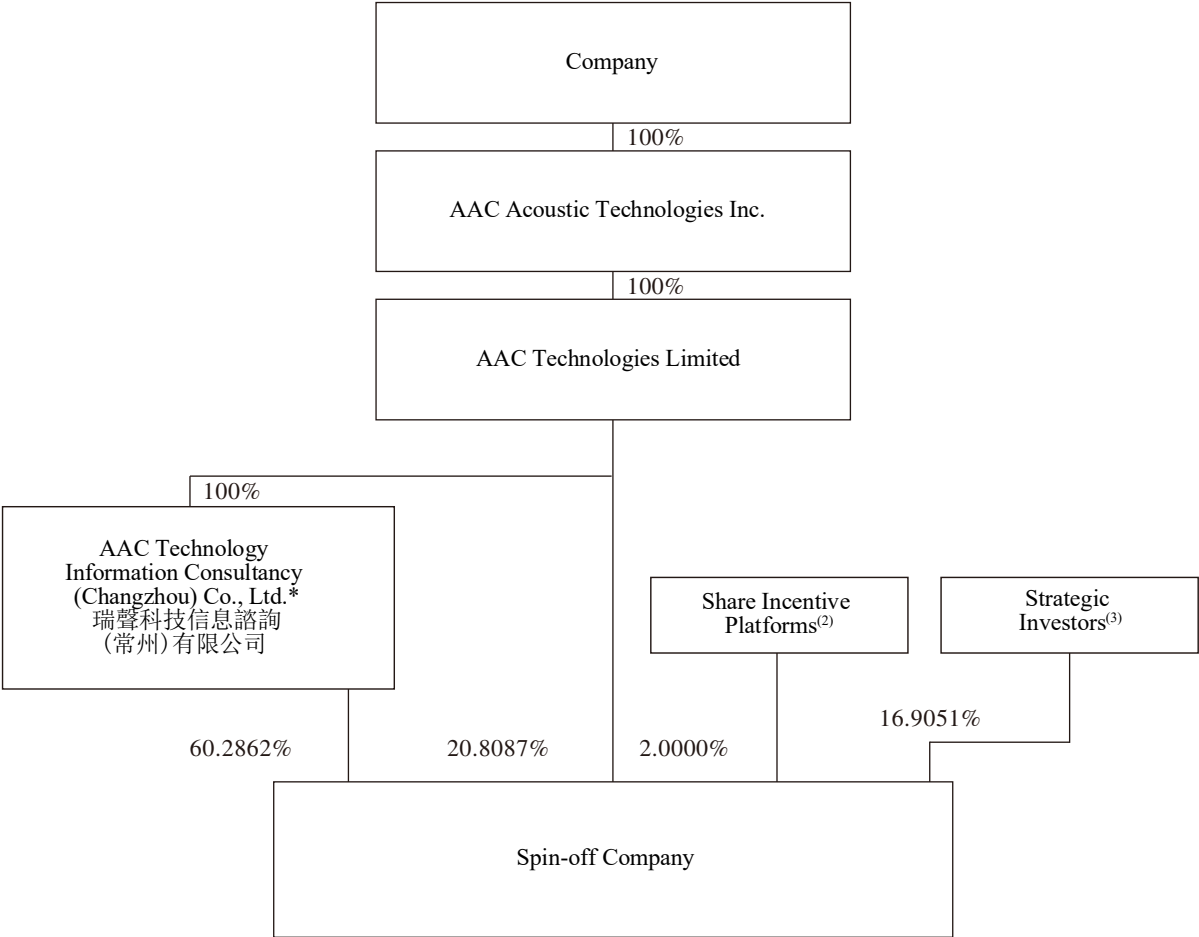
- (b) each of the Undertakers will undertake that, if the Spin-off Company has profit at the time of the Separate Listing, he/she/it will not transfer or entrust others to manage his/her/its shares in the Spin-off Company held before the Separate Listing or allow the Spin-off Company to repurchase any of such shares within the Lock-up Period;
- (c) each of the Undertakers will undertake that if he/she/it reduces the shareholding in the Spin-off Company within two years from the end of the Lock-up Period, the selling price(s) for the relevant disposal(s) shall not be less than the offer price of shares of the Spin-off Company to be offered under the Separate Listing; and
- (d) each of the Undertakers will undertake that he/she/it will not engage in, directly or indirectly, any business or activity which competes or may compete with and gives rise to a material and adverse impact on the business of the Spin-off Company.

The lock-up undertakings and non-competition undertaking to be provided by the Undertakers do not involve, and therefore in the Directors' view, will not have any material adverse impact on, the operations and businesses of the Remaining Group.

Effect of the Proposed Spin-off on the shareholding structure of AAC Optics

Based on the current plan of the Proposed Spin-off, set out below are the simplified shareholding structures of the Spin-off Company as at the date of this announcement and immediately upon completion of the Proposed Spin-off.

Shareholding structure of the Spin-off Company as at the date of this announcement:



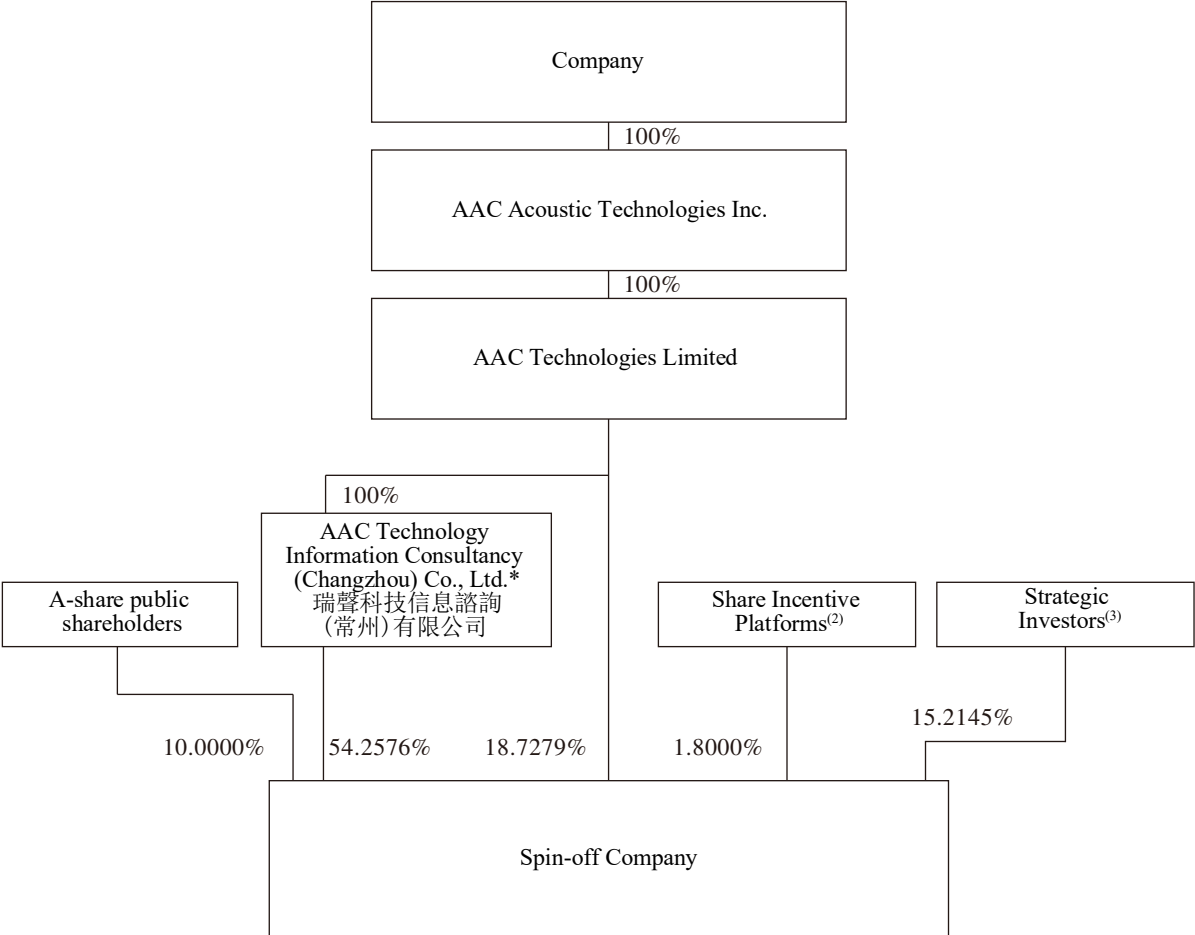
Notes:

- (1) The shareholding figures of the shareholders of the Spin-off Company have been subject to rounding adjustments such that the arithmetic aggregation of the shareholding figures is 100%.
- (2) The equity interests of the Spin-off Company by the Share Incentive Platforms are held as to:
 - (i) 0.6667% by Tianjin Chengrui Optical Technology Partnership (Limited Partnership)* 天津誠瑞光學投資合夥企業(有限合夥);
 - (ii) 0.6666% by Tianjin Ruitai Optoelectronics Technology Partnership (Limited Partnership)* 天津瑞成光學投資合夥企業(有限合夥); and
 - (iii) 0.6666% by Tianjin Ruicheng Optical Technology Partnership (Limited Partnership)* 天津瑞泰光電投資合夥企業(有限合夥).
- (3) The equity interests of the Spin-off Company by the Strategic Investors are held as to:
 - (i) 3.5561% by Hubei Xiaomi Changjiang Industrial Fund Partnership (Limited Partnership)* 湖北小米長江產業基金合夥企業(有限合夥);
 - (ii) 3.5561% by OPPO Guangdong Mobile Communication Co., Ltd.* OPPO 廣東移動通信有限公司;
 - (iii) 0.8890% by Shenzhen Huiyou Haochueng Technology Investment Partnership (Limited Partnership)* 深圳市惠友豪創科技投資合夥企業(有限合夥);

- (iv) 0.5186% by Nanjing Huarui Ruijun Entrepreneurship Investment Center (Limited Partnership)* 南京華睿睿軍創業投資中心(有限合夥);
- (v) 0.5488% by Sequoia Chi Chen (Xiamen) Equity Investment Partnership (Limited Partnership)* 紅杉馳辰(廈門)股權投資合夥企業(有限合夥);
- (vi) 1.5366% by Advanced Manufacturing Industry Investment Fund (Limited Partnership)* 先進製造產業投資基金(有限合夥);
- (vii) 0.5488% by CICC Win-Win Qijiang (Shanghai) Science & Innovation Equity Investment Fund Partnership (Limited Partnership)* 中金共贏啟江(上海)科創股權投資基金合夥企業(有限合夥);
- (viii) 0.2195% by Qilu (Xiamen) Equity Investment Partnership (Limited Partnership)* 啟鷺(廈門)股權投資合夥企業(有限合夥);
- (ix) 0.1646% by CICC Jiatai Phase II (Tianjin) Equity Investment Fund Partnership (Limited Partnership)* 中金佳泰貳期(天津)股權投資基金合夥企業(有限合夥);
- (x) 0.1646% by CICC Qizhi (Shanghai) Equity Investment Center (Limited Partnership)* 中金祺智(上海)股權投資中心(有限合夥);
- (xi) 0.1646% by CICC Qichen (Suzhou) Emerging Industry Equity Investment Fund Partnership (Limited Partnership)* 中金啟辰(蘇州)新興產業股權投資基金合夥企業(有限合夥);
- (xii) 0.1646% by CICC Cultural Consumption Industry Equity Investment Fund (Xiamen) Partnership (Limited Partnership)* 中金文化消費產業股權投資基金(廈門)合夥企業(有限合夥);
- (xiii) 0.1098% by CICC Pucheng Investment Co., Ltd.* 中金浦成投資有限公司;
- (xiv) 1.2183% by Guo Wen 郭文;
- (xv) 0.0878% by Chen Tao 陳濤;
- (xvi) 0.5488% by Guangdong Midea Intelligent Technology Industry Investment Fund Management Center (Limited Partnership)* 廣東美的智能科技產業投資基金管理中心(有限合夥);
- (xvii) 0.1646% by Haining Hairui Industrial Investment Partnership (Limited Partnership)* 海寧海睿產業投資合夥企業(有限合夥);
- (xviii) 0.3841% by Changzhou Mingde Venture Capital Investment Partnership (Limited Partnership)* 常州銘德創業投資合夥企業(有限合夥);
- (xix) 0.3842% by Gongqingcheng Danhe Yucheng Investment Partnership (Limited Partnership)* 共青城丹合玉成投資合夥企業(有限合夥);

- (xx) 0.3293% by Shanghai Runxin Investment Management Co., Ltd.* 上海潤芯投資管理有限公司;
- (xxi) 0.2744% by Shenzhen Songhe Venture Capital Investment Co., Ltd.* 深圳市松禾創業投資有限公司;
- (xxii) 0.2744% by Wentianxia Technological Group Co., Limited (formerly Lhasa Economic and Technological Development Zone Wentianxia Investment Co., Ltd.)* 聞天下科技集團有限公司 (前稱為拉薩經濟技術開發區聞天下投資有限公司);
- (xxiii) 0.1921% by Shengzhen Jiaxin Yuande Equity Investment Fund Partnership (Limited Partnership)* 深圳市嘉信元德股權投資基金合夥企業 (有限合夥);
- (xxiv) 0.0823% by Dongguan Changjinshi Equity Investment Partnership (Limited Partnership)* 東莞長勁石股權投資合夥企業 (有限合夥);
- (xxv) 0.5488% by Changzhou Xinbei District Phase I Science and Technology Innovation Investment Center (Limited Partnership)* 常州新北區一期科創投資中心 (有限合夥);
- (xxvi) 0.1098% by Changzhou Changgaoxin Intelligent Manufacturing Investment Center (Limited Partnership)* 常州常高新智能製造投資中心 (有限合夥); and
- (xxvii) 0.1646% by Guangxi Nanning GIG Greencity Industrial Investment Partnership (Limited Partnership)* 廣西南寧廣投綠城產業投資合夥企業 (有限合夥).

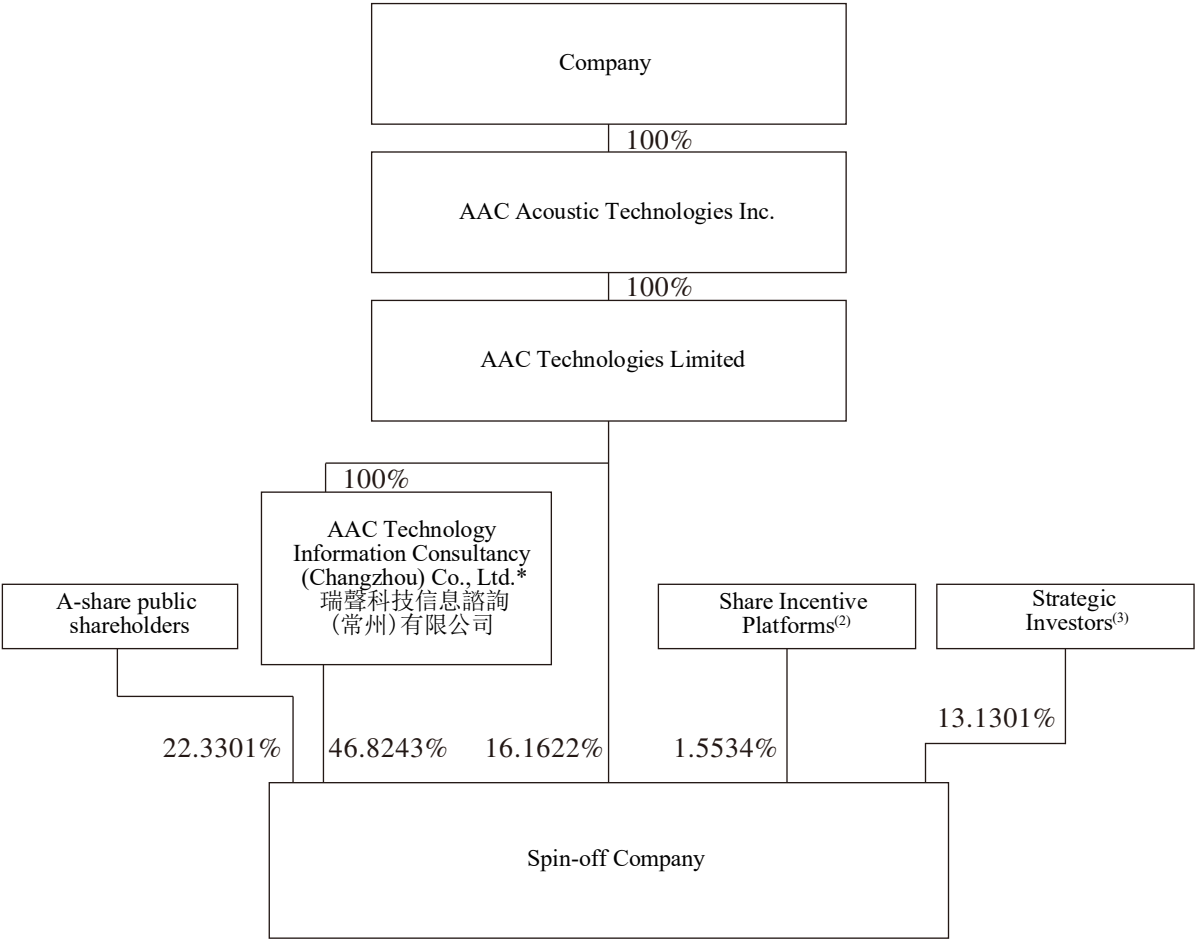
Shareholding structure of the Spin-off Company immediately upon completion of the Proposed Spin-off (assuming 752,099,550 shares of the Spin-off Company will be issued and there are no other changes to the total issued share capital of the Spin-off Company other than the shares to be issued under the Separate Listing, i.e. the offering size represents approximately 10% of the enlarged issued share capital of the Spin-off Company (assuming the over-allotment option is not exercised)):



Notes:

- (1) The shareholding figures of the shareholders of the Spin-off Company have been subject to rounding adjustments such that the arithmetic aggregation of the shareholding figures is 100%.
- (2) & (3) Please see Notes (2) and (3) under the shareholding structure of the Spin-off Company as at the date of this announcement above.

Shareholding structure of the Spin-off Company immediately upon completion of the Proposed Spin-off (assuming 1,946,053,000 shares of the Spin-off Company will be issued and there are no other changes to the total issued share capital of the Spin-off Company other than the shares to be issued under the Separate Listing, i.e. the offering size represents approximately 22.3301% of the enlarged issued share capital of the Spin-off Company (i.e. assuming the over-allotment option is exercised in full)):



Notes:

- (1) The shareholding figures of the shareholders of the Spin-off Company have been subject to rounding adjustments such that the arithmetic aggregation of the shareholding figures is 100%.
- (2) & (3) Please see Notes (2) and (3) under the shareholding structure of the Spin-off Company as at the date of this announcement above.

INFORMATION OF THE PARTIES

Information of the Company

The Company is an exempted limited liability company incorporated and registered in the Cayman Islands and its shares have been listed on the Main Board of the Stock Exchange. The Company, together with its subsidiaries, is the world's leading solutions provider for smart devices with cutting-edge technologies in materials research, simulation, algorithms, design, automation and process development in acoustics, optics, electromagnetic drives and precision mechanics, Micro-Electro-Mechanical Systems, radio frequency and antenna, providing advanced miniaturised and proprietary technology solutions.

Information of the Spin-off Group

AAC Optics is a joint stock limited liability company established in the PRC. As at the date of this announcement, AAC Optics is the Company's subsidiary with a registered capital of RMB6,768,895,943, and 81.0949% of its shares are owned by the Company (through its subsidiaries, 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)). Please refer to the chart of the shareholding structure of the Spin-off Company as at the date of this announcement and the notes thereunder at the paragraph headed "THE PROPOSED SPIN-OFF – Effect of the Proposed Spin-off on the shareholding structure of the Spin-off Company" for further information of the shareholders of and their respective shareholdings in AAC Optics.

The Spin-off Group is principally engaged in the research and development, production and sale of optics products. The products of the Spin-off Group include WLG (wafer-level glass) hybrid lenses, plastic lenses and camera modules. Its customers include consumer electronics and smartphone manufacturers.

The following table summarises the audited consolidated financial information of the Spin-off Group extracted from its audited consolidated financial information of the Spin-off Group for the financial years ended 31 December 2020 and 31 December 2021:

	Year ended 31 December	
	2020	2021
	(RMB)	(RMB)
Loss before tax	401,197,011.53	267,481,324.72
Loss after tax	345,906,402.23	274,730,075.91

As at 31 December 2021, the audited consolidated net asset value of the AAC Optics Group was approximately RMB7,262.1 million. The financial information of AAC Optics as stated above is prepared under the PRC Generally Accepted Accounting Principles.

Please refer to the Application Proof for detailed information of the Spin-off Group including its standalone audited consolidated financial information as set out in chapter 8 of the Application Proof.

Information of the Remaining Group

Upon completion of the Proposed Spin-off, the Remaining Group will continue to be principally engaged in the research and development, production and sales of (i) acoustics (dynamic components), (ii) electromagnetic drivers/precision mechanics; and (iii) Micro-Electro-Mechanical Systems. Further, immediately upon completion of the Proposed Spin-off, the Remaining Group will satisfy all the requirements under paragraph 3(c) of PN15 and retain a sufficient level of operations and assets to support its separate listing status.

FINANCIAL EFFECTS OF THE PROPOSED SPIN-OFF ON THE GROUP

It is expected that immediately upon completion of the Proposed Spin-off, the Group shall continue to hold more than 50% of the enlarged issued share capital of AAC Optics, and AAC Optics will continue to be an indirect non-wholly owned subsidiary of the Company, accounted for as a subsidiary in the consolidated financial statements of the Group. The following is the expected financial impact of the Proposed Spin-off on the Group:

Earnings

The Proposed Spin-off will be regarded as a transaction with non-controlling interest, and the carrying amount of the non-controlling interest will be adjusted to reflect the proportionate change in the non-controlling interest in the Spin-off Company. It is expected that there would be no gain or loss on the deemed disposal and the Proposed Spin-off to be recognised in the Company's consolidated income statement upon completion of the Proposed Spin-off in accordance with Hong Kong Financial Reporting Standards 10 on "Consolidated Financial Statements". In addition, as the proportion of the Company's shareholding in the Spin-off Company will be diluted immediately upon completion of the Proposed Spin-off, it is expected that the earnings (or losses) attributable to Shareholders of the Company contributed by the Spin-off Company will decrease while the earnings (or losses) attributable to non-controlling interests of the Company will increase.

The Spin-off Group will continue to be accounted for as a subsidiary of the Company upon completion of the Proposed Spin-off and the financial results of the Spin-off Group will continue to be consolidated into the accounts of the Group. The effect of the Proposed Spin-off on the future earnings of the Group will depend on, amongst others, the return generated from the proceeds raised from the Proposed Separate Listing as well as the future business operations of the Spin-off Group.

Assets, liabilities and equity

The Separate Listing will increase the number of shares of the Spin-off Company and raise corresponding funds. The net proceeds of the Separate Listing will increase the cash recorded in the consolidated balance sheet of the Group and increase the total assets of the Group correspondingly. The Proposed Spin-off will reduce the liabilities of the Group. As at 31 December 2021, the Group had RMB1.7 billion contingent settlement provision. Such contingent settlement provision will be derecognised upon completion of the Separate Listing and the amount will be considered as a capital contribution from the non-controlling interests. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration received is recognised directly in equity and attributed to owners of the Company.

Hence, the Separate Listing will raise funds and further improve the structure of the Group's assets and liabilities.

The difference between the amount by which the non-controlling interest is adjusted and the net proceeds raised from the Separate Listing will be recorded in equity and attributed to the Shareholders.

Assuming the net proceeds raised per new share to be issued under the Separate Listing is higher than the net assets attributable to enlarged shareholders of AAC Optics, equity attributable to owners of the Company would be enhanced.

REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF

The Directors, including the independent non-executive Directors, consider that the Proposed Spin-off and Separate Listing are in the interests of the Company and its Shareholders as a whole for the following reasons:

- (a) AAC Optics Group is dedicated to becoming a leading optics solution provider with cutting edge technologies and superior products in order to capture fast-growing market opportunities in the optics industry, and to deliver innovative user experience. The Proposed Spin-off and Separate Listing will further enhance AAC Optics Group's market positioning and integration of business resources, which would reinforce the competitiveness of AAC Optics Group in optics and establish a solid foundation for its long-term sustainable growth. At the same time, when AAC Optics Group's organic growth is accelerated by its listing on a stock exchange in the PRC, the Remaining Group can focus more of its resources on the remaining principal businesses, thereby realising the maximum growth potential of both the Company and AAC Optics Group;

- (b) the Proposed Spin-off and Separate Listing will increase AAC Optics Group's operational and financial transparency and provide more details of the operational performance of the Remaining Group and the spin-off business, through which investors would be able to evaluate the performance and potential of AAC Optics Group separately and distinctly from those of the Remaining Group. Considering that AAC Optics Group is equipped with proprietary technology, automation capabilities, and a dedicated global research and development team which is undergoing business expansion and rapid growth, the Proposed Spin-off and Separate Listing are expected to attract an investor base that favours growth opportunities and focused investment opportunities in optics, which would better reflect the value of AAC Optics Group;
- (c) as the result of the Proposed Spin-off and Separate Listing, the Remaining Group and AAC Optics Group will have separate fundraising platforms in the equity and debt capital markets, which will increase the financing flexibility for both entities so as to support and accelerate their respective growth. In the future, AAC Optics Group will be able to take advantage of its own capital market platform to raise funds to further expand its business scope, attract talents, enrich its product lines, and achieve rapid development; and
- (d) after completion of the Proposed Spin-off and Separate Listing, the Company will remain as a controlling shareholder of AAC Optics Group, and the revenue and profit of AAC Optics Group will be reflected in the consolidated financial statements of the Company. Furthermore, the value of AAC Optics Group is expected to be enhanced due to the expected relatively higher premium on the domestic capital market, which in turn benefits the Company as a controlling shareholder of AAC Optics Group. By maximising the value of AAC Optics Group, the overall market value of the Remaining Group will be further enhanced.

WAIVER IN RESPECT OF ASSURED ENTITLEMENT

Pursuant to the requirements under paragraph 3(f) of PN15, a listed issuer carrying out a spin-off is required to have due regard to the interests of its existing shareholders by providing them with an assured entitlement to shares in the spun-off entity, either by way of a distribution in specie of existing shares or by way of preferred application in any offering of existing or new shares in the spun-off entity.

As part of the Proposed Spin-off and Separate Listing, there will be issue of new shares of AAC Optics and such shares will only be issued in the PRC.

As advised by the Company's PRC legal advisor, under the relevant securities laws and regulations currently in force in the PRC, only the following categories of persons are entitled to open and maintain A-share securities accounts: (a) PRC citizens; (b) residents of Hong Kong, Taiwan, and Macao working and living residing in the PRC; (c) qualified PRC institutional investors such as securities companies, insurance companies, securities investment funds, social security funds, etc.; (d) qualified foreign institutional investors approved by the CSRC; and (e) foreign strategic investors approved by or registered with the Department of Commerce of the PRC. ((a) to (e) are collectively referred to as "**Qualified Investors**"). Accordingly, amongst the Shareholders of the Company, only those qualified as Qualified Investors are entitled to open A-share securities accounts and to hold A-shares listed and traded on a stock exchange in the PRC.

Furthermore, the Securities Law of the PRC and the Administrative Measures on Issuance and Underwriting of Securities provide that any issuing entities upon public offering shall apply to register with the securities regulatory and management authorities. Unless otherwise prescribed by law, an applicant for initial public offering of its shares on a stock exchange in the PRC is prohibited from making any preferential allocations of the offer shares to any specific person(s) on the ground that all investors shall be treated equally. Preferential allocation may be allowed under certain exceptional circumstances such as with the allocation to certain securities investment funds and social security funds, or to certain qualified strategic investors, which are not applicable in the present case. Therefore, pursuant to the existing PRC law, it is impractical to preferentially allocate shares in AAC Optics to the Shareholders of the Company, including the southbound shareholders (if any).

In light of the above reasons, it would not be feasible or practicable for the Company to comply with the assured entitlement in the shares of AAC Optics under paragraph 3(f) of PN15 in relation to the Proposed Spin-off and Separate Listing. Due to the prohibition against preferential allocation of the offer shares under the PRC securities laws, it is impractical to preferentially allocate shares in AAC Optics to the Shareholders of the Company, including the southbound Shareholders (if any). The Company has applied for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the applicable requirements in relation to the assured entitlement under paragraph 3(f) of PN15 in connection with the Proposed Spin-off and Separate Listing.

Having considered the above legal impracticalities for providing the assured entitlement and the reasons for and benefits of the Proposed Spin-off and Separate Listing under the paragraph headed "Reasons for and Benefits of the Proposed Spin-off", the Board is of the view that the Proposed Spin-off and Separate Listing and the waiver in respect of the assured entitlement requirement in connection with the Proposed Spin-off and Separate Listing are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Proposed Spin-off constitutes a deemed disposal of the interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules. As the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Proposed Spin-off may be higher than 25% but less than 75%, the Proposed Spin-off, if materialised, may constitute a major transaction of the Company under Chapter 14 of the Listing Rules. The Company therefore convenes the EGM to obtain the approval of Shareholders under paragraph 3(e)(1) of PN15 and Chapter 14 of the Listing Rules.

THE EGM

The EGM will be convened by the Company at which resolution will be proposed to the Shareholders to consider and, if thought fit, approve the Proposed Spin-off. As far as the Directors are aware, none of the Shareholders has a material interest in the Proposed Spin-off which is different from those of other Shareholders. As such, no Shareholder is required to abstain from voting in respect of the proposed resolution to approve the Proposed Spin-off at the EGM.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising Mr. Zhang Hongjiang, Mr. Au Siu Cheung Albert, Mr. Peng Zhiyuan and Mr. Kwok Lam Kwong Larry, being all independent non-executive Directors, has been established to advise the Shareholders in respect of the terms of the Proposed Spin-off. Somerley Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in this regard.

DESPATCH OF CIRCULAR

A circular containing, amongst others, (i) information on the Proposed Spin-off and Separate Listing and the waiver in respect of the assured entitlement requirement under the Proposed Spin-off; (ii) the letter of recommendation of the Independent Board Committee to the Shareholders in respect of the Proposed Spin-off; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Shareholders in respect of the Proposed Spin-off; (iv) the financial information of the Group; (v) a notice of the EGM; and (vi) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 5 August 2022.

GENERAL

The Application Proof of AAC Optics' listing document is available for reviewing and downloading on the Shanghai Stock Exchange's website at <http://kcb.sse.com.cn/>, which contains, amongst others, certain business and financial information relating to AAC Optics. Shareholders should note that the Application Proof is in draft form and the information contained in it is subject to change which may be material.

The final structure of the Proposed Spin-off and Separate Listing is subject to, amongst others, the approval of relevant authorities including the Shanghai Stock Exchange and CSRC, the market conditions and other considerations. Accordingly, Shareholders and potential investors of the Company should be aware that there is no assurance that the Proposed Spin-off and Separate Listing must take place and, if so, when it may take place. Shareholders and potential investors of the Company should exercise caution when dealing in or investing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“AAC Optics” or “Spin-off Company”	AAC Optics (Changzhou) Co., Ltd.* (誠瑞光學(常州)股份有限公司), previously known as AAC Communication Technologies (Changzhou) Co., Ltd., a subsidiary of the Company
“AAC Optics Group” or “Spin-off Group”	AAC Optics and its subsidiaries
“Application Proof”	the application proof of AAC Optics’ listing document submitted to the Shanghai Stock Exchange dated 6 June 2022
“Board”	the board of Directors of the Company
“Company”	AAC Technologies Holdings Inc., a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Proposed Spin-off
“Group”	the Company and its subsidiaries from time to time
“Hong Kong” or “HKSAR”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent Board committee comprising all independent non-executive Directors

“Independent Financial Adviser” or “Sommerley Capital”	Sommerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and Shareholders in respect of the Proposed Spin-off
“Listing Application”	the application for the Separate Listing submitted by AAC Optics to the Shanghai Stock Exchange with notice of acceptance received on 6 June 2022
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PN15”	Practice Note 15 to the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Spin-off”	the proposed spin-off of AAC Optics Group by way of the Separate Listing
“RMB”	Renminbi, the lawful currency of the PRC
“Remaining Group”	the Group excluding AAC Optics Group
“Separate Listing”	the proposed separate listing of the shares of AAC Optics on the STAR Market of the Shanghai Stock Exchange
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“STAR Market”	the Science and Technology Innovation Board
“Share(s)”	the ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“US\$” United States dollars, the lawful currency of the United States of America

“%” per cent.

* *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.*

By order of the Board
AAC Technologies Holdings Inc.
Mok Joe Kuen Richard
Director

Hong Kong, 13 July 2022

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.