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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 : 02018)

CONTINUING CONNECTED TRANSACTIONS

Background

Since the Company obtained its listing on the Stock Exchange in August 2005, the Company in its conduct of normal business, had entered into transactions with connected persons. In this respect, the Company has complied with the requirements of the Listing Rules and, among other things, made disclosure announcements in respect of various continuing connected transactions with connected persons of the Company as appropriate.

The Existing CCTs were entered into in accordance with the relevant agreements governing the transactions and were previously disclosed by the Company by way of announcements and reported in the relevant annual reports of the Company in accordance with the requirements of the Listing Rules.

In the approval process of the Existing CCTs conducted by the Board, Mr. Pan and Ms. Wu, who had material interests in the Existing CCTs, had abstained from voting on the board resolutions approving the Existing CCTs. The Board, excluding Mr. Pan and Ms. Wu, who had abstained from voting, held the view that the Existing CCTs were entered into in the ordinary and usual course of business of the Group and on normal commercial terms and were of the view that the terms of the Existing CCTs were fair and reasonable and in the interests of the Company and the Shareholders as a whole. All the Existing CCTs had been duly approved by the Board.

The Existing CCTs as disclosed in the 28 December 2010 Announcement, 4 August 2011 Announcement and 31 December 2012 Announcement

In the 28 December 2010 Announcement, 4 August 2011 Announcement and 31 December 2012 Announcement, the Company has disclosed the Group's entering into of the following Existing CCTs:

Agreements relating to rental leases:

1. agreement with Shenzhen Yuanyu, for the period from 1 January 2011 to 31 December 2013, for floor space of selected floors of Block 6 and Block 7 located at Nanyou Tian'an Industry Zone, Nanshan, Shenzhen, PRC pursuant to the New Shenzhen Yuanyu Agreement;
2. agreements with Wu's Mother, for the period from 1 January 2011 to 31 December 2013, for floor space of selected floors of Block 5 and Block 8 located at Nanyou Tian'an Industry Zone, Nanshan, Shenzhen, PRC pursuant to the New Wu's Mother Agreements;
3. agreements with Changzhou LFY, for the period from 1 January 2011 to 31 December 2013, for factory and land area of selected areas of Gang Qiao Bridge, Nanxiashu Town, Wujing District, Changzhou, Jiangsu Province, PRC;
4. agreements with Jiangsu Yuanyu, for the leasing of certain areas within the premises located at Yuanyu Technologies Building, Science & Education Mega Centre, Changzhou, Jiangsu Province, PRC, for the periods from (i) 3 August 2011 to 31 December 2013 pursuant to each of the AAC New Power Lease Agreement (as supplemented by the Supplemental AAC New Power Lease Agreement) and the AAC Biotechnology Lease Agreement; (ii) 10 July 2012 to 9 July 2014 pursuant to each of the Old Microtech Changzhou Lease Agreement and the AAC Module Lease Agreement; and (iii) 1 January 2013 to 31 December 2014 pursuant to each of the Audio Changzhou Lease Agreement and New Microtech Changzhou Lease Agreement;
5. agreement with Mr. Pan and Ms. Wu, for the period from 1 January 2011 to 31 December 2013, for the leasing of a portion of a building designated at 1920 Wright Ave., La Verne CA 91750, the United States of America pursuant to the American Audio Agreement;

Agreements relating to production materials purchasing:

6. agreement with HGCI, for the period from 1 January 2011 to 31 December 2013, for the purchasing of packaging and stamping materials pursuant to the New HGCI Agreement;
7. agreement with Changzhou Yousheng, for the period from 1 January 2011 to 31 December 2013, for the purchasing of parts such as domes, ear cushions, insulation mats and resistance neeb pursuant to the New Yousheng Agreement;
8. agreement with Changzhou Model, for the period from 1 January 2011 to 31 December 2013, for the purchasing of processed supplement materials used in the manufacturing process (e.g. modules and stamping components of acoustic products) by the Group pursuant to the New Changzhou Model Agreement;
9. agreement with Changzhou ZKLF, for the period from 3 August 2011 to 31 December 2013, for the purchasing of electrolyte separator material pursuant to the Changzhou ZKLF Purchase Agreement; and
10. agreement with Chengdu Yindile, for the period from 3 August 2011 to 31 December 2013, for the purchasing of aqueous binders pursuant to the Chengdu Yindile Purchase Agreement.

Renewing and/or revising the Existing CCTs (except the American Audio Agreement)

In view of the expiry dates of 31 December 2013 or thereafter of the Existing Lease Agreements and to continue to secure ongoing and future office and production premises as required, the Group has entered into the 2014 Lease Agreements with the relevant connected persons under the Existing CCTs to renew the terms of the existing leases (except for the American Audio Agreement as mentioned in item 5 above which will not be renewed) and to include new lease of premises. In particular, in order to consolidate the negotiation process, the lease agreements mentioned under items 4(ii) and 4(iii) above which will expire in 2014 and which concern the same landlord being Jiangsu Yuanyu and the leasing of certain areas within the same building, were renewed and/or revised, such that the respective commencement dates and duration of those lease agreements entered into between the Group and Jiangsu Yuanyu will be unified.

Likewise, in view of the expiry dates of 31 December 2013 of the Existing Purchase Agreements and the continuance of existing production needs of the Group, the Group has entered into the 2014 Purchase Agreements with the relevant connected persons under the Existing CCTs to continue to assure the supply of production materials to cope with its expected production needs on similar terms.

Accordingly, the Group has on 20 December 2013 entered into the following 2014 Agreements with connected persons of the Company, which constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules:

- 1) the 2014 Shenzhen Yuanyu Agreements dated 20 December 2013 entered into between two members of the Group (AAC Shenzhen and AAC Kaitai) and Shenzhen Yuanyu, details of which are set out in the section headed "2014 SHENZHEN YUANYU AGREEMENTS" below;
- 2) the 2014 Wu's Mother Agreements all dated 20 December 2013 entered into between AAC Shenzhen and Wu's Mother, details of which are set out in the section headed "2014 WU'S MOTHER AGREEMENTS" below;
- 3) the 2014 Changzhou LFY Agreements all dated 20 December 2013 entered into between certain members of the Group and Changzhou LFY, details of which are set out in the section headed "2014 CHANGZHOU LFY AGREEMENTS" below;
- 4) the 2014 Jiangsu Yuanyu Agreements all dated 20 December 2013 entered into between certain members of the Group and Jiangsu Yuanyu, details of which are set out in the section headed "2014 JIANGSU YUANYU AGREEMENTS" below;
- 5) the 2014 HG CJ Agreement dated 20 December 2013 entered into between the Company and HG CJ, details of which are set out in the section headed "2014 HG CJ AGREEMENT" below;
- 6) the 2014 Yousheng Agreement dated 20 December 2013 entered into between the Company and Changzhou Yousheng, details of which are set out in the section headed "2014 YOUSHENG AGREEMENT" below;

- 7) the 2014 Changzhou Model Agreement dated 20 December 2013 entered into between the Company and Changzhou Model, details of which are set out in the section headed "2014 CHANGZHOU MODEL AGREEMENT" below;
- 8) the 2014 Changzhou ZKLF Purchase Agreement dated 20 December 2013 entered into between AAC New Power (a member of the Group) and Changzhou ZKLF, details of which are set out in the section headed "2014 CHANGZHOU ZKLF PURCHASE AGREEMENT" below; and
- 9) the 2014 Chengdu Yindile Purchase Agreement dated 20 December 2013 entered into between AAC New Power and Chengdu Yindile, details of which are set out in the section headed "2014 CHENGDU YINDILE PURCHASE AGREEMENT" below.

As Mr. Pan and Ms. Wu have a material interest in the continuing connected transactions contemplated under each of the 2014 Agreements, they have abstained from voting on the board resolutions of the Company in approving the 2014 Agreements.

As the Board anticipates that the relevant percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps for the transactions contemplated under (i) all the 2014 Lease Agreements (if required to be aggregated with each other under Rules 14A.25 and 14A.26 of the Listing Rules); or (ii) all the 2014 Purchase Agreements (if required to be aggregated with each other under Rules 14A.25 and 14A.26 of the Listing Rules), will respectively exceed 0.1% but will be less than 5%, all the 2014 Lease Agreements and 2014 Purchase Agreements will be subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47, the annual review requirements set out in Rules 14A.37 to 14A.40 but exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that each of the 2014 Agreements was entered into in the ordinary and usual course of business of the Group, on normal commercial terms and that the terms thereof (including the relevant annual caps as set out in this announcement) are fair and reasonable and in the interests of the Company and the Shareholders as a whole after taking into account the factors stated in this announcement.

As at the date of this announcement, the Board anticipates that the aggregate annual rental payable by the Group to the connected persons under all the 2014 Lease Agreements will, based on the relevant annual caps under such agreements, not exceed RMB26,514,000 for the year ending 31 December 2014; RMB24,572,000 for the year ending 31 December 2015; and RMB22,926,000 for the year ending 31 December 2016.

As at the date of this announcement, the Board anticipates that the aggregate annual amount payable by the Group to the connected persons under all the 2014 Purchase Agreements will, based on the relevant annual caps under such agreements, not exceed RMB137,800,000 for the year ending 31 December 2014; RMB187,800,000 for the year ending 31 December 2015; and RMB264,000,000 for the year ending 31 December 2016.

I. INTRODUCTION

Reference is made to the 28 December 2010 Announcement, 4 August 2011 Announcement and 31 December 2012 Announcement, wherein it was announced that, among other things, the following agreements were entered into by the Group with connected persons of the Company, which constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules:

- i. the New Shenzhen Yuanyu Agreement, which will expire on 31 December 2013;
- ii. the New Wu's Mother Agreements, which will expire on 31 December 2013;
- iii. the New Changzhou LFY Agreements (as supplemented by the Supplemental Changzhou LFY Agreements), which will expire on 31 December 2013;
- iv. the AAC New Power Lease Agreement (as supplemented by the Supplemental AAC New Power Lease Agreement), which will expire on 31 December 2013;
- v. the AAC Biotechnology Lease Agreement, which will expire on 31 December 2013;
- vi. the American Audio Agreement, which will expire on 31 December 2013;
- vii. the Old Microtech Changzhou Lease Agreement, which will expire on 9 July 2014;
- viii. the AAC Module Lease Agreement, which will expire on 9 July 2014;
- ix. the Audio Changzhou Lease Agreement, which will expire on 31 December 2014;
- x. the New Microtech Changzhou Lease Agreement, which will expire on 31 December 2014;
- xi. the New HGCJ Agreement, which will expire on 31 December 2013;
- xii. the New Yousheng Agreement, which will expire on 31 December 2013;
- xiii. the New Changzhou Model Agreement, which will expire on 31 December 2013;
- xiv. the Changzhou ZKLF Purchase Agreement, which will expire on 31 December 2013; and
- xv. the Chengdu Yindile Purchase Agreement, which will expire on 31 December 2013.

Details of the abovementioned agreements are more particularly set out in the aforementioned announcements.

In view of the expiry dates of 31 December 2013 or thereafter of the Existing Lease Agreements and to continue to secure ongoing and future office and production premises as required, the Group has entered into the 2014 Lease Agreements with the relevant connected persons under the Existing CCTs to renew the terms of the existing leases (except for the American Audio Agreement as mentioned in item vi above which will not be renewed) and to include new lease of premises. In particular, in order to consolidate the negotiation process, the lease agreements mentioned under items vii to x above which will expire in 2014 and which concern the same landlord being Jiangsu Yuanyu and the leasing of certain areas within the same building, were renewed and/or revised, such that the respective commencement dates and duration of those leases agreements entered into between the Group and Jiangsu Yuanyu will be unified.

Likewise, in view of the expiry dates of 31 December 2013 of the Existing Purchase Agreements and the continuance of existing production needs of the Group, the Group has entered into the 2014 Purchase Agreements with the relevant connected persons under the Existing CCTs to continue to assure the supply of production materials to cope with its expected production needs on similar terms.

II. CONTINUING CONNECTED TRANSACTIONS

(1) 2014 SHENZHEN YUANYU AGREEMENTS

As stated in the 28 December 2010 Announcement, AAC Shenzhen (a member of the Group) and Shenzhen Yuanyu entered into the New Shenzhen Yuanyu Agreement, pursuant to which Shenzhen Yuanyu agreed to lease the following properties located at Nanyou Tian'an Industry Zone, Nanshan, Shenzhen, PRC, to AAC Shenzhen as part of its factory for a period of three years commencing from 1 January 2011 to 31 December 2013. Details of such lease are as follows:

Location	Actual rent paid/payable (RMB)		Annual caps (RMB)
	For each of the two years ending 31 December 2012	For the year ending 31 December 2013	For each of the three years ending 31 December 2013
5th-7th Floor, Block 6 (6,150 sq.m.) and 1st floor, Block 7 (1,829 sq.m.)	4,787,400	3,872,900 <i>(Note)</i>	4,790,000
Total:	4,787,400	3,872,900	4,790,000

Note: Since the premises at 1st Floor, Block 7 mentioned above was early terminated in 2013, the actual rent payable for the year ending 31 December 2013 was reduced.

None of the aforementioned actual rent paid/payable for each of the three years ending 31 December 2013 has exceeded or will exceed their respective annual caps for the corresponding years.

In view of the expiry of the New Shenzhen Yuanyu Agreement on 31 December 2013, on 20 December 2013, two members of the Group (AAC Shenzhen and AAC Kaitai) and Shenzhen Yuanyu entered into the 2014 Shenzhen Yuanyu Agreements, pursuant to which Shenzhen Yuanyu agreed to lease (i) the premises located at Nanyou Tian'an Industry Zone, Nanshan, Shenzhen, PRC (the “**Shenzhen Yuanyu Nanyou Premises**”), to AAC Shenzhen as part of its factory for a period of one and a half years commencing from 1 January 2014 to 30 June 2015; and (ii) the premises located at Nanda Building, Nanshan, Shenzhen, PRC (the “**Shenzhen Yuanyu Nanda Premises**”), to AAC Shenzhen and AAC Kaitai as their offices for a period of three years commencing from 1 January 2014 to 31 December 2016, details of which are as follows:

Location	Member(s) of the Group as tenant(s)	Annual rent payable (RMB)			Annual caps (RMB)		
		For the year ending 31 December 2014	For the year ending 31 December 2015	For the year ending 31 December 2016	For the year ending 31 December 2014	For the year ending 31 December 2015	For the year ending 31 December 2016

Shenzhen Yuanyu Nanyou Premises							
5th-7th Floor, Block 6 (6,150 sq.m.)	AAC Shenzhen	3,690,000	1,845,000	0	3,700,000	1,850,000	0
Shenzhen Yuanyu Nanda Premises							
1st, 6th-10th Floor and Roof Top, Block A and 6-8 Floor, Block C (9,656.41 sq.m.)	AAC Shenzhen and AAC Kaitai	10,081,296	10,081,296	10,081,296	10,082,000	10,082,000	10,082,000
Total:		13,771,296	11,926,296	10,081,296	13,782,000	11,932,000	10,082,000

Pursuant to the 2014 Shenzhen Yuanyu Agreements, AAC Shenzhen and AAC Kaitai shall pay Shenzhen Yuanyu the rent before the tenth day of each month on a monthly basis.

The properties under the 2014 Shenzhen Yuanyu Agreements comprise: (i) the Shenzhen Yuanyu Nanyou Premises which have a total construction area of 6,150 sq.m. and are leased on a rental rate of RMB50 per sq.m. per month; and (ii) the Shenzhen Yuanyu Nanda Premises which have a total area of 9,656.41 sq.m. and are leased on a rental rate of RMB87 per sq.m. per month. Such rental rates have been determined with reference to prevailing market rental rates obtained by market research on rental valuation of similar properties in the vicinity carried out by AAC Shenzhen and AAC Kaitai. The annual caps for the 2014 Shenzhen Yuanyu Agreements are determined by multiplying the total construction area / area to be leased by the aforesaid rental rate per sq.m..

Based on the annual rent payable under the 2014 Shenzhen Yuanyu Agreements, the annual caps in respect of the annual rent payable under the 2014 Shenzhen Yuanyu Agreements will be RMB13,782,000, RMB11,932,000 and RMB 10,082,000 for each of the three years ending 31 December 2016 respectively.

(2) 2014 WU'S MOTHER AGREEMENTS

As stated in the 28 December 2010 Announcement, AAC Shenzhen and Wu's Mother entered into the New Wu's Mother Agreements, pursuant to which Wu's Mother agreed to lease the following properties, located at Nanyou Tian'an Industry Zone, Nanshan, Shenzhen, PRC, to AAC Shenzhen as part of its factory for a period of three years commencing from 1 January 2011 to 31 December 2013, details of which are as follows:

Location	Actual rent paid / payable (RMB)	Annual caps (RMB)
	For each of the three years ending 31 December 2013	For each of the three years ending 31 December 2013
1st Floor, Block 8 (670 sq.m.), 2nd Floor, Block 8	2,513,742	2,514,000

(1,470 sq.m.) and 6th Floor, Block 5 (approx. 2,050 sq.m.)		
3rd Floor, Block 8 (1,370 sq.m.)	822,000	822,000
Total:	3,335,742	3,336,000

None of the aforementioned actual rent paid/payable for each of the three years ending 31 December 2013 has exceeded or will exceed their respective annual caps for the corresponding years.

In view of the expiry of the New Wu's Mother Agreements on 31 December, 2013, on 20 December 2013, AAC Shenzhen and Wu's Mother entered into the 2014 Wu's Mother Agreements, pursuant to which Wu's Mother agreed to renew the lease of the same properties located at Nanyou Tian'an Industry Zone, Nshan, Shenzhen, PRC, to AAC Shenzhen as part of its factory for periods (i) commencing from 1 January 2014 to 31 December 2016 (in respect of 1st Floor and 2nd Floor, Block 8) and (ii) commencing from 1 January 2014 to 30 June 2015 (in respect of 3rd Floor, Block 8 and 6th Floor, Block 5), details of which are as follows:

Location	Annual rent payable (RMB)			Annual caps (RMB)		
	For the year ending 31 December 2014	For the year ending 31 December 2015	For the year ending 31 December 2016	For the year ending 31 December 2014	For the year ending 31 December 2015	For the year ending 31 December 2016
1st Floor, Block 8 and 2nd Floor, Block 8 (2,140 sq.m. in total)	1,746,240	1,746,240	1,746,240	1,747,000	1,747,000	1,747,000
3rd Floor, Block 8 (1,370 sq.m.)	822,000	411,000	0	822,000	411,000	0
6th Floor, Block 5 (approx. 2,050 sq.m.)	1,229,742	614,871	0	1,230,000	615,000	0
TOTAL:	3,797,982	2,772,111	1,746,240	3,799,000	2,773,000	1,747,000

Pursuant to the 2014 Wu's Mother Agreements, AAC Shenzhen shall pay Wu's Mother before the fifteenth day of each month on a monthly basis.

The properties under the 2014 Wu's Mother Agreements have a total construction area of approximately 5,560 sq.m. and are leased on a rental basis of RMB50 per sq.m. per month (in respect of 3rd Floor, Block 8 and 6th Floor, Block 5 only) and RMB68 per sq.m. per month (in respect of 1st Floor and 2nd Floor, Block 8 only). Such rental rates have been determined with reference to prevailing market rental rates obtained by market research on rental valuation of similar properties in the vicinity carried out by AAC Shenzhen. The annual caps for the 2014 Wu's Mother Agreements are determined by multiplying the total construction area to be leased

by the aforesaid respective rental rates per sq.m.

Based on the annual rent payable under the 2014 Wu's Mother Agreements, the annual caps in respect of the annual rent payable under the 2014 Wu's Mother Agreements will be RMB3,799,000, RMB2,773,000 and RMB1,747,000 for each of the three years ending 31 December 2016 respectively.

(3) 2014 CHANGZHOU LFY AGREEMENTS

As stated in the 31 December 2012 Announcement, certain members of the Group entered into the New Changzhou LFY Agreements (as supplemented by the Supplemental Changzhou LFY Agreements), pursuant to which Changzhou LFY agreed to lease certain properties located in Changzhou, Jiangsu Province, PRC to the Group as part of its factory for a period of three years commencing from 1 January 2011 to 31 December 2013, details of which are as follows:

Location	Member of the Group as tenant	Actual rent paid / payable (RMB)			Annual caps (RMB)		
		For the year ended 31 December 2011	For the year ended 31 December 2012	For the year ending 31 December 2013	For the year ended 31 December 2011	For the year ended 31 December 2012	For the year ending 31 December 2013
Gang Qiao Bridge, Nanxiashu Town, Wujing District, Changzhou, PRC							
416.6 sq.m. factory area	AAC Changzhou	49,992	70,822	74,988	50,000	71,000	75,000
833.3 sq.m. factory area	Audio Changzhou	99,996	141,661	149,994	100,000	142,000	150,000
5,946.1 sq.m. factory area and 7,700 sq.m. land area	Microtech Changzhou	805,932	1,103,237	1,162,698	810,000	1,104,000	1,163,000
	Total:	955,920	1,315,720	1,387,680	960,000	1,317,000	1,388,000

None of the aforementioned actual rent paid/payable for each of the three years ending 31 December 2013 has exceeded or will exceed their respective annual caps for the corresponding years.

In view of the expiry of the New Changzhou LFY Agreements (as supplemented by the Supplemental Changzhou LFY Agreements) on 31 December 2013, on 20 December 2013, certain members of the Group entered into the 2014 Changzhou LFY Agreements, pursuant to which Changzhou LFY agreed to renew the lease of the same properties located in Changzhou, Jiangsu Province, PRC as part of its factory, for a period of three years commencing from 1

January 2014 to 31 December 2016, details of which are as follows:

Location	Member of the Group as tenant	Annual rent payable (RMB)			Annual caps (RMB)		
		For the year ending 31 December 2014	For the year ending 31 December 2015	For the year ending 31 December 2016	For the year ending 31 December 2014	For the year ending 31 December 2015	For the year ending 31 December 2016
416.6 sq.m. factory area	AAC Changzhou	79,992	94,980	109,980	80,000	95,000	110,000
833.3 sq.m. factory area	Audio Changzhou	159,996	189,996	219,996	160,000	190,000	220,000
5,946.1 sq.m. factory area and 7,700 sq.m. land area	Microtech Changzhou	1,234,056	1,448,112	1,662,168	1,235,000	1,449,000	1,663,000
Total:		1,474,044	1,733,088	1,992,144	1,475,000	1,734,000	1,993,000

Pursuant to the 2014 Changzhou LFY Agreements, the monthly rent shall be paid to Changzhou LFY before the tenth day of each month on a monthly basis.

The properties under the 2014 Changzhou LFY Agreements comprise (i) a total factory area of 7,196 sq.m. and are leased at a rental rate of RMB16, RMB19 and RMB22 per sq.m. per month for each of the three years ending 31 December 2016 respectively; and (ii) a total land area of 7,700 sq.m. and are leased at a rental rate of RMB7,700 per month. Such rental rates have been determined on arm's length basis and negotiated after a market research on the prevailing market rent of similar premises in the nearby area in Changzhou, PRC. The annual caps for the 2014 Changzhou LFY Agreements are determined by multiplying the total factory area to be leased by the aforesaid rental rates per sq.m. and the rental rate payable for the land area being leased thereunder.

Based on the annual rent payable under the 2014 Changzhou LFY Agreements, the annual caps in respect of the annual rent payable under the 2014 Changzhou LFY Agreements will be RMB1,475,000, RMB1,734,000 and RMB1,993,000 for each of the three years ending 31 December 2016 respectively.

(4) 2014 JIANGSU YUANYU AGREEMENTS

As stated in the 4 August 2011 Announcement and 31 December 2012 Announcement, the Group and Jiangsu Yuanyu entered into the following agreements:

- 1) the AAC New Power Lease Agreement (as supplemented by the Supplemental AAC New Power Lease Agreement), which will expire on 31 December 2013;
- 2) the AAC Biotechnology Lease Agreement, which will expire on 31 December 2013;
- 3) the Old Microtech Changzhou Lease Agreement, which will expire on 9 July 2014;
- 4) the AAC Module Lease Agreement, which will expire on 9 July, 2014;

- 5) the Audio Changzhou Lease Agreement, which will expire on 31 December 2014; and
 6) the New Microtech Changzhou Lease Agreement, which will expire on 31 December 2014;
 (together, the “**Existing Jiangsu Yuanyu Agreements**”).

Pursuant to the abovementioned agreements, Jiangsu Yuanyu agreed to lease certain areas within the premises located at Yuanyu Technologies Building, Science & Education Mega Centre, Changzhou, Jiangsu Province, PRC to the Group as part of its factory, further details of which are set out in the aforementioned announcements.

In view of the expiry of the Existing Jiangsu Yuanyu Agreements on 31 December 2013 or thereafter and in order to consolidate the negotiation process, on 20 December 2013, the Group entered into the 2014 Jiangsu Yuanyu Agreements, pursuant to which Jiangsu Yuanyu agreed to lease certain areas within the premises located at Yuanyu Technologies Building, Science & Education Mega Centre, Changzhou, Jiangsu Province, PRC to certain members of the Group as part of its factory and office space, for a period of three years commencing from 1 January 2014 to 31 December 2016, details of which are as follows:

Location	Member of the Group as tenant	Annual rent payable (RMB)			Annual caps (RMB)		
		For the year ending 31 December 2014	For the year ending 31 December 2015	For the year ending 31 December 2016	For the year ending 31 December 2014	For the year ending 31 December 2015	For the year ending 31 December 2016
Yuanyu Technologies Building, Science & Education Mega Centre, Changzhou, Jiangsu Province, PRC							
19,831 sq.m. construction area and 2,233 sq.m. site area	AAC New Power	5,500,152	5,976,096	6,690,012	5,501,000	5,977,000	6,691,000
500 sq.m. construction area	AAC Biotechnology	138,000	150,000	168,000	138,000	150,000	168,000
1,250 sq.m. construction area and 250 sq.m. site area (“ Microtech Changzhou Premises (A) ”) and 1,500 sq.m. construction area	Microtech Changzhou	746,275	828,000	927,000	750,000	828,000	927,000
1,250 sq.m. construction area and 250 sq.m. site area (“ AAC Module Premises ”) and 1,500 sq.m. construction area	AAC Module	332,275	378,000	423,000	333,000	378,000	423,000

2,656 sq.m. construction area and 200 sq.m. site area	Audio Changzhou	735,456	799,200	894,816	736,000	800,000	895,000
Total:		7,452,158	8,131,296	9,102,818	7,458,000	8,133,000	9,104,000

Pursuant to the 2014 Jiangsu Yuanyu Agreements, the Group shall pay Jiangsu Yuanyu the monthly rent before the tenth day of each month on a monthly basis.

The properties under the 2014 Jiangsu Yuanyu Agreements have (i) a total construction area of 26,987 sq.m. and are generally leased on a rental basis of RMB23, RMB25 and RMB28 per sq.m. per month for each of the three years ending 31 December 2016 respectively (except in respect of the Microtech Changzhou Premises (A) and AAC Module Premises, the rental rate of RMB23 per sq.m. per month for the year ending 31 December 2014 will only apply as from 10 July 2014 onwards as the rental rate of RMB21 per sq.m. per month under the Old Microtech Changzhou Lease Agreement and the AAC Module Lease Agreement will continue to apply for the period from 1 January 2014 to 9 July 2014); and (ii) a total site area of 2,933 sq.m. and are leased on a rental rate of RMB2,933 per month. Such rental rates have been determined on arm's length basis and negotiated after a market research on the prevailing market rent of similar premises in the nearby area in Changzhou, PRC.

For the year ended 31 December 2012 and the six months ended 30 June 2013, the rent paid to Jiangsu Yuanyu under the Existing Jiangsu Yuanyu Agreements entered into by the members of Group and Jiangsu Yuanyu for the aforementioned properties amounted to RMB2,700,000 and RMB2,736,000 respectively. None of the aforementioned aggregate rent paid by the Group exceeded their respective annual caps for the corresponding years.

Based on the annual rent payable under the 2014 Jiangsu Yuanyu Agreements, the annual caps in respect of the annual rent payable under the 2014 Jiangsu Yuanyu Agreements will be RMB7,458,000, RMB8,133,000 and RMB9,104,000 for each of the three years ending 31 December 2016 respectively.

(5) 2014 HGCJ AGREEMENT

As stated in the 28 December 2010 Announcement, the Group and HGCJ entered into the New HGCJ Agreement, pursuant to which the Group agreed to purchase packaging and stamping materials from HGCJ for a term of three years commencing from 1 January 2011 to 31 December 2013. The respective annual caps for the three years ending 31 December 2013 were determined by the Board to be RMB6,500,000, RMB8,500,000 and RMB11,000,000 respectively.

For each of the two years ended 31 December 2012 and the six months ended 30 June 2013, the actual transaction amounts for the purchase of the materials from HGCJ under the New HGCJ Agreement were approximately RMB6,198,000, RMB8,354,000 and RMB6,774,000 respectively. None of the aforementioned transaction amounts has exceeded their respective annual caps for the corresponding years.

In view of the expiry of the New HG CJ Agreement on 31 December 2013, on 20 December 2013, the Company and HG CJ entered into the 2014 HG CJ Agreement, pursuant to which the Group agreed to purchase packaging and stamping materials from HG CJ for a period of three years commencing from 1 January 2014 to 31 December 2016.

The purchase price for the relevant materials is determined between the parties on arm's length basis and with reference to the prevailing market rates. The consideration payable for the products for each individual transaction contemplated under the 2014 HG CJ Agreement shall be the aggregate price for the total quantity of such products delivered by HG CJ to the Group which have been tested by and accepted to the Group's satisfaction and standards. Upon the receipt by the Group of an invoice from HG CJ for each individual transaction contemplated under the 2014 HG CJ Agreement, the consideration shall be payable by the Group to HG CJ within ninety days. HG CJ guarantees that the purchase price payable by the Group and the terms offered thereunder will be no less favorable than terms offered to other independent third parties.

In addition, the Group will obtain fee quotations from other suppliers in the market to ensure that the terms offered by HG CJ represent prevailing market rates and are no less favorable than terms that can otherwise be obtained from other suppliers to safeguard the interest of the Company and the Shareholders as a whole.

The Board expects that the business of the Group will continue to expand and as such, the purchase of materials from HG CJ will be increased in coping with the Group's production plan. Based on the terms of the 2014 HG CJ Agreement, the annual caps in respect of the annual amounts under the 2014 HG CJ Agreement will be RMB20,000,000, RMB26,000,000 and RMB34,000,000 for each of the three years ending 31 December 2016 respectively, which were determined with reference to previous transactions, historical purchase amounts between the Group and HG CJ, estimated prevailing market rates of the materials to be acquired and the expected level of purchases by the Group for its estimated production needs taking into account the Group's projected sales volume of its products, the estimated demands from the market and customers, the expected completion of its research and development in relation to its products and the anticipated growth of the Group's production capacity.

(6) 2014 YOUSHENG AGREEMENT

As stated in the 28 December 2010 Announcement, the Group and Changzhou Yousheng entered into the New Yousheng Agreement, pursuant to which the Group agreed to purchase parts such as domes, ear cushions, insulation mats and resistance neeb for use in acoustic components from Changzhou Yousheng for a term of three years commencing from 1 January 2011 to 31 December 2013. The respective annual caps for the three years ending 31 December 2013 were determined by the Board to be RMB24,000,000, RMB32,000,000 and RMB42,000,000 respectively.

For each of the two years ended 31 December 2012 and the six months ended 30 June 2013, the actual transaction amounts for the purchase of the materials from Changzhou Yousheng under the New Yousheng Agreement were approximately RMB23,893,000, RMB31,640,000 and RMB36,589,000 respectively. None of the aforementioned transaction amounts has exceeded their respective annual caps for the corresponding years.

In view of the expiry of the New Yousheng Agreement on 31 December 2013, on 20 December 2013, the Company and Changzhou Yousheng entered into the 2014 Yousheng Agreement, pursuant to which the Group agreed to purchase parts such as domes, ear cushions, insulation mats and resistance neeb for use in acoustic components from Changzhou Yousheng for a period of three years commencing from 1 January 2014 to 31 December 2016.

The purchase price for the relevant materials is determined between the parties on arm's length basis and with reference to the prevailing market rates. The consideration payable for the products for each individual transaction contemplated under the 2014 Yousheng Agreement shall be the aggregate price for the total quantity of such products delivered by Changzhou Yousheng to the Group which have been tested by and accepted to the Group's satisfaction and standards. Upon the receipt by the Group of an invoice from Changzhou Yousheng for each individual transaction contemplated under the 2014 Yousheng Agreement, the consideration shall be payable by the Group to Changzhou Yousheng within forty-five days. Changzhou Yousheng guarantees that the purchase price payable by the Group and the terms offered thereunder will be no less favorable than terms offered to other independent third parties.

In addition, the Group will obtain fee quotations from other suppliers in the market to ensure that the terms offered by Changzhou Yousheng represent prevailing market rates and are no less favorable than terms that can otherwise be obtained from other suppliers to safeguard the interest of the Company and the Shareholders as a whole.

As it is expected that the level of purchases by members of the Group for their estimated production needs will significantly increase and based on the terms of the 2014 Yousheng Agreement, the annual caps in respect of the annual amounts under the 2014 Yousheng Agreement will be RMB55,000,000, RMB72,000,000 and RMB93,000,000 for the three years ending 31 December 2016 respectively, which were determined with reference to previous transactions, historical purchase amounts between the Group and Changzhou Yousheng, estimated prevailing market rates of the materials to be acquired and the expected level of purchases by the Group for its estimated production needs taking into account the Group's projected sales volume of its products, the estimated demands from the market and customers, the expected completion of its research and development in relation to its products and the anticipated growth of the Group's production capacity.

(7) 2014 CHANGZHOU MODEL AGREEMENT

As stated in the 28 December 2010 Announcement, the Group and Changzhou Model entered into the New Changzhou Model Agreement, pursuant to which the Group agreed to purchase processed supplement materials used in the manufacturing process (e.g. models and stamping components of acoustic products) by the Group from Changzhou Model for a period of three years commencing from 1 January 2011 to 31 December 2013. The respective annual caps for the three years ending 31 December 2013 were determined by the Board to be RMB25,000,000, RMB32,500,000 and RMB43,000,000 respectively.

For each of the two years ended 31 December 2012 and the six months ended 30 June 2013, the actual transaction amounts for the purchase of the materials from Changzhou Model under the New Changzhou Model Agreement were approximately RMB20,184,000, RMB21,915,000 and RMB15,358,000 respectively. None of the aforementioned transaction amounts has exceeded their respective annual caps for the corresponding years.

In view of the expiry of the New Changzhou Model Agreement on 31 December 2013, on 20 December 2013, the Company and Changzhou Model entered into 2014 Changzhou Model Agreement, pursuant to which the Group agreed to purchase processed supplement materials used in the manufacturing process (e.g. modules and stamping components of acoustic products) by the Group from Changzhou Model for a period of three years commencing from 1 January 2014 to 31 December 2016.

The purchase price for the relevant materials is determined between the parties on arm's length basis and with reference to the prevailing market rates. The consideration payable for the products for each individual transaction contemplated under the 2014 Changzhou Model Agreement shall be the aggregate price for the total quantity of such products delivered by Changzhou Model to the Group which have been tested by and accepted to the Group's satisfaction and standards. Upon the receipt by the Group of an invoice from Changzhou Model for each individual transaction contemplated under the 2014 Changzhou Model Agreement, the consideration shall be payable by the Group to Changzhou Model within ninety days. Changzhou Model guarantees that the purchase prices payable by the Group and the terms offered thereunder will be no less favorable than terms offered to other independent third parties.

In addition, the Group will obtain fee quotations from other suppliers in the market to ensure that the terms offered by Changzhou Model represent prevailing market rates and are no less favorable than terms that can otherwise be obtained from other suppliers to safeguard the interests of the Company and the Shareholders as a whole.

Owing to the close proximity of the production facilities of Changzhou Model as compared to other suppliers and the demand for processed supplement materials used in the manufacturing process (e.g. modules and stamping components of acoustic products), the Group has been purchasing from Changzhou Model. The Board expects that the business of the Group will continue to grow and the demand for, among others, the aforementioned processed supplement materials will continue to grow as well. As a growing business, the Board believes the purchase of good quality processing materials from manufacturers located at close proximity to the Group's production facilities is beneficial to the overall operation of the Group. Nonetheless, the Board has also taken into consideration of the overall development and production plans of the Group.

Based on the terms of the 2014 Changzhou Model Agreement, the annual caps in respect of the annual purchase amounts under the 2014 Changzhou Model Agreement will be RMB51,000,000, RMB66,000,000 and RMB90,000,000 for the three years ending 31 December 2016 respectively, which were determined with reference to previous transactions, historical purchase amounts between the Group and Changzhou Model, estimated prevailing market rates of the materials to be acquired and the expected level of purchases by the Group for its estimated production needs taking into account the Group's projected sales volume of its products, the estimated demands from the market and customers, the expected completion of its research and development in relation to its products and the anticipated growth of the Group's production capacity.

(8) 2014 CHANGZHOU ZKLF PURCHASE AGREEMENT

As stated in the 4 August 2011 Announcement, AAC New Power (a member of the Group) and Changzhou ZKLF entered into the Changzhou ZKLF Purchase Agreement, pursuant to which AAC New Power agreed to purchase electrolyte separator materials from Changzhou ZKLF for a period commencing from 3 August 2011 to 31 December 2013. The respective annual caps for the three years ending 31 December 2013 were determined by the Board to be RMB4,260,000, RMB10,220,000 and RMB51,080,000.

For each of the two years ended 31 December 2012 and the six months ended 30 June 2013, the actual transaction amounts for the purchase of the materials from Changzhou ZKLF under the Changzhou ZKLF Purchase Agreement were approximately RMB1,669,000, RMB0 and RMB0 respectively. None of the aforementioned transaction amounts has exceeded their respective annual caps for the corresponding years. In the past three years, the actual transaction amount for the purchase of electrolyte separator materials turned out to be rather low because the Group did not require massive purchase of such materials in view of the change in market conditions and the Group's production plans and schedules in relation to its production needs for Lithium-ion battery products.

In view of the expiry of the Changzhou ZKLF Purchase Agreement on 31 December 2013, on 20 December 2013, AAC New Power and Changzhou ZKLF entered into 2014 Changzhou ZKLF Purchase Agreement, pursuant to which Changzhou ZKLF agreed to purchase electrolyte separator materials from Changzhou ZKLF for a term of three years commencing from 1 January 2014 to 31 December 2016.

The purchase price for the relevant materials is determined by the parties on arm's length basis and with reference to the prevailing market rates. The consideration payable for the products for each individual transaction contemplated under the 2014 Changzhou ZKLF Purchase Agreement shall be the aggregate price for the total quantity of such products delivered by Changzhou ZKLF to AAC New Power which have been tested by and accepted to AAC New Power's satisfaction and standards. Upon the receipt by AAC New Power of an invoice from Changzhou ZKLF for each individual transaction contemplated under the Changzhou ZKLF Purchase Agreement, the consideration shall be payable by AAC New Power to Changzhou ZKLF within ninety days. AAC New Power guarantees that the purchase prices payable by AAC New Power will be no less favorable than terms offered to independent third parties.

In addition, AAC New Power will obtain fee quotations from other suppliers in the market to ensure that the terms offered by Changzhou ZKLF represent prevailing market rates and are no less favorable than terms that can otherwise be obtained from other suppliers to safeguard the interest of the Company and the Shareholders as a whole.

Pursuant to the 2014 Changzhou ZKLF Purchase Agreement, AAC New Power will be able to purchase patented and patent-pending cutting-edge materials that can enhance the quality of its battery products. The Directors considered that the terms of the Changzhou ZKLF Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole after taking into account the above factors.

Based on the terms of the New Changzhou ZKLF Purchase Agreement, the annual caps in respect of the annual purchase amounts under the 2014 Changzhou ZKLF Purchase Agreement will be RMB10,000,000, RMB20,000,000 and RMB40,000,000 for the three years ending 31 December 2016 respectively, which were determined with reference to the estimated prevailing market rates of the materials to be acquired and the expected level of purchases by the Group for its estimated production needs taking into account the Group's projected sales volume of its products, the estimated demands from the market and customers, the expected completion of its research and development in relation to its products and the anticipated growth of the Group's production capacity.

(9) 2014 CHENGDU YINDILE PURCHASE AGREEMENT

As stated in the 4 August 2011 Announcement, AAC New Power and Chengdu Yindile entered into the Chengdu Yindile Purchase Agreement, pursuant to which AAC New Power agreed to purchase aqueous binders from Chengdu Yindile for a term commencing from 3 August 2011 to 31 December 2013. The respective annual caps for the three years ending 31 December 2013 were determined by the Board to be RMB1,122,000, RMB2,693,000 and RMB13,460,000.

For each of the two years ended 31 December 2012 and the six months ended 30 June 2013, the actual transaction amounts for the purchase of the materials from Chengdu Yindile under the Chengdu Yindile Purchase Agreement were approximately RMB44,000, RMB27,000 and RMB0 respectively. None of the aforementioned actual transaction amounts has exceeded their respective annual caps for the corresponding years. In the past three years, the actual transaction amount for the purchase of aqueous binders turned out to be rather low because the Group did not require massive purchase of such materials in view of the change in market conditions and the Group's production plans and schedules in relation to its production needs for Lithium-ion battery products.

In view of the expiry of the Chengdu Yindile Purchase Agreement on 31 December 2013, on 20 December 2013, AAC New Power and Chengdu Yindile entered into the 2014 Chengdu Yindile Purchase Agreement, pursuant to which AAC New Power agreed to purchase aqueous binders from Chengdu Yindile for a term of three years commencing from 1 January 2014 to 31 December 2016.

The purchase price for the relevant materials is determined by the parties on arm's length basis and with reference to the prevailing market rates. The consideration payable for the products for each individual transaction contemplated under the 2014 Chengdu Yindile Purchase Agreement shall be the aggregate price for the total quantity of such products delivered by Chengdu Yindile to AAC New Power which have been tested by and accepted to AAC New Power's satisfaction and standards. Upon the receipt by AAC New Power of an invoice from Chengdu Yindile for each individual transaction contemplated under the 2014 Chengdu Yindile Purchase Agreement, the consideration shall be payable by AAC New Power to Chengdu Yindile within fifteen days. Chengdu Yindile guarantees that the purchase prices payable by AAC New Power will be no less favorable than terms offered to independent third parties.

In addition, AAC New Power will obtain fee quotations from other suppliers in the market to ensure that the terms offered by Chengdu Yindile represent prevailing market rates and are no less favorable than terms that can otherwise be obtained from other suppliers to safeguard the interests of the Company and the Shareholders as a whole.

Pursuant to the 2014 Chengdu Yindile Purchase Agreement, AAC New Power will be able to purchase patented and patent-pending cutting edge materials that can enhance the quality of its battery products. The Directors considered that the terms of the 2014 Chengdu Yindile Purchase Agreement are fair and reasonable and in the interests of the Company and Shareholders as a whole after taking into account the above factors.

Based on the terms of the 2014 Chengdu Yindile Purchase Agreement, the annual caps in respect of the annual purchase amounts under the 2014 Chengdu Yindile Purchase Agreement will be RMB1,800,000, RMB3,800,000 and RMB7,000,000 for the three years ending 31 December 2016 respectively, which were determined with reference to the estimated prevailing market rates of the materials to be acquired and the expected level of purchases by the Group for its estimated production needs taking into account the Group's projected sales volume of its products, the estimated demands from the market and customers, the expected completion of its research and development in relation to its products and the anticipated growth of the Group's production capacity.

III. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Shenzhen Yuanyu is a company wholly-owned by Wu's Mother. As Wu's Mother is the mother of Ms. Wu, a Director and therefore a connected person of the Company, Wu's Mother is an associate of Ms. Wu and therefore a connected person of the Company under Rule 14A.11(4) of the Listing Rules. Pursuant to Rule 14A.11(4) of the Listing Rules, Shenzhen Yuanyu is also an associate of Ms. Wu and therefore a connected person of the Company. As such, the entering into of the 2014 Shenzhen Yuanyu Agreements and 2014 Wu's Mother Agreements constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As at the date of this announcement, Changzhou LFY is a company beneficially owned as to 50% by each of Pan's Father and Pan's Mother. As Pan's Father and Pan's Mother are the father and mother of Mr. Pan, a Director and therefore a connected person of the Company, Pan's Father and Pan's Mother are associates of Mr. Pan and therefore connected persons of the Company under Rule 14A.11(4) of the Listing Rules. Pursuant to Rule 14A.11(4) of the Listing Rules, Changzhou LFY is also an associate of Mr. Pan and therefore a connected person of the Company. As such, the entering into of the 2014 Changzhou LFY Agreements constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As at the date of this announcement, 21.72% of the equity interest of Jiangsu Yuanyu is held by Changzhou LFY; 30% of the equity interest of Jiangsu Yuanyu is held by Changzhou Yulai, a company beneficially owned as to 50% by each of the Pan's Father and Pan's Mother; and 48.28% of the equity interest of Jiangsu Yuanyu is held by Hong Kong Jin Lai Development Limited (香港金來發展有限公司), a company beneficially owned as to 100% by Pan's Father. As such, Jiangsu Yuanyu is an associate of Mr. Pan and therefore a connected person of the Company under Rule 14A.11(4) of the Listing Rules. Since Changzhou ZKLF and Chengdu Yindile are subsidiaries of Jiangsu Yuanyu, Changzhou ZKLF and Chengdu Yindile are also connected persons of the Company under Chapter 14A of the Listing Rules. As such, the entering into of the 2014 Jiangsu Yuanyu Agreements, the 2014 Changzhou ZKLF Purchase Agreement and the 2014 Chengdu Yindile Purchase Agreement all constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As at the date of this announcement, HG CJ is a company directly wholly-owned by Wu's Mother and hence a connected person of the Company under Rule 14A.11(4) of the Listing Rules. The entering into of the 2014 HG CJ Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As at the date of this announcement, Changzhou Yousheng is a company beneficially owned as to 30% by Pan's Mother and 70% by Pan's Sister. As Pan's Sister is the sister of Mr. Pan, Pan's Sister is an associate of Mr. Pan and therefore a connected person of the Company under Rule 14A.11(4) of the Listing Rules. As Pan's Mother and Pan's Sister together wholly-own Changzhou Yousheng, Changzhou Yousheng is therefore also a connected person of the Company under Rule 14A.11(4) of the Listing Rules. The entering into of the 2014 Yousheng Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As at the date of this announcement, Changzhou Model is a company indirectly and wholly-owned by Pan's Father and hence a connected person of the Company pursuant to Rule 14A.11(4) of the Listing Rules. The entering into of the 2014 Changzhou Model Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As Mr. Pan and Ms. Wu have a material interest in the continuing connected transactions contemplated under each of the 2014 Agreements, they have abstained from voting on the board resolutions of the Company in approving such agreements.

As the Board anticipates that the relevant percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps for the transactions contemplated under (i) all the 2014 Lease Agreements (if required to be aggregated with each other under Rules 14A.25 and 14A.26 of the Listing Rules); or (ii) all the 2014 Purchase Agreements (if required to be aggregated with each other under Rules 14A.25 and 14A.26 of the Listing Rules), will both exceed 0.1% but will be less than 5%, all the 2014 Lease Agreements and the 2014 Purchase Agreements will be subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47, the annual review requirements set out in Rules 14A.37 to 14A.40 but exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the date of this announcement, the Board anticipates that the aggregate annual rental payable by the Group to the connected persons under all the 2014 Lease Agreements will, based on the relevant annual caps under such agreements, not exceed RMB26,514,000 for the year ending 31 December 2014; RMB24,572,000 for the year ending 31 December 2015; and RMB22,926,000 for the year ending 31 December 2016.

As at the date of this announcement, the Board anticipates that the aggregate annual caps for the amount payable by the Group to the connected persons under all the 2014 Purchase Agreements will, based on the relevant annual caps under such agreements, not exceed RMB137,800,000 for the year ending 31 December 2014; RMB187,800,000 for the year ending 31 December 2015; and RMB264,000,000 for the year ending 31 December 2016.

IV. REASONS AND BENEFITS FOR THE ENTERING INTO OF THE 2014 LEASE AGREEMENTS AND THE 2014 PURCHASE AGREEMENTS

2014 LEASE AGREEMENTS

The Directors (including independent non-executive Directors) are of the view that the entering into of each of the 2014 Lease Agreements would allow the Group to continue its production and operating activities at such locations which are located in close proximity to the other facilities of the Group and therefore facilitate the business operation of the Group. They also consider that the entering into of the 2014 Lease Agreements is beneficial to the overall business operations of the Group. In addition, the terms offered to the Group in the 2014 Lease Agreements are no less favorable than terms offered by other independent third parties.

The Directors (including independent non-executive Directors) are of the view that that each of the 2014 Lease Agreements were entered into in the ordinary and usual course of business of the Group, on normal commercial terms and that the terms thereof (including the relevant respective annual caps) are fair and reasonable and in the interest of the Company and the Shareholders as a whole after taking into account the factors stated in this announcement and are not materially different from those in the relevant Existing Lease Agreements except for the rental rates and the duration thereof.

2014 PURCHASE AGREEMENTS

The Directors (including independent non-executive Directors) are of the view that the entering into of each of the 2014 Purchase Agreements would facilitate the operation of the Group as the materials to be purchased by the Group thereunder are essential to the production of the Group's products. They also consider that the entering into of the 2014 Purchase Agreements would allow the Group to continue its production activities at such locations which are located in close proximity to the other facilities of the Group, to enlarge the base of suppliers for such parts and to enable diversified pricing comparison.

The Directors (including independent non-executive Directors) are of the view that that each of the 2014 Purchase Agreements were entered into in the ordinary and usual course of business of the Group, on normal commercial terms and that the terms thereof (including the relevant respective annual caps) are fair and reasonable and in the interest of the Company and the Shareholders as a whole after taking into account the factors stated in this announcement and are not materially different from those in the relevant Existing Purchase Agreements except for the duration thereof.

V. GENERAL

The Group is one of the world's foremost vertically integrated manufacturers of miniature components. The Group designs, manufactures and distributes a comprehensive suite of receivers, speakers, speaker modules, multi-function devices, microphones, vibrators, headsets, antennas and ceramics components for use in mobile handsets, tablets, game consoles, notebook computers and other consumer electronics devices such as electronic book-readers. The Group offers wide-ranging innovative technology design solutions covering mobile telecommunications, IT products, consumer electronics, home appliances, automobile and medical applications markets.

Shenzhen Yuanyu is principally engaged in the supply and sale of domestic commodities and trading businesses.

Changzhou LFY is principally engaged in the supply and sale of industrial manufacturing commodities.

Jiangsu Yuanyu is principally engaged in the research and development, provision of consulting services and as well as the transfer of technological know-how in the area of electronic technologies.

HGCJ is principally engaged in the manufacture and processing of packaging materials and stamping and plastic products.

Changzhou Yousheng is principally engaged in the research and development, manufacture and sale of electronic components, solar power components, sports equipment and crafts and the importation and exportation of the relevant products and technologies in the PRC.

Changzhou Model is principally engaged in the design, manufacture and sale of models for electronic components and other self-developed products.

Changzhou ZKLF is principally engaged in the research and development and sales of lithium-ion batteries, polymer lithium-ion battery material, electrolyte separators, electrolytes, lithium-ion battery cells, battery packs, super capacitors, composite materials and functional polymer materials and as well as the manufacturing of polymer lithium-ion batteries, super capacitors, electrolyte separators, battery cells and battery packs.

Chengdu Yindile is principally engaged in the research, development, manufacturing, sales, import and export of goods and technologies of new energy products, cells, electrodes and power supply material for lithium ion batteries, polymer batteries and twin layer capacitor batteries etc.

VI. DEFINITIONS

In this announcement, the following expressions bear their respective meanings unless the context otherwise requires:

“2014 Agreements”	the 2014 Lease Agreements and the 2014 Purchase Agreements
“2014 Changzhou LFY Agreements”	the further supplemental agreements entered into between AAC Changzhou, Audio Changzhou and Microtech Changzhou and Changzhou LFY, details of which are set out in the section headed "2014 CHANGZHOU LFY AGREEMENTS" of this announcement
“2014 Changzhou Model Agreement”	the agreement entered into between Changzhou Model and the Company, detail of which are set out in the section headed "2014 CHANGZHOU MODEL AGREEMENT" of this announcement

“2014 Changzhou ZKLF Purchase Agreement”	the agreement entered into between AAC New Power and Changzhou ZKLF, details of which are set out in the section headed "2014 CHANGZHOU ZKLF PURCHASE AGREEMENT" of this announcement
“2014 Chengdu Yindile Purchase Agreement”	the agreement entered into between AAC New Power and Chengdu Yindile, details of which are set out in the section headed "2014 CHENGDU YINDILE PURCHASE AGREEMENT" of this announcement
“2014 HGCI Agreement”	the agreement entered into between HGCI and the Company, details of which are set out in the section headed "2014 HGCI AGREEMENT" of this announcement
“2014 Jiangsu Yuanyu Agreements”	the supplemental agreements and agreements entered into between AAC New Power, AAC Biotechnology, Microtech Changzhou, AAC Module, Audio Changzhou and Jiangsu Yuanyu, details of which are set out in the section headed "2014 JIANGSU YUANYU AGREEMENTS" of this announcement
“2014 Lease Agreements”	the 2014 Shenzhen Yuanyu Agreements, the 2014 Wu's Mother Agreements, the 2014 Changzhou LFY Agreements and the 2014 Jiangsu Yuanyu Agreements
“2014 Purchase Agreements”	the 2014 HGCI Agreement, the 2014 Yousheng Agreement, the 2014 Changzhou Model Agreement, the 2014 Changzhou ZKLF Purchase Agreement and the 2014 Chengdu Yindile Purchase Agreement
“2014 Shenzhen Yuanyu Agreements”	the agreement entered into between AAC Shenzhen and Shenzhen Yuanyu and the agreement entered into between AAC Shenzhen, AAC Kaitai and Shenzhen Yuanyu, details of which are set out in the section headed "2014 SHENZHEN YUANYU AGREEMENTS" of this announcement
“2014 Wu's Mother Agreements”	the agreements entered into between AAC Shenzhen and Wu's Mother, details of which are set out in the section headed "2014 WU'S MOTHER AGREEMENTS" of this announcement
“2014 Yousheng Agreement”	the agreement entered into between Changzhou Yousheng and the Company, details of which are set out in the section headed "2014 YOUSHENG AGREEMENT" of this announcement
“4 August 2011 Announcement”	the announcement of the Company dated 4 August 2011
“28 December 2010 Announcement”	the announcement of the Company dated 28 December 2010

“31 December 2012 Announcement”	the announcement of the Company dated 31 December 2012
“AAC Biotechnology”	常州瑞聲生物科技有限公司 (AAC Biotechnology (Changzhou) Co. Ltd.*), an indirect non-wholly owned subsidiary of the Company
“AAC Biotechnology Lease Agreement”	the agreement entered into between AAC Biotechnology and Jiangsu Yuanyu, details of which are set out in the 4 August 2011 Announcement
“AAC Changzhou”	瑞聲聲學科技 (常州) 有限公司 (AAC Acoustic Technologies (Changzhou) Co., Ltd.*), an indirect wholly-owned subsidiary of the Company
AAC Kaitai	瑞聲開泰 (深圳) 貿易有限公司 (AAC Kaitai (Shenzhen) Trading Co., Ltd.*), an indirect wholly-owned subsidiary of the Company
“AAC Module”	瑞聲精密製造科技 (常州) 有限公司 (AAC Module Technologies (Changzhou) Co., Ltd.*), an indirect wholly-owned subsidiary of the Company
“AAC Module Lease Agreement”	the agreement entered into between AAC Module and Jiangsu Yuanyu, details of which are set out in the 31 December 2012 Announcement
“AAC New Power”	瑞聲新能源發展 (常州) 有限公司 (AAC New Power Development (Changzhou) Co., Ltd.*), an indirect wholly-owned subsidiary of the Company
“AAC New Power Lease Agreement”	the agreement entered into between AAC New Power and Jiangsu Yuanyu, details of which are set out in the 4 August 2011 Announcement
“AAC Shenzhen”	瑞聲聲學科技 (深圳) 有限公司 (AAC Acoustic Technologies (Shenzhen) Co., Ltd.*), an indirect wholly-owned subsidiary of the Company
“American Audio Agreement”	the agreement entered into between the Group, Mr. Pan and Ms. Wu, details of which are set out in the 28 December 2010 Announcement
“associate(s)”	has the meaning ascribed to it under the Listing Rules

“Audio Changzhou”	常州美歐電子有限公司 (American Audio Components (Changzhou) Co., Ltd.*), an indirect wholly-owned subsidiary of the Company
“Audio Changzhou Lease Agreement”	the agreement entered into between Audio Changzhou and Jiangsu Yuanyu, details of which are set out in the 31 December 2012 Announcement
“Board”	the board of Directors
“Changzhou LFY”	常州來方圓電子有限公司 (Changzhou Laifangyuan Electronics Co., Ltd.*)
“Changzhou Model”	常州遠宇精密模具製造有限公司 (Changzhou Yuanyu Precise Model Manufacturing Co., Ltd*), a company indirectly and wholly-owned by Pan’s Father
“Changzhou Yousheng”	常州友晟電子有限公司 (Changzhou Yousheng Electronics Co., Ltd.*), which is beneficially owned as to 30% by Pan’s Mother and 70% by Pan’s Sister
“Changzhou Yulai”	常州市裕來電子有限公司 (Changzhou Yulai Electronics Co., Ltd.*), a company which is beneficially owned as to 50% by Pan’s Father and 50% by Pan’s Mother
“Changzhou ZKLF”	常州中科來方能源發展有限公司 (Changzhou Zhongke Laifang Power Development Co., Ltd.*), a wholly-owned subsidiary of Jiangsu Yuanyu and also a connected person of the Company
“Changzhou ZKLF Purchase Agreement”	the agreement entered into between the AAC New Power and Changzhou ZKLF, details of which are set out in the 4 August 2011 Announcement
“Chengdu Yindile”	成都茵地樂能源科技有限公司 (Chengdu Yindile Power Technologies Co., Ltd.*), an indirect subsidiary of Jiangsu Yuanyu and also a connected person of the Company
“Chengdu Yindile Purchase Agreement”	the agreement entered into between the AAC New Power and Chengdu Yindile, details of which are set out in the 4 August 2011 Announcement
“Company”	AAC Technologies Holdings Inc., a company incorporated in the Cayman Islands as an exempted company with limited liability on 4 December 2003 and whose shares are listed on the Main Board of the Stock Exchange

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing CCTs”	the transactions contemplated under the Existing Lease Agreements and Existing Purchase Agreements
“Existing Lease Agreements”	the New Shenzhen Yuanyu Agreement, the New Wu’s Mother Agreements, the New Changzhou LFY Agreements (as supplemented by the Supplemental Changzhou LFY Agreements), the AAC New Power Lease Agreement (as supplemented by the Supplemental AAC New Power Lease Agreement), the AAC Biotechnology Lease Agreement, the American Audio Agreement, the Old Microtech Changzhou Lease Agreement, the AAC Module Lease Agreement, the Audio Changzhou Lease Agreement and the New Microtech Changzhou Lease Agreement
“Existing Purchase Agreements”	the New HG CJ Agreement, the New Yousheng Agreement, the New Changzhou Model Agreement, the Changzhou ZKLF Purchase Agreement and the Chengdu Yindile Purchase Agreement
“Group”	the Company and its subsidiaries from time to time
“HG CJ”	常州市武進湖塘何家紅光沖件廠 (Wujin Hutang Hejia Hongguang Stamping Factory*), a company directly wholly-owned by Wu’s Mother
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Shareholder(s)”	Shareholders other than the connected person(s) who is/are interested in the relevant transactions
“Jiangsu Yuanyu”	江蘇遠宇電子集團有限公司 (Jiangsu Yuanyu Electronics Group Co., Ltd.*), a connected person of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Microtech Changzhou”	瑞聲光電科技（常州）有限公司 (AAC Microtech (Changzhou) Co., Ltd.*), an indirect wholly-owned subsidiary of the Company
“Mr. Pan”	Mr. Benjamin Zhengmin Pan, an executive Director
“Ms. Wu”	Ms. Ingrid Chunyuan Wu, a non-executive Director and the spouse of Mr. Pan

“New Changzhou LFY Agreements”	the agreements dated 20 December 2010 entered into between the Group and Changzhou LFY, details of which are set out in the 28 December 2010 Announcement
“New Changzhou Model Agreement”	the agreement dated 16 December 2010 entered into between the Group and Changzhou Model, details of which are set out in the 28 December 2010 Announcement
“New HG CJ Agreement”	the agreement dated 17 December 2010 entered into between the Group and HG CJ, details of which are set out in the 28 December 2010 Announcement
“New Microtech Changzhou Lease Agreement”	the agreement entered into between Microtech Changzhou and Jiangsu Yuanyu, details of which are set out in the 31 December 2012 Announcement
“New Shenzhen Yuanyu Agreement”	the agreement dated 28 December 2010 entered into between the Group and Shenzhen Yuanyu, details of which are set out in the 28 December 2010 Announcement
“New Yousheng Agreement”	the agreement dated 16 December 2010 entered into between the Group and Changzhou Yousheng, details of which are set out in the 28 December 2010 Announcement
“New Wu’s Mother Agreements”	the agreements dated 4 November 2010 and 28 December 2010 entered into between the Group and Wu’s Mother, details of which are set out in the 28 December 2010 Announcement
“Old Microtech Changzhou Lease Agreement”	the agreement entered into between Microtech Changzhou and Jiangsu Yuanyu, details of which are set out in the 31 December 2012 Announcement
“Pan’s Father”	Mr. Pan Zhonglai, father of Mr. Pan
“Pan’s Mother”	Ms. Xie Yufang, mother of Mr. Pan
“Pan’s Sister”	Ms. Pan Lijun, sister of Mr. Pan
“PRC”	the People’s Republic of China and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the registered holder(s) of share(s) of the Company

“Shenzhen Yuanyu”	深圳市遠宇實業發展有限公司 (Shenzhen Yuanyu Industrial Development Co., Ltd.*), which is wholly-owned by Wu’s Mother
“Supplemental AAC New Power Lease Agreement”	the supplemental agreement entered into between AAC New Power and Jiangsu Yuanyu, details of which are set out in the 31 December 2012 Announcement
“Supplemental Changzhou LFY Agreements”	the supplemental agreements entered into between AAC Changzhou, Audio Changzhou, Microtech Changzhou and Changzhou LFY, details of which are set out in the 31 December 2012 Announcement
“sq.m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wu’s Mother”	Ms. Ye Huamei, mother of Ms. Wu

**For identification purposes only.*

By order of the Board
AAC TECHNOLOGIES HOLDINGS INC.
Koh Boon Hwee
Chairman

Hong Kong, 20 December 2013

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Benjamin Zhengmin Pan and Mr. Mok Joe Kuen Richard; a non-executive Director, namely Ms. Ingrid Chunyuan Wu; and four independent non-executive Directors, namely Mr. Koh Boon Hwee, Mr. Poon Chung Yin Joseph, Dato’ Tan Bian Ee and Ms. Chang Carmen I-Hua.