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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

The Group had entered into continuing connected transactions with connected persons in its conduct of normal business. The Board had held the view that such continuing connected transactions were entered into in the ordinary and usual course of business of the Group, on normal commercial terms and the terms of such transactions were fair and reasonable and in the interests of the Company and the Shareholders as a whole. Mr. Benjamin Pan and Ms. Ingrid Wu, who are regarded as having a material interest in such transactions, did not take part in the review process and had abstained from voting in respect of the board resolutions of the Company in approving such transactions.

Transactions disclosed in this announcement constitute continuing connected transactions of the Company, which are subject to the reporting, and announcement requirements but exempt from circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The 2014 Lease Agreements and the 2014 Purchase Agreements

Reference is made to the 20 December 2013 Announcement and the 27 August 2014 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:

2014 Lease Agreements

- (i) 2014 Shenzhen Yuanyu Agreements (as supplemented by the Supplemental 2014 Shenzhen Yuanyu Agreements);
- (ii) 2014 Wu's Mother Agreements (as supplemented by the Supplemental 2014 Wu's Mother Agreements);

- (iii) 2014 Changzhou LFY Agreements;
- (iv) 2014 Jiangsu Yuanyu Agreements;

(Note: the 2014 Wu's Mother Agreements (as supplemented by the Supplemental 2014 Wu' Mother Agreements) as mentioned in (ii) above have not been renewed).

2014 Purchase Agreements

- (v) 2014 HG CJ Agreement;
- (vi) 2014 Yousheng Agreement;
- (vii) 2014 Changzhou Model Agreement;
- (viii) 2014 Changzhou ZKLF Purchase Agreement; and
- (ix) 2014 Chengdu Yindile Purchase Agreement.

The 2014 Lease Agreements and the 2014 Purchase Agreements will all expire on 31 December 2016.

(Note: the 2014 Changzhou ZKLF Purchase Agreement and the 2014 Chengdu Yindile Purchase Agreement as mentioned in (viii) and (ix) above have not been renewed.)

2017 Master Lease Agreements and the 2017 Master Purchase Agreements

To secure ongoing office and production premises as required by the Group from time to time and to cope with the Group's continuing production needs, the Company has on 16 December 2016 entered into the following 2017 Master Lease Agreements and 2017 Master Purchase Agreements with the relevant connected persons of the Company to renew some of the 2014 Lease Agreements and some of the 2014 Purchase Agreements and to enter into new lease and purchase arrangements with the relevant connected persons:

2017 Master Lease Agreements

- (1) 2017 Shenzhen Yuanyu Master Lease Agreement;
- (2) 2017 Changzhou LFY Master Lease Agreement;
- (3) 2017 Jiangsu Yuanyu Master Lease Agreement;
- (4) 2017 HVPC Master Lease Agreement;

2017 Master Purchase Agreements

- (5) 2017 HG CJ Master Purchase Agreement;
- (6) 2017 Changzhou Yousheng Master Purchase Agreement;
- (7) 2017 Changzhou Model Master Purchase Agreement; and
- (8) 2017 Chengdu ZKLP Master Purchase Agreement.

For reference, approximately 82% of the aggregate annual cap for the year ending 31 December 2019 in respect of the transactions contemplated under the 2017 Master Lease Agreements are related to the renewal of lease transactions in terms of gross area; and approximately 74% of the aggregate annual cap for the year ending 31 December 2019 in respect of the transactions contemplated under the 2017 Master Purchase Agreements are related to the renewal of purchase transactions in terms of estimated purchase amount.

Listing Rules implications

As each of the counterparties under the 2017 Master Lease Agreements and the 2017 Master Purchase Agreements are associates of Mr. Benjamin Pan and Ms. Ingrid Wu, Directors and controlling shareholders of the Company, each of these agreements constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As Mr. Benjamin Pan and Ms. Ingrid Wu are regarded as having a material interest in these agreements, they have abstained from voting on the board resolutions of the Company in approving these agreements.

As at the date of this announcement, the Board anticipates that the aggregate annual amount payable by the Company to the connected persons under all the 2017 Master Lease Agreements will, based on the relevant annual caps under such agreements, not exceed RMB25,132,000, RMB25,132,000 and RMB25,279,000 for the years ending 31 December 2017, 2018 and 2019 respectively (in respect of, together, the 2017 Shenzhen Yuanyu Master Lease Agreement, the 2017 Changzhou LFY Master Lease Agreement and the 2017 Jiangsu Yuanyu Master Lease Agreement) and USD232,512, USD232,512 and USD232,512 for the years ending 31 December 2017, 2018 and 2019 respectively (in respect of the 2017 HVPC Master Lease Agreement only).

As one or some of 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 all the 2017 Master Lease Agreements, if required to be aggregated, exceed(s) 0.1% but all of the applicable percentage ratios are less than 5%, the 2017 Master Lease Agreements constitute continuing connected transactions of the Company which are subject to the reporting and announcement requirements but exempt from circular (including independent financial advice) and 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 transaction amount payable by the Group to the connected persons under all the 2017 Master Purchase Agreements will, based on the relevant annual caps under such agreements, not exceed RMB222,410,000 for the year ending 31 December 2017; RMB305,524,000 for the year ending 31 December 2018; and RMB392,190,000 for the year ending 31 December 2019.

As one or some of 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 all the 2017 Master Purchase Agreements, if required to be aggregated, exceed(s) 0.1% but all of the applicable percentage ratios are less than 5%, the 2017 Master Purchase Agreements constitute continuing connected transactions of the Company which are subject to the reporting and announcement requirements but exempt from circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

I. BACKGROUND

Reference is made to the 20 December 2013 Announcement and the 27 August 2014 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:

2014 Lease Agreements

- (i) 2014 Shenzhen Yuanyu Agreements (as supplemented by the Supplemental 2014 Shenzhen Yuanyu Agreements);
- (ii) 2014 Wu's Mother Agreements (as supplemented by the Supplemental 2014 Wu's Mother Agreements);
- (iii) 2014 Changzhou LFY Agreements;
- (iv) 2014 Jiangsu Yuanyu Agreements;

2014 Purchase Agreements

- (v) 2014 HG CJ Agreement;
- (vi) 2014 Yousheng Agreement;
- (vii) 2014 Changzhou Model Agreement;
- (viii) 2014 Changzhou ZKLF Purchase Agreement; and
- (ix) 2014 Chengdu Yindile Purchase Agreement.

The 2014 Lease Agreements and the 2014 Purchase Agreements will expire on 31 December 2016. To secure ongoing office and production premises as required by the Group from time to time and to cope with the Group's continuing production needs, the Company has on 16 December 2016 entered into the 2017 Master Lease Agreements and the 2017 Master Purchase Agreements with the relevant connected persons of the Company to renew some of the 2014 Lease Agreements and some of the 2014 Purchase Agreements and to enter into new lease and purchase arrangements with the relevant connected persons.

II. CONTINUING CONNECTED TRANSACTIONS

Details of the 2017 Master Lease Agreements and the 2017 Master Purchase Agreements are set out below.

(1) 2017 SHENZHEN YUANYU MASTER LEASE AGREEMENT

As stated in the 20 December 2013 Announcement and the 27 August 2014 Announcement, certain members of the Group and Shenzhen Yuanyu entered into the 2014 Shenzhen Yuanyu Agreements (as supplemented by the Supplemental 2014 Shenzhen Yuanyu Agreements), pursuant to which Shenzhen Yuanyu agreed to lease (i) certain premises located at Nanyou Tian'an Industry Zone, Nanshan, Shenzhen, PRC and (ii) certain premises located at Nanda Building, Nanshan, Shenzhen, PRC ((ii) being referred to as the "**Shenzhen Yuanyu Nanda Premises**") to the Group as part of its factory and as their offices for a period of three years commencing from 1 January 2014 to 31 December 2016.

In view of the expiry of the 2014 Shenzhen Yuanyu Agreements (as supplemented by the Supplemental 2014 Shenzhen Yuanyu Agreements) on 31 December 2016 and the need to renew the lease of the Shenzhen Yuanyu Nanda Premises, the Company and Shenzhen Yuanyu have on 16 December 2016 entered into the 2017 Shenzhen Yuanyu Master Lease Agreement, pursuant to which, Shenzhen Yuanyu has agreed to lease, or to procure members of the Shenzhen Yuanyu Group to lease the Shenzhen Yuanyu Premises to members of the Group as and when reasonably requested by members of the Group from time to time during the period commencing from 1 January 2017 to 31 December 2019 (unless otherwise terminated). Either party may terminate the 2017 Shenzhen Yuanyu Master Lease Agreement by giving the other party at least one month's written notice of termination.

Each leasing transaction under the 2017 Shenzhen Yuanyu Master Lease Agreement shall be effected and governed by the relevant Leasing Agreement to be entered into between the relevant members of the Group and the relevant members of the Shenzhen Yuanyu Group during the duration of the 2017 Shenzhen Yuanyu Master Lease Agreement.

The terms of each Leasing Agreement (including but not limited to the rental and any other fees (if any) and the payment terms) shall be negotiated and determined on a case-by-case and arm's length basis and be on normal commercial terms which are no less favorable than terms offered by other independent third party lessors to the relevant members of the Group. In particular, the rental payable under each Leasing Agreement shall be determined with reference to the then prevailing market rates obtained by market research on rental valuation of similar properties in the vicinity carried out by the Group.

Historical figures

The following table sets out the rent paid / payable by the Group to Shenzhen Yuanyu under the 2014 Shenzhen Yuanyu Agreements (as supplemented by the Supplemental 2014 Shenzhen Yuanyu Agreements) for each of the two years ended 31 December 2015 and the year ending 31 December 2016:

Annual rent paid / payable (approx. RMB)		
For the year ended 31 December 2014	For the year ended 31 December 2015	For the year ending 31 December 2016
13,771,000	14,325,000	12,496,000

None of the aforesaid amounts have exceeded or will exceed their respective annual caps for the corresponding financial years.

Annual caps

The following table sets out the annual caps of the transaction amount payable by the Group to member(s) of the Shenzhen Yuanyu Group in respect of the leasing transactions under the 2017 Shenzhen Yuanyu Master Lease Agreement for the three years ending 31 December 2019:

Annual caps (RMB)		
For the year ending 31 December 2017	For the year ending 31 December 2018	For the year ending 31 December 2019
12,168,000	12,168,000	12,168,000

It is expected that the Shenzhen Yuanyu Premises to be leased under the 2017 Shenzhen Yuanyu Master Lease Agreement include the Shenzhen Yuanyu Nanda Premises, which have a total area of 9,656.41 sq.m. and will be leased at a rental rate of RMB100.00 per sq.m. per month. Such rental rate has been determined with reference to the prevailing market rates obtained by market research on rental valuation of similar properties in vicinity carried out by the Group. The annual caps stated above have been calculated by multiplying the total area as mentioned above by the aforesaid rental rate and have taken into account applicable taxes required to be paid by the Group to the relevant landlord under applicable laws, rules and regulations in respect of the relevant leases(s) (if any). Such premises will be used by the Group for office purposes.

(2) 2017 CHANGZHOU LFY MASTER LEASE AGREEMENT

As stated in the 20 December 2013 Announcement, certain members of the Group and Changzhou LFY entered into the 2014 Changzhou LFY Agreements, pursuant to which Changzhou LFY agreed to lease certain properties located in Gang Qiao Bridge, Nanxiashu Town, Wujing District, Changzhou, Jiangsu Province, PRC (the “**Changzhou LFY Gang Qiao Bridge Premises**”) to the Group as part of its factory for a period of three years commencing from 1 January 2014 to 31 December 2016.

In view of the expiry of the 2014 Changzhou LFY Agreements on 31 December 2016, the Company and Changzhou LFY have on 16 December 2016 entered into the 2017 Changzhou LFY Master Lease Agreement, pursuant to which, Changzhou LFY has agreed to lease, or to procure members of the Changzhou LFY Group to lease, the Changzhou LFY Premises to members of the Group as and when reasonably requested by members of the Group from time to time during the period commencing from 1 January 2017 to 31 December 2019 (unless otherwise terminated). Either party may terminate the 2017 Changzhou LFY Master Lease Agreement by giving the other party at least one month’s written notice of termination.

Each leasing transaction under the 2017 Changzhou LFY Master Lease Agreement shall be effected and governed by the relevant Leasing Agreement to be entered into between the relevant members of the Group and the relevant members of the Changzhou LFY Group during the duration of the 2017 Changzhou LFY Master Lease Agreement.

The terms of each Leasing Agreement (including but not limited to the rental and any other fees (if any) and the payment terms) shall be negotiated and determined on a case-by-case and arm’s length basis and be on normal commercial terms which are no less favorable than terms offered by other independent third party lessors to the relevant members of the Group. In particular, the rental payable under each Leasing Agreement shall be determined with reference to the then prevailing market rates obtained by market research on rental valuation of similar properties in the vicinity carried out by the Group.

Historical figures

The following table sets out the rent paid / payable by the Group to Changzhou LFY under the 2014 Changzhou LFY Agreements for each of the two years ended 31 December 2015 and the year ending 31 December 2016:

Annual rent paid / payable (approx. RMB)		
For the year ended 31 December 2014	For the year ended 31 December 2015	For the year ending 31 December 2016
1,474,000	1,733,000	1,910,000

None of the aforesaid amounts have exceeded or will exceed their respective annual caps for the corresponding financial years.

Annual caps

The following table sets out the annual caps of the transaction amount payable by the Group to member(s) of the Changzhou LFY Group in respect of the leasing transactions under the 2017 Changzhou LFY Master Lease Agreement for the three years ending 31 December 2019:

Annual caps (RMB)		
For the year ending 31 December 2017	For the year ending 31 December 2018	For the year ending 31 December 2019
2,357,000	2,357,000	2,395,000

It is expected that the Changzhou LFY Premises to be leased under the 2017 Changzhou LFY Master Lease Agreement include the Changzhou LFY Gang Qiao Bridge Premises, which have (i) a total factory area of 7,196 sq.m. and will be leased at a rental rate of RMB23.51 and RMB23.91 per sq.m. per month for the two years ending 31 December 2018 and the year ending 31 December 2019 respectively; and (ii) a total land area of 7,700 sq.m. and will be leased at a rental rate of RMB1 per sq.m. per month. Such rental rates have been determined with reference to the prevailing market rates obtained by market research on rental valuation of similar properties in vicinity carried out by the Group. The annual caps stated above have been calculated by aggregating (i) the total factory area as mentioned above multiplied by the aforesaid rental rate; (ii) the total land area as mentioned above multiplied by the aforesaid rental rate; and (iii) the amount of applicable taxes required to be paid by the Group to the relevant landlord under applicable laws, rules and regulations in respect of the relevant leases(s) (if any). Such premises will be used by the Group for factory purposes.

(3) 2017 JIANGSU YUANYU MASTER LEASE AGREEMENT

As stated in the 20 December 2013 Announcement, certain members of the Group and Jiangsu Yuanyu 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 (the “**Jiangsu Yuanyu Technologies Buildings Premises**”) to 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.

In view of the expiry of the 2014 Jiangsu Yuanyu Agreements on 31 December 2016, the Company and Jiangsu Yuanyu have on 16 December 2016 entered into the 2017 Jiangsu Yuanyu Master Lease Agreement, pursuant to which Jiangsu Yuanyu has agreed to lease, or to procure members of the Jiangsu Yuanyu Group to lease, the Jiangsu Yuanyu Premises to members of the Group as and when reasonably requested by members of the Group from time to time during the period commencing from 1 January 2017 to 31 December 2019 (unless otherwise terminated). Either party may terminate the 2017 Jiangsu Yuanyu Master Lease Agreement by giving the other party at least one month’s written notice of termination.

Each leasing transaction under the 2017 Jiangsu Yuanyu Master Lease Agreement shall be effected and governed by the relevant Leasing Agreement to be entered into between the relevant members of the Group and the relevant members of the Jiangsu Yuanyu Group during the duration of the 2017 Jiangsu Yuanyu Master Lease Agreement.

The terms of each Leasing Agreement (including but not limited to the rental and any other fees (if any) and the payment terms) shall be negotiated and determined on a case-by-case and arm’s length basis and be on normal commercial terms which are no less favorable than terms offered by other independent third party lessors to the relevant members of the Group. In particular, the rental payable under each Leasing Agreement shall be determined with reference to the then prevailing market rates obtained by market research on rental valuation of similar properties in the vicinity carried out by the Group.

Historical figures

The following table sets out the rent paid / payable by the Group to Jiangsu Yuanyu under the 2014 Jiangsu Yuanyu Agreements for each of the two years ended 31 December 2015 and the year ending 31 December 2016:

Annual rent paid / payable (approx. RMB)		
For the year ended 31 December 2014	For the year ended 31 December 2015	For the year ending 31 December 2016
6,692,000	5,651,000	6,064,000

None of the aforesaid amounts have exceeded or will exceed their respective annual caps for the corresponding financial years.

Annual caps

The following table sets out the annual caps of the transaction amount payable by the Group to member(s) of the Jiangsu Yuanyu Group in respect of the leasing transactions under the 2017 Jiangsu Yuanyu Master Lease Agreement for the three years ending 31 December 2019:

Annual caps (RMB)		
For the year ending 31 December 2017	For the year ending 31 December 2018	For the year ending 31 December 2019
10,607,000	10,607,000	10,716,000

It is expected that the Jiangsu Yuanyu Premises to be leased under the 2017 Jiangsu Yuanyu Master Lease Agreement include the Jiangsu Yuanyu Technologies Buildings Premises, which have (i) a total construction area of 26,986 sq.m. and will be leased at a rental rate of RMB29.40 and RMB29.70 per sq.m. per month for the two years ending 31 December 2018 and the year ending 31 December 2019 respectively; and (ii) a total site area of 2,933 sq.m. and will be leased at a rental rate of RMB1 per sq.m. per month. Such rental rates have been determined with reference to the prevailing market rates obtained by market research on rental valuation of similar properties in vicinity carried out by the Group. The annual caps stated above have been calculated by aggregating (i) the total construction area as mentioned above multiplied by the aforesaid rental rate; (ii) the total site area as mentioned above multiplied by the aforesaid rental rate; and (iii) the amount of applicable taxes required to be paid by the Group to the relevant landlord under applicable laws, rules and regulations in respect of the relevant leases(s) (if any). Such premises will be used by the Group for factory purposes.

(4) 2017 HVPC MASTER LEASE AGREEMENT

The Company and HVPC have on 16 December 2016 entered into the 2017 HVPC Master Lease Agreement, pursuant to which, HVPC has agreed to lease, or to procure members of the HVPC Group to lease, the HVPC Premises to members of the Group as and when reasonably requested by members of the Group from time to time during the period commencing from 1 January 2017 to 31 December 2019 (unless otherwise terminated). Either party may terminate the 2017 HVPC Master Lease Agreement by giving the other party at least one month's written notice of termination.

Each leasing transaction under the 2017 HVPC Master Lease Agreement shall be effected and governed by the relevant Leasing Agreement to be entered into between the relevant members of the Group and the relevant members of the HVPC Group during the duration of the 2017 HVPC Master Lease Agreement.

The terms of each Leasing Agreement (including but not limited to the rental and any other fees (if any) and the payment terms) shall be negotiated and determined on a case-by-case and arm's length basis and be on normal commercial terms which are no less favorable than terms offered by other independent third party lessors to the relevant members of the Group. In particular, the rental payable under each Leasing Agreement shall be determined with reference to the then prevailing market rates obtained by market research on rental valuation of similar properties in the vicinity carried out by the Group.

Annual caps

The following table sets out the annual caps of the transaction amount payable by the Group to member(s) of the HVPC Group in respect of the leasing transactions under the 2017 HVPC Master Lease Agreement for the three years ending 31 December 2019:

Annual caps (USD)		
For the year ending 31 December 2017	For the year ending 31 December 2018	For the year ending 31 December 2019
232,512	232,512	232,512

It is expected that the HVPC Premises to be leased under the 2017 HVPC Master Lease Agreement include Lot E3-3, Que Vo IP, Van Duong Commune, Bac Ninh city, Bac Ninh Province, Vietnam (the "**Vietnam Premises**"), which has a total area of 3,344 sq.m. and will be leased at a rental rate of USD4 per sq.m. per month. Such rental rate has been determined with reference to the prevailing market rates obtained by market research on rental valuation of similar properties in vicinity carried out by the Group. The annual caps stated above have been calculated by aggregating (i) the total area as mentioned above multiplied by the aforesaid rental rate; (ii) estimated water and electricity costs in respect of the premises to be paid by the Group to the HVPC Group; and (iii) the amount of applicable taxes required to be paid by the Group to the relevant landlord under applicable laws, rules and regulations in respect of the relevant leases(s) (if any). Such premises will be used by the Group for warehouse purposes.

(5) 2017 HG CJ MASTER PURCHASE AGREEMENT

As stated in the 20 December 2013 Announcement, 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 term of three years commencing from 1 January 2014 to 31 December 2016.

Given the expiry of the 2014 HG CJ Agreement on 31 December 2016 and in view of the Group's intention to purchase materials and/or products from the HG CJ Group (including a subsidiary of HG CJ, namely, HVPC) for its production needs, on 16 December 2016, the Company and HG CJ entered into the 2017 HG CJ Master Purchase Agreement, pursuant to which, for a period of three years commencing from 1 January 2017 to 31 December 2019, HG CJ has agreed to sell, or to procure members of the HG CJ Group (i.e. including HVPC) to sell, materials and/or products, including but not limited to foam blocks, calcium plastic boards, load plates, carrier bands, plastic plates and plastic trays, to members of the Group as and when

reasonably requested by members of the Group from time to time. Each purchasing transaction under the 2017 HGCJ Master Purchase Agreement shall be effected and governed by the relevant Purchasing Agreement to be entered into between the relevant members of the Group and the relevant members of the HGCJ Group during the duration of the 2017 HGCJ Master Purchase Agreement.

The terms of the Purchasing Agreement (including the amount of consideration and the payment terms) shall be negotiated and determined on a case-by-case and arm's length basis and on normal commercial terms which are no less favourable than those made available by independent third party suppliers to members of the Group. In addition, the Group will obtain fee quotations from other suppliers in the market to ensure that the terms offered by the HGCJ Group represent prevailing market rates and are no less favorable than terms that can otherwise be obtained from other suppliers in order to safeguard the interest of the Company and the Shareholders as a whole.

Historical figures

For each of the two years ended 31 December 2015, the actual transaction amounts for the purchase of the materials from HGCJ under the 2014 HGCJ Agreement were approximately RMB10,448,000 and RMB16,918,000 respectively and for the year ending 31 December 2016, the estimated transaction amounts for the purchase of the materials from HGCJ under the 2014 HGCJ Agreement will be approximately RMB20,000,000. None of the aforesaid transaction amounts have exceeded or will exceed their respective annual caps for the corresponding financial years.

Annual caps

The Board expects that the business of the Group will continue to expand and as such, the purchase of materials and/or products from the HGCJ Group may be increased to cope with the Group's production plan. The annual caps in respect of the annual purchase amounts under the 2017 HGCJ Master Purchase Agreement will be RMB52,760,000, RMB73,864,000 and RMB92,670,000 for the years ending 31 December 2017, 2018 and 2019 respectively, which were determined with reference to previous transactions, historical purchase amounts between the Group and HGCJ, estimated prevailing market rates of the materials and/or products 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) 2017 CHANGZHOU YOUSHENG MASTER PURCHASE AGREEMENT

As stated in the 20 December 2013 Announcement, 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 term of three years commencing from 1 January 2014 to 31 December 2016.

The 2014 Yousheng Agreement will expire on 31 December 2016 and in view of the Group's intention to purchase materials and/or products from the Changzhou Yousheng Group for its production needs, on 16 December 2016, the Company and Changzhou Yousheng entered into the 2017 Changzhou Yousheng Master Purchase Agreement, pursuant to which, for a period of three years commencing from 1 January 2017 to 31 December 2019, Changzhou Yousheng has agreed to sell, or to procure members of the Changzhou Yousheng Group to sell, materials and/or products, including but not limited to foam, adhesives, mesh, domes, ear cushions, insulation mats and resistance neeb for use in acoustic components, to members of the Group as and when reasonably requested by members of the Group from time to time. Each purchasing transaction under the 2017 Changzhou Yousheng Master Purchase Agreement shall be effected and governed by the relevant Purchasing Agreement to be entered into between the relevant members of the Group and the relevant members of the Changzhou Yousheng Group during the duration of the 2017 Changzhou Yousheng Master Purchase Agreement.

The terms of the Purchasing Agreement (including the amount of consideration and the payment terms) shall be negotiated and determined on a case-by-case and arm's length basis and on normal commercial terms which are no less favourable than those made available by independent third party suppliers to members of the Group. In addition, the Group will obtain fee quotations from other suppliers in the market to ensure that the terms offered by the Changzhou Yousheng Group represent prevailing market rates and are no less favorable than terms that can otherwise be obtained from other suppliers in order to safeguard the interest of the Company and the Shareholders as a whole.

Historical figures

For each of the two years ended 31 December 2015, the actual transaction amounts for the purchase of the materials from Changzhou Yousheng under the 2014 Yousheng Agreement were approximately RMB43,970,000 and RMB41,220,000 respectively and for the year ending 31 December 2016, the estimated transaction amounts for the purchase of the materials from Changzhou Yousheng under the 2014 Yousheng Agreement will be approximately RMB47,000,000. None of the aforesaid transaction amounts have exceeded or will exceed their respective annual caps for the corresponding financial years.

Annual caps

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 2017 Changzhou Yousheng Master Purchase Agreement, the annual caps in respect of the annual purchase amounts thereunder will be RMB76,050,000, RMB91,260,000 and RMB100,620,000 for the years ending 31 December 2017, 2018 and 2019 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 and/or products 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) 2017 CHANGZHOU MODEL MASTER PURCHASE AGREEMENT

As stated in the 20 December 2013 Announcement, the Company and Changzhou Model entered into the 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.

In view of the expiry of the 2014 Changzhou Model Agreement on 31 December 2016, on 16 December 2016, the Company and Changzhou Model entered into the 2017 Changzhou Model Master Purchase Agreement, pursuant to which, for a period of three years commencing from 1 January 2017 to 31 December 2019, Changzhou Model has agreed to sell, or to procure members of the Changzhou Model Group to sell, materials and/or products, including but not limited to processed supplement materials used in the manufacturing process (e.g. modules and stamping components of acoustic products), to members of the Group as and when reasonably requested by members of the Group from time to time. Each purchasing transaction under the 2017 Changzhou Model Master Purchase Agreement shall be effected and governed by the relevant Purchasing Agreement to be entered into between the relevant members of the Group and the relevant members of the Changzhou Model Group during the duration of the 2017 Changzhou Model Master Purchase Agreement.

The terms of the Purchasing Agreement (including the amount of consideration and the payment terms) shall be negotiated and determined on a case-by-case and arm's length basis and on normal commercial terms which are no less favourable than those made available by independent third party suppliers to members of the Group. In addition, the Group will obtain fee quotations from other suppliers in the market to ensure that the terms offered by the Changzhou Model Group represent prevailing market rates and are no less favorable than terms that can otherwise be obtained from other suppliers in order to safeguard the interests of the Company and the Shareholders as a whole.

Historical figures

For each of the two years ended 31 December 2015, the actual transaction amounts for the purchase of the materials from Changzhou Model under the 2014 Changzhou Model Agreement were approximately RMB39,915,000 and RMB51,499,000 respectively and for the year ending 31 December 2016, the estimated transaction amounts for the purchase of the materials from Changzhou Model under the 2014 Changzhou Model Agreement will be approximately RMB50,000,000. None of the aforesaid transaction amounts have exceeded or will exceed their respective annual caps for the corresponding financial years.

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 and/or products 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.

Annual caps

The annual caps in respect of the annual purchase amounts under the 2017 Changzhou Model Master Purchase Agreement will be RMB58,500,000, RMB81,900,000 and RMB105,300,000 for the years ending 31 December 2017, 2018 and 2019 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 and/or products 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) 2017 CHENGDU ZKLP MASTER PURCHASE AGREEMENT

On 16 December 2016, the Company and Chengdu ZKLP entered into the 2017 Chengdu ZKLP Master Purchase Agreement, pursuant to which, for a period of three years commencing from 1 January 2017 to 31 December 2019, Chengdu ZKLP has agreed to sell, or to procure members of the Chengdu ZKLP Group to sell, materials, including but not limited to chemical materials, to members of the Group as and when reasonably requested by members of the Group from time to time. Each purchasing transaction under the 2017 Chengdu ZKLP Master Purchase Agreement shall be effected and governed by the relevant Purchasing Agreement to be entered into between the relevant members of the Group and the relevant members of the Chengdu ZKLP Group during the duration of the 2017 Chengdu ZKLP Master Purchase Agreement.

The terms of the Purchasing Agreement (including the amount of consideration and the payment terms) shall be negotiated and determined on a case-by-case and arm's length basis and on normal commercial terms which are no less favourable than those made available by independent third party suppliers to members of the Group. In addition, the Group will obtain fee quotations from other suppliers in the market to ensure that the terms offered by the Chengdu ZKLP Group represent prevailing market rates and are no less favorable than terms that can otherwise be obtained from other suppliers in order to safeguard the interest of the Company and the Shareholders as a whole.

Owing to the close proximity of the production facilities of Chengdu ZKLP as compared to other suppliers and the demand for the aforementioned materials, the Group shall purchase from Chengdu ZKLP. The Board expects that the business of the Group will continue to grow and the demand for, among others, the aforementioned materials will continue to grow as well. As a growing business, the Board believes the purchase of good quality materials and /or products 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.

Annual Caps

The annual caps in respect of the annual purchase amounts under the 2017 Chengdu ZKLP Master Purchase Agreement will be RMB35,100,000, RMB58,500,000 and RMB93,600,000 for the years ending 31 December 2017, 2018 and 2019 respectively, which were determined with reference to the estimated prevailing market rates of the materials and/or products 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. Ingrid Wu, a Director and controlling shareholder of the Company, Wu's Mother is an associate of Ms. Ingrid Wu and therefore a connected person of the Company under Rule 14A.12(2)(a) of the Listing Rules. Pursuant to Rule 14A.12(2)(b) of the Listing Rules, Shenzhen Yuanyu is also an associate of Ms. Ingrid Wu and therefore a connected person of the Company. As such, the entering into of the 2017 Shenzhen Yuanyu Master Lease Agreement constitutes a continuing connected transaction 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 parents of Mr. Benjamin Pan, a Director and a controlling shareholder of the Company, Pan's Father and Pan's Mother are associates of Mr. Benjamin Pan and therefore connected persons of the Company under Rule 14A.12(2)(a) of the Listing Rules. Pursuant to Rule 14A.12(2)(b) of the Listing Rules, Changzhou LFY is also an associate of Mr. Benjamin Pan and therefore a connected person of the Company. As such, the entering into of the 2017 Changzhou LFY Master Lease Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As at the date of this announcement, 51.72% of the equity interest of Jiangsu Yuanyu is indirectly held by Pan's Father and Pan's Mother; and 48.28% of the equity interest of Jiangsu Yuanyu is indirectly held by Pan's Father. As such, Jiangsu Yuanyu is an associate of Mr. Benjamin Pan and therefore a connected person of the Company under Rule 14A.12(2)(b) of the Listing Rules. The entering into of the 2017 Jiangsu Yuanyu Master Lease Agreement constitutes a continuing connected transaction 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 therefore a connected person of the Company under Rule 14A.12(2)(b) of the Listing Rules. The entering into of the 2017 HG CJ Master Purchase Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. Since HVPC is a subsidiary of HG CJ, HVPC is also a connected person of the Company pursuant to Rule 14A.12(2)(b) of the Listing Rules. As such, the entering into of the 2017 HVPC Master Lease Agreement constitutes a continuing connected transaction 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. Benjamin Pan, Pan's Sister is an associate of Mr. Benjamin Pan and therefore a connected person of the Company under Rule 14A.12(2)(a) 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.12(2)(b) of the Listing Rules. The entering into of the 2017 Changzhou Yousheng Master Purchase Agreement constitutes a continuing connected transaction 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 therefore a connected person of the Company pursuant to Rule 14A.12(2)(b) of the Listing Rules. The entering into of the 2017 Changzhou Model Master Purchase Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Since Chengdu ZKLP is a subsidiary of Jiangsu Yuanyu, Chengdu ZKLP is also a connected person of the Company pursuant to Rule 14A.12(2)(b) of the Listing Rules. As such, the entering into of the 2017 Chengdu ZKLP Master Purchase Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As Mr. Benjamin Pan and Ms. Ingrid Wu are regarded as having a material interest in the continuing connected transactions contemplated under each of the 2017 Master Lease Agreements and the 2017 Master Purchase Agreements, they have abstained from voting on the board resolutions of the Company in approving these agreements.

As at the date of this announcement, the Board anticipates that the aggregate annual amount payable by the Company to the connected persons under all the 2017 Master Lease Agreements will, based on the relevant annual caps under such agreements, not exceed RMB25,132,000, RMB25,132,000 and RMB25,279,000 for the years ending 31 December 2017, 2018 and 2019 respectively (in respect of, together, the 2017 Shenzhen Yuanyu Master Lease Agreement, the 2017 Changzhou LFY Master Lease Agreement and the 2017 Jiangsu Yuanyu Master Lease Agreement) and USD232,512, USD232,512 and USD232,512 for the years ending 31 December 2017, 2018 and 2019 respectively (in respect of the 2017 HVPC Master Lease Agreement only).

As one or some of 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 all the 2017 Master Lease Agreements, if required to be aggregated, exceed(s) 0.1% but all of the applicable percentage ratios are less than 5%, the 2017 Master Lease Agreements constitute continuing connected transactions of the Company which are subject to the reporting and announcement requirements but exempt from circular (including independent financial advice) and 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 transaction amount payable by the Group to the connected persons under all the 2017 Master Purchase Agreements will, based on the relevant annual caps under such agreements, not exceed RMB222,410,000 for the year ending 31 December 2017; RMB305,524,000 for the year ending 31 December 2018; and RMB392,190,000 for the year ending 31 December 2019.

As one or some of 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 all the 2017 Master Purchase Agreements, if required to be aggregated, exceed(s) 0.1% but all of the applicable percentage ratios are less than 5%, the 2017 Master Purchase Agreements constitute continuing connected transactions of the Company which are subject to the reporting and announcement requirements but exempt from circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

IV. REASONS AND BENEFITS FOR THE ENTERING INTO OF THE 2017 MASTER LEASE AGREEMENTS AND THE 2017 MASTER PURCHASE AGREEMENTS

2017 MASTER LEASE AGREEMENTS

The Directors (including independent non-executive Directors) are of the view that the entering into of each of the 2017 Master 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 2017 Master Lease Agreements is beneficial to the overall business operations of the Group. In addition, the terms offered to the Group in the 2017 Master 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 each of the 2017 Master 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.

2017 MASTER PURCHASE AGREEMENTS

The Directors (including independent non-executive Directors) are of the view that the entering into of each of the 2017 Master Purchase Agreements would facilitate the operation of the Group as the materials and/or products 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 2017 Master 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 each of the 2017 Master 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.

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.

HVPC is principally engaged in the manufacturing of plastic products, including the manufacturing and processing of plastic trays for storing mobile phone components; and the real estate industry, including dealing with land use rights and the leasing out of factory space.

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.

Chengdu ZKLP is principally engaged in the research and development, production, sales and related support, consultation and trading in know-how and foreign and export trading of products and know-how, in respect of materials including but not limited to lithium ion batteries, materials for polymer lithium ion batteries, separators, electrolytes, lithium ion battery cells, lithium ion battery packs, supercapacitors, composite materials and functional polymers.

VI. DEFINITIONS

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

“20 December 2013 Announcement”		the announcement of the Company dated 20 December 2013
“27 August 2014 Announcement”		the announcement of the Company dated 27 August 2014
“2014 Changzhou LFY Agreements”		the further supplemental lease agreements entered into between certain members of the Group with Changzhou LFY, details of which are set out in the 20 December 2013 announcement
“2014 Changzhou Model Agreement”		the purchase agreement entered into between Changzhou Model and the Company, details of which are set out in the 20 December 2013 Announcement
“2014 Changzhou ZKLF Purchase Agreement”		the purchase agreement entered into between Changzhou ZKLF and a member of the Group, details of which are set out in the 20 December 2013 Announcement
“2014 Chengdu Yindile Purchase Agreement”		the purchase agreement entered into between Chengdu Yindile and a member of the Group, details of which are set out in the 20 December 2013 Announcement
“2014 HGCI Agreement”		the purchase agreement entered into between HGCI and the Company, details of which are set out in the 20 December 2013 Announcement
“2014 Jiangsu Yuanyu Agreements”		the lease agreements entered into between certain members of the Group with Jiangsu Yuanyu, details of which are set out in the 20 December 2013 Announcement
“2014 Agreements”	Lease	the 2014 Shenzhen Yuanyu Agreements (as supplemented by the Supplemental 2014 Shenzhen Yuanyu Agreements), the 2014 Wu’s Mother Agreements (as supplemented by the Supplemental 2014 Wu’s Mother Agreements), the 2014 Changzhou LFY Agreements and the 2014 Jiangsu Yuanyu Agreements
“2014 Agreements”	Purchase	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 lease agreements entered into between certain members of the Group with Shenzhen Yuanyu, details of which are set out in the 20 December 2013 Announcement

“2014 Wu’s Mother Agreements”		the lease agreements entered into between a member of the Group with Wu’s Mother, details of which are set out in the 20 December 2013 Announcement
“2014 Yousheng Agreement”		the purchase agreement entered into between Changzhou Yousheng and the Company, details of which are set out in the 20 December 2013 Announcement
“2017 Changzhou LFY Master Lease Agreement”		the master lease agreement entered into between Changzhou LFY and the Company, details of which are set out in the section headed “2017 CHANGZHOU LFY MASTER LEASE AGREEMENT” of this announcement
“2017 Changzhou Model Master Purchase Agreement”		the master purchase agreement entered into between Changzhou Model and the Company, details of which are set out in the section headed “2017 CHANGZHOU MODEL MASTER PURCHASE AGREEMENT” of this announcement
“2017 Yousheng Changzhou Master Purchase Agreement”		the master purchase agreement entered into between Changzhou Yousheng and the Company, details of which are set out in the section headed “2017 CHANGZHOU YOUSHENG MASTER PURCHASE AGREEMENT” of this announcement
“2017 Chengdu ZKLP Master Purchase Agreement”		the master purchase agreement entered into between Chengdu ZKLP and the Company, details of which are set out in the section headed “2017 CHENGDU ZKLP MASTER PURCHASE AGREEMENT” of this announcement
“2017 HG CJ Master Purchase Agreement”		the master purchase agreement entered into between HG CJ and the Company, details of which are set out in the section headed “2017 HG CJ MASTER PURCHASE AGREEMENT” of this announcement
2017 HVPC Master Lease Agreement		the master lease agreement entered into between HVPC and the Company, details of which are set out in the section headed “2017 HVPC MASTER LEASE AGREEMENT” of this announcement
“2017 Jiangsu Yuanyu Master Lease Agreement”		the master lease agreement entered into between Jiangsu Yuanyu and the Company, details of which are set out in the section headed “2017 JIANGSU YUANYU MASTER LEASE AGREEMENT” of this announcement
“2017 Master Lease Agreements”		the 2017 Shenzhen Yuanyu Master Lease Agreement, the 2017 Changzhou LFY Master Lease Agreement, the 2017 Jiangsu Yuanyu Master Lease Agreement and the 2017 HVPC Master Lease Agreement

“2017 Master Purchase Agreements”		the 2017 HGCJ Master Purchase Agreement, the 2017 Changzhou Yousheng Master Purchase Agreement, the 2017 Changzhou Model Master Purchase Agreement and the 2017 Chengdu ZKLP Master Purchase Agreement
“2017 Shenzhen Yuanyu Master Lease Agreement”		the master lease agreement entered into between Shenzhen Yuanyu and the Company, details of which are set out in the section headed “2017 SHENZHEN YUANYU MASTER LEASE AGREEMENT” of this announcement
“associate(s)”		has the meaning ascribed to it under the Listing Rules
“Board”		the board of Directors
“Changzhou LFY”		常州來方圓電子有限公司 (Changzhou Laifangyuan Electronics Co., Ltd.*), which is beneficially owned as to 50% by each of Pan’s Father and Pan’s Mother
“Changzhou LFY Gang Qiao Bridge Premises”		has the meaning ascribed to it under the section headed “2017 CHANGZHOU LFY MASTER LEASE Agreement” of this announcement
“Changzhou LFY Group”		Changzhou LFY and its subsidiaries, its shareholders, its holding company and subsidiaries of such holding company from time to time
“Changzhou LFY Premises”		the premises in any parts of the world owned by member(s) of the Changzhou LFY Group from time to time, which include but are not limited to the Changzhou LFY Gang Qiao Bridge Premises
“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 Model Group”		Changzhou Model and its subsidiaries, its shareholders, its holding company and subsidiaries of such holding company from time to time
“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 Yousheng Group”		Changzhou Yousheng and its subsidiaries, its shareholders, its holding company and subsidiaries of such holding company from time to time

“Changzhou ZKLF”	常州中科来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
“Chengdu Yindile”	成都茵地乐能源科技有限公司 (Chengdu Yindile Power Technologies Co., Ltd.*), an indirect subsidiary of Jiangsu Yuanyu and also a connected person of the Company
“Chengdu ZKLP”	成都中科来方能源科技有限公司 (Chengdu Zhongke Laifang Power Science & Technology Co., Ltd.*), a subsidiary of Jiangsu Yuanyu and also a connected person of the Company
“Chengdu ZKLP Group”	Chengdu ZKLP and its subsidiaries, its shareholders, its holding company and subsidiaries of such holding company from time to time
“Company”	AAC Technologies Holdings Inc., a company incorporated in the Cayman Islands as an exempted company with limited liability on 4 December 2003, 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
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“HGCI”	常州市武進湖塘何家紅光冲件廠 (Wujin Hutang Hejia Hongguang Stamping Factory*), a company directly wholly-owned by Wu’s Mother
“HGCI Group”	HGCI and its subsidiaries, its shareholders, its holding company and subsidiaries of such holding company from time to time
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HVPC”	Hongguang Viet Nam Plastic Company Limited 紅光(越南)塑業有限公司, a company incorporated in Vietnam, a subsidiary of HGCI and also a connected person of the Company
“HVPC Group”	HVPC and its subsidiaries, its shareholders, its holding company and subsidiaries of such holding company from time to time

“HVPC Premises”		the premises in any parts of the world owned by member(s) of the HVPC Group from time to time, which include but are not limited to the Vietnam Premises
“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
“Jiangsu Yuanyu Group”		Jiangsu Yuanyu and its subsidiaries, its shareholders, its holding company and subsidiaries of such holding company from time to time
“Jiangsu Premises”	Yuanyu	the premises in any parts of the world owned by member(s) of the Jiangsu Yuanyu Group from time to time, which include but are not limited to the Jiangsu Yuanyu Technologies Buildings Premises
“Jiangsu Technologies Premises”	Yuanyu Buildings	has the meaning ascribed to it under the section headed “2017 JIANGSU YUANYU MASTER LEASE AGREEMENT” of this announcement
“Leasing Agreement(s)”		the specific lease or tenancy agreements(s) to be entered into between member(s) of the Group and member(s) of the Shenzhen Yuanyu Group, Changzhou LFY Group, Jiangsu Yuanyu Group or HVPC Group (as the case may be) from time to time during the duration of the 2017 Shenzhen Yuanyu Master Lease Agreement, the 2017 Changzhou LFY Master Lease Agreement, the 2017 Jiangsu Yuanyu Master Lease Agreement or the 2017 HVPC Master Lease Agreement respectively in respect of leasing transaction(s) contemplated thereunder
“Listing Rules”		the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Benjamin Pan”		Mr. Benjamin Zhengmin Pan, an executive Director and the chief executive officer of the Company
“Ms. Ingrid Wu”		Ms. Ingrid Chunyuan Wu, a non-executive Director and the spouse of Mr. Benjamin Pan
“Pan’s Father”		Mr. Pan Zhonglai, father of Mr. Benjamin Pan
“Pan’s Mother”		Ms. Xie Yufang, mother of Mr. Benjamin Pan
“Pan’s Sister”		Ms. Pan Lijun, sister of Mr. Benjamin 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

“Purchasing Agreement(s)”		the specific purchasing agreement(s) to be entered into between member(s) of the Group and member(s) of the HGCI Group, Changzhou Yousheng Group, Changzhou Model Group or Chengdu ZKLP Group (as the case may be) from time to time during the duration of the 2017 HGCI Master Purchase Agreement, the 2017 Changzhou Yousheng Master Purchase Agreement, the 2017 Changzhou Model Master Purchase Agreement and the 2017 Chengdu ZKLP Master Purchase Agreement respectively in respect of purchasing transaction(s) contemplated thereunder
“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.*), a company wholly-owned by Wu’s Mother
“Shenzhen Group”	Yuanyu	Shenzhen Yuanyu and its subsidiaries, its shareholders, its holding company and subsidiaries of such holding company from time to time
“Shenzhen Nanda Premises”	Yuanyu	has the meaning ascribed to it under the section headed “2017 SHENZHEN YUANYU MASTER LEASE AGREEMENT” of this announcement
“Shenzhen Premises”	Yuanyu	the premises in any parts of the world owned by member(s) of the Shenzhen Yuanyu Group from time to time, which include but are not limited to the Shenzhen Yuanyu Nanda Premises
“Supplemental Shenzhen Agreements”	2014 Yuanyu	the supplemental lease agreements to the 2014 Shenzhen Yuanyu Agreements entered into by certain members of the Group with Shenzhen Yuanyu, details of which are set out in the 27 August 2014 Announcement
“Supplemental Wu’s Agreements”	2014 Mother	the supplemental lease agreements to the 2014 Wu’s Mother Agreements entered into by a member of the Group with Wu’s Mother, details of which are set out in the 27 August 2014 Announcement
“sq.m.”		square meter
“Stock Exchange”		The Stock Exchange of Hong Kong Limited
“USD”		United States Dollars, the lawful currency of the United States of America

“Vietnam Premises” has the meaning ascribed to it under the section headed “2017 HVPC MASTER LEASE AGREEMENT” of this announcement

“Wu’s Mother” Ms. Ye Huamei, mother of Ms. Ingrid Wu

**For indentification purposes only.*

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

Hong Kong, 16 December 2016

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.