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瑞聲科技控股有限公司
AAC TECHNOLOGIES HOLDINGS INC.

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 2018)

**UPDATE ON THE PROGRESS OF
THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF
AAC OPTICS ON A STOCK EXCHANGE IN THE PRC**

Reference is made to the announcements of the Company dated 23 December 2020 and 1 February 2021 in relation to the proposed spin-off and listing of its optics business, which will be held through AAC Optics on a stock exchange in the PRC.

The Board is pleased to announce that on 11 February 2021, the Company has received approval from the Hong Kong Stock Exchange that the Company may proceed with the Proposed Spin-off under Practice Note 15 of the Listing Rules.

In connection with the Proposed Spin-off and Separate Listing, it is currently anticipated that AAC Optics will issue new shares by initial public offering on a stock exchange in the PRC. The proposed issue of new shares by AAC Optics will result in a dilution of the Company's equity interest in AAC Optics and, if materialises, the Proposed Spin-off and Separate Listing will constitute a deemed disposal (as defined in the Listing Rules) of the Company's equity interest in AAC Optics.

It is expected that the highest applicable percentage ratio set out in Rule 14.07 of the Listing Rules under the Proposed Spin-off and Separate Listing will be more than 5% but less than 25%. As such, the Proposed Spin-off and Separate Listing is expected to constitute a discloseable transaction under the Listing Rules. The Company will make further disclosure as and when appropriate pursuant to the relevant requirements of the Listing Rules.

Shareholders and potential investors should note that, the Proposed Spin-off and Separate Listing are subject to, inter alia, approvals from relevant authorities, including the CSRC and the relevant stock exchange in the PRC, as well as the prevailing market conditions. Accordingly, Shareholders and potential investors should be aware that the Proposed Spin-off and Separate Listing may or may not proceed and no assurance is given as to the timing thereof. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

Reference is made to the announcements of the Company dated 23 December 2020 and 1 February 2021 (the “**Announcements**”) in relation to the proposed spin-off and listing of its optics business, which will be held through AAC Optics (Changzhou) Co., Ltd.* (誠瑞光學(常州)股份有限公司) (“**AAC Optics**”) on a stock exchange in the PRC. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

APPROVAL IN RESPECT OF THE PROPOSED SPIN-OFF AND SEPARATE LISTING

As disclosed in the Announcements, the Company had submitted an application in relation to the Proposed Spin-off and Separate Listing to the Hong Kong Stock Exchange for approval pursuant to Practice Note 15 of the Listing Rules.

The Board is pleased to announce that on 11 February 2021, the Company has received approval from the Hong Kong Stock Exchange that the Company may proceed with the Proposed Spin-off under Practice Note 15 of the Listing Rules.

In connection with the Proposed Spin-off and Separate Listing, it is currently anticipated that AAC Optics will issue new shares by initial public offering on a stock exchange in the PRC. The proposed issue of new shares by AAC Optics will result in a dilution of the Company’s equity interest in AAC Optics and, if materialises, the Proposed Spin-off and Separate Listing will constitute a deemed disposal (as defined in the Listing Rules) of the Company’s equity interest in AAC Optics.

It is expected that the highest applicable percentage ratio set out in Rule 14.07 of the Listing Rules under the Proposed Spin-off and Separate Listing will be more than 5% but less than 25%. As such, the Proposed Spin-off and Separate Listing is expected to constitute a discloseable transaction under the Listing Rules. The Company will make further disclosure as and when appropriate pursuant to the relevant requirements of the Listing Rules.

THE REASONS FOR, AND THE BENEFIT OF, THE PROPOSED SPIN-OFF AND SEPARATE LISTING

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

The Board considers that the Proposed Spin-off and Separate Listing is in the interest of the Company and its Shareholders as a whole for the following reasons:

- (a) AAC Optics Group is dedicated to becoming a leading optics solution provider with cutting edge technologies and superior products in order to capture the fast-growing market opportunities in the optics industry, and to deliver innovative user experience. The Proposed Spin-off and Separate Listing will further enhance AAC Optics Group's market positioning and integration of business resources, which would reinforce the competitiveness of AAC Optics Group in optics and establish a solid foundation for its long-term sustainable growth. At the same time, when AAC Optics Group's organic growth is accelerated by its listing on a stock exchange in the PRC, the Remaining Group can focus more of its resources on the remaining principal businesses, thereby realising the maximum growth potential of both the Company and AAC Optics Group;
- (b) the Proposed Spin-off and Separate Listing will increase AAC Optics Group's operational and financial transparency and provide more details of the operational performance of the remaining business and the spin-off business, through which investors would be able to evaluate the performance and potential of AAC Optics Group separately and distinctly from those of the Remaining Group. Considering that AAC Optics Group is equipped with proprietary technology, full automation capabilities, and a dedicated global research and development team which is undergoing business expansion and rapid growth, the Proposed Spin-off and Separate Listing is expected to attract an investor base that favours high growth opportunities and focused investment opportunities in optics, which would better reflect the value of AAC Optics Group;

- (c) as the result of the Proposed Spin-off and Separate Listing, the Remaining Group and AAC Optics Group will have separate fundraising platforms in the equity and debt capital markets, which will increase the financing flexibility for both entities so as to support and accelerate their respective growth. In the future, AAC Optics Group will be able to take advantage of its own capital market platform to raise funds to further expand its business scope, attract talents, enrich its product lines, and achieve rapid development; and
- (d) after completion of the Proposed Spin-off and Separate Listing, the Company will still control AAC Optics Group, and the revenue and profit of AAC Optics Group will be reflected in the consolidated financial statements of the Company. Furthermore, the value of AAC Optics Group is expected to be enhanced due to the expected relatively high premium on the domestic capital market, which in turn benefits the Company as a controlling shareholder of AAC Optics Group. By maximising the value of AAC Optics Group, the overall market value of the Remaining Group will be further enhanced.

WAIVER IN RESPECT OF ASSURED ENTITLEMENT

Paragraph 3(f) of Practice Note 15 requires listed issuers carrying out spin-offs to have due regard to the interests of its existing shareholders by providing them with an assured entitlement to shares in the spun-off entity, either by way of a distribution in specie of existing shares or by way of preferred application in any offering of existing or new shares in the spun-off entity.

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

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

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

In light of the above reasons, it would not be feasible or practicable for the Company to comply with the assured entitlement in the shares of AAC Optics under paragraph 3(f) of Practice Note 15 of the Listing Rules in relation to the Proposed Spin-off and Separate Listing. Due to the prohibition against preferential allocation of the offer shares under the PRC securities laws, it is impractical to preferentially allocate shares in AAC Optics to the Shareholders of the Company, including the southbound Shareholders (if any). The Company has applied for, and the Hong Kong Stock Exchange has agreed to grant, a waiver from strict compliance with the applicable requirements in relation to the assured entitlement under paragraph 3(f) of Practice Note 15 of the Listing Rules in connection with the Proposed Spin-off and Separate Listing.

CONFIRMATION FROM THE BOARD

Having considered the above and given that (a) immediately upon completion of the Proposed Spin-off and Separate Listing, the Company will continue to control AAC Optics and the results of AAC Optics will continue to be consolidated into the financial statements of the Company; and (b) the Proposed Spin-off and Separate Listing will, among others, enable the Company to capitalise the value of its existing investment in AAC Optics Group and to provide a separate fund-raising platform to enhance the possibility of future financing for the further development of AAC Optics, the Board is of the view that the Proposed Spin-off and Separate Listing and the waiver in respect of the assured entitlement requirement in connection with the Proposed Spin-off and Separate Listing are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

UPDATE ON THE PRE-LISTING TUTORING PROCESS

On 1 February 2021, the sponsor of the Proposed Spin-off and Separate Listing of AAC Optics submitted an application to the Jiangsu Province Regulatory Bureau of the CSRC for the commencement of the pre-listing tutoring process. The Jiangsu Province Regulatory Bureau of the CSRC had acknowledged receipt of such application through its tutoring regulatory information system. The filing date of AAC Optics' pre-listing tutoring was 1 February 2021.

Save as disclosed above and in the Announcements, as at the date of this announcement, no formal listing application had been submitted with any relevant regulatory authorities in the PRC. The Company will make further announcement(s) in relation to the Proposed Spin-off and Separate Listing in accordance with the requirements of the Listing Rules as and when appropriate.

Shareholders and potential investors should note that, the Proposed Spin-off and Separate Listing are subject to, inter alia, approvals from relevant authorities, including the CSRC and the relevant stock exchange in the PRC, as well as the prevailing market conditions. Accordingly, Shareholders and potential investors should be aware that the Proposed Spin-off and Separate Listing may or may not proceed and no assurance is given as to the timing thereof. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

** for identification purpose only*

On behalf of the Board
AAC Technologies Holdings Inc.
Ho Siu Tak Jonathan
Company Secretary

Hong Kong, 16 February 2021



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AAC TECHNOLOGIES HOLDINGS INC.

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The directors of the Company as at the date of this announcement are:

Executive Directors:

Mr. Pan Benjamin Zhengmin
Mr. Mok Joe Kuen Richard

Independent Non-executive Directors:

Mr. Zhang Hongjiang
Mr. Au Siu Cheung Albert
Mr. Peng Zhiyuan
Mr. Kwok Lam Kwong Larry

Non-executive Director:

Ms. Wu Ingrid Chun Yuan