
IMPORTANT

If you are in doubt about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in AAC Technologies Holdings Inc. (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

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

Financial Adviser to the Company



中信建投國際
CHINA SECURITIES INTERNATIONAL

Independent Financial Adviser to
the Independent Board Committee and the Shareholders



SOMERLEY CAPITAL LIMITED

Resolutions will be proposed at the extraordinary general meeting of the Company to be held at 9:30 a.m. on Saturday, 20 August 2022 (the “EGM”). The EGM will be held as a virtual meeting, organised at the principal place of business in Hong Kong. At the virtual EGM, matters referred to in this circular will be approved via electronic online facilities. A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular.

IMPORTANT INFORMATION

The EGM of the Company will be held as a virtual meeting via electronic facilities, organised at the principal place of business in Hong Kong. The Shareholders are through online access to attend, participate and vote at the EGM by visiting website – <http://meetings.computershare.com/MJRN7N2> (the “Online Platform”). Shareholders participating in the EGM using the Online Platform will be counted towards the quorum and will be able to cast their vote and submit questions at this virtual EGM.

In order to continuously facilitate the prevention and control of the pandemic and to safeguard the health and safety of the Shareholders and investors, the Company strongly encourages the Shareholders: (i) via the Online Platform, to exercise their rights to attend and vote at the EGM; or (ii) to appoint the chairman of the EGM as a proxy to vote on relevant resolutions.

If the Shareholders experience any technical difficulties or require assistance while using the Online Platform, please call the telephone hotline of Computershare Hong Kong Investor Services Limited at (852) 2862 8555 during business hours from 9:00 a.m. to 6:00 p.m., Monday to Friday, excluding Hong Kong public holidays. Please note that the hotline service hours will be extended from 8:45 a.m. to 10:30 a.m. on the day of the EGM.

Hong Kong, 3 August 2022

GUIDANCE NOTES FOR EGM

VIRTUAL EGM

The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their rights and to vote, but is conscious of the need to protect EGM attendees from possible exposure to the COVID-19 pandemic. In view of the ongoing COVID-19 pandemic and recent requirements for prevention and control from the HKSAR government, the EGM will be held in the form of a virtual meeting, organised at the principal place of business in Hong Kong, to protect the attending Shareholders, investors, staff and other stakeholders from the risk of infection. The Shareholders are through online access to attend, participate and vote at the EGM. The Company strongly encourages the Shareholders: (i) via the Online Platform, to exercise their rights to attend and vote at the EGM; or (ii) to appoint the chairman of the EGM as a proxy to vote on relevant resolutions.

ATTENDING THE EGM BY MEANS OF ELECTRONIC FACILITIES

The Shareholders attending the EGM using the Online Platform are expected to have a reliable and stable internet connection that can support video live streaming and be able to follow the EGM proceedings in order to cast the votes and submit questions online. If for any reasons the internet connection is lost or interrupted, it may affect the ability of the Shareholders to follow the EGM proceedings. Any missed contents as a result of connection issues arising from the Shareholders will not be repeated. Each set of Shareholder login details can be used on one electronic device (either smartphone, tablet device or computer) at a time only. If the Shareholders experience any technical difficulties or require assistance while using the Online Platform, please call the telephone hotline of Computershare Hong Kong Investor Services Limited at (852) 2862 8555 during business hours from 9:00 a.m. to 6:00 p.m., Monday to Friday, excluding Hong Kong public holidays. Please note that the hotline service hours will be extended from 8:45 a.m. to 10:30 a.m. on the day of the EGM. Please note that Shareholders' votes on the proposed resolutions cannot be recorded at, or taken by, Computershare's service hotline. In the event of the Shareholders have any concerns or issues using the Online Platform, the Shareholders are encouraged to appoint the Chairman of the EGM as your proxy to exercise your voting rights. The Online Platform will be open to registered Shareholders (the "Registered Shareholders") and Non-Registered Shareholders (see below for login details and arrangements) to log in approximately 30 minutes prior to the commencement of the EGM and can be accessed from any location with connection to the internet with a smartphone, tablet device or computer.

Login details for Registered Shareholders

Details regarding the arrangements of the EGM, including login details to access the Online Platform and online voting, are included in the Company's notification letter to Registered Shareholders to be dispatched with this circular.

Login details for Non-Registered Shareholders

Non-Registered Shareholders who wish to attend and participate in the EGM using the Online Platform should (i) contact your banks, brokers, custodians, nominees or HKSCC Nominees Limited through which your shares are held (collectively, the "Intermediaries") to appoint you as a proxy and (ii) provide your e-mail address to your Intermediary, before the deadline required by your Intermediary. Details regarding the EGM arrangements including the login details to access the Online Platform will be sent by Computershare, to the e-mail address provided by you. A step-by-step "Online Meeting User Guide" is dispatched together with this circular.

GUIDANCE NOTES FOR EGM

QUESTIONS RELATING TO THE ARRANGEMENTS OF THE VIRTUAL EGM

For enquiries, please contact Computershare in person, by phone or online form:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East Wanchai, Hong Kong
Telephone: (852) 2862 8555
Website: www.computershare.com/hk/contact

If Shareholders have any questions about the relevant resolutions, or about the Company or any matters for communication with the board of directors of the Company, they are welcome to contact the Company via its investor relations department as follows:

Investor Relations:
Email: aac2018@aactechnologies.com
Tel: +852 3470 0060

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions 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 Controlling Shareholders”	AAC Technologies Limited and AAC Technology Information Consultancy (Changzhou) Co., Ltd.
“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 virtually, organised at the principal place of business in Hong Kong, at 9:30 a.m. on Saturday, 20 August 2022 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

DEFINITIONS

“Independent Financial Adviser” or “Somerley Capital”	Somerley 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
“Latest Practicable Date”	29 July 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“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 circular, 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

DEFINITIONS

“Share Incentive Platform(s)”	Tianjin Chengrui Optical Technology Partnership (Limited Partnership)* (天津誠瑞光學投資合夥企業(有限合夥)), Tianjin Ruitai Optoelectronics Technology Partnership (Limited Partnership)* (天津瑞泰光電投資合夥企業(有限合夥)) and Tianjin Ruicheng Optical Technology Partnership (Limited Partnership)* (天津瑞成光學投資合夥企業(有限合夥)), limited partnerships established in the PRC for the purpose of the share incentive scheme adopted by AAC Optics
“Shareholder(s)”	the holder(s) of Shares
“Sponsor”	China International Capital Corporation Limited (中國國際金融股份有限公司), being the sole sponsor of AAC Optics for the Separate Listing
“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 circular 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.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Pan Benjamin Zhengmin (*Chief Executive Officer*)
Mr. Mok Joe Kuen Richard

Non-executive Director:

Ms. Wu Ingrid Chun Yuan

Independent Non-executive Directors:

Mr. Zhang Hongjiang (*Chairman of the Board*)
Mr. Au Siu Cheung Albert
Mr. Peng Zhiyuan
Mr. Kwok Lam Kwong Larry

Registered office in the Cayman Islands:

Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:

Unit 1605-7
China Evergrande Centre
38 Gloucester Road
Wanchai, Hong Kong

Hong Kong, 3 August 2022

To the Shareholders,

Dear Sir or Madam,

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

1. INTRODUCTION

References are made to the announcements of the Company dated 23 December 2020, 1 February 2021, 16 February 2021, 31 October 2021, 6 June 2022 and 13 July 2022 in respect of the Proposed Spin-off and Separate Listing of AAC Optics on the Shanghai Stock Exchange.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, 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.

2. THE PROPOSED SPIN-OFF

Background

The Proposed Spin-off involves the spin-off of AAC Optics and its separate listing on the STAR Market of the Shanghai Stock Exchange by way of an initial public offering. For the purpose of the Proposed Spin-off, the Company has submitted a proposal on the Proposed Spin-off to the Stock Exchange pursuant to PN15 and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off under PN15. The Stock Exchange has also granted 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.

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 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).

Timetable of the Proposed Spin-off

China International Capital Corporation Limited (中國國際金融股份有限公司) was appointed as the sole sponsor of the Spin-off Company for the Separate Listing. The Sponsor, supervised by the Jiangsu Province Regulatory Bureau of CSRC, commenced the pre-listing tutorial with the Spin-off Company in February 2021 in accordance with the relevant PRC regulatory and legal requirements, and the pre-listing tutorial has been completed in December 2021.

LETTER FROM THE BOARD

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. 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.

Based on the current proposed timetable, the Board's assessment of the current pace of the vetting process as at the Latest Practicable Date and subject to the discretion of any relevant regulators, it is expected that the Spin-off Company will be able to obtain the approval from the Shanghai Stock Exchange, CSRC and any relevant regulators by the end of the first quarter of 2023, and the Separate Listing, if approved and proceeded with, will be completed by the end of the second quarter of 2023.

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 Latest Practicable Date, 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.

LETTER FROM THE BOARD

Proceeds to be raised from the proposed Separate Listing

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 the 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 and its implied valuation (post-money) of RMB20 billion to RMB40 billion. 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. As at the Latest Practicable Date, it is expected that the indicative offer price per A-share of the Spin-off Company to be offered under the Separate Listing shall be between RMB2.29 to RMB5.32, which is arrived at based on:

(a) *The range of offering size*

The range of offering size is expected to be 10% (representing the proposed lower end of the offering size (10%) and that the over-allotment option is not exercised) to 22.3301% (representing the proposed upper end of the offering size (20%) and that the over-allotment option is exercised in full) of the enlarged issued share capital of the Spin-off Company as determined and approved by the board and shareholders of the Spin-off Company.

(b) *Implied valuation*

As at the Latest Practicable Date, the implied valuation (post-money) of the Spin-off Company is RMB20 billion to RMB40 billion, which is derived from, amongst others, the valuation metrics of comparable companies of the Spin-off Company, with reference to the post-money valuation of the Spin-off Company in previous rounds of external financing and coupled with the operating results and business development of the Spin-off Company. The details are as follows:

- **Valuation metrics of comparable companies** – It is more common to adopt revenue-based metrics than asset-based metrics in valuing fast-growth consumer electronics companies as asset-based metrics may not adequately reflect the income-generating potential of businesses. As the Spin-off Company recorded losses in 2019, 2020 and 2021, earning-based metrics would not be applicable. The median price-to-sales (P/S) multiple of the comparable

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companies of the Spin-off Company, selected based on criteria including industry sectors, products, market position, stages of business development and the listing venue is thus adopted, with a margin of buffer applied to account for reasonable variations ($\pm 30\%$ to 35%), and multiplied by the revenue of the Spin-off Company for the year ended 31 December 2021. For reference purposes, the P/S multiples of the comparable companies are set out as follows:

Comparable company	Listing venue and stock code	Principal business and products offered	Market capitalisation as at the Latest Practicable Date (RMB billion)	P/S multiple ⁽¹⁾
Ofilm Group Co., Ltd.* (歐菲光集團股份有限公司)	Shenzhen Stock Exchange (002456.SZ)	Mainly engaged in manufacturing of electronics components including touch screens, video head modules and fingerprint identification modules.	19.7	0.9 ⁽²⁾
Ningbo Yongxin Optics Co., Ltd.* (寧波永新光學股份有限公司)	Shanghai Stock Exchange (603297.SH)	Mainly engaged in manufacturing of optical equipment, including optical microscopes and components.	13.1	16.4
Zhejiang Lante Optics Co., Ltd.* (浙江藍特光學股份有限公司)	Shanghai Stock Exchange (688127.SH)	Mainly engaged in manufacturing of optical components including optical prisms, glass aspheric lenses, and glass wafers and automotive rear-view mirrors.	9.2	22.1
Dongguan YuTong Optical Technology Co., Ltd.* (東莞市宇瞳光學科技股份有限公司)	Shenzhen Stock Exchange (300790.SZ)	Mainly engaged in the development, production, sale of optical lens, and provision of after-sales services and other services.	6.7	3.2
Xiamen Leading Optics Co., Ltd.* (廈門力鼎光電股份有限公司)	Shanghai Stock Exchange (605118.SH)	Mainly engaged in manufacturing and distribution of lenses and optical instruments, including surveillance lens, automotive lens and machine vision lens.	5.8	11.6

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Comparable company	Listing venue and stock code	Principal business and products offered	Market capitalisation as at the Latest Practicable Date (RMB billion)	P/S multiple ⁽¹⁾
Fujian Forecam Optics Co., Ltd.* (福建福光股份有限公司)	Shanghai Stock Exchange (688010.SH)	Mainly engaged in manufacturing and sale of special and civil optical lenses and optoelectronic systems.	3.7	5.5
Hangzhou MDK Opto Electronic Corporation Ltd.* (杭州美迪凱光電科技股份有限公司)	Shanghai Stock Exchange (688079.SH)	Mainly engaged in the manufacturing and sale of optoelectronic and semi-conductor components.	4.3	9.9
Optowide Technologies Co. Ltd.* (騰景科技股份有限公司)	Shanghai Stock Exchange (688195.SH)	Mainly engaged in the manufacturing and production of precision optical components, lenses and optical fibre devices.	3.9	12.8
Orbbee Inc* (奧比中光科技集團股份有限公司)	Shanghai Stock Exchange (688322.SH)	Mainly engaged in manufacturing and sale of 3D vision sensors, sensor cameras and 3D perception chips.	15.6	32.8

Notes:

- (1) Calculated by dividing the respective market capitalisation by the respective total revenue, based on the latest published full year financial statements.
- (2) The P/S multiple of Ofilm Group Co., Ltd.* (歐菲光集團股份有限公司) (“Ofilm Group”) is substantially lower than those of its industry peers. Based on press releases by Ofilm Group, a subsidiary of Ofilm Group was named on the United States Entity List, a trade restriction list published by the United States Department of Commerce’s Bureau of Industry and Security. Furthermore, Ofilm Group’s announcements mentioned that it received notices from certain overseas customer(s), who contributed over 20% of Ofilm Group’s revenue in 2019, intending to cease purchases from Ofilm Group. Its current metrics are therefore of limited referential value and not taken into account.

Based on the information of the comparable companies identified above, the average and median of the P/S multiple are 14.3 and 12.2, respectively. Given the variance amongst the P/S multiples of the comparable companies, the Company considers that it is more appropriate to adopt the median P/S multiple as a reference to reduce the impact of individual outlier. In addition, the Company considers that it is more prudent to adopt the median instead of the higher average P/S multiple. Taking into account the range of reasonable variation and coupled with the revenue of the Spin-off Company for the year

LETTER FROM THE BOARD

ended 31 December 2021, being RMB2,422.2 million, the range of P/S multiple and the corresponding implied valuation (post-money) of the Spin-off Company are approximately 8.5 to 16.5 and approximately RMB20 billion to RMB40 billion, respectively.

- **The post-money valuation of the Spin-off Company in previous rounds of external financing** – As disclosed in the Company’s announcements dated 22 July 2020 and 9 October 2020, there were two rounds of capital increase in respect of the Spin-off Company, under which strategic investors subscribed for the equity interest of the Spin-off Company. The post-money valuations of the Spin-off Company for the first and second rounds of capital increase were RMB12.0 billion and RMB17.9 billion, respectively.
- **Operating results and business development of the Spin-off Company** – The revenue of the Spin-off Company for the years ended 31 December 2019, 2020 and 2021 were RMB1,072.2 million, RMB1,699.8 million and RMB2,422.2 million, respectively, representing a compound annual growth rate of approximately 50.3%. The Spin-off Company is able to provide comprehensive and high-precision optical solutions and has established long-term strategic relationships with various leading smartphone manufacturers including Xiaomi, OPPO, vivo, Huawei, HONOR and Samsung. In addition, the Spin-off Company is actively developing new technologies and leveraging market opportunities to expand its business portfolio by extending its reach and presence to different ends of applications such as the automotive, AR/VR, industrial semi-conductor production and testing facilities and medical equipment. Coupled with the enhancement in the competitive advantage of the Spin-off Company after the investment of the proceeds from the Separate Listing, the Company believes that the potential of the Spin-off Company would be further unleashed and its growth can be sustainable.

However, investors should be aware that the indicative offer price is subject to market conditions and the financial performance of the Spin-off Group closer to the Separate Listing and the offer price of the Separate Listing will be determined at a date closer to the launch of the Separate Listing based on several factors, some of which are beyond the control of the Spin-off Company and the underwriter(s) of the Separate Listing. The Spin-off Company shall comply with the rules and regulations of the Shanghai Stock Exchange in the determination of the final offering price and shall make relevant disclosure on the Shanghai Stock Exchange accordingly.

Assuming the over-allotment option which would require the Spin-off Company to issue additional new shares representing not more than 15% of the number of new shares to be issued initially pursuant to the Separate Listing is not exercised, it is proposed that the number of new shares to be issued by the Spin-off Company under the Separate Listing will be no more than 1,692,220,000, representing 20% of its enlarged issued share capital. In the event that the over-allotment option is exercised in full, it is proposed that the maximum number of new shares to be issued by the Spin-off Company under the Separate Listing will be 1,946,053,000, representing approximately 22.3301% of its enlarged issued share capital.

LETTER FROM THE BOARD

The Company will make further announcement(s) once the information relating to the final offer price and expected proceeds of the Separate Listing is available. The Company shall reassess the applicable percentage ratios in respect of the Proposed Spin-off if the actual proceeds raised from the Proposed Spin-off vary from the estimated amount as disclosed herein, and comply with the applicable requirements for notifiable transactions in accordance with Chapter 14 of the Listing Rules.

Intended use of proceeds

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.

In respect of (i), the Spin-off Company intends to increase its production level and manufacturing quality of high-precision glass-plastic hybrid optical lenses and in turn its market share and competitive advantage through the construction and expansion of the manufacturing facilities of the Spin-off Group in Changzhou, purchase of production and testing equipment for manufacturing, testing and research and development and investment in research and development of such hybrid optical lenses. Trial production is expected to commence by the end of the third year upon the commencement of the project.

In respect of (ii), the Spin-off Company intends to expand and improve its production facilities in Chongqing and purchase manufacturing equipment and machinery to achieve automation and mass production of WLG (wafer-level glass) lenses and extreme-precision optical components and to apply the same in different fields of use, including personal electronic devices, industrial semi-conductor production and testing facilities and medical equipment. Trial production is expected to commence by the end of the second year upon the commencement of the project.

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. It is expected that each of the above intended use of proceeds (i) and (ii) will be fully utilised by the end of the fifth year upon the commencement of the relevant project.

LETTER FROM THE BOARD

Based on the estimation of the board of directors of the Spin-off Company, the capital required for the abovementioned purposes (i), (ii) and (iii) are approximately RMB1,900 million, RMB2,840 million and RMB1,000 million, respectively. Any shortfall between the required capital and the proceeds allocated to such purposes is expected to be funded by the capital of the Spin-off Company and/or other financing means. On the other hand, if the proceeds from the Separate Listing exceed the above funding requirements, the surplus funds will be used for the principal business and/or general working capital of the Spin-off Group to the extent permitted by applicable laws and regulations.

The proceeds of the Separate Listing shall be deposited in a special account established with the approval of the board of the Spin-off Company for centralised management, and such special account shall not be deposited with funds other than the proceeds from the Separate Listing or used for other purposes. The use of such proceeds shall depend on the progress and arrangement of the investment projects and are subject to the supervision of the Sponsor, the bank in which the account is opened, the Shanghai Stock Exchange and other competent authorities.

If the proceeds of the Separate Listing are not immediately applied to the above purposes, they will be deposited into short-term interest-bearing accounts at licensed commercial banks or other authorised financial institutions. In addition, if any part of the Spin-off Group's plan does not proceed as planned that would render any of its plans not viable, or the occurrence of force majeure events, the Spin-off Group will carefully evaluate the situation and may reallocate the proceeds from the Separate Listing in accordance with the rules and regulations of the relevant authorities and comply with the internal procedures of the Spin-off Group (including its board and shareholders' approval) and the disclosure requirements of the Shanghai Stock Exchange.

Pursuant to Chapter 2 of the Rules Governing the Listing of Securities on the STAR Market of the Shanghai Stock Exchange (as amended in December 2020), in the event that (i) the offering shares for subscription is less than 10% of the enlarged share capital of the Spin-off Company, being the prescribed minimum public subscription threshold applicable to the Spin-off Company; or (ii) the market value of the Spin-off Company after the issuance will be less than RMB3,000 million and the revenue of the Spin-off Company for the most recent financial year will be less than RMB300 million, being the prescribed minimum market capitalisation and revenue requirements applicable to the Spin-off Company, the listing eligibility of the Spin-off Group in terms of (i) the minimum public subscription requirement and (ii) the minimum market capitalisation and revenue requirements will not be met and the Separate Listing shall not proceed. Additionally, if the Separate Listing is postponed, terminated or lapsed, the Spin-off Company will allocate its internal resources or obtain external resources through bank borrowing etc. to finance the aforesaid projects, subject to market conditions, the timeline of the relevant projects and other resources priorities and in accordance with prudent financial management policy. The gearing ratios of the Company and the Spin-off Company may be affected if debt financing is used to fund these projects.

LETTER FROM THE BOARD

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.

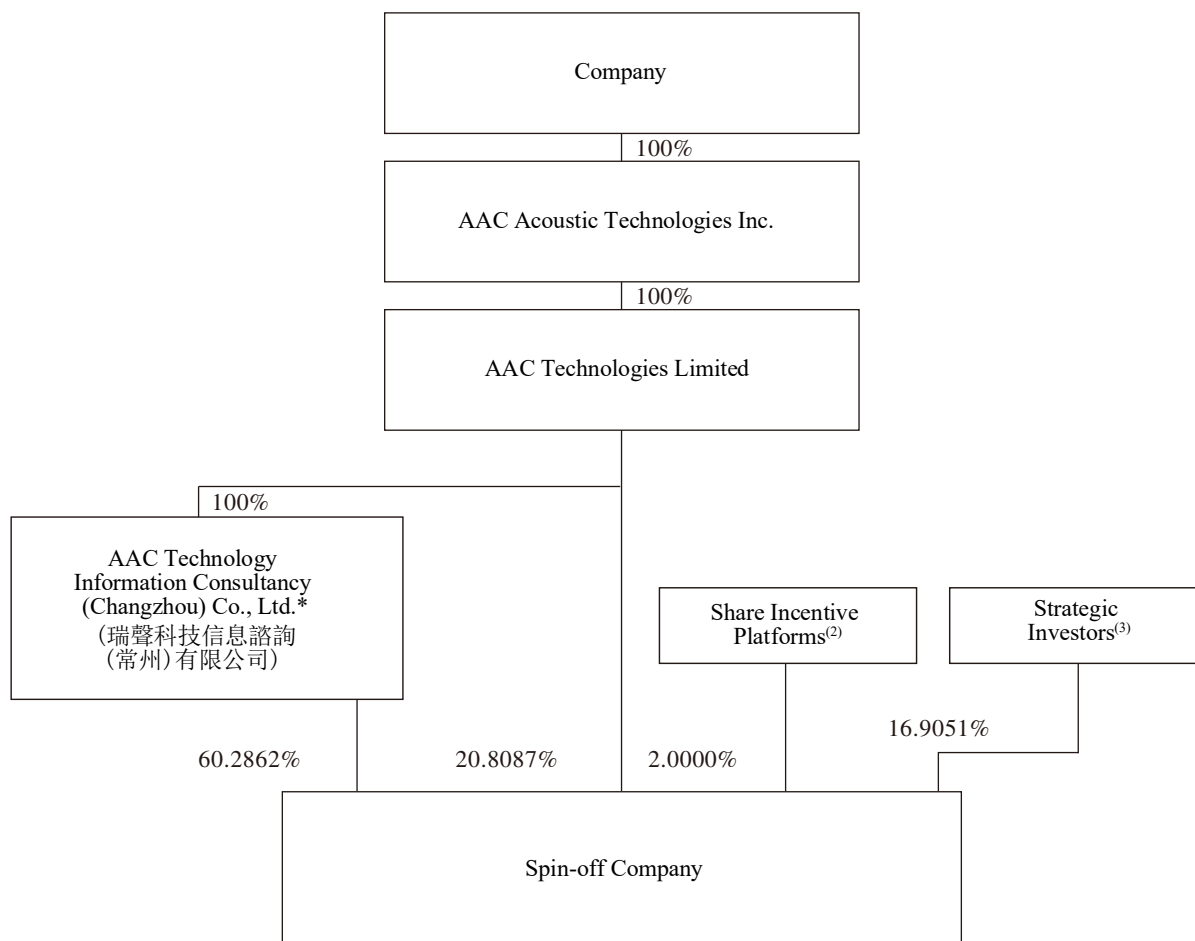
The lock-up undertakings and non-competition undertaking to be provided by the Undertakers do not involve, and therefore in the Directors’ view will not have any material adverse impact on, the operations and businesses of the Remaining Group.

LETTER FROM THE BOARD

Effect of the Proposed Spin-off on the shareholding structure of the Spin-off Company

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 Latest Practicable Date and immediately upon completion of the Proposed Spin-off.

Shareholding structure of the Spin-off Company as at the Latest Practicable Date:



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)* (天津瑞泰光電投資合夥企業(有限合夥)); and
 - (iii) 0.6666% by Tianjin Ruicheng Optical Technology Partnership (Limited Partnership)* (天津瑞成光學投資合夥企業(有限合夥)).

LETTER FROM THE BOARD

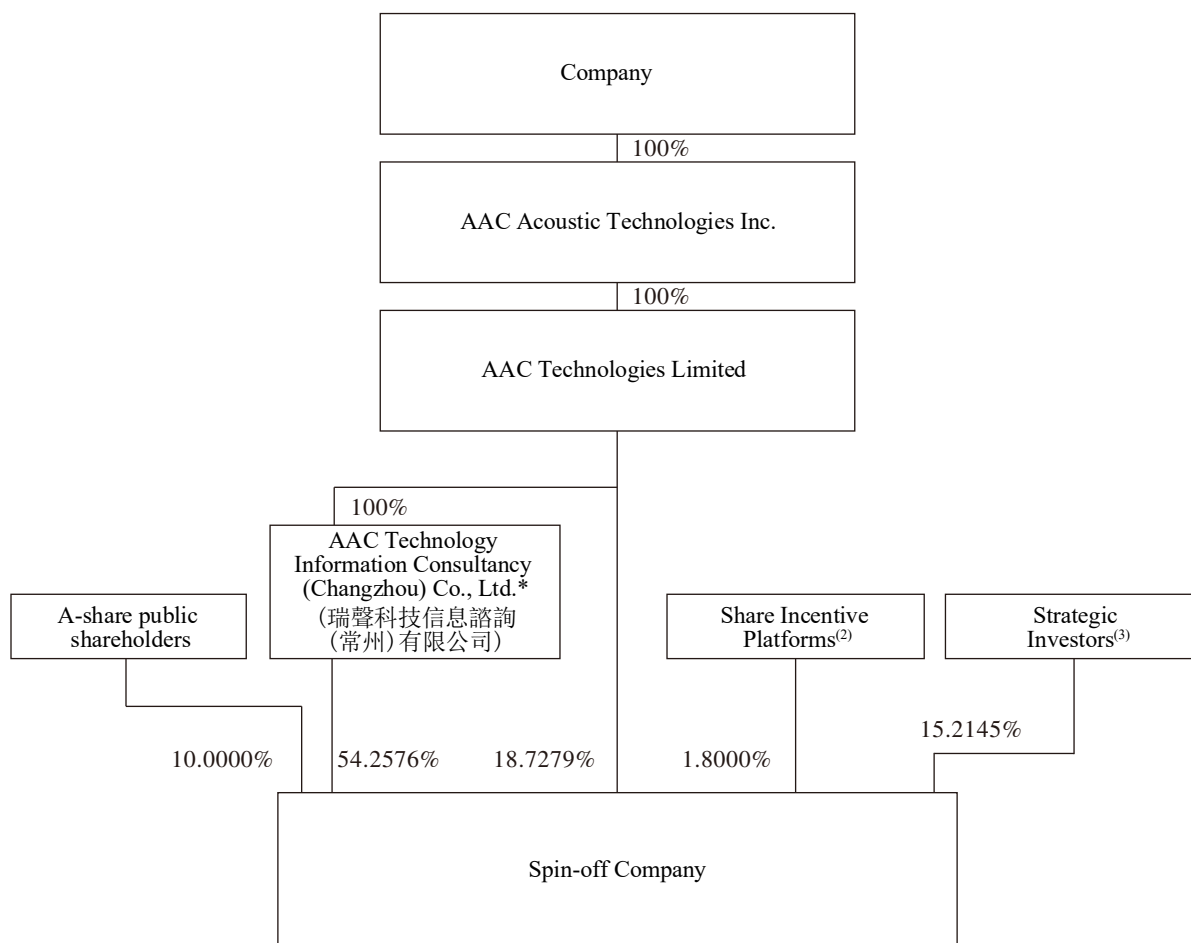
- (3) The equity interests of the Spin-off Company by the Strategic Investors are held as to:
- (i) 3.5561% by Hubei Xiaomi Changjiang Industrial Fund Partnership (Limited Partnership)* (湖北小米長江產業基金合夥企業(有限合夥));
 - (ii) 3.5561% by OPPO Guangdong Mobile Communication Co., Ltd.* (OPPO廣東移動通信有限公司);
 - (iii) 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));

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- (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 (聞天下科技集團有限公司), formerly named as Lhasa Economic and Technological Development Zone Wentianxia Investment Co., Ltd.* (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)).

LETTER FROM THE BOARD

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)):

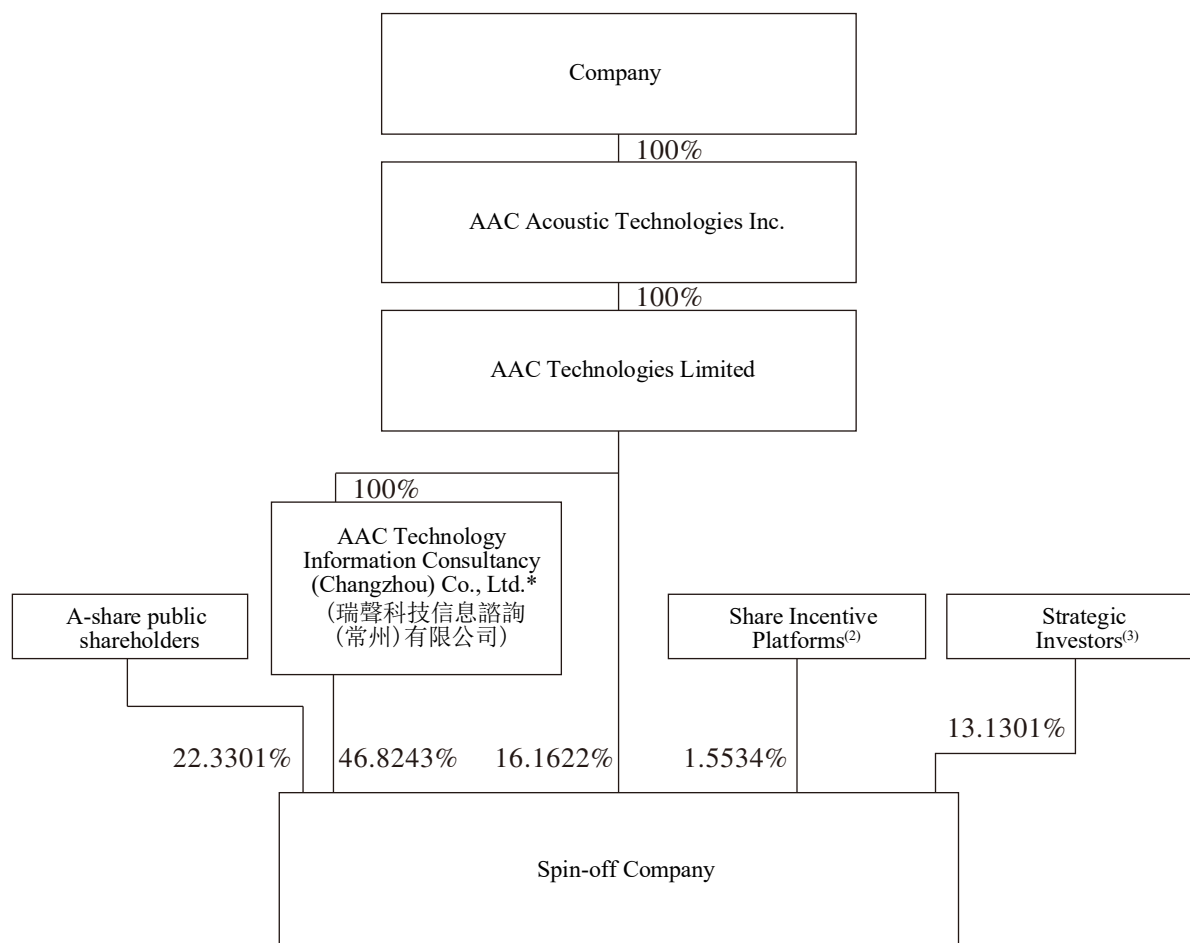


Notes:

- (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 Latest Practicable Date above.

LETTER FROM THE BOARD

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 Latest Practicable Date above.

LETTER FROM THE BOARD

3. 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 Latest Practicable Date, 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 Spinoff Company as at the Latest Practicable Date and the notes thereunder at the paragraph headed "2. 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.

LETTER FROM THE BOARD

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.

4. BUSINESS DELINEATION BETWEEN THE REMAINING GROUP AND THE SPIN-OFF GROUP

Following the completion of the Proposed Spin-off and as referred to in the paragraph headed “3. INFORMATION OF THE PARTIES” above, all of the optics-related business of the Company will be included within the scope of business of, and carried out by, the Spin-off Group. The main products which the Spin-off Group intends to focus on are, amongst others, WLG (wafer-level glass) lenses, plastic lenses, hybrid lenses and camera modules etc.

On the other hand, the main products of the Remaining Group are of different nature which include, amongst others, speakers and receivers in the acoustic segment, wireless power and stepper motor modules in the electromagnetic drives and precision mechanics segment, and MEMS microphones in the MEMS segment. The Remaining Group will not, and does not intend to, engage in business that are similar to or in competition with the business of the Spin-off Group.

Each of the Remaining Group and the Spin-off Group has its own independent production facilities and manufacturing sites, as well as independent sales systems and distribution channels. The planning, selection and administering of the procurement functions of the Remaining Group and the Spin-off Group are independent of each other.

On the bases of the above, the Directors believe that the businesses of the Remaining Group will be distinct from and independent of the businesses of the Spin-off Group upon the completion of the Proposed Spin-off and will satisfy the relevant requirements under PN15.

LETTER FROM THE BOARD

5. 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.

LETTER FROM THE BOARD

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.

6. REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF

AAC Optics Group is principally engaged in the research and development, production and sale of optics products, which is one of the four segments of the Company's existing principal business. The Remaining Group will be principally engaged in the other three segments of the Company's existing principal business, i.e. research and development, production and sales of (i) acoustics (dynamic components), (ii) electromagnetic drives/precision mechanics; and (iii) Micro-Electro-Mechanical Systems.

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;

LETTER FROM THE BOARD

- (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.

7. 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).

LETTER FROM THE BOARD

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 “6. 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.

8. LISTING RULES IMPLICATION

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.

On the basis that, 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, no Shareholder is required to abstain from voting in respect of the proposed resolution to approve the Proposed Spin-off at the EGM.

The Company shall reassess the applicable percentage ratios in respect of the Proposed Spin-off if the actual proceeds raised from the Proposed Spin-off vary from the estimated amount as disclosed herein, and comply with the applicable requirements for notifiable transactions in accordance with Chapter 14 of the Listing Rules as and when appropriate.

9. 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. The letter from the Independent Board Committee is set out on page 27 of this circular.

The Company has also appointed Somerley Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in respect of the Proposed Spin-off. The letter from Somerley Capital is set out on pages 28 to 60 of this circular.

LETTER FROM THE BOARD

10. EXTRAORDINARY GENERAL MEETING

The EGM will be convened by the Company in the form of a virtual meeting, organised at the principal place of business in Hong Kong on Saturday, 20 August 2022 at 9:30 a.m., at which resolution will be proposed to the Shareholders to consider and, if thought fit, approve the Proposed Spin-off. A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular.

According to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, all the resolutions as set out in the notice of the EGM will be put to the vote at the EGM by way of poll. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

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.

Whether or not you are able to attend the EGM (or any adjournment thereof), you are requested to complete the enclosed form of proxy for use at the EGM. Such form of proxy is also published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.aactechnologies.com). In order to be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited at the Company's Hong Kong branch share registrar, Investor Communications Centre of Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of authority, not less than 48 hours before the time appointed for holding the EGM or adjourned meeting. The completion and return of the form of proxy will not preclude any Shareholder from attending and voting at the EGM if so wished.

11. CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 16 August 2022 to Saturday, 20 August 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited of 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 Monday, 15 August 2022.

LETTER FROM THE BOARD

12. RECOMMENDATION

The Directors (including the independent non-executive Directors, after taking into account the advice of Independent Financial Adviser) consider that the Proposed Spin-off to be fair and reasonable, and in the interests of the Company and the Shareholders taken as a whole. Accordingly, the Directors, including the independent non-executive Directors, recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Proposed Spin-off.

13. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Shareholders and potential investors of the Company should note that the Proposed Spin-off and the Separate Listing will be subject to, amongst others, obtaining approvals from the relevant regulatory authorities, market conditions and other factors. There is no assurance that the Proposed Spin-off will take place or as to when it will take place. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in or investing in the Shares. The Company will make further announcement(s) in relation to the Proposed Spin-off and the Separate Listing in accordance with the requirements of the Listing Rules as and when appropriate.

By order of the Board
AAC TECHNOLOGIES HOLDINGS INC.
Zhang Hongjiang
Chairman



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)

3 August 2022

To the Shareholders,

Dear Sir or Madam,

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

We refer to the circular dated 3 August 2022 of the Company (the “Circular”) of which this letter forms part. Terms defined in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise you on the fairness and reasonableness of the terms of the Proposed Spin-off, details of which are set out in the letter from the Board contained in the Circular. Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Shareholders in this respect.

We wish to draw your attention to the letter from the Board on pages 4 to 26 of the Circular, which sets out information in connection with the Proposed Spin-off. We also wish to draw your attention to the letter from the Independent Financial Adviser to the Independent Board Committee and the Shareholders, which contains its advice in respect of the Proposed Spin-off, set out on pages 28 to 60 of the Circular.

Having considered the principal factors and reasons considered by, and the advice of, Somerley Capital Limited as set out in its letter of advice, we consider that the terms of the Proposed Spin-off are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that all Shareholders vote in favour of the resolution proposed at the EGM to approve the Proposed Spin-off.

Yours faithfully,
For and on behalf of
Independent Board Committee
AAC Technologies Holdings Inc.

Mr. Zhang Hongjiang Mr. Au Siu Cheung Albert Mr. Peng Zhiyuan Mr. Kwok Lam Kwong Larry
Independent Non-executive Directors

LETTER FROM SOMERLEY CAPITAL LIMITED

The following is the text of the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

3 August 2022

*To: the Independent Board Committee and
the Shareholders*

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Shareholders in relation to the Proposed Spin-off, involving the spin-off of AAC Optics and its separate listing on the STAR Market of the Shanghai Stock Exchange by way of an initial public offering. Details of the Proposed Spin-off are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 3 August 2022 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

Subject to approvals and/or registration by the Shareholders and the relevant PRC regulators, it is currently proposed that AAC Optics will issue new A-shares on the STAR Market of the Shanghai Stock Exchange by way of an initial public offering to public investors in the PRC market, or other methods as requested or agreed by the CSRC. As at the Latest Practicable Date, the Company indirectly held approximately 81.1% interest in AAC Optics. 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 and position will continue to be consolidated into the accounts of the Group.

LETTER FROM SOMERLEY CAPITAL LIMITED

The Company has submitted an application in relation to the Proposed Spin-off to the Stock Exchange pursuant to PN15 and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off under PN15. The Stock Exchange has also granted the Company a waiver from strict compliance with the applicable requirements in relation to the assured entitlements under the Proposed Spin-off as required by paragraph 3(f) of PN15. Further details regarding the background to the waiver are set out in the section below headed “9. Waiver in respect of assured entitlement” and the section headed “7. Waiver in respect of assured entitlement” in the letter from the Board. The Shanghai Stock Exchange has accepted the Listing Application on 6 June 2022. The Separate Listing is still subject to approval and/or registration of the Shanghai Stock Exchange and the CSRC as at the Latest Practicable Date. Based on the current proposed timetable, the Directors expect that the Proposed Spin-off, if approved and proceeded with, will complete by the end of the second quarter of 2023.

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 it materialises, may constitute a major transaction of the Company under Chapter 14 of the Listing Rules. The Company is therefore convening the EGM to obtain the approval of Shareholders under paragraph 3(e)(1) of PN15 and Chapter 14 of the Listing Rules.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Zhang Hongjiang, Mr. Au Siu Cheung Albert, Mr. Peng Zhiyuan and Mr. Kwok Lam Kwong Larry, has been formed to make a recommendation to the Shareholders in respect of the terms of the Proposed Spin-off. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Shareholders in this regard. On the basis that, 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, no Shareholder is required to abstain from voting in respect of the proposed resolution to approve the Proposed Spin-off at the EGM.

During the past two years, there has been no engagement between the Company or its subsidiaries and Somerley Capital Limited. As at the Latest Practicable Date, Somerley Capital Limited does not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Somerley Capital Limited. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company.

LETTER FROM SOMERLEY CAPITAL LIMITED

In formulating our opinion and recommendation, we have reviewed, amongst others, the annual report of the Company for the years ended 31 December 2020 and 2021, the audited consolidated financial statements of AAC Optics for the three years ended 31 December 2019, 2020 and 2021 (the “**Accountants’ Reports**”) prepared under the China Accounting Standards for Business Enterprises, and the information contained in the Circular. We have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group and we have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and will remain so up to the time of the EGM. We have also sought and received confirmation from the Directors that all material relevant information has been supplied to us and that no material facts have been omitted or withheld from the information supplied and opinions expressed to us. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We consider that the information we have received is sufficient for us to reach our opinion and recommendation as set out in this letter. However, we have not conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation with respect to the Proposed Spin-off, we have taken into account the principal factors and reasons set out below.

1. Background and financial information of the Group

Principal business

The Company is an exempted limited liability company incorporated and registered in the Cayman Islands. The Group is a leading solutions provider for smart devices with cutting-edge technologies in materials research, simulation, algorithms, design, automation and process development. Currently, the Group is principally engaged in research and development (“**R&D**”), production and sale of (a) acoustics products (dynamic components), such as speakers and receivers, (b) optics products, such as lenses and camera modules, (c) electromagnetic drives and precision mechanics, such as metal mechanics and haptics motors, and (d) Micro Electro-Mechanical Systems (“**MEMS**”) components, such as MEMS/digital microphones.

In recent years, the Group continued to uphold its innovation-driven development strategy and strengthen its edge on product differentiation as well as core competencies to actively broaden the Group’s businesses and accelerate its strategic planning in new business areas. As at 31 December 2021, the Group has diversified manufacturing bases in the PRC, Vietnam and the Czech Republic, and has 18 R&D centres globally with over 6,000 R&D engineers and technicians. The Group has obtained more than 7,000 patents and made applications for more than 4,000 patents.

Shares of the Company have been listed on the Stock Exchange since 2005, and the Company has a market capitalisation of approximately HK\$18.3 billion as at the Latest Practicable Date.

LETTER FROM SOMERLEY CAPITAL LIMITED

Financial performance

The following table sets out a summary of the audited consolidated statements of profit of loss of the Group for the three years ended 31 December 2019, 2020 and 2021, prepared under the International Financial Reporting Standards, as extracted and summarised from the Company's annual reports.

	For the year ended 31 December		
	2021	2020	2019
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(audited)	(audited)	(audited)
Revenue	17,667	17,140	17,884
Gross profit	4,365	4,227	5,107
<i>Gross profit margin</i>	<i>24.7%</i>	<i>24.7%</i>	<i>28.6%</i>
Profit for the year	1,293	1,501	2,222
Profit attributable to owners of the Company	1,316	1,507	2,222
Basic earnings per Share (<i>RMB</i>)	1.09	1.25	1.84
Dividend (<i>HK cents</i>)	20	30	40

Revenue

Total revenue of the Group, mainly derived from the sale of acoustics products, electromagnetic drives and precision mechanics, optics products and MEMS components, remained stable in the past three years. Acoustics products business and electromagnetic drives and precision mechanics business were the two largest contributors to the Group, together accounting for approximately 80.5% and 86.3% of the Group's revenue and segment results respectively in 2021.

Optics products business, a relatively new segment which has primarily been carried on by AAC Optics, recorded a rapid revenue growth between 2019 and 2021. For further information and analysis, please refer to the section below headed "2. Background and financial information of the AAC Optics Group".

LETTER FROM SOMERLEY CAPITAL LIMITED

Set out below is the breakdown of segment revenue, contribution percentage to total revenue, and segment results of the Group for the three years ended 31 December 2019, 2020 and 2021:

	Segment revenue			Segment results		
	For the year ended 31 December			For the year ended 31 December		
	2021	2020	2019	2021	2020	2019
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
Acoustics products	8,582	7,560	8,167	2,546	2,110	2,536
	(48.6%)	(44.1%)	(45.7%)			
Electromagnetic drives and precision mechanics	5,639	6,847	7,694	1,221	1,628	2,280
	(31.9%)	(40.0%)	(43.0%)			
Optics products	2,389	1,634	1,070	412	308	18
	(13.5%)	(9.5%)	(6.0%)			
MEMS components	1,013	1,083	929	153	190	256
	(5.8%)	(6.3%)	(5.2%)			
Other products	44	16	24	33	(9)	17
	(0.2%)	(0.1%)	(0.1%)			
Total	17,667	17,140	17,884	4,365	4,227	5,107
	(100.0%)	(100.0%)	(100.0%)			

Revenue from acoustics products business increased by approximately 13.5% year-on-year to approximately RMB8.6 billion in 2021, mainly due to the strong shipment growth from overseas customers, despite a relatively weak demand from Android customers. As advised by management of the Group, the market share of Android acoustics products is expected to increase steadily in 2022. The Group will actively expand its acoustics products into wearable, tablets and notebook markets, in addition to the smartphone and automotive markets, continue to increase its product penetration rate, and improve its automated production capability to achieve greater economies of scale and lower unit costs.

Revenue from electromagnetic drives and precision mechanics business recorded a general downward trend in the past three years, and decreased by approximately 17.6% year-on-year to approximately RMB5.6 billion in 2021, mainly due to the reduction in average selling price of electromagnetic products sold to major customers and the cessation of production of stepping motors. According to the Company's 2021 annual report, with x-axis haptics motors gradually penetrating into mid- to low-end smartphone models, shipment volume of the Group's Android x-axis haptics motors is expected to grow in 2022. In addition, through the acquisition of Toyo Precision Appliance (Kunshan) Co., Ltd. (a company principally engaged in design, development and manufacturing of material for metal frame of intelligent technology products) completed in late 2021, it is expected that the Group will continue to expand customer base to improve revenue and overall profitability.

LETTER FROM SOMERLEY CAPITAL LIMITED

Gross profit and gross profit margin

Gross profit of the Group dropped by approximately 17.2% to approximately RMB4.2 billion in 2020 due to both the drop in revenue and the narrowing of gross profit margin by approximately 3.9 percentage points to approximately 24.7% in 2020. In 2021, gross profit margin stabilised at the level of approximately 24.7%, while gross profit slightly improved to approximately RMB4.4 billion, along with the improvement in revenue.

Profit attributable to owners of the Company

Despite the stable revenue performance, overall profitability of the Group declined during the past three years. In 2021, the profit attributable to owners of the Company was approximately RMB1.3 billion, representing a decrease of approximately 12.7% as compared to approximately RMB1.5 billion in 2020. The decrease was mainly due to the continuous operational headwinds due to the ongoing pandemic, the increase in operational costs in the PRC and a weak market demand due to chip shortage.

An interim dividend of HK20 cents per Share was paid in 2021. The Directors did not declare a final dividend for the year 2021, in order to maximize the liquidity of the Group, in light of the resurgence of COVID-19 globally and market turbulence.

LETTER FROM SOMERLEY CAPITAL LIMITED

Financial position

The following table sets out a summary of the consolidated statements of financial position of the Group as at 31 December 2020 and 2021, prepared under the International Financial Reporting Standards, as extracted and summarised from the Company's annual reports.

	As at 31 December	
	2021	2020
	<i>RMB million</i>	<i>RMB million</i>
	(audited)	(audited)
Property, plant and equipment	19,987	18,592
Right-of-use assets	2,034	1,896
Equity instruments at fair value through other comprehensive income	848	352
Other non-current assets	1,198	1,222
	24,067	22,062
Inventories	5,695	3,995
Trade and other receivables	6,013	5,176
Cash and cash equivalents	6,051	7,540
Other current assets	196	139
	17,955	16,850
Trade and other payables	6,148	5,205
Bank loans	2,902	3,349
Other current liabilities	618	826
	9,668	9,380
Unsecured notes	6,573	2,512
Bank loans	330	2,543
Contingent settlement provision	1,739	1,672
Other non-current liabilities	1,210	984
	9,852	7,711
Total assets	42,022	38,912
Total liabilities	19,520	17,091
Equity attributable to owners of the Company	21,811	21,159
Non-controlling interests	691	662
	22,502	21,821
Net assets	22,502	21,821

LETTER FROM SOMERLEY CAPITAL LIMITED

As at 31 December 2021, total assets of the Group amounted to approximately RMB42.0 billion. Assets mainly comprised (i) property, plant and equipment of approximately RMB20.0 billion, mainly representing the Group's production plant and machinery, and R&D centres around the world, (ii) cash and cash equivalents of approximately RMB6.1 billion, (iii) trade and other receivables of approximately RMB6.0 billion, and (iv) inventories of approximately RMB5.7 billion.

As at 31 December 2021, total liabilities of the Group amounted to approximately RMB19.5 billion. Liabilities mainly comprised (i) unsecured notes of approximately RMB6.6 billion, with an aggregate principal amount of US\$1,038 million, bearing a fixed interest or coupon rate in a range of 2.625% to 3.750% per annum and maturing during the period from November 2024 to June 2031, (ii) trade and other payables of approximately RMB6.1 billion, (iii) bank loans of approximately RMB3.2 billion, of which approximately RMB2.9 billion was repayable within one year, and (iv) contingent settlement provision of approximately RMB1.7 billion, representing the Group's contractual obligation under a shareholders agreement to repay capital plus a premium to certain strategic investors of AAC Optics, on occurrence or non-occurrence of future events including the Separate Listing. As advised by management of the Group, 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.

Net gearing ratio of the Group, defined as total loans and unsecured notes less cash and cash equivalents divided by total assets, was approximately 8.9% as at 31 December 2021, representing an increase of approximately 6.7 percentage points as compared with 31 December 2020. The increase in net gearing ratio in 2021 was primarily due to the issue of new unsecured notes of US\$650 million in aggregate, the proceeds of which were used for refinancing and general corporate purposes.

As at 31 December 2021, equity attributable to owners of the Company stood at approximately RMB21.8 billion.

As stated in the Company's 2021 annual report, the Directors believe that a sound financial position is essential to the long-term sustainable growth of the Group, and ensures the Group's continuous innovation and development. We consider that the Proposed Spin-off, which is expected to raise proceeds of approximately RMB4 billion to RMB8 billion, will strengthen the Group's overall financial position, while maintaining control over its optics products business.

LETTER FROM SOMERLEY CAPITAL LIMITED

Q1 2022 results

On 12 May 2022, the Company published the unaudited condensed consolidated results of the Group for the three months ended 31 March 2022 (“**Q1 2022**”), which showed an approximate 14.1% year-on-year growth in revenue of the Group to approximately RMB4.9 billion, mainly due to a strong demand from overseas key customers in acoustics and haptics products, as well as the increased contributions from precision mechanics and optics products business.

In Q1 2022, the Group has implemented a flexible and business diversification strategy to gain additional market share, which impacted the average selling price of its major products. Together with changes in product portfolio mix and increased raw material and labour costs, this contributed to a reduction in gross profit margin of 11.6 percentage points year-on-year to approximately 19.5%. For the same reasons, profit attributable to owners of the Company decreased by approximately 61.4% year-on-year to approximately RMB0.2 billion.

As set out in the Company’s Q1 2022 results, the Group’s optics business recorded revenue of approximately RMB924 million, representing an increase of approximately 36.4% year-on-year, while gross profit margin was down by approximately 24.0 percentage points year-on-year to approximately 3.5%. There was shipment growth in camera module products and plastic lenses, increasing by approximately 129.3% and 15.9% on a quarter-on-quarter basis to approximately 42 million units and 135 million units in Q1 2022.

2. Background and financial information of the AAC Optics Group

Principal business, background and history

AAC Optics is a joint stock limited liability company established in the PRC. AAC Optics and its subsidiaries (i.e. the AAC Optics Group) are principally engaged in the R&D, production and sale of optics products, including plastic lenses, wafer-level glass (“**WLG**”) lenses and hybrid lenses, and camera modules. Major customers of the AAC Optics Group include consumer electronics and smartphone manufacturers. As at 31 December 2021, the AAC Optics Group operated a number of R&D centres and production bases in the PRC, Japan and Denmark, with over 700 R&D engineers and technicians. The AAC Optics Group has also obtained more than 3,000 patents and made applications for more than 1,500 patents.

As at the Latest Practicable Date, AAC Optics (i) had registered capital of RMB6,768,895,943 and an aggregate of 6,768,895,943 issued shares, and (ii) was held as to approximately 81.1% by the Group, approximately 16.9% by the Strategic Investors (as defined below) and 2.0% by share incentive platforms, as discussed below.

LETTER FROM SOMERLEY CAPITAL LIMITED

Business of AAC Optics is relatively new compared to other existing businesses of the Group. The optics business ramped up its scale since 2017 following the Group's mass production of smartphone camera plastic lens and volume shipments to its customers and the Group's promotion of WLG lenses and glass-plastic hybrid lenses. WLG technology is the Group's first revolutionary glass lens design and manufacturing solution, enabling glass materials with better optical performance to be applied on a large scale in the smartphone market. The Group continues to develop its optics related business and provide customers with an integrated optics solutions with WLG technology.

In 2020, the Group developed and started mass production of camera modules. As set out in the Company's 2021 annual report, in 2022, the Group will continue to expand the market share of plastic lens market and increase the total shipment for plastic lens.

As set out in the section headed "4. Financial and trading prospects of the Group – The Spin-off Group" in Appendix I to the Circular, although international trade frictions, the global COVID-19 pandemic, chip shortages and other factors pose challenges to the business of the AAC Optics Group, Frost & Sullivan, an independent business consulting firm, estimates that the global smartphone lens shipment will reach 7.5 billion by 2025 with improvement in technologies such as 5th generation mobile network. Furthermore, with the development of large and high-resolution image sensor chips and its increasing popularity, the glass-plastic hybrid lenses are expected to experience continuous increase in market penetration by virtue of their advantages in optical performance and thermal stability.

Based on its establishment in consumer electronics such as smartphones, wearables and tablets, the AAC Optics Group will continue to promote the development of optics products in the latest downstream segments such as drones, automotive, virtual reality or augmented reality equipment, production and testing of conductors and medical equipment, to achieve rapid growth in performance and scale. Regarding further details of the financial and trading prospects of the AAC Optics Group, please refer to the section headed "4. Financial and trading prospects of the Group – The Spin-off Group" in Appendix I to the Circular.

LETTER FROM SOMERLEY CAPITAL LIMITED

Reorganisation and shareholding structure change

In 2019, the Group underwent a reorganisation, pursuant to which all the optics related business of the Group were transferred to AAC Optics, a wholly owned subsidiary of the Company at that time, except for, due to relevant legal restriction, a subsidiary of the Company¹ which provides R&D services to various business segments of the Group including the optics segment.

In July 2020, AAC Optics and its then shareholders entered into a capital increase agreement with four independent strategic investors, pursuant to which, amongst others, these four strategic investors contributed a capital increase of RMB1.15 billion in aggregate to AAC Optics in exchange for a total of approximately 9.58% interest in the enlarged capital of AAC Optics (the “**First Round Capital Increase**”). In October 2020, AAC Optics and its then shareholders entered into a capital increase agreement and shareholders agreement with 18 new independent strategic investors, pursuant to which, amongst others, these 18 strategic investors contributed a capital increase of RMB1.658 billion in aggregate to AAC Optics in exchange for a total of approximately 9.28% interest in the enlarged capital of AAC Optics (the “**Second Round Capital Increase**”). Based on the above capital increases, the implied post-money valuations of AAC Optics were approximately RMB12.0 billion following the First Round Capital Increase, and approximately RMB17.9 billion following the Second Round Capital Increase. In May 2022, one of the strategic investors of AAC Optics entered into share transfer agreements with a wholly owned subsidiary of the Company and three independent entities (together with the abovementioned strategic investors, the “**Strategic Investors**”) to transfer part of its interest in AAC Optics. Separately, AAC Optics has set up share incentive platforms in the PRC to hold incentive shares, representing a 2% interest in the enlarged capital of AAC Optics, for its selected employees and personnel. As a result of the above, the Group’s interest in AAC Optics was diluted to approximately 81.1% as at the Latest Practicable Date.

¹ The subject subsidiary of the Company has terminated all its optics-related business in December 2021.

LETTER FROM SOMERLEY CAPITAL LIMITED

Financial performance

The following table sets out a summary of the audited consolidated statements of profit of loss of the AAC Optics Group for the three years ended 31 December 2019, 2020 and 2021, prepared under the China Accounting Standards for Business Enterprises, as extracted and summarised from the Accountants' Reports.

	For the year ended 31 December		
	2021	2020	2019
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(audited)	(audited)	(audited)
Revenue	2,422	1,700	1,072
Contribution by product, including:			
Lenses	1,491	1,601	1,038
Camera modules	907	55	–
Cost of goods sold	1,948	1,374	1,044
Gross profit	474	326	28
Contribution by profit, including:			
Lenses	396	340	23
Camera modules	72	(19)	–
<i>Overall gross profit margin</i>	<i>19.6%</i>	<i>19.2%</i>	<i>2.6%</i>
Other income, gain and losses	31	2	6
Taxes and surcharges	(12)	(11)	(8)
Distribution and selling expenses	(67)	(41)	(34)
Administrative expenses	(155)	(73)	(47)
Research and development costs	(522)	(587)	(565)
Finance costs	(17)	(9)	(24)
Operating loss	(268)	(393)	(644)
Non-operating income	5	–	–
Non-operating expenses	(4)	(8)	(1)
Loss before taxation	(267)	(401)	(645)
Taxation	(7)	55	(2)
Loss for the year	(274)	(346)	(647)
Loss attributable to shareholders of AAC Optics	(274)	(346)	(647)
Adjusted loss attributable to shareholders of AAC Optics	(325)	(376)	(95)
Loss per share (<i>RMB cents</i>)	(4)	(6)	N/A

LETTER FROM SOMERLEY CAPITAL LIMITED

Revenue

Revenue of the AAC Optics Group was substantially derived from the sale of optics products, comprising mainly lenses and camera modules, in the PRC market. Revenue grew rapidly by approximately 58.6% year-on-year to approximately RMB1.7 billion in 2020, and grew further by approximately 42.5% year-on-year to approximately RMB2.4 billion in 2021. The increases were mainly a result of the continuous increase in shipment volume of plastic lens, rising from approximately 310 million units in 2019 to approximately 450 million units and 540 million units in 2020 and 2021 respectively. In addition, the shipment volume of camera modules increased from nil in 2019 to approximately 4 million units and 67 million units in 2020 and 2021 respectively.

Gross profit and gross profit margin

Gross profit of the AAC Optics Group improved substantially from approximately RMB28 million in 2019 to approximately RMB326 million in 2020, and further to approximately RMB474 million in 2021. The gross profit margin increased from approximately 2.6% in 2019 to approximately 19.2% and 19.6% in 2020 and 2021 respectively. The increases were mainly attributable to the continuous increase in total shipment volume of the AAC Optics Group's products and the improvement in utilisation rate of the AAC Optics Group's production capacities.

Based on our discussions with management of the Group, in recent quarters, market demand in the global smartphone industry remained weak resulting in a decline in average selling price of the AAC Optics Group's plastic lens, which in turn lead to the slowdown in gross profit margin growth.

Research and development costs

In the past three years, the AAC Optics Group deployed approximately RMB1.7 billion (approximately 32.2% of its total revenue) in R&D to develop its proprietary technologies, including WLG technology, for its optics products. The R&D to revenue ratios were approximately 52.7%, 34.5% and 21.6% respectively for the years 2019, 2020 and 2021, the decrease was mainly due to the continuous revenue growth as explained above.

Loss attributable to shareholders of AAC Optics

Loss attributable to shareholders of AAC Optics continued to narrow in the past three years, and was approximately RMB274 million in 2021. This was mainly due to the continuous revenue growth and improvement in gross profit margin as explained above. Adjusted loss attributable to shareholders AAC Optics, based on loss attributable to shareholders of AAC Optics mainly adjusting for (a) government grants income, (b) share payment expenses, and (c) net non-operating income or loss, taking into account effects of taxation and non-controlling interests, amounted to approximately RMB325 million in 2021.

LETTER FROM SOMERLEY CAPITAL LIMITED

Financial position

The following table sets out a summary of the consolidated statements of financial position of the AAC Optics Group as at 31 December 2020 and 2021, prepared under the China Accounting Standards for Business Enterprises, as extracted and summarised from the Accountants' Reports.

	As at 31 December	
	2021	2020
	<i>RMB million</i>	<i>RMB million</i>
	(audited)	(audited)
Property, plant and equipment	3,936	3,654
Construction in progress	2,176	1,657
Other non-current assets	952	1,212
	7,064	6,523
Inventories	1,778	1,161
Trade and other receivables	1,168	932
Bank balances and cash	921	1,065
Other current assets	237	471
	4,104	3,629
Bank loans	1,592	410
Trade and other payables	1,173	1,362
Other current liabilities	77	58
	2,842	1,830
Bank loans	290	292
Deferred income	507	345
Other non-current liabilities	267	273
	1,064	910
Total assets	11,168	10,152
Total liabilities	3,906	2,740
Equity attributable to shareholders of AAC Optics	7,262	7,412

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As at 31 December 2021, total assets of the AAC Optics Group amounted to approximately RMB11.2 billion. Assets mainly comprised (i) property, plant and equipment and construction in progress of approximately RMB6.1 billion in aggregate, mainly representing plant and machinery currently in use, as well as a number of new optics production lines under construction, (ii) inventories of approximately RMB1.8 billion, (iii) trade and other receivables of approximately RMB1.2 billion, and (iv) bank balances and cash of approximately RMB0.9 billion.

As at 31 December 2021, total liabilities of the AAC Optics Group amounted to approximately RMB3.9 billion. Liabilities mainly comprised (i) bank loans of approximately RMB1.9 billion, of which approximately RMB1.6 billion was repayable within one year and all of which were guaranteed by the Remaining Group. As advised by management of the Group, such guarantee provided by the Remaining Group to the AAC Optics Group may continue to subsist but will gradually be released after the Proposed Spin-off and Separate Listing in due course as and when the relevant facilities expire, (ii) trade and other payables of approximately RMB1.2 billion, and (iii) deferred income of approximately RMB0.5 billion, mainly representing incentives granted by the PRC local authorities for leasing factories, constructing electronic plant and acquiring machinery.

Net gearing ratio of the AAC Optics Group, calculated in the same manner as that of the Group, was approximately 8.6% as at 31 December 2021, as opposed to a net cash position as at 31 December 2020, mainly due to the drawdown of new bank loans in 2021 to fund the business operation of the AAC Optics Group. As at 31 December 2021, the AAC Optics Group has capital commitments of approximately RMB0.5 billion, mainly relating to the acquisition of plant and machinery. According to management of the Group, the AAC Optics Group requires additional capital to fund, amongst others, its R&D for high-precision glass-plastic hybrid optical lens and related mass production projects in the near future.

Equity attributable to shareholders of AAC Optics as at 31 December 2021 was approximately RMB7.3 billion, or approximately RMB1.07 per share.

LETTER FROM SOMERLEY CAPITAL LIMITED

3. Reasons for and benefits of the Proposed Spin-off

As stated in the letter from the Board, the 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) the AAC Optics Group is dedicated to becoming a leading optics solution provider in order to capture the market opportunities in the optics industry, and to deliver innovative user experience. The Proposed Spin-off and Separate Listing will further enhance the AAC Optics Group's market positioning and integration of business resources, which would reinforce the competitiveness of the AAC Optics Group in optics and establish a solid foundation for its long-term sustainable growth. At the same time, the Remaining Group can focus more of its resources on the remaining principal business, i.e. R&D, production and sale of (i) acoustics products, (ii) electromagnetic drives and precision mechanics, and (iii) MEMS components, thereby realising growth potential of both the Company and the AAC Optics Group;
- (b) as the AAC Optics Group will publish its business and financial information separately in accordance with the relevant rules of the Shanghai Stock Exchange after the Separate Listing, the Proposed Spin-off and Separate Listing will increase the 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 the AAC Optics Group separately and distinctly from those of the Remaining Group. Considering that the 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 the AAC Optics Group;
- (c) as the result of the Proposed Spin-off and Separate Listing, the Remaining Group and the 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, the 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 the AAC Optics Group, and the revenue and profit of the AAC Optics Group will be reflected in the consolidated financial statements of the Company. Furthermore, the value of the 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 the AAC Optics Group. By maximising the value of the AAC Optics Group, the overall market value of the Remaining Group will be further enhanced.

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We note that the Group's optics business is relatively new and in a fast expansion phase, compared to the more mature acoustics and other business segments. In particular, the Group started in 2017 its mass production and volume shipments under the spin-off business, which achieved a compound annual growth rate of roughly 50% in terms of revenue from 2019 to 2021, in contrast to the relatively stable revenue of the Group during the same period. We also understand from management of the Group that the businesses of the AAC Optics Group and the Remaining Group are clearly delineated in terms of production facilities, products, customers and suppliers etc., as further detailed in the section headed "4. Business delineation between the Remaining Group and the Spin-off Group" in the letter from the Board. Having a separate listing platform would enable the AAC Optics Group to attract a separate investor base and to raise the necessary funding to support its continued growth.

Performance of the Group in terms of revenue was negatively impacted in the past few years by both the global slowdown in smartphone shipments and disruption of supply chain resulting from the COVID-19 pandemic and rising trade tensions. Following completion of the Proposed Spin-off and Separate Listing, management of the Remaining Group can focus its resources to enhance the remaining principal business, in terms of increasing its market share of acoustics and electromagnetic products in the smartphone sector, and exploring new target markets, such as automotive and wearables markets. For details of the financial and trading prospects of the Remaining Group, please refer to the section headed "4. Financial and trading prospects of the Group – The Remaining Group" in Appendix I to the Circular.

The Separate Listing of AAC Optics would potentially bring value enhancement due to the relatively higher premium on the A-share market and better visibility of the performance of the fast-growing optics business, thereby benefiting the Company which will remain as the holding company of AAC Optics.

4. Conditions of the Proposed Spin-off

As set out in the letter from the Board, the Proposed Spin-off will be conditional upon, amongst others:

- (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 AAC Optics;
- (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.

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As at the Latest Practicable Date, 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.

As set out in the letter from the Board, the Separate Listing, if approved and proceeded with, will be completed by the end of the second quarter of 2023, based on the current proposed timetable, the Board's assessment of the current pace of the vetting process as at the Latest Practicable Date and subject to the discretion of any relevant PRC regulators. Shareholders should note that the Proposed Spin-off will also depend on the market conditions closer to the launch of the Separate Listing, and there is no assurance that the Proposed Spin-off will take place or as to when it will take place.

5. Principal proposed structure of the Separate Listing of AAC Optics

Offer price and offering size

As set out in the letter from the Board, as the exact offer price and offering size of the Separate Listing are not determined at this stage, the proceeds to be raised from the Separate Listing cannot be determined as at the Latest Practicable Date. 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 the expected market condition 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 AAC Optics and its implied valuation (post-money) of RMB20 billion to RMB40 billion. However, Shareholders should be aware that the proceeds to be raised are subject to future business needs of the AAC Optics Group and the market conditions closer to the launch of the Separate Listing.

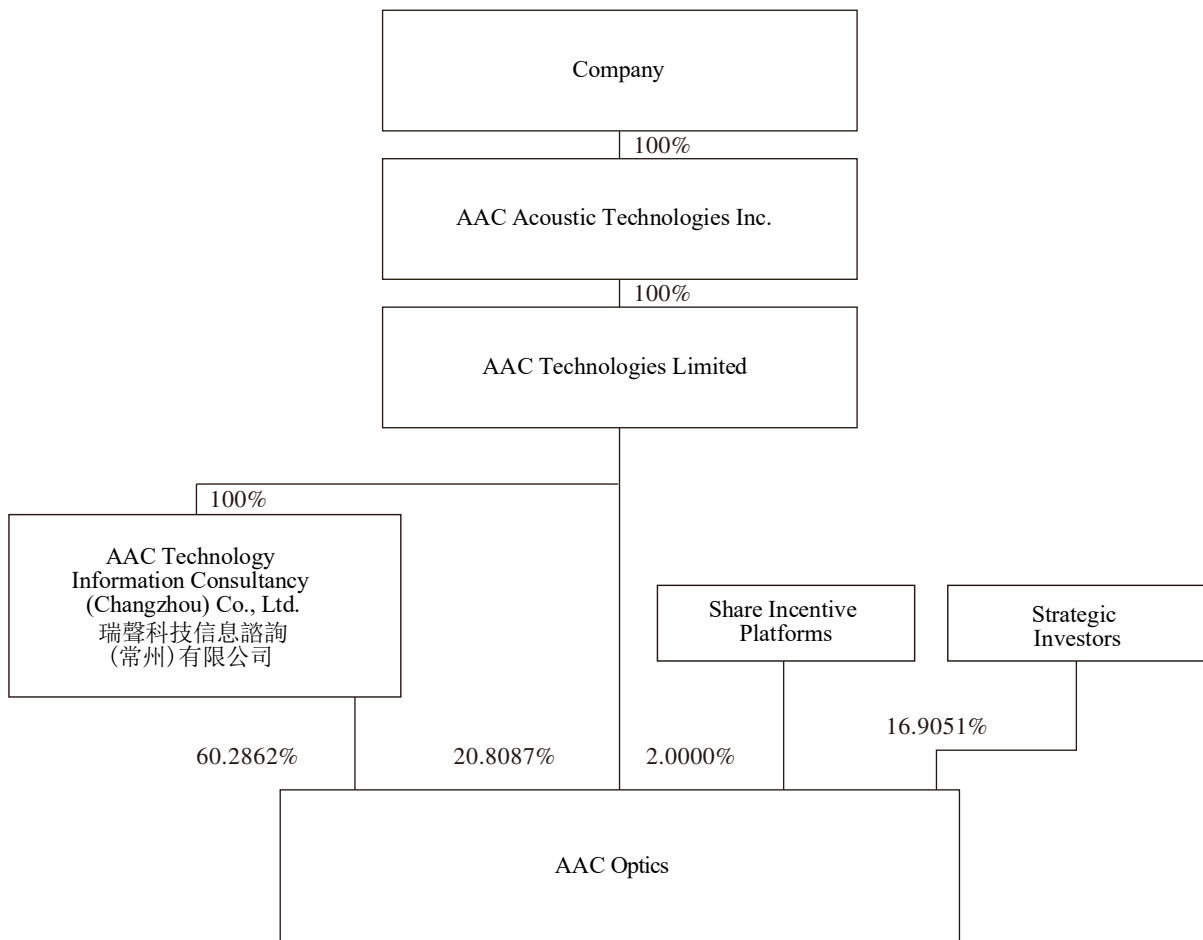
The offer price of shares of AAC Optics under the Separate Listing has not been fixed yet and is subject to market conditions close to the launch of the Separate Listing and will be determined with reference to the then responses to the price consultation and other method(s) to be agreed between AAC Optics and the lead underwriters. In determining the offer price, AAC Optics 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 AAC Optics and the lead underwriters having considered those of comparable companies listed in the PRC in the same industry as AAC Optics. As at the Latest Practicable Date, it is expected that the indicative offer price per A-share of AAC Optics to be offered under the Separate Listing shall be between RMB2.29 to RMB5.32, which is arrived at based on (i) the range of offering size, expected to be 10.0000% (representing the proposed lower end of the offering size (10%) and that the over-allotment option is not exercised) to 22.3301% (representing the proposed upper end of the offering size (20%) and that the over-allotment option is exercised in full) of the enlarged issued share capital of AAC Optics as determined and approved by the board and shareholders of AAC Optics, and (ii) the implied valuation (post-money) of AAC Optics of RMB20 billion to RMB40 billion as at the Latest Practicable Date, which is derived from, amongst others, the valuation metrics of comparable companies of AAC Optics selected based on criteria including industry sectors, products, market position, stages of business development and the listing venue, with reference to the post-money valuation of AAC Optics in previous rounds of external financing and coupled with the operating results and business development of AAC Optics. However, Shareholders should be aware that the indicative offer price is subject to market conditions and the financial performance of the AAC Optics Group closer to the Separate Listing.

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Based on the current plan of the Proposed Spin-off, AAC Optics will issue between 752,099,550 (assuming the over-allotment option is not exercised, and the offering size represents 10.0000% of the enlarged issued share capital of AAC Optics) and 1,946,053,000 (assuming the over-allotment option is exercised in full, and the offering size represents approximately 22.3301% of the enlarged issued share capital of AAC Optics) new shares. The Company will make further announcement(s) once the information relating to the final offer price and expected proceeds of the Separate Listing is available.

Set out below are the simplified shareholding structures of AAC Optics as at the Latest Practicable Date and immediately upon completion of the Proposed Spin-off, assuming that there are no other changes to the total issued share capital of AAC Optics other than the shares to be issued under the Separate Listing.

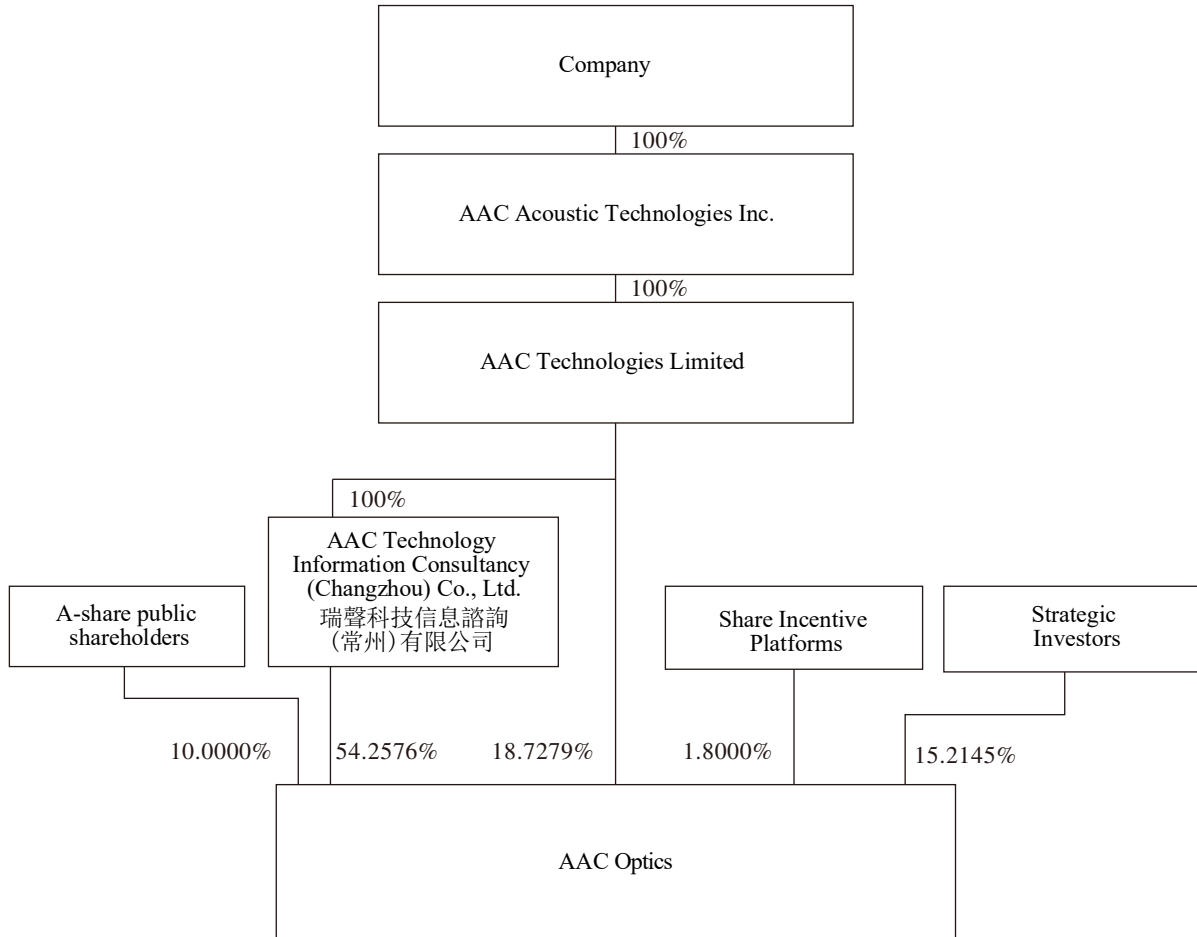
As at the Latest Practicable Date



Note: The shareholding figures of the shareholders of AAC Optics have been subject to rounding adjustments such that the arithmetic aggregation of the shareholding figures is 100%.

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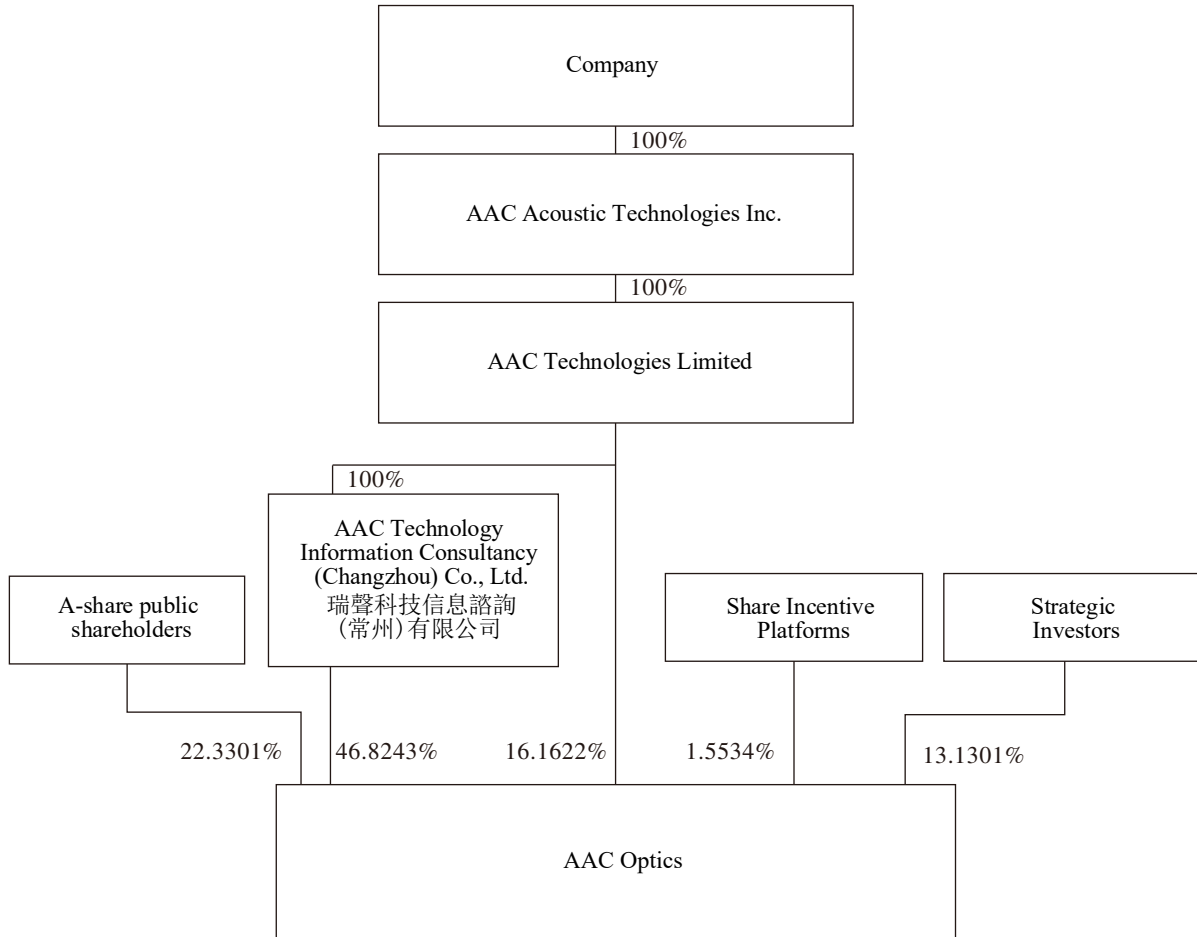
Immediately upon completion of the Proposed Spin-off (assuming the over-allotment option is not exercised, and the offering size represents 10.0000% of the enlarged issued share capital of AAC Optics)



Note: The shareholding figures of the shareholders of AAC Optics have been subject to rounding adjustments such that the arithmetic aggregation of the shareholding figures is 100%.

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Immediately upon completion of the Proposed Spin-off (assuming the over-allotment option is exercised in full, and the offering size represents approximately 22.3301% of the enlarged issued share capital of AAC Optics)



Note: The shareholding figures of the shareholders of AAC Optics have been subject to rounding adjustments such that the arithmetic aggregation of the shareholding figures is 100%.

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Intended use of proceeds

AAC Optics 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 lenses and extreme-precision optical components; and
- (iii) Approximately 24.04% of the net proceeds for general working capital purposes.

In respect of (i), AAC Optics intends to increase its production level and manufacturing quality of high-precision glass-plastic hybrid optical lenses and in turn its market share and competitive advantage through the construction and expansion of the manufacturing facilities of the AAC Optics Group in Changzhou, the PRC, purchase of production and testing equipment for manufacturing, testing and research and development and investment in research and development of such hybrid optical lenses. Trial production is expected to commence by the end of the third year upon the commencement of the project.

In respect of (ii), AAC Optics intends to expand and improve its production facilities in Chongqing, the PRC, and purchase manufacturing equipment and machinery to achieve automation and mass production of WLG lenses and extreme-precision optical components and to apply the same in different fields of use, including personal electronic devices, industrial semi-conductor production and testing facilities and medical equipment. Trial production is expected to commence by the end of the second year upon the commencement of the project.

The intended uses of proceeds and the above allocation of use of proceeds are determined based on the current business and expansion plan of the AAC Optics Group and the capital required for the above purposes. It is expected that each of the above intended use of proceeds (i) and (ii) will be fully utilised by the end of the fifth year upon the commencement of the relevant project.

Based on the estimation of the board of directors of AAC Optics, the capital required for the abovementioned purposes (i), (ii) and (iii) are approximately RMB1,900 million, RMB2,840 million and RMB1,000 million, respectively. Any shortfall between the required capital and the proceeds allocated to such purposes is expected to be funded by the capital of AAC Optics and/or other financing means. On the other hand, if the proceeds from the Separate Listing exceed the above funding requirements, the surplus funds will be used for the principal business and/or general working capital of the AAC Optics Group to the extent permitted by applicable laws and regulations.

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Pursuant to Chapter 2 of the Rules Governing the Listing of Securities on the STAR Market of the Shanghai Stock Exchange (as amended in December 2020), in the event that (i) the offering shares for subscription are less than 10% of the enlarged share capital of AAC Optics, being the prescribed minimum public subscription threshold applicable to AAC Optics; or (ii) the market value of AAC Optics will be less than RMB3,000 million and the revenue of the AAC Optics Group for the most recent financial year will be less than RMB300 million, being the prescribed minimum market capitalisation and revenue requirements applicable to AAC Optics, the listing eligibility of the AAC Optics Group in terms of the minimum public subscription requirement, market capitalisation and revenue requirements will not be met and the Separate Listing shall not proceed. Additionally, if the Separate Listing is postponed, terminated or lapsed, AAC Optics will allocate its internal resources or obtain external resources through bank borrowing to finance the aforesaid projects, subject to market conditions, the timeline of the relevant projects and other resources priorities and in accordance with prudent financial management policy. The gearing ratios of the Company and AAC Optics may be affected if debt financing is used to fund these projects.

Given the net proceeds from the Separate Listing are intended to be used for, amongst others, further development and improvement of the AAC Optics Group's production capabilities, determined with reference to its current business expansion plan and related capital required, and AAC Optics will remain as a subsidiary of the Company following completion of the Proposed Spin-off and Separate Listing, we consider that the benefits derived from the Separate Listing of AAC Optics would be shared by the Company and its Shareholders. Based on the above and the reasons and benefits as set out in the section headed "3. Reasons for and benefits of the Proposed Spin-off", we consider the intended use of proceeds from the Separate Listing would be in the interests of the Company and its Shareholders as a whole.

Board composition

According to the Application Proof, AAC Optics has seven directors (comprising four directors and three independent directors), of which one is an executive Director, one is the chief operating officer of the Company and one is the chief innovation officer of the Company. Given that AAC Optics will remain as a subsidiary of the Company following completion of the Proposed Spin-off, we concur with management of the Group that the board composition of AAC Optics is appropriate that it reflects the interests of the Company while allowing AAC Optics to maintain an independent management team. We also understand from management of the Group that the board of directors and management of AAC Optics will function independently of the board of directors of the Company and its management, and in the interests of the shareholders of AAC Optics as a general body. In addition, each of the AAC Optics Group and the Remaining Group has and will continue to have its own separate management team, and separate functional departments, including accounting, internal audit, administration, human resources, information technology system, legal and compliance departments and board secretary, to carry out all the business decisions and essential administrative functions.

LETTER FROM SOMERLEY CAPITAL LIMITED

6. Evaluation of the pricing of the deemed disposal

In order to provide the Shareholders with a general reference regarding the valuation of companies listed in the PRC with products of a similar nature to those of AAC Optics, we have conducted a search on Bloomberg, on a best effort basis, for comparable companies (the “**Comparable Companies**”) which are (i) listed on either the Shenzhen Stock Exchange or the Shanghai Stock Exchange and (ii) primarily engaged in optics business in the PRC, with over 50% of their revenue derived from the sale of optics products (mainly lenses and/or camera modules), according to their latest published full year financial statements.

Based on the above selection criteria, we have identified six Comparable Companies. We note that the Comparable Companies and AAC Optics’ products and related applications are not entirely identical, and that Ofilm Group Co., Ltd. (“**Ofilm Group**”) faced specific foreign sanction as discussed below. Considering that all the Comparable Companies fall within the above selection criteria, in particular (i) the primary business and products of the Comparable Companies and AAC Optics are similar, and (ii) each of the Comparable Companies is listed on a PRC stock exchange, which is the current target listing venue of AAC Optics, we consider the Comparable Companies to be fair and representative samples for the purpose of this analysis, and the research on the Comparable Companies provides a meaningful analysis for the Shareholders. In our view, the Comparable Companies represent an exhaustive list based on the selection criteria above.

As AAC Optics recorded losses in 2019, 2020 and 2021, an analysis of price-to-earnings ratio is not practicable. Based on the financial information of AAC Optics, earnings before interest, tax, depreciation and amortisation (“**EBITDA**”) were approximately negative RMB338 million, RMB37 million and RMB284 million in 2019, 2020 and 2021 respectively, indicating a turnaround into positive EBITDA. Potentially due to AAC Optics being in a fast expansion phase and the abovementioned recent turnaround, thus a relatively low level of EBITDA compared to its scale, AAC Optic’s 2021 enterprise value to EBITDA ratio (“**EV/EBITDA ratio**”)² of approximately 73.9 to 144.4 times, based on the range of implied post-money valuation, are considered outliers, which are much higher than the EV/EBITDA ratios of the Comparable Companies³ of approximately 16.6 times to 42.4 times respectively. Based on the above, we do not consider EV/EBITDA ratio to be an appropriate benchmark. As the above earnings-based multiples are either not practicable or not appropriate, we consider price-to-sales ratio (“**P/S ratio**”) and price-to-book ratio (“**P/B ratio**”) to be the more desirable benchmarks to evaluate AAC Optics against the Comparable Companies:

² *Calculated by dividing the respective enterprise value (being the sum of the respective (i) market capitalisation as at the Latest Practicable Date, (ii) non-controlling interests, and (iii) interest-bearing borrowings, minus cash and cash equivalents) by the respective earnings before net interest expenses (excluding interest on lease liabilities), taxes, depreciation (excluding depreciation of right-of-use assets) and amortisation, based on the latest published full year financial statements*

³ *Excluding Ofilm Group, as it recorded a loss before interest, tax, depreciation and amortisation in 2021*

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Company name (stock code)	Principal activities	Market capitalisation as at the Latest Practicable Date (RMB billion) (Note 1)	P/S ratio (times) (Note 2)	P/B ratio (times) (Note 3)
Ofilm Group (002456.SZ)	Mainly engaged in manufacturing of electronics components including touch screens, video head modules and fingerprint identification modules. Shares are listed on the Shenzhen Stock Exchange	19.7	0.9	2.4
Ningbo YongXin Optics Co., Ltd (603297.SH)	Mainly engaged in manufacturing of optical equipment, including optical microscopes and components. Shares are listed on the Shanghai Stock Exchange	13.1	16.4	8.5
Zhejiang Lante Optics Co., Ltd. (688127.SH)	Mainly engaged in manufacturing of optical components including optical prisms, glass aspheric lenses, and glass wafers and automotive rear-view mirrors. Shares are listed on the Shanghai Stock Exchange	9.2	22.1	6.1
Dongguan YuTong Optical Technology Co., Ltd. (300790.SZ)	Mainly engaged in the development, production, sale of optical lens, and provision of after-sales services and other services. Shares are listed on the Shenzhen Stock Exchange	6.7	3.2	3.9
Xiamen Leading Optics Co., Ltd. (605118.SH)	Mainly engaged in manufacturing and distribution of lenses and optical instruments, including surveillance lens, automotives lens and machine vision lens. Shares are listed on the Shanghai Stock Exchange	5.8	11.6	4.6
Fujian Forecam Optics Co., Ltd. (688010.SH)	Mainly engaged in manufacturing and sale of optical products, including board mount lenses and infrared thermal imaging lenses. Shares are listed on the Shanghai Stock Exchange	3.7	5.5	2.1
		Maximum	22.1	8.5
		Minimum	0.9	2.1
		Mean	10.0	4.6
		Median	8.6	4.3
The Company		15.8	0.9	0.7
AAC Optics		20.0 to 40.0 (Note 4)	8.3 to 16.5	2.8 to 5.5

Source: the Company, the Comparable Companies' public filings and Bloomberg

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Notes:

- (1) *Being the product of (i) the respective closing price as quoted on the relevant stock exchange and (ii) the respective number of issued shares as at the Latest Practicable Date*
- (2) *Calculated by dividing the respective market capitalisation by the respective total revenue, based on the latest published full year financial statements*
- (3) *Calculated by dividing the respective market capitalisation by the respective consolidated net assets attributable to the ordinary shareholders, as extracted from the latest published financial statements*
- (4) *As stated in the letter from the Board, it is expected that the indicative offer price per A-share of AAC Optics to be offered under the Separate Listing shall be between RMB2.29 to RMB5.32, representing an implied valuation (post-money) of RMB20 billion to RMB40 billion, which is subject to market conditions and the financial performance of the AAC Optics Group closer to the Separate Listing. Such range has been used in the table above for our analysis purpose*

P/S ratio

The P/S ratios of the Comparable Companies are in a wide range of between approximately 0.9 times to 22.1 times. Regarding Ofilm Group's P/S ratio of approximately 0.9 times, we note from press releases by Ofilm Group from its official website that on 22 July 2020, a subsidiary of Ofilm Group⁴ was named on the United States Entity List, a trade restriction list published by the United States Department of Commerce's Bureau of Industry and Security. We further note from Ofilm Group's announcements that it received notices from certain overseas customer(s), who contributed over 20% of Ofilm Group's revenue in 2019, intending to cease purchases from Ofilm Group. Since then, share price of Ofilm Group trended downwards, from roughly RMB19 on 21 July 2020 (the day immediately before the above event) to RMB6.05 as at the Latest Practicable Date. During the same period, we note that its financial performance deteriorated, with revenue decreasing from approximately RMB48.3 billion (including overseas revenue of approximately RMB20.5 billion) in 2020 to approximately RMB22.8 billion (including overseas revenue of approximately RMB5.6 billion) in 2021. The above may explain the lower P/S ratio of Ofilm Group relative to the other Comparable Companies. If Ofilm Group is excluded, the P/S ratios of the other five Comparable Companies are between approximately 3.2 times and 22.1 times. The implied P/S ratios of AAC Optics upon the Separate Listing of approximately 8.3 times to 16.5 times fall within such range.

⁴ *The subject subsidiary of Ofilm Group was subsequently removed from the United States Entity List in June 2022*

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P/B ratio

As AAC Optics' optics production plant/line and machinery represents a significant portion of its total assets as at 31 December 2021, we have also looked into the P/B ratios of the Comparable Companies. The P/B ratios of the Comparable Companies are between approximately 2.1 times and 8.5 times. The implied P/B ratios of AAC Optics upon the Separate Listing of approximately 2.8 times to 5.5 times fall within such range.

As set out in the table above, both the implied P/S ratios and implied P/B ratios of AAC Optics upon the Separate Listing are substantially higher than that of the Company. As stated in the section above headed "3. Reasons for and benefits of the Proposed Spin-off", the Directors expect the value of the AAC Optics Group 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 the AAC Optics Group.

Shareholders should note that the calculation of the implied P/S ratios and the implied P/B ratios of AAC Optics and the comparison above is for illustrative purposes only. The offer price per A-share and the implied valuation of AAC Optics under the Separate Listing, and the actual P/S ratio and P/B ratio of AAC Optics, will be subject to, amongst others, the stock market conditions in the PRC and the latest business and financial performance of AAC Optics closer to the time of the Separate Listing.

7. Financial impacts of the Proposed Spin-off on the Group

It is expected that immediately upon completion of the Proposed Spin-off, AAC Optics will continue to be an indirect non-wholly owned subsidiary of the Company and its financial results and position will continue to be consolidated into the accounts of the Group.

Set out below are the expected financial impacts of the Proposed Spin-off on the Group, based on the proposed structure of the Proposed Spin-off and Separate Listing. Further details are set out in the section headed "4. Financial effects of the Proposed Spin-off on the Group" in the letter from the Board.

Effect on net asset

As stated in the letter from the Board, the net proceeds from the Separate Listing will increase the cash held in the consolidated balance sheet of the Group and total assets will increase accordingly. The Proposed Spin-off will reduce the liabilities of the Group as discussed in the earlier section. The contingent settlement provision of approximately RMB1.7 billion recorded by the Group as at 31 December 2021 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 (see below) and the fair value of the consideration received will be recognised directly in equity and attributed to owners of the Company.

LETTER FROM SOMERLEY CAPITAL LIMITED

Based on our discussions with management of the Group, on the assumption that 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.

Effect on earnings

As stated in the letter from the Board, 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 Separate Listing as well as the future business operations of the AAC Optics Group.

In addition, the Proposed Spin-off will be regarded as a transaction with the non-controlling interests, and the carrying amount of the non-controlling interests will be adjusted to reflect the proportionate change in the non-controlling interests in AAC Optics. It is expected that there would be no gain or loss arising from the Proposed Spin-off (i.e. the deemed disposal of equity interest in AAC Optics) to be recognised in the Group's consolidated statement of profit or loss in accordance with Hong Kong Financial Reporting Standards 10 on "Consolidated Financial Statements".

The Group's attributable interest in AAC Optics will be reduced following completion of the Proposed Spin-off, as further discussed below. Accordingly, the Group's share of the future profit or loss of the AAC Optics Group would be reduced accordingly, with a corresponding increase in share of profit or loss attributable to the Company's non-controlling interests.

Effect on working capital and net gearing

In view of the expected net proceeds to be raised from the Separate Listing, depending on the number of new shares to be issued and the offer price, we consider that the working capital position of the Group would improve as a result of the Proposed Spin-off, providing the Group with more financial flexibility and strengthening its financial position. While the AAC Optics Group will utilise proceeds from the Separate Listing on a number of capital expenditure programs and general working capital for the optics business, the Remaining Group will be able to focus its financial resources on the other business segments.

The Group's net gearing ratio was approximately 8.9% as at 31 December 2021. On the above basis and taking into account the expected net proceeds from the Separate Listing, the Group's net gearing ratio is expected to decrease immediately upon completion of the Proposed Spin-off.

LETTER FROM SOMERLEY CAPITAL LIMITED

Dilution of interest in AAC Optics

Based on the proposed structure of the Proposed Spin-off, the Group's interest in AAC Optics will be diluted from approximately 81.1% as at the Latest Practicable Date to (i) approximately 73.0% (assuming the over-allotment option is not exercised, and the offering size represents 10.0000% of the enlarged issued share capital of AAC Optics) or (ii) 63.0% (assuming the over-allotment option is exercised in full, and the offering size represents approximately 22.3301% of the enlarged issued share capital of AAC Optics), immediately upon completion of the Proposed Spin-off and Separate Listing. In our opinion, such dilution, albeit not immaterial, is acceptable to the Shareholders taking into consideration (i) the benefits to be derived from the Proposed Spin-off as discussed in the section above headed "3. Reasons for and benefits of the Proposed Spin-off", (ii) the generally positive financial impacts on the Group, including the enhancement on its financial position and net gearing ratio, and (iii) the fact that the financial results and position of the AAC Optics Group will continue to be consolidated into the accounts of the Group and Shareholders will continue to be able to participate in the future performance of the AAC Optics Group.

Shareholders are reminded that the actual effect of the Proposed Spin-off will be subject to the final structure of the Proposed Spin-off and the financial position of the Group and AAC Optics at the time of listing, which may be different from the present situation.

8. The Remaining Group

Following completion of the Proposed Spin-off, the Remaining Group will continue to be principally engaged in R&D, production and sale of (i) acoustics products, (ii) electromagnetic drives and precision mechanics; and (iii) MEMS components. 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.

Certain transactions between the Remaining Group and the AAC Optics Group are on-going and are expected to continue after completion of the Proposed Spin-off and Separate Listing, such as (i) purchase and sale of material and equipment, and (ii) leasing of properties. As AAC Optics will remain as a subsidiary of the Company, the ongoing transactions will be regarded as intra-group transactions of the Group. Management of the Group expects such transactions to be insignificant.

LETTER FROM SOMERLEY CAPITAL LIMITED

9. Waiver in respect of assured entitlement

Pursuant to the requirements under paragraph 3(f) of PN15, the Company is required to have due regard to the interests of its existing Shareholders by providing them with an assured entitlement to shares in AAC Optics, either by way of a distribution in specie of existing shares of AAC Optics, or by way of preferred application in any offering of existing or new shares of AAC Optics. 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 set out in the letter from the Board, 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 (the "**Qualified Investors**") 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 and 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. Accordingly, amongst the Shareholders, 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 PRC investors holding the shares of Hong Kong listed companies through China Securities Depository and Clearing Corporation Limited (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, 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, 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.

LETTER FROM SOMERLEY CAPITAL LIMITED

DISCUSSION

Overall strategy

The Group is a leading solutions provider for smart devices, and is principally engaged in the R&D, production and sale of acoustics products, optics products, electromagnetic drives and precision mechanics, and MEMS components. In the past three years, the Group recorded stable revenue of approximately RMB17 to 18 billion, a majority of which was contributed by the more established acoustics products business and electromagnetic drives and precision mechanics business. The relatively new optics products business now carried on by the AAC Optics Group, on the other hand, achieved rapid revenue growth with a compound annual growth rate of roughly 50% from 2019 to 2021. Business of the AAC Optics Group is also delineated from the business of the Remaining Group. We concur with the Directors that the Proposed Spin-off would enable the AAC Optics Group to have new fundraising platform to attract a separate investor base, and would assist in raising the necessary funding to support its continued growth, while the management of the Remaining Group can focus its resources to enhance the remaining principal business.

Structure of the Proposed Spin-off

AAC Optics has introduced a number of strategic investors following two rounds of fundraising in 2020, raising approximately RMB2.8 billion in aggregate for its continued expansion, with the Company currently holding approximately 81.1% interest in AAC Optics, and the Strategic Investors and the share incentive platforms holding the remaining interest. The Proposed Spin-off involves the separate listing of AAC Optics on the STAR Market of the Shanghai Stock Exchange, by way of an initial public offering of new shares representing approximately 10.0000% to 22.3301% of its enlarged issued share capital. Proceeds to be raised will range from approximately RMB4 billion to RMB8 billion based on the expected market conditions and proposed upper range of the offering size of 20% (before the exercise of the over-allotment option) of the enlarged issued share capital of AAC Optics and its implied valuation (post-money) of RMB20 billion to RMB40 billion. The proceeds will be used for the AAC Optics Group's future development including its R&D and production improvement of high-precision hybrid optical lenses, WLG lenses and extreme-precision optical components, and for general working capital purposes, to provide support for the AAC Optic Group's financial position and to help accelerate its growth.

The Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off under PN15 and has agreed to grant a waiver from strict compliance with PN15 requirements in relation to the assured entitlement under the Proposed Spin-off, due to legal impracticalities for providing such assured entitlements under the relevant securities laws and regulations in the PRC.

Shareholders of the Company should note that the Proposed Spin-off and Separate Listing are subject to, amongst others, obtaining approvals from the relevant PRC regulatory authorities, market conditions and other factors. There is no assurance that the Proposed Spin-off and Separate Listing will take place or as to when they will take place.

LETTER FROM SOMERLEY CAPITAL LIMITED

Implied valuation of the AAC Optics Group

We have performed analysis of the implied post-money valuation of the AAC Optics Group of RMB20 billion to RMB40 billion, estimated based on the expected offer price under the Separate Listing. As AAC Optics recorded losses in the past and only recently turned around to record a relatively low level of EBITDA, an analysis of price-to-earnings ratio or EV/EBITDA ratio is either not practicable or not appropriate. We have therefore compared the P/S ratio and P/B ratio of the AAC Optics Group as represented by the above range of implied valuation against the P/S ratios and P/B ratios of the Comparable Companies, and consider the above valuation range to be in line with the market.

We consider that the Proposed Spin-off may unlock the value of AAC Optics and create a higher market value on the STAR Market of the Shanghai Stock Exchange, which will be in the interests of the Company (as the holding company of AAC Optics) and its Shareholders as a whole.

Effect on the Remaining Group

Upon completion of the Proposed Spin-off, the Remaining Group will continue to be principally engaged in R&D, production and sale of acoustics products, electromagnetic drives and precision mechanics, and MEMS components. The Company will retain AAC Optics as an indirect subsidiary, and will continue to benefit from its future profits and growth. It is expected that the net asset, gearing and cash flow positions of the Group will be improved as a result of the Proposed Spin-off.

The Group's interest in AAC Optics will be diluted from approximately 81.1% as at the Latest Practicable Date to approximately 73.0% to 63.0%. We are of the view that such level of dilution is acceptable, taking into account the benefits which may be derived from the Proposed Spin-off, the generally positive financial impacts on the Group, and that AAC Optics will remain as a subsidiary and Shareholders will continue to be able to participate in the future performance of the AAC Optics Group.

Overall, we consider the Proposed Spin-off to be a strategic move of the Group to help realise the value and potential of its optics business, and an opportunity to raise the required funding to support the AAC Optics Group's continued growth. The Proposed Spin-off is expected to create a more defined business focus and financing flexibility by the adoption of separate business and financing strategies for each of the Remaining Group and the AAC Optics Group. The opportunity to value the fast growing business of the AAC Optics Group on a stand-alone basis is also expected to attract new investors who are interested in opportunities in optics and business with high growth potential.

LETTER FROM SOMERLEY CAPITAL LIMITED

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of the Proposed Spin-off are fair and reasonable to the Shareholders and that the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Proposed Spin-off.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
John Wong
Director

Mr. John Wong is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited, which is licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. He has over ten years of experience in the corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

Details of the audited financial information of the Group for each of the three years ended 31 December 2019, 2020 and 2021 are disclosed in the following annual reports of the Company for the years ended 31 December 2019, 2020 and 2021, respectively, which have been published and are available on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.aactechnologies.com):

- (i) the 2019 annual report of the Company for the year ended 31 December 2019 which was published on 14 April 2020 (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0414/2020041401000.pdf>), please refer to pages 91 to 171 in particular;
- (ii) the 2020 annual report of the Company for the year ended 31 December 2020 which was published on 15 April 2021 (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0415/2021041500741.pdf>), please refer to pages 85 to 167 in particular; and
- (iii) the 2021 annual report of the Company for the year ended 31 December 2021 which was published on 6 April 2022 (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0406/2022040601786.pdf>), please refer to pages 79 to 169 in particular.

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 June 2022, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had aggregate indebtedness of approximately RMB10,174 million comprising:

	As at 30 June 2022 (unaudited) RMB'000
Borrowings	
Unsecured and Unguaranteed	
Bank loans	97,114
Unsecured notes	6,923,342
Unsecured and Guaranteed	
Bank loans (<i>Note 1</i>)	2,521,177
Total borrowings	9,541,633
Lease liabilities	632,372
Total indebtedness	10,174,005

Note:

- (1) The amounts are unsecured and guaranteed by subsidiaries of the Group.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have, loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 30 June 2022.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources available to the Group, including internally generated funds and the available banking facilities, the working capital available to the Group is sufficient for the Group's requirements for at least 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Remaining Group

The Remaining Group is the world's leading solutions provider for smart devices and possesses cutting-edge technologies in materials research, simulation, algorithms, design, automation and process development. The Remaining Group advanced miniaturised and proprietary technology solutions in acoustics, haptic feedback, MEMS (Micro Electro-Mechanical Systems) and precision-mechanics. The Remaining Group will continue to manufacture products of superior performance and quality and provide customers with differentiated user experience, promote a healthy development of its traditional business segment and proactively position itself in new business segments.

In the smartphone sector, the Remaining Group will continue its increase in market share on the back of market expansion strategies. The Company will rely on the standardised acoustic products launched by the Remaining Group to further enhance economies of scale and lower production cost, thereby providing customers with products with optimised price-to-performance ratio. With respect to x-axis haptics motors, the Group's "hardware + software" integrated solution is well adopted by Android high-end flagship models and gaming smartphones, hence becoming the latest smartphone standard configuration. With x-axis haptics motors gradually penetrating into mid- to low-end smartphone models, it is expected that the shipment volume of the Group's Android x-axis haptics motors will experience a continuous growth. On precision mechanics segment, the Remaining Group experienced an increase in the demand from major customers, and is now proactively expanding its business portfolio to include overseas Android customers. Through the acquisition of Toyo Precision, the Remaining Group will further expand its European and American customer bases to improve revenue and overall profitability of this business segment.

The automotive and wearables markets will be the targets of the development and positioning of the Remaining Group. With respect to the automotive acoustic segment, the Remaining Group will ride on the increasing demand for intelligent cockpits and continuously provide software, hardware and solution technologies in the field of consumer electronics to match the demand for upgrades in intelligent automotive. The Remaining Group has successfully obtained several projects including tuning, speakers and projects requiring various integrated solutions, and is expected to undergo mass-production in 2022. The Remaining Group is currently communicating closely with various automotive companies ranging from traditional vehicle manufacturers, automotive industry disruptors and other well-known industry players to strive for more projects.

The Remaining Group's motors business has successfully expanded and entered into the supply chain for a leading global VR player. The Remaining Group will also continue to maintain frequent communication with the world's leading XR (extended reality) customers and strive to include more technological solutions into the customers' products.

In light of the recovering demand in the smartphone market and the rapid growth of the electric vehicle and AR/VR markets, the Remaining Group will rely on its entrenched leading position in the smartphone market and adopt the two-pronged approach in enhancing advanced research and development and precision manufacturing to achieve technological breakthroughs and product innovation. The Remaining Group will enhance its risk diversification for achieving a long-term and sustainable development by further strengthening its position in the strategic markets of automotive, AR/VR, wearables, AIoT, TV, tablets and game consoles.

The Spin-off Group

The Spin-off Group focuses on research and development, and production and sale of optics products such as plastic lenses, WLG (wafer-level glass) lenses and hybrid lenses, camera modules, voice-coil motors. Leveraging its leading edge in design, image simulation algorithm, optical simulation, high-precision optical moulding, automated production lines and technology, the Spin-off Group is committed to providing clients with comprehensive and high-precision optical solutions. Through years of development, the Spin-off Group has established long-term and stable strategic business relationships with leading smartphone manufacturers such as Xiaomi, OPPO, vivo, Huawei, HONOR and Samsung. The Spin-off Group is one of the top three optical lenses suppliers globally in terms of global optical lens shipments and shipment value in 2021.

The Spin-off Group has established a comprehensive and diverse optical lens product profile. It offers a broad category of cost-effective plastic lenses, self-developed WLG (wafer-level glass) lenses and glass-plastic hybrid lenses which provide better performance to achieve product differentiation. With the support of software such as image adjustment algorithm, production calibration algorithms, image processing software and impact assessment systems, the Spin-off Group is able to increase its production efficiency and improve user experience.

The Spin-off Group further promotes vertical integration of plastic lenses, WLG (wafer-level glass) lenses, glass-plastic hybrid lenses, voice coil motor and related technologies through strategic positioning in the camera module business in order to provide customers with one-stop comprehensive optical solutions, thereby improving the quality of products and customer experience.

Although international trade frictions, the global epidemic COVID-19 and chip shortages and other factors pose challenges to the business of the Spin-off Group, Frost & Sullivan estimates that the global smartphone lens shipment will reach 7.5 billion by 2025 with improvement in technologies such as 5G network. Furthermore, with the development of large and high-resolution image sensor chips and its increasing popularity, the glass-plastic hybrid lenses are expected to experience continuous increase in market penetration by virtue of their advantages in optical performance and thermal stability.

In the future, the Spin-off Group will integrate voice coil motors and camera module products with WLG (wafer-level glass) lenses and glass-plastic hybrid lenses which possess better optical performance to provide customers with diversified and superior optical solutions, thereby seizing the first opportunities and market shares in the era of glass-plastic hybrid lenses and further enhancing its market position. On the other hand, the Spin-off Group will be committed to achieving the vision of value diversification and becoming the leader of sensory technology. Based on its establishment in consumer electronics such as smartphones, wearables and tablets etc., the Spin-off Group will continue to promote the development of optical products in latest downstream segments such as drones, automotive, AR/VR equipment, production and testing of conductors and medical equipment etc. to achieve rapid growth in performance and scale.

5. MATERIAL ADVERSE CHANGES

The Directors confirm that to the best of the Directors' knowledge, there was no material adverse change in the financial or trading position of the Group since 31 December 2021 (being the date to which the latest published audited financial statements of the Company were made up) up to the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

(a) Interests of Directors and chief executives of the Company

As at the Latest Practicable Date, the interest and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those taken or deemed as their interests or short positions in accordance with such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the ordinary shares of the Company:

Name of Directors of the Company	Capacity	Number of ordinary shares				Total number of shares	Percentage of the Company's issued shares ⁽¹⁾
		Personal interests	Corporate interests	Spouse interests	Other interests		
Mr. Pan Benjamin Zhengmin ⁽²⁾	Beneficial owner/interest of spouse/ interest of controlled corporation/ founder of a discretionary trust	70,262,162	51,439,440	263,420,525	112,795,525	497,917,652	41.20%
Ms. Wu Ingrid Chun Yuan ⁽³⁾	Interest of spouse/interest of controlled Corporation/founder of a discretionary trust	–	263,420,525	122,952,005	111,545,122	497,917,652	41.20%
Mr. Mok Joe Kuen Richard	Beneficial owner/ Beneficiary under a trust	180,000	–	–	99,195	279,195	0.02%

Notes:

- (1) Percentage was computed based on the 1,208,500,000 issued shares as at the Latest Practicable Date.
- (2) Mr. Pan beneficially owns 70,262,162 shares. In addition, Mr. Pan is also deemed or taken to be interested in the following shares for the purpose of the SFO:
 - (i) 51,439,440 shares which are beneficially owned by Silver Island Limited, a company wholly-owned by Mr. Pan;
 - (ii) 263,420,525 shares representing the aggregate of (a) 134,828,594 shares which are beneficially owned by Sapphire Hill Holdings Limited and (b) 128,591,931 shares which are beneficially owned by K&G International Limited. These two companies are wholly-owned by Ms. Wu and as Ms. Wu is his spouse, he is deemed to be interested in such 263,420,525 shares; and
 - (iii) 112,795,525 shares representing the aggregate of (a) 106,806,278 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendants, as beneficiaries of the Pan 2005 Irrevocable Trust dated 10 May 2005; (b) 4,738,844 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendants, as beneficiaries of the Pan 2005 Exempt Trust dated 10 May 2005. Two children of Mr. Pan and Ms. Wu are over the age of 18 and have no discretion over distributions or investments in these trusts until distribution is made to them; and (c) 1,250,403 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendant, as beneficiaries of the Pan 2020 Exempt Trust dated 3 December 2020. One child of Mr. Pan and Ms. Wu is under the age of 18 and has no discretion over distributions or investments in the trust until distribution is made to him.
- (3) Ms. Wu is deemed or taken to be interested in the following shares for the purposes of the SFO:
 - (i) 263,420,525 shares representing the aggregate of (a) 134,828,594 shares which are beneficially owned by Sapphire Hill Holdings Limited; and (b) 128,591,931 shares which are beneficially owned by K&G International Limited. These two companies are wholly-owned by Ms. Wu;
 - (ii) 122,952,005 shares representing the aggregate of (a) 51,439,440 shares which are beneficially owned by Silver Island Limited, a company wholly-owned by Mr. Pan; (b) 70,262,162 shares which are beneficially owned by Mr. Pan; and (c) 1,250,403 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendant, as beneficiaries of the Pan 2020 Exempt Trust dated 3 December 2020, and as Mr. Pan is her spouse, she is deemed to be interested in such 122,952,005 shares; and
 - (iii) 111,545,122 shares representing the aggregate of (a) 106,806,278 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendants, as beneficiaries of the Pan 2005 Irrevocable Trust dated 10 May 2005; and (b) 4,738,844 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendants, as beneficiaries of the Pan 2005 Exempt Trust dated 10 May 2005. Two children of Mr. Pan and Ms. Wu are over the age of 18 and have no discretion over distributions or investments in these trusts until distribution is made to them.

Long positions in the debentures of the Company:

Name of Directors	Capacity/Nature of interest	Principal amount of Notes ⁽¹⁾ held (US\$)
Mr. Pan Benjamin Zhengmin ⁽²⁾	Interest of spouse/Family interest	330,000
Ms. Wu Ingrid Chun Yuan ⁽³⁾	Interest of controlled corporation/ Corporate interest	330,000

Notes:

- (1) The Company issued US\$388,000,000 notes (“Notes”), to be matured in 2024 to third party professional investors, and, the Notes are listed on the Stock Exchange (stock code: 40075). The Notes bear interest at the rate of 3.00% per annum, payable semi-annually in arrears on 27 May and 27 November in each year.
- (2) Mr. Pan is deemed or taken to be interested in this amount of Notes which were held by Sapphire Hill Holdings Limited, a company wholly-owned by Ms. Wu and as Ms. Wu is his spouse, he is deemed to be interested in such amount of Notes.
- (3) Ms. Wu is deemed or taken to be interested in this amount of Notes which are held by Sapphire Hill Holdings Limited, a company wholly-owned by Ms. Wu.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executive and their associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those taken or deemed as their interests or short positions in accordance with such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, to the knowledge of the Directors, the persons (other than a Director or chief executive of the Company) who had, or were deemed to have, an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholders	Capacity	Number of shares	Derivative interest	Percentage of the Company's issued shares ⁽¹⁾
JPMorgan Chase & Co. ⁽²⁾	Interest of controlled corporation/ Person have	146,062,170 (L)	2,570,500 (L)	12.08%
	security interest in shares/	27,520,760 (S)	10,452,329 (S)	2.27%
	Investment Manager/Trustee/ Approved lending agent	7,237,503 (P)		0.59%

L – Long position

S – Short position

P – Lending pool

Notes:

- (1) Percentage was computed based on the 1,208,500,000 issued shares as at the Latest Practicable Date.
- (2) JPMorgan Chase & Co., through its various controlled corporations (“JPMorgan Group”), is indirectly interested in (i) an aggregate of 146,062,170 shares and listed derivative interests of 362,000 shares with physically settled, listed derivative interests of 242,000 shares with cash settled, and unlisted derivative interests of 1,966,500 shares with cash settled in long position; and (ii) an aggregate of 27,520,760 shares and listed derivative interests of 306,000 shares with physically settled, listed derivative interests of 3,318,000 shares with cash settled, unlisted derivative interests of 1,545,293 shares with physically settled, unlisted derivative interests of 5,283,035 shares with cash settled, and listed derivative interests of 1 share with convertible instruments in short position. Among shares held by JPMorgan Group in long position, 111,547,857 shares were held by it as a trustee, in which 111,545,122 represented the same batch of other interests of Mr. Pan and Ms. Wu as disclosed in the section of “Interests of Directors and chief executives of the Company” above.

JPMorgan Chase & Co. is interested in 7,237,503 shares in lending pool as described in the SFO. The term “lending pool” is defined as (i) shares that the approved lending agent holds as agent for a third party which he is authorised to lend and other shares that can be lent according to the requirements of the Securities Borrowing and Lending Rules; and (ii) shares that have been lent by the approved lending agent and only if the right of the approved lending agent to require the return of the shares has not yet been extinguished.

Save as disclosed above, as at the Latest Practicable Date, according to the records in the register required to be kept by the Company under section 336 of the SFO, no other parties had an interest or a short position in the Shares or underlying Shares or debentures of the Company recorded under section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract or a proposed service contract with any member of the Group which is not expiring or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or his or her respective close associates (as defined in the Listing Rules) was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those business to which the Directors or his or her close associates were appointed to represent the interests of the Company and/or the Group.

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date, save as the 2020 Master Lease Agreements (as defined in the Company's announcement dated 20 December 2019 (the "CCT Announcement")) and the 2020 Master Purchase Agreements (as defined in the CCT Announcement) between the Group and various companies which are majority controlled by family members of Mr. Pan Benjamin Zhengmin and Ms. Wu Ingrid Chun Yuan (details of which are set out in the CCT Announcement, the Company's announcement dated 8 January 2020 and the Annual Report 2021 (pages 40 to 42)), (i) none of the Directors was materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group; and (ii) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. EXPERT QUALIFICATION AND CONSENT

The following is the qualification of the expert which has given its opinion or advice which is contained in this circular:

Name	Qualification
Somerley 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

As at the Latest Practicable Date, the Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the references to its name included herein in the form and context in which it is respectively included.

The Independent Financial Adviser has confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interests in any assets which have been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL CONTRACTS

As at the Latest Practicable Date, no contracts (contracts not being entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by the members of the Group within the two years immediately preceding the date of this circular and which is or may be material.

9. GENERAL

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands and the principal place of business of the Company in Hong Kong is at Unit 1605-7, China Evergrande Centre 38 Gloucester Road, Wanchai, Hong Kong.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The Company secretary of the Company is Mr. Ho Siu Tak Jonathan. Mr. Ho is a member of the Law Society of Hong Kong and has over 20 years' experience in legal and management.

10. DOCUMENTS ON DISPLAY

Copies of the following documents are on display and are published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.aactechnologies.com for a period of 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the years ended 31 December 2019, 2020 and 2021;
- (c) the letter from the Independent Board Committee, which is set out on page 27 of this circular;
- (d) the letter from the Somerley Capital Limited, which is set out on pages 28 to 60 of this circular; and
- (e) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of AAC Technologies Holdings Inc. (the “Company”) will be held at 9:30 a.m. on Saturday, 20 August 2022 (the “EGM”) as a virtual meeting via electronic facilities, organised at the principal place of business in Hong Kong, for the following purpose of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT**

- (a) The spin-off of AAC Optics (Changzhou) Co., Ltd.* (誠瑞光學(常州)股份有限公司) (the “Spin-off Company”), currently an indirect non-wholly owned subsidiary of the Company, and a separate listing of the shares of the Spin-off Company on the Shanghai Stock Exchange (the “Proposed Spin-off”) be and is hereby approved; and
- (b) any one director of the Company be and is hereby authorised, for and on behalf of the Company, to take all steps and do all acts and things as he/she considers to be necessary, appropriate or expedient in connection with and to implement or give effect to the Proposed Spin-off and to execute all such other documents, instruments and agreements (including the affixation of the Company’s common seal) deemed by him/her to be incidental to, ancillary to or in connection with the Proposed Spin-off and to attend to any necessary registration and/or filing for and on behalf of the Company.”

By order of the Board
AAC TECHNOLOGIES HOLDINGS INC.
Zhang Hongjiang
Chairman

Hong Kong, 3 August 2022

Principal place of business in Hong Kong:
Unit 1605-7 China Evergrande Centre
38 Gloucester Road
Wanchai
Hong Kong

Registered office in the Cayman Islands:
Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one proxy or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited at the Company's Hong Kong branch share registrar, Investor Communications Centre of Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.
- (2) Completion and return of the form of proxy will not preclude members from attending and voting at the EGM or any adjournment.
- (3) For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 16 August 2022 to Saturday, 20 August 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited of 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 Monday, 15 August 2022.
- (4) As at the date of this notice, the board of directors of the Company comprises two executive directors, namely Mr. Pan Benjamin Zhengmin and Mr. Mok Joe Kuen Richard; one non-executive director, namely Ms. Wu Ingrid Chun Yuan; and four independent non-executive directors, namely Mr. Zhang Hongjiang, Mr. Au Siu Cheung Albert, Mr. Peng Zhiyuan and Mr. Kwok Lam Kwong Larry.