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AAC ACOUSTIC TECHNOLOGIES HOLDINGS INC.

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 02018)

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the 14 May 2008 CCT Announcement, 23 December 2008 CCT Announcement, 22 January 2010 CCT Announcement and 9 April 2010 CCT Announcement. As some of the agreements referred to therein will either expire on 31 December 2010 or be early terminated, the Group has entered into the following agreements, some of which are subject to the Board's approval, with associate(s) of connected person(s) of the Company, which constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules:-

- (1) the New Shenzhen Yuanyu Agreement dated 28 December 2010 entered into between the Group and Shenzhen Yuanyu, details of which are set out in the section headed "NEW SHENZHEN YUANYU AGREEMENT";
- (2) the New Wu's Mother 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 section headed "NEW WU'S MOTHER AGREEMENTS";
- (3) the New Changzhou LFY Agreements dated 20 December 2010 entered into between the Group and Changzhou LFY, details of which are set out in the section headed "NEW CHANGZHOU LFY AGREEMENTS";
- (4) the New HGCI Agreement dated 17 December 2010 entered into between the Group and HGCI, details of which are set out in the section headed "NEW HGCI AGREEMENT";
- (5) the New Yousheng Agreement dated 16 December 2010 entered into between the Group and Changzhou Yousheng, details of which are set out in the section headed "NEW YOUSHENG AGREEMENT"; and
- (6) the New Changzhou Model Agreement dated 16 December 2010 entered into between the Group and Changzhou Model, details of which are set out in the section headed "NEW CHANGZHOU MODEL AGREEMENT".

The Board wishes to further announce that on 28 December 2010, the Group entered into the following agreement:-

(7) the American Audio Agreement dated 28 December 2010 entered into between the Group and Mr. Pan and Ms. Wu, details of which are set out in the section headed “AMERICAN AUDIO AGREEMENT”.

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)(b)(i) of the Listing Rules. Pursuant to Rule 14A.11(4)(b)(ii) of the Listing Rules, Shenzhen Yuanyu is also an associate of Ms. Wu and therefore a connected person of the Company.

As at the date of this announcement, Changzhou LFY is a company beneficially owned as to 50% by each of the 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, Pan’s Mother and Changzhou LFY are all associates of Mr. Pan and therefore connected persons of the Company under Rule 14A.11(b)(i) and Rule 14A.11(b)(ii) of the Listing Rules.

As at the date of this announcement, HGCI is a company wholly-owned by Wu’s Mother and hence a connected person of the Company under Rule 14A.11(4)(b)(ii) 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)(b)(i) of the Listing Rules. Pursuant to Rule 14A.11(4)(b)(ii) of the Listing Rules, Changzhou Yousheng is also an associate of Mr. Pan and therefore a connected person of the Company.

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)(b)(ii) of the Listing Rules.

The entering into of each of the New Shenzhen Yuanyu Agreement, New Wu’s Mother Agreements, New Changzhou LFY Agreements, American Audio Agreement, New HGCI Agreement, New Yousheng Agreement and New Changzhou Model Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. In view of this, as Mr. Pan and Ms. Wu have a material interest in the continuing connected transactions contemplated under the Lease Agreements and the Purchase Agreements, they have abstained from voting on the board resolutions of the Company in approving such agreements.

As each of the Lease Agreements were entered into between the Group and parties connected or otherwise associated with each other and as such transactions are similar in nature (i.e. leasing of properties), such transactions are aggregated for the purpose of deriving the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules pursuant to Rules 14A.25 and 14A.26 of the Listing Rules. As the Board anticipates that the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps

for the continuing connected transactions contemplated under the Lease Agreements will exceed 0.1% but will be less than 5%, such continuing connected transactions will be subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47, 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 each of the Purchase Agreements were entered into between the Group and parties connected or otherwise associated with each other and as such transactions are similar in nature (i.e. purchase of materials), such transactions are aggregated for the purpose of deriving the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules pursuant to Rules 14A.25 and 14A.26 of the Listing Rules. As the Board anticipates that the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps for the continuing connected transactions contemplated under the Purchase Agreements will exceed 0.1% but will be less than 5%, such continuing connected transactions will be subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47, 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.

I. INTRODUCTION

Reference is made to the 14 May 2008 CCT Announcement, 23 December 2008 CCT Announcement, 22 January 2010 CCT Announcement and 9 April 2010 CCT Announcement in which it was stated that, inter alia, the following agreements were entered into by the Group with associate(s) of connected person(s) of the Company, which constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules:-

- (i) the Extended Shenzhen Yuanyu Agreement which will expire on 31 July 2011;
- (ii) the 2009 Wu's Mother Agreement which will expire on 31 December 2010;
- (iii) the Revised Changzhou LFY Agreements which will expire on 31 December 2010;
- (iv) the Existing HGJ Agreement which will expire on 31 December 2010;
- (v) the Existing Yousheng Agreement which will expire on 19 December 2011; and
- (vi) the Existing Changzhou Model Agreement which will expire on 31 December 2010.

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

As agreements (ii) to (iv) and (vi) above will expire on 31 December 2010, the Group intends to enter into agreements on substantially the same terms as such and hence, the agreements numbered (2) to (4) and (6) below which constitute continuing connected transactions under the Chapter 14A of the Listing Rules were entered into by the Group.

In order to facilitate the entering into of the New Shenzhen Yuanyu Agreement and the New Yousheng Agreement, the Extended Shenzhen Yuanyu Agreement and Existing Yousheng Agreement have been early terminated with effect from 31 December 2010 onwards and its principal terms have been incorporated into the New Shenzhen Yuanyu Agreement and the New Yousheng Agreement.

The Group has also entered into the American Audio Agreement, which is numbered (7) below.

II. CONTINUING CONNECTED TRANSACTIONS

1. NEW SHENZHEN YUANYU AGREEMENT

As stated in the 14 May 2008 CCT Announcement, members of the Group and Shenzhen Yuanyu entered into the Shenzhen Yuanyu Agreements in January 2008, pursuant to which, Shenzhen Yuanyu agreed to lease the following properties (total of 7,979 sq.m.) located at Nanyou Tian'an Industry Zone, Nanshan, Shenzhen, PRC to the Group as part of its factory for a period of three years commencing from 1 January 2008 and expiring on 31 December 2010:

Location	Member of the Group entered into of the agreement	Rent per annum (RMB'000)
5th – 7th Floor, Block 6 (6,050 sq.m.)	AAC Shenzhen	3,630
1st Floor, Block 7 (1,829 sq.m.)	Shenzhen Tairuimei	1,097
6th Floor, Block 6 East Block (100 sq.m.)	Shenzhen Meiou	60
	Total:	4,787

As stated in the 2010 January CCT Announcement, Shenzhen Yuanyu and the Group entered into the Extended Shenzhen Yuanyu Agreement in which the said parties agreed to extend the tenure of the Shenzhen Yuanyu Agreements from expiring on 31 December 2010 to 31 July 2011 at the request of Shenzhen Yuanyu. Apart from the tenure being extended to 31 July 2011, all of the terms and conditions of the Extended Shenzhen Yuanyu Agreement are the same as the Shenzhen Yuanyu Agreements.

On 28 December 2010, a member of the Group (AAC Shenzhen) and Shenzhen Yuanyu entered into the New Shenzhen Yuanyu Agreement, pursuant to which Shenzhen Yuanyu agreed to lease the following properties (total of 7,979 sq.m.) located at Nanyou Tian'an Industry Zone, Nanshan, Shenzhen, PRC to the Group as part of its factory for a period of three years commencing on 1 January 2011 and expiring on 31 December 2013, details of which are as follows:-

Location	Member of the Group entered into the agreement	Actual rent per annum (RMB'000)	Annual Caps Rent per annum (RMB'000)
5th – 7th Floor, Block 6 (6,150 sq.m.), 1st Floor, Block 7 (1,829 sq.m.)	AAC Shenzhen	4,787	4,790
	Total:	4,787	4,790

In order to facilitate the entering into of the New Shenzhen Yuanyu Agreement, the Extended Shenzhen Yuanyu Agreement has been early terminated with effect from 31 December 2010 onwards and its principal terms have been incorporated into the New Shenzhen Yuanyu Agreement.

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

Pursuant to the New Shenzhen Yuanyu Agreement, the Group shall pay Shenzhen Yuanyu on a monthly basis.

For the two years ended 31 December 2009 and the six months ended 30 June 2010, the rent paid to Shenzhen Yuanyu under the Shenzhen Yuanyu Agreement amounted to RMB4,787,000, RMB4,787,000 and RMB2,394,000 respectively. None of the aforementioned aggregate amounts exceeded their respective annual caps for the corresponding periods or years.

The properties under the New Shenzhen Yuanyu Agreement have a total floor area of approximately 7,979 sq.m.. The annual caps for the continuing connected transactions contemplated thereunder are determined by multiplying such total floor area to be leased by the respective market rent, with reference to the above historical figures.

Based on the terms set out in the New Shenzhen Yuanyu Agreement, the annual caps in respect of the annual rent payable under the New Shenzhen Yuanyu Agreement will be and will not exceed RMB 4,790,000 for each of the three years ending 31 December 2013 respectively.

2. NEW WU'S MOTHER AGREEMENTS

As stated in the 23 December 2008 CCT Announcement, owing to the need for maintaining the continuous business operation of the Group for its production, storage and office purposes, a member of the Group (AAC Shenzhen) and Wu's Father entered into the 2009 Wu's Father Agreement, pursuant to which Wu's Father agreed to lease the following properties, located at Nanyou Tian'an Industry Zone, Nanshan, Shenzhen, PRC, to the Group as part of its factory for a period of two years commencing from 1 January 2009 and expiring on 31 December 2010, at an annual rent of RMB2,514,000 for each of the two years:-

Location

1st Floor, Block 8 (670 sq.m.)

2nd Floor, Block 8 (1,470 sq.m.)

6th Floor, Block 5 (2,050 sq.m.)

As stated in the 2010 January CCT Announcement, Wu's Father in October 2009 transferred (among others) the properties being the subject matter of the 2009 Wu's Father Agreement to his spouse, Wu's Mother, due to family reason and hence, the 2009 Wu's Mother Agreement was entered into between the relevant parties. All of the terms and conditions of the 2009 Wu's Mother Agreement were the same as the 2009 Wu's Father Agreement.

In view of the expiry date of the 2009 Wu's Mother Agreement being 31 December 2010, on 4 November 2010 and 28 December 2010, members of the Group (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 the Group as part of its factory for a period of three years commencing on 1 January 2011 and expiring on 31 December 2013, at an annual rent of RMB3,336,000:-

Location	Member of the Group entered into the agreement	Actual rent per annum (RMB'000)	Annual Caps Rent per annum (RMB'000)
1st Floor, Block 8 (670 sq.m.), 2nd Floor, Block 8 (1,470 sq.m.) and 6th Floor, Block 5 (2,050 sq.m.)	AAC Shenzhen	2,514	2,514
3rd Floor, Block 8 (1,370 sq.m.)	AAC Shenzhen	822	822
	Total:	3,336	3,336

Pursuant to the New Wu's Mother Agreements, the Group shall pay Wu's Mother on a monthly basis.

For the year ended 31 December 2009 and the six months ended 30 June 2010, the rent paid to Wu's Father and Wu's Mother under the 2009 Wu's Father Agreement and 2009 Wu's Mother Agreement for the aforementioned properties amounted to RMB2,514,000 and RMB1,257,000. None of the aforementioned aggregate amounts exceeded their respective annual caps for the corresponding periods or years.

The properties under the New Wu's Mother Agreements have a total floor area of approximately 5,560 sq.m.. The annual caps for the continuing connected transactions contemplated thereunder are determined by multiplying such total floor area to be leased by the respective market rent of similar premises in the nearby area in Shenzhen, PRC and with reference to the above historical figures.

Based on the terms set out in the New Wu's Mother Agreements, the annual caps in respect of the annual rent payable under the New Wu's Mother Agreements will not exceed RMB 3,336,000 for each of the three years ending 31 December 2013 respectively.

3. NEW CHANGZHOU LFY AGREEMENTS

As stated in the 14 May 2008 CCT Announcement, members of the Group and Changzhou LFY entered into the Changzhou LFY Agreements in October 2007, pursuant to which, Changzhou LFY agreed to lease certain properties located in Changzhou, Jiangsu Province, PRC, and Shanghai, PRC to the Group as part of its factory.

As stated in the 23 December 2008 CCT Announcement, on 16 December 2008, owing to the expansion of the Group and the need for additional space for production activities, members of the Group and Changzhou LFY entered into the Revised Changzhou LFY Agreements, pursuant to which one of the lease agreements under the Changzhou LFY Agreements, which was going to expire on 31 December 2008 was renewed and seven lease agreements, of which four replaced the lease agreements contemplated under the Changzhou LFY Agreements and of which three constituted new and separate lease agreements. Pursuant to the Revised Changzhou LFY Agreements, Changzhou LFY agreed to lease, as at the date of the 23

December 2008 CCT Announcement, the following properties located in Changzhou, Jiangsu Province, PRC and Shanghai, PRC to the Group as part of its factory:-

Location	Member of the Group entered into of the agreement	Term	Rent payable per annum per agreement (RMB'000)	Rent payable per annum		
				2008	2009	2010
Gang Qiao Bridge, Nanxiashu Town, Wujing District, Changzhou, the PRC						
3,329 sq.m. factory area and 3,560 sq.m. land area	Changzhou Kaitai	2007.1.1 ~ 2009.12.31	442	442	442	-
1,093 sq.m. factory area and 795 sq.m. land area	Audio Changzhou	2007.10.1 ~ 2010.9.30	206	206	206	155
1,217 sq.m. factory area and 885 sq.m. land area	AAC Changzhou	2007.10.1 ~ 2010.9.30	230	230	230	172
5,341 sq.m. factory area, 275 sq.m. ancillary facilities area and 3,948 land area	Microtech Changzhou	2007.10.1 ~ 2010.9.30	1,025	1,025	1,025	769
2,402 sq.m. factory area and 2,562 sq.m. land area	Audio Changzhou	2009.1.1 ~ 2010.12.31	319	-	319	319
2,721 sq.m. factory area and 2,930 sq.m. land area	AAC Changzhou	2009.1.1 ~ 2010.12.31	362	-	362	362
2,073 sq.m. factory area and 2,208 sq.m. land area	Microtech Changzhou	2009.1.1 ~ 2010.12.31	275	-	275	275
Shanghai, the PRC						
1st Floor, Block 1, No. 356 Yunling West Road	AAC Shanghai	2009.1.1 ~ 2010.12.31	365	365	365	365
Total:				2,269	3,225	2,418

In view of the latest expiry date among the Revised Changzhou LFY Agreements being 31 December 2010, on 20 December 2010, members of the Group and Changzhou LFY entered into the New Changzhou LFY Agreements, pursuant to which, Changzhou LFY agreed to lease the following properties located in Changzhou, Jiangsu Province to the Group as part of its factory for a period of three years commencing on 1 January 2011 and expiring on 31 December 2013, at an annual rent of RMB1,510,000:-

Location	Member of the Group entered into of the agreement	Term	Actual rent per annum (RMB'000)	Annual caps
				Rent per annum (RMB'000)
Gang Qiao Bridge, Nanxiashu Town, Wujing District, Changzhou, the PRC				
416.6 sq.m. factory area	AAC Changzhou	2011.1.1 ~ 2013.12.31	50	50
833.3 sq.m. factory area	Audio Changzhou	2011.1.1 ~ 2013.12.31	100	100
5,946.1 sq.m. factory area, 7700 sq.m. land area	Microtech Changzhou	2011.1.1 ~ 2013.12.31	810	810
2,900 sq.m. factory area, 2,000 sq.m. land area	Microtech Changzhou	2011.1.1 ~ 2013.12.31	550	550
		Total:	1,510	1,510

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

Pursuant to the New Changzhou LFY Agreements, the Group shall pay Changzhou LFY on a monthly basis.

For the two years ended 31 December 2009 and the six months ended June 2010, the rent paid to Changzhou LFY under the Revised Changzhou LFY Agreements amounted to RMB2,179,000, RMB1,377,000 and RMB599,000 respectively. None of the aforementioned aggregate amounts exceeded their respective annual caps for the corresponding periods or years.

The properties under the New Changzhou LFY Agreements have a total factory area of approximately 10,096 sq.m. and a total land area of approximately 9,700 sq.m.. The annual caps for the continuing connected transactions contemplated thereunder are determined by multiplying such total floor area to be leased by the respective market rent of similar premises in the nearby area in Changzhou, PRC and with reference to the above historical figures.

Based on the terms set out in the New Changzhou LFY Agreements, the annual caps in respect of the annual rent payable under the New Changzhou LFY Agreements will not exceed RMB1,510,000 for the three years ending 31 December 2013 respectively.

4. NEW HGCJ AGREEMENT

As stated in the 14 May 2008 CCT Announcement, on 1 January 2008, the Group (AAC Changzhou, Audio Changzhou, AAC Shenzhen, AAC Shuyang and Microtech Changzhou) entered into the Existing HGCJ Agreement with HGCJ for the purchase of packaging and stamping materials by the Group from HGCJ for a term of three years commencing on 1

January 2008 and expiring on 31 December 2010. As stated therein, the respective annual caps for the three years ending 31 December 2010 were determined by the Board to be RMB 9.0 million, RMB 9.5 million and RMB 10.0 million.

In view of the expiry date of the Existing HGCJ Agreement being 31 December 2010, on 17 December 2010, the Group (AAC Changzhou, Audio Changzhou, AAC Shenzhen, AAC Shuyang and Microtech Changzhou) entered into the New HGCJ Agreement with HGCJ for the purchase of packaging and stamping materials by the Group from HGCJ for a term of three years commencing on 1 January 2011 and expiring on 31 December 2013.

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

Under the New HGCJ Agreement, the purchase prices for the materials are determined between the parties on arm's length basis and with reference to the prevailing market rates. HGCJ has granted the Group with a credit period of 90 days from the date of invoice, which the amount payable should be paid directly into the designated bank account of HGCJ. Pursuant to the New HGCJ Agreement, HGCJ guarantees that the purchase prices payable by the Group will be no less favourable 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 HGCJ represent prevailing market rates and are no less favourable than terms can otherwise be obtained from other suppliers to safeguard the interests of the Company and the Shareholders as a whole.

For the two years ended 31 December 2009 and the six months ended 30 June 2010, the purchase of materials from HGCJ under the Existing HGCJ Agreement amounted to RMB7,620,000, RMB7,776,000 and RMB6,449,000 respectively. None of the aforementioned aggregate amounts exceeded their respective annual caps for the corresponding periods or years.

The Board expects that the business of the Group will continue to expand and as such, the purchase of materials from HGCJ will be increased in coping with the Group's production plan. Based on the terms of the New HGCJ Agreement, the Board expects that the annual caps in respect of the annual purchase amount under the New HGCJ Agreement will be and will not exceed RMB6,500,000, RMB8,500,000 and RMB11,000,000 for the three years ending 31 December 2013, which is determined with reference to previous transactions between the Group and HGCJ and the expected level of purchases by the Group for its production needs.

5. NEW YOUSHENG AGREEMENT

As stated in the 9 April 2010 CCT Announcement, on 20 December 2008, the Group (AAC Changzhou) and Changzhou Yousheng entered into the Existing Yousheng Agreement, pursuant to which AAC Changzhou agreed to purchase parts such as domes, ear cushions, insulation mats and resistance neeb for use in acoustic components from Changzhou Yousheng. As stated therein, the respective annual caps for each year were determined by the Board to be RMB13,500,000.

The Existing Yousheng Agreement was for a term of one year commencing from the date the Existing Yousheng Agreement was sealed and executed by the legal representative / authorized person of both parties thereto. The terms of the Existing Yousheng Agreement were such that it would be automatically renewed unless one party thereto terminates it by giving the other party a written notice of 30 days before the end of the term, provided that the aggregate period for the Yousheng Agreement would not exceed three years from 20 December 2008.

On 16 December 2010, the Group (AAC Changzhou, Audio Changzhou, AAC Shenzhen, AAC Shuyang and Microtech Changzhou) entered into New Yousheng Agreement with Changzhou Yousheng, pursuant to which AAC Changzhou 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 and expiring on 31 December 2013.

In order to facilitate the entering into of the New Yousheng Agreement, the Existing Yousheng Agreement has been early terminated with effect from 31 December 2010 onwards and its principal terms have been incorporated into the New Yousheng Agreement.

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.

Pursuant to the New Yousheng Agreement, AAC Changzhou may, during the term of the New Yousheng Agreement, place order for parts such as domes, ear cushions, insulation mats, resistance neeb for use in acoustic components and major terms including the model, quantity, price per unit, date of delivery and place of delivery of the relevant products shall be provided by AAC Changzhou in the order.

The purchase prices for the relevant materials under the New Yousheng Agreement are determined by the parties on arm's length basis and with reference to the prevailing market rates. AAC Changzhou, as a regular best-practiced purchasing procedure, obtains price quotations from other suppliers in the market to ensure that it obtains the most competitive market price. After receiving invoices, AAC Changzhou shall pay the relevant purchase price within 45 days upon the end of the month in which it receives such invoices.

For the year ended 31 December 2009 and the six months ended 30 June 2010, the aggregate purchase amount under the Existing Yousheng Agreement amounted to RMB477,000 and RMB7,572,000 respectively. None of the aforementioned aggregate amounts exceeded their respective annual caps for the corresponding periods or years.

As it is expected that the level of purchases by AAC Changzhou or the Company's subsidiaries for their production needs will significantly increase, the Board expects the annual cap in respect of the annual purchase amount under the New Yousheng Agreement will be and will not exceed RMB24,000,000, RMB32,000,000 and RMB42,000,000 for the three years ending 31 December 2013, which is determined with reference to previous transactions between the Group and Changzhou Yousheng and the expected level of purchases by the Group for its production needs.

6. NEW CHANGZHOU MODEL AGREEMENT

As stated in the 14 May 2008 CCT Announcement, on 1 January 2008, the Group (AAC Changzhou, Audio Changzhou and AAC Shuyang) entered into Existing Changzhou Model Agreement with Changzhou Model for the purchase of processed supplement materials used in the manufacturing process (e.g. models and stamping components of acoustic products) by the Group from Changzhou for a term of three years commencing on 1 January 2008 and expiring on 31 December 2010. As stated therein, the respective annual caps for the three years ending 31 December 2010 were determined by the Board to be RMB 28 million, RMB 29 million and RMB 30 million.

In view of the expiry date of the Existing Changzhou Model Agreement being 31 December 2010, on 16 December 2010, the Group (AAC Changzhou, Audio Changzhou, AAC Shenzhen, AAC Shuyang and Microtech Changzhou) entered into New Changzhou Model Agreement with Changzhou Model for the purchase of processed supplement materials used in the manufacturing process (e.g. models and stamping components of acoustic products) by the Group from Changzhou for a term of three years commencing from 1 January 2011 and expiring on 31 December 2013.

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

The purchase prices for the materials are determined between the parties on arm's length basis and with reference to the prevailing market rates. Changzhou Model has granted the Group with a credit period of 90 days from the date of invoice, which the amount payable should be paid directly into the designated bank account of Changzhou Model. Pursuant to the New Changzhou Model Agreement, Changzhou Model guarantees that the purchase prices payable by the Group will be no less favourable than terms offered to other independent third parties. In addition, the Group will obtain price quotations from other suppliers in the market to ensure that the terms offered by Changzhou Model represent prevailing market rates and are no less favourable than terms can otherwise be obtained from other suppliers to safeguard the interests of the Company and the Shareholders as a whole.

For the two years ended 31 December 2009 and the six months ended 30 June 2010, the annual purchase amount under the Existing Changzhou Model Agreement amounted to RMB2,044,000, RMB22,827,000 and RMB14,290,000 respectively. None of the aforementioned aggregate amounts exceeded their respective annual caps for the corresponding periods or years.

Owing to the close proximity of the production facilities of Changzhou Model as compared to other suppliers and the demand for processed supplement used in the manufacturing process (e.g. models and stamping components of acoustic products), the Group purchases 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 to be beneficial to the overall operation of the Group. Nonetheless, the Board has taken into consideration of the overall development and production plans of the

Group. As such, based on the terms of the New Changzhou Model Agreement, the Board expects that the annual caps in respect of the annual purchase amount under the New Changzhou Model Agreement will be and will not exceed RMB25,000,000, RMB32,500,000 and RMB43,000,000 for the three years ending 31 December 2013, which is determined with reference to the expected level of purchases by the Group for its production needs to cope with its expanded business operation and scale of production.

7. AMERICAN AUDIO AGREEMENT

On 28 December 2010, a member of the Group (American Audio) and Mr. Pan and Ms. Wu entered into the American Audio Agreement, pursuant to which Mr. Pan and Ms. Wu agreed to lease a portion of a building designated as 1920 Wright Ave., La Verne CA 91750, the United States of America to the Group for a period of three years commencing on 1 January 2011 and expiring on 31 December 2013, details of which are as follows:-

Location	Member of the Group entered into the agreement	Actual rent per annum (USD'000)	Annual Caps Rent per annum (USD'000)
1920 Wright Ave., La Verne CA 91750, the United States of America	American Audio	82.8	82.8
	Total:	82.8	82.8

Pursuant to the American Audio Agreement, the Group shall pay Mr. Pan and Ms. Wu on a monthly basis.

The property under the American Audio Agreement has a total floor area of approximately 10,588 sq.ft.. The annual caps for the continuing connected transactions contemplated thereunder are determined by multiplying such total floor area to be leased by the respective market rent of premises similar in characteristics, size, location, and other additional physical parameters.

Based on the terms set out in the American Audio Agreement, the annual caps in respect of the annual rent payable under the American Audio Agreement will be and will not exceed USD82,800 for each of the three years ending 31 December 2013 respectively.

III. REASONS AND BENEFITS FOR ENTERING INTO THE LEASE AGREEMENTS AND PURCHASE AGREEMENTS

LEASE AGREEMENTS

The Directors believe that the entering into of the Lease Agreements would allow the Group to continue its production and operating activities at such locations which are located in close proximity to other facilities of the Group and to facilitate the business operation of the Group.

The Directors (including the independent non-executive Directors) consider that the entering into of the Lease Agreements is beneficial to the overall business operation of the Group. In

addition, the terms offered to the Group in the Lease agreements are no less favourable than terms offered by other independent third parties. The Directors (including independent non-executive Directors) confirm that the transactions contemplated under each of the Lease Agreements are on normal commercial terms and in the ordinary course of business of the Company, and the terms of such transactions are fair and reasonable and in the interest of the Company and its shareholders as a whole and are not materially different from those in the Extended Shenzhen Yuanyu Agreement, 2009 Wu's Mother Agreement and Revised Changzhou LFY Agreements.

PURCHASE AGREEMENTS

The Directors believe that the entering into of each of the Purchase Agreements facilitates the operation of the Group as the materials purchases and/or to be purchased by the Group from such parties are essential to the production of the Group's products. In addition, the Directors believe that the entering into of the New Yousheng Agreement would allow the Group to continue its production activities at such locations which are located in close proximity to 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) confirm that the transactions contemplated under each of the Purchase Agreements are on normal commercial terms and in the ordinary course of business of the Company, and the terms of such transactions are fair and reasonable and in the interest of the Company and its shareholders as a whole and are not materially different from those in the Existing HGCI Agreement, Existing Yousheng Agreement and Existing Changzhou Model Agreement.

IV. LISTING RULE IMPLICATIONS OF THE LEASE AGREEMENTS AND PURCHASE AGREEMENTS

As each of the Lease Agreements were entered into between the Group and parties connected or otherwise associated with each other and as such transactions are similar in nature (i.e. leasing of properties), such transactions are aggregated for the purpose of deriving the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules pursuant to Rules 14A.25 and 14A.26 of the Listing Rules. As the Board anticipates that the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps for the continuing connected transactions contemplated under the Lease Agreements will exceed 0.1% but will be less than 5%, such continuing connected transactions will be subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47, 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 each of the Purchase Agreements were entered into between the Group and parties connected or otherwise associated with each other and as such transactions are similar in nature (i.e. purchase of materials), such transactions are aggregated for the purpose of deriving the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules pursuant to Rules 14A.25 and 14A.26 of the Listing Rules. As the Board anticipates that the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps for the continuing connected transactions contemplated under the Purchase Agreements will

exceed 0.1% but will be less than 5%, such continuing connected transactions will be subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47, 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 Mr. Pan and Ms. Wu have a material interest in the continuing connected transactions contemplated under the Lease Agreements and the Purchase Agreements, they have abstained from voting on the board resolutions of the Company in approving such agreements.

V. GENERAL

The Group is principally engaged in the design and production of miniature acoustic components, which are used in mobile phone headsets, MP3 players, MP4 players and other consumer handheld devices.

VI. DEFINITIONS

“14 May 2008 CCT Announcement”	the announcement of the Company dated 14 May 2008
“22 January 2010 CCT Announcement”	the announcement of the Company dated 22 January 2010;
“23 December 2008 CCT Announcement”	the announcement of the Company dated 23 December 2008
“2009 Wu’s Father Agreement”	the agreement entered into between the Group and Wu’s Father, details of which are set out in the 2008 December CCT Announcement
“2009 Wu’s Mother Agreement”	the agreement entered into between members of the Group and Wu’s Mother, details of which are set out in the 2010 January CCT Announcement
“9 April 2010 CCT Announcement”	the announcement of the Company dated 9 April 2010
“AAC Changzhou”	瑞聲聲學科技 (常州) 有限公司 (AAC Acoustic Technologies (Changzhou) Co., Ltd.*), a wholly-owned subsidiary of the Company
“AAC Shanghai”	瑞聲開泰聲學科技 (上海) 有限公司 (AAC Acoustic Technologies (Shanghai) Co., Ltd.*), a wholly-owned subsidiary of the Company
“AAC Shenzhen”	瑞聲聲學科技 (深圳) 有限公司 (AAC Acoustic Technologies (Shenzhen) Co., Ltd.*), a wholly-owned subsidiary of the Company

“AAC Shuyang”	瑞聲科技(沐陽)有限公司 (AAC Technologies (Shuyang) Co., Ltd.*), a wholly-owned subsidiary of the Company
“American Audio”	American Audio Component Inc., a wholly-owned subsidiary of the Company
“American Audio Agreement”	the agreement entered into between the Group and Mr. Pan and Ms. Wu, details of which are set out in the section headed “AMERICAN AUDIO AGREEMENT”
“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.*), a wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Changzhou Kaitai”	常州開泰機電製造有限公司 (Changzhou Kaitai Machinery and Electronics Co., Ltd.*), a wholly-owned subsidiary of the Company
“Changzhou LFY”	Changzhou Laifangyuan Electronics Co., Ltd., which is beneficially owned as to 50% by Pan’s Father and 50% by Pan’s Mother
“Changzhou LFY Agreements”	the agreements entered into between the Group and Changzhou LFY, details of which are set out in the 14 May 2008 CCT Announcement
“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 wholly owned by Pan’s Father
“Changzhou Yousheng”	Changzhou Yousheng Electronics Co., Ltd.* (常州市友晟電子有限公司), which is beneficially owned as to 30% by Pan’s Mother and 70% by Pan’s sister
“Company”	AAC Acoustic 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
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules

“Director(s)”	the director(s) of the Company
“Existing Changzhou Model Agreement”	the agreement entered into between the Group and Changzhou Model, details of which are set out in the 14 May 2008 CCT Announcement
“Existing HG CJ Agreement”	the agreement entered into between the Group and HG CJ, details of which are set out in the 14 May 2008 CCT Announcement
“Existing Yousheng Agreement”	the agreement entered into between the Group and Changzhou Yousheng, details of which are set out in the 9 April 2010 CCT Announcement
“Extended Shenzhen Yuanyu Agreement”	the agreement entered into between members of the Group and Shenzhen Yuanyu, details of which are set out in the 22 January 2010 CCT Announcement
“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 wholly-owned by Wu’s Mother
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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
“Lease Agreements”	the New Shenzhen Yuanyu Agreement, the New Wu’s Mother Agreements, the New Changzhou LFY Agreements and the American Audio Agreement
“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.*), a 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 section headed “NEW CHANGZHOU LFY AGREEMENTS”
“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 section headed “NEW CHANGZHOU MODEL AGREEMENT”
“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 section headed “NEW HG CJ AGREEMENT”
“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 section headed “NEW SHENZHEN YUANYU AGREEMENTS”
“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 section headed “NEW WU’S MOTHER AGREEMENTS”
“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 section headed “NEW YOUSHENG AGREEMENT”
“Pan’s Father”	Mr. Pan Zhonglai, father of Mr. Pan, an executive Director
“Pan’s Mother”	Ms. Xie Yufang, mother of Mr. Pan, an executive Director
“Pan’s Sister”	Ms. Pan Lijun, sister of Mr. Pan, an executive Director
“percentage ratios”	the percentage ratios under Rule 14.07 of the Listing Rules, other than the profits ratio and equity capital ratio
“PRC”	the People’s Republic of China and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchase Agreements”	the New HG CJ Agreement, the New Yousheng Agreement and the New Changzhou Model Agreement
“Revised Changzhou LFY Agreements”	the agreements entered into between the Group and Changzhou LFY, details of which are set out in the 23 December 2008 CCT Announcement
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholder(s)”	the registered holder(s) of share(s) of the Company
“Shenzhen Meiou”	深圳市美歐電子有限公司 (American Audio Component (Shenzhen) Co., Ltd.*), a wholly-owned subsidiary of the Company
“Shenzhen Tairuimei”	深圳泰瑞美精密器件有限公司 (Shenzhen Tairuimei Precision Tooling Manufacturing Co., Ltd.*), a wholly-owned subsidiary 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 Father before May 2009 and transferred to Wu’s Mother in May 2009 due to personal and family reasons
“sq.ft.”	square foot
“sq.m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“USD”	USD, the lawful currency of the United States of America
“Wu’s Father”	Mr. Wu Boming (deceased), father of Ms. Wu, a non-executive Director and the spouse of Mr. Pan, an executive Director
“Wu’s Mother”	Ms. Ye Huamei, mother of Ms. Wu, a non-executive Director and the spouse of Mr. Pan, an executive Director

* *For identification purposes only.*

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

Hong Kong, 28 December 2010

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