

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

MAJOR TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF ACOUSTICS SOLUTIONS INTERNATIONAL B.V.

Financial Adviser to the Company



INTRODUCTION

The Board is pleased to announce that on 10 August 2023 (after trading hours), AAC Technologies (Belgium) BV (as the Purchaser) and AAC Technologies Pte. Ltd. (as the guarantor of the Purchaser's obligations), both of which are wholly-owned subsidiaries of the Company, entered into the Sale and Purchase Agreement pursuant to which the Purchaser agreed to purchase all of the issued shares in Acoustics Solutions International B.V. (the Target) from Acoustics Solutions Holding B.V. and Stichting Administratiekantoor Acoustics Solutions International (collectively, the Sellers).

The Target owns and operates the Premium Sounds Solutions business which is a leading global provider of premium audio systems with an over 50-year operating history.

SALE AND PURCHASE AGREEMENT

Pursuant to the Sale and Purchase Agreement, the Purchaser will purchase the Sale Shares from the Sellers in two tranches, with the First Tranche Shares and the Second Tranche Shares comprising 80% and 20%, respectively, of the issued shares in the capital of the Target.

Purchase Price

The First Tranche Purchase Price will comprise the sum of US\$320,000,000 together with interest thereon from 1 April 2023 to the date of First Tranche Completion less the Price Adjusting Leakage (if any), as further explained below.

The Second Tranche Purchase Price will comprise the sum of: (i) an agreed multiple of the Target EBITDA plus (ii) the Target Adjusted Net Financial Debt (Cash) multiplied by 20% together with interest thereon from the Second Tranche Effective Date (being 1 April 2025) (or the Postponed Second Tranche Effective Date, being 1 April 2026 or 1 April 2027) to the date of Second Tranche Completion. Pursuant to the Shareholders' Agreement to be entered into on First Tranche Completion, the Sellers and the Purchaser will engage a financial adviser to determine the Second Tranche Purchase Price as set out above by reference to the audited consolidated financial information of the Target for the financial year ending 31 March 2025.

The Sellers or the Purchaser have the right to postpone the Second Tranche Effective Date from 1 April 2025 by up to two times by one year each time, that is, to 1 April 2026 or 1 April 2027. If the postponement right is exercised and both parties agree to the postponement, the Second Tranche Purchase Price will be determined as set out above by reference to the audited consolidated financial information of the Target for the financial year ending 31 March 2026 or 31 March 2027 (as the case may be). If the postponement right is exercised by one of the parties and the other party disagrees with the postponement, the Purchaser will purchase the Second Tranche Shares at a fixed purchase price together with interest thereon as set out in the Shareholders' Agreement. The maximum purchase price the Purchaser will pay for the Second Tranche Shares is US\$204,613,000, together with interest thereon.

The purchase price payable for the Proposed Transaction will be funded by the Group's internal resources and, if needed, by additional external financing.

Break Fee and Escrow Amount

The Purchaser has agreed that if (i) it fails to comply with certain of its obligations under the Sale and Purchase Agreement, (ii) First Tranche Completion does not take place because it has failed to comply with its completion obligations or (iii) any Condition is not satisfied on or before the Long Stop Date (other than as a result of the Sellers' material failure to comply with their obligations under the Sale and Purchase Agreement) and the Sale and Purchase Agreement is terminated by the Sellers, the Purchaser will pay the Break Fee of US\$40,000,000 to the Sellers. The Purchaser has paid a deposit in the amount of US\$40,000,000 to an escrow agent, which amount will be released to the Sellers on the earlier of (i) the date of First Tranche Completion (which will be used to partly settle the First Tranche Purchase Price) and (ii) the date on which the Break Fee is payable to the Sellers.

Conditions to Completion

Completion of the Proposed Transaction is conditional upon the satisfaction (or, if applicable, waiver) of certain conditions, as further described below. If the Conditions are not satisfied by 30 April 2024, the parties may serve notice to terminate the Sale and Purchase Agreement.

Completion

Subject to the Conditions being satisfied, it is currently expected that First Tranche Completion will take place in or around December 2023. If the Second Tranche Effective Date is not postponed, Second Tranche Completion is expected to take place in or around mid 2025 and if the Second Tranche Effective Date is postponed to 1 April 2026 or 1 April 2027, Second Tranche Completion is expected to take place in or around mid 2026 or mid 2027 (as the case may be).

IRREVOCABLE VOTING UNDERTAKINGS

The controlling shareholders of the Company, being Mr. Pan Benjamin Zhengmin and Ms. Wu Ingrid Chun Yuan, who, in aggregate, have an interest in approximately 41.54% of the issued Shares of the Company (as beneficial owners and founders of certain discretionary trusts who can influence how the trustees of those trusts exercise their discretion) have irrevocably undertaken to, among other things, vote or appoint a proxy to vote or procure the trustees of those trusts to vote all such Shares in favour of the resolutions to approve the Proposed Transaction at the EGM, as explained below.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Proposed Transaction exceeds 25% but is less than 100%, the Proposed Transaction constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Proposed Transaction is subject to the reporting, announcement and shareholders' approval requirement under Chapter 14 of the Listing Rules.

EGM AND CIRCULAR

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Proposed Transaction.

The Circular containing, among other things, (1) further details of the terms of the Proposed Transaction; (2) the accountants' report on the Target Group and (3) other information as required under the Listing Rules together with a notice convening the EGM, will be despatched to the Shareholders. In order to allow sufficient time for the Company to prepare the Circular, including the accountants' report on the Target Group in accordance with International Financial Reporting Standards, the Circular will be despatched more than 15 business days after the publication of this announcement and is expected to be despatched to the Shareholders on or before the end of November 2023.

It is expected that the EGM will be convened to be held on or before mid December 2023.

FURTHER INFORMATION

The Proposed Transaction is subject to all of the Conditions being satisfied (or, if applicable, waived) and therefore may or may not become unconditional. If any of the Conditions is not satisfied (or, if applicable, waived), the Proposed Transaction will not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares and other securities of the Company.

1. INTRODUCTION

The Board is pleased to announce that on 10 August 2023 (after trading hours), AAC Technologies (Belgium) BV (as the Purchaser) and AAC Technologies Pte. Ltd. (as the guarantor of the Purchaser's obligations), both of which are wholly-owned subsidiaries of the Company, entered into the Sale and Purchase Agreement pursuant to which the Purchaser agreed to purchase all of the issued shares in Acoustics Solutions International B.V. (the Target) from Acoustics Solutions Holding B.V. and Stichting Administratiekantoor Acoustics Solutions International (collectively, the Sellers).

2. THE PROPOSED TRANSACTION AND THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out below:

(a) Date

10 August 2023

(b) Parties

The Sellers, the Purchaser and the Guarantor

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Sellers and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

(c) Sale and Purchase of the Sale Shares

The Purchaser will purchase the Sale Shares from the Sellers in two tranches as follows:

- (1) the Purchaser will purchase the First Tranche Shares, representing 80% of the issued shares in the capital of the Target, on First Tranche Completion pursuant to the terms of the Sale and Purchase Agreement; and
- (2) the Purchaser will purchase the Second Tranche Shares, representing 20% of the issued shares in the capital of the Target, on Second Tranche Completion pursuant to the terms of the Sale and Purchase Agreement and the Shareholders' Agreement.

Seller 1 and Seller 2 own 85% and 15%, respectively, of the issued shares in the capital of the Target and they will sell the First Tranche Shares and the Second Tranche Shares in proportion to their respective shareholding in the Target.

The Guarantor has agreed to guarantee to the Sellers the payment and performance obligations of the Purchaser under the Sale and Purchase Agreement.

(d) Purchase Price for the Sale Shares

Purchase Price for the First Tranche Shares

The total purchase price for the First Tranche Shares (the “**First Tranche Purchase Price**”) will be payable by the Purchaser in cash and will comprise the sum of: (i) US\$320,000,000 (the “**Initial Purchase Price**”) (representing an equity value of US\$400,000,000 for 100% of the Sale Shares) plus (ii) interest on the Initial Purchase Price calculated on a daily basis at the rate of 6.75% per annum from the First Tranche Effective Date (being 1 April 2023) to the date of First Tranche Completion less (iii) the Price Adjusting Leakage (if any) (as further explained below).

The Initial Purchase Price was determined after negotiations on an arm’s length basis with the Sellers, with reference to, among other things, the overall financial position and performance of the Target Group, the strategic fit with the Group’s business and the Target Group’s growth prospects, potentially realisable by the implementation of strategic synergies arising from the Proposed Transaction.

Purchase Price for the Second Tranche Shares

The total purchase price for the Second Tranche Shares will be payable by the Purchaser in cash and, subject as provided below, will comprise the sum of: (i) an agreed multiple of the Target EBITDA plus (ii) the Target Adjusted Net Financial Debt (Cash) multiplied by 20% (together, the “**Second Tranche Purchase Price**”) plus (iii) interest on the Second Tranche Purchase Price calculated on a daily basis at the rate of 6.75% per annum from the Second Tranche Effective Date (being 1 April 2025) (or the Postponed Second Tranche Effective Date, being 1 April 2026 or 1 April 2027) to the date of Second Tranche Completion.

Pursuant to the Shareholders’ Agreement, the Sellers and the Purchaser will engage a financial adviser to determine the Second Tranche Purchase Price as set out above by reference to the audited consolidated financial information of the Target for the financial year ending 31 March 2025.

The Sellers or the Purchaser have the right to postpone the Second Tranche Effective Date from 1 April 2025 by up to two times by one year each time, that is, to 1 April 2026 or 1 April 2027 (being the Postponed Second Tranche Effective Date).

If the postponement right is exercised by either the Sellers or the Purchaser and both parties agree to the postponement, the Second Tranche Purchase Price will be determined as set out above by reference to the audited consolidated financial information of the Target for the financial year ending 31 March 2026 or 31 March 2027 (as the case may be) and Second Tranche Completion will occur after the determination of the Second Tranche Purchase Price in accordance with the Shareholders' Agreement.

If (1) the Sellers exercise their postponement right and the Purchaser disagrees with the postponement or (2) the Purchaser exercises its postponement right and the Sellers disagree with the postponement, the Purchaser will purchase the Second Tranche Shares at a fixed purchase price of US\$136,409,000 or US\$204,613,000, respectively, in each case together with interest on that amount calculated on a daily basis at the rate of 6.75% per annum from the Second Tranche Effective Date or the Postponed Second Tranche Effective Date (as the case may be) until the date of Second Tranche Completion.

The purchase price amount of US\$204,613,000, together with interest thereon, is the maximum price the Purchaser will pay for the Second Tranche Shares.

Funding of the Purchase Price

The purchase price payable for the Proposed Transaction will be funded by the Group's internal resources and, if needed, by additional external financing. The Company has obtained a senior debt facility which could be utilised, if required, to partially finance the Proposed Transaction and such facility will consist of an up to twelve months senior unsecured bridge loan facility in an aggregate amount of up to US\$200 million. The bridge facility could be fully refinanced with a five year, up to US\$200 million syndicated senior unsecured term facility upon the satisfaction of the required conditions precedent including, but not limited to, the approval of the National Development and Reform Commission.

(e) Locked Box and Leakage

The Sellers have undertaken to the Purchaser that from 1 April 2023 until First Tranche Completion, save for payments permitted under the Sale and Purchase Agreement, the Target Group will not, among other things (together, the "**Leakage**"):

- (1) declare, make or pay any dividend or other distribution of profits or assets for the benefit of the Sellers Group and Related Parties;
- (2) redeem, repurchase or repay any share capital of the Target Group;

- (3) make any payments to the Sellers Group and Related Parties;
- (4) pay any management, shareholder or director's fees or bonuses to the Sellers Group and Related Parties;
- (5) lend any amounts to the Sellers Group and Related Parties which is not repaid on or before First Tranche Completion or guarantee any financial debt or liabilities owed by the Sellers Group and Related Parties; or
- (6) purchase any assets from or transfer any assets to the Sellers Group and Related Parties which are not for value and not on arm's length terms.

To the extent there is any Leakage, the amount of the Leakage together with the relevant tax amount (the "**Price Adjusting Leakage**") will be deducted from the purchase price to be paid by the Purchaser at First Tranche Completion.

(f) Break Fee and Escrow Amount

The Purchaser has agreed that if:

- (1) the Purchaser fails to comply with certain of its obligations as set out in the Sale and Purchase Agreement, which failure is solely attributable to the Purchaser and if capable of being remedied, has not been remedied by the Purchaser within a reasonable time after having been notified thereof by the Sellers;
- (2) First Tranche Completion does not take place because the Purchaser fails to comply with its completion obligations as set out in the Sale and Purchase Agreement; or
- (3) any Condition is not satisfied on or before the Long Stop Date other than solely as a result of the Sellers' material failure to comply with certain of their obligations as set out in the Sale and Purchase Agreement,

and the Sale and Purchase Agreement is terminated by the Sellers, the Purchaser will pay a lump sum break fee in the amount of US\$40,000,000 (the "**Break Fee**") to the Sellers.

The Purchaser has paid a deposit in the amount of US\$40,000,000 to an escrow agent (the "**Escrow Amount**"). The Escrow Amount will be released by the escrow agent to the Sellers on the earlier of (i) the date of First Tranche Completion (which will be used to partly settle the First Tranche Purchase Price) and (ii) the date on which the Break Fee is payable to the Sellers.

(g) Conditions to Completion

The Proposed Transaction is conditional on:

- (1) the approval of the Proposed Transaction by the Shareholders in accordance with the requirements of the Listing Rules at an EGM of the Company to be convened (the “**Shareholder Approval**”);
- (2) the Antimonopoly Office of the Slovak Republic and the State Administration for Market Regulation in China (the “**Competition Authorities**”) deciding that the purchase of the First Tranche Shares does not give rise to a concentration falling within the scope of the relevant competition laws;
- (3) the Competition Authorities authorising the purchase of the First Tranche Shares under the relevant competition laws;
- (4) the Competition Authorities not deciding within the time limits set by the relevant competition laws, as a result of which the unconditional approval of the purchase of the First Tranche Shares is deemed to be granted (the “**Regulatory Condition**” and together with the Shareholder Approval, the “**Conditions**”); and
- (5) the Sellers and the Purchaser agreeing to waive the Conditions (either partially or completely).

If the Conditions are not satisfied by 30 April 2024 (being the Long Stop Date), the Sellers or the Purchaser may serve notice on the other to terminate the Sale and Purchase Agreement and in that event:

- (i) at any time prior to 11:59 CET on the Long Stop Date, the Sellers and the Purchaser may agree to waive any Condition or extend the Long Stop Date; or
- (ii) if no waiver or extension is agreed upon, the Sale and Purchase Agreement will lapse and cease to have affect,

provided that the Sellers or the Purchaser (as the case may be) may not terminate the Sale and Purchase Agreement unilaterally if the non-satisfaction of the Conditions on or before the Long Stop Date is caused solely by the Sellers’ or the Purchaser’s (as the case may be) material failure to comply with certain obligations as set out in the Sale and Purchase Agreement.

(h) Irrevocable Voting Undertakings

In relation to the Shareholder Approval, the controlling shareholders of the Company, being Mr. Pan Benjamin Zhengmin and Ms. Wu Ingrid Chun Yuan, who, in aggregate, have an interest in approximately 41.54% of the issued Shares of the Company (as beneficial owners and founders of certain discretionary trusts who can influence how the trustees of those trusts exercise their discretion) have irrevocably undertaken to, among other things, vote or appoint a proxy to vote or procure the trustees of those trusts to vote all such Shares in favour of the resolutions to approve the Proposed Transaction at the EGM.

(i) Pre-Completion Obligations

From the date of the Sale and Purchase Agreement until First Tranche Completion, the Sellers will use their best efforts to ensure that, except with the prior consent of the Purchaser or in other circumstances as described in the Sale and Purchase Agreement:

- (1) the business activities of the Target Group are in all material respects conducted in the ordinary course of business; and
- (2) the Target Group does not, among other things, allot or issue any shares other than to a member of the Target Group, declare, make or pay any dividend or other distribution to the Sellers and its affiliates, incur any financial debt or capital expenditure, create any encumbrance over a material part of its assets or sell any part of its business, unless permitted under the Sale and Purchase Agreement.

(j) Warranty Insurance Policy

The Sale and Purchase Agreement contains customary fundamental warranties and business warranties made by the Sellers in respect of, among others, their title to the Sale Shares, their capacity to enter into the transaction documents, their solvency and the business and financial position of the Target Group.

The Purchaser has obtained a warranty insurance policy (the “**Warranty Insurance Policy**”) from Ryan Transactional Risk and other excess policy providers (the “**W&I Insurers**”) to protect itself against claims relating to the Sellers’ warranties and tax covenant that are not recoverable under the Sale and Purchase Agreement from the Sellers. The Purchaser’s sole recourse arising in respect of claims relating to the Sellers’ warranties and tax covenant will be to the Warranty Insurance Policy (except in the case of fraud by the Sellers). The aggregate maximum liability of the W&I Insurers will not exceed 30% of the Initial Purchase Price and will be subject to a de minimis claim threshold of US\$100,000. All costs and expenses in relation to obtaining the Warranty Insurance Policy will be borne by the Purchaser.

(k) Completion

First Tranche Completion will take place no later than five business days after the date on which the Conditions are satisfied (but no later than the Long Stop Date), or such other date as the Sellers and the Purchaser may agree. Subject to the satisfaction (or, if applicable, waiver) of the Conditions, it is currently expected that First Tranche Completion will take place in or around December 2023.

Second Tranche Completion will take place within five business days of the date on which the Second Tranche Purchase Price has been determined and has become final and binding on the Sellers and the Purchaser in accordance with the Shareholders' Agreement. As noted above, if the Second Tranche Effective Date is not postponed, Second Tranche Completion is expected to take place in or around mid 2025 and if the Second Tranche Effective Date is postponed to 1 April 2026 or 1 April 2027, Second Tranche Completion is expected to take place in or around mid 2026 or mid 2027 (as the case may be).

3. THE SHAREHOLDERS' AGREEMENT

On First Tranche Completion, the parties to the Sale and Purchase Agreement and the Target will enter into the Shareholders' Agreement. The Guarantor has agreed to guarantee to the Sellers the payment and performance obligations of the Purchaser under the Shareholders' Agreement. The Company has also entered into a guarantee agreement on 10 August 2023 with the Sellers, the Purchaser and the Target pursuant to which the Company has agreed to guarantee to the Sellers the payment and performance obligations of the Purchaser under the Shareholders' Agreement.

The Shareholders' Agreement will govern the relationship of the Sellers and the Purchaser as shareholders of the Target with effect from First Tranche Completion and also sets out details of how the Second Tranche Purchase Price will be determined (as described above).

Under the terms of the Shareholders' Agreement, the Purchaser and the Target have agreed that the Target Group will consult with the Sellers prior to taking certain actions (the "**Sellers' Reserved Matters**"), including, among other things, issuing any new shares in any member of the Target Group, distributing any dividend or other kind of profit distributions, changing the nature or scope of the Target Group's business or acquiring or disposing of any business of the Target Group, unless permitted under the Shareholders' Agreement.

The Shareholders' Agreement sets out certain transfer restrictions in relation to the Target Shares. The Purchaser has agreed not to transfer any Target Shares before Second Tranche Completion (the "**Purchaser Lock-up**"), except for certain permitted transfers, including a transfer to affiliates of the Purchaser which does not result in a change of control of the Target. If the Purchaser transfers any Target Shares to a third party within two years of First Tranche Completion, the Purchaser will pay to the Sellers an agreed portion of the positive difference between the price per share paid by the third party and the purchase price per share received by the Sellers under the Sale and Purchase Agreement multiplied by the number of such Target Shares. Any payment by the Purchaser shall be deemed to be an adjustment to the First Tranche Purchase Price.

The Shareholders' Agreement further provides that if (a) the Purchaser overrules the Sellers in relation to a Sellers' Reserved Matter, (b) the Purchaser breaches the Purchaser Lock-up, (c) the Sellers do not consent to the transfer of the Target Shares by the Purchaser to a third party (the "**Third Party Transfer Put**"), (d) there is a change of control of entities controlled by the Guarantor which control the Target Group or (e) the Purchaser breaches its obligations at Second Tranche Completion or certain other provisions of the Shareholders' Agreement, the Sellers have the right to transfer the Second Tranche Shares (the "**Put Option**") to the Purchaser. The purchase price payable upon the exercise of the Put Option will be the sum of (i) the fixed amount of US\$170,511,000 plus (ii) interest on that amount calculated on a daily basis at the rate of 6.75% per annum from the date of the Put Option notice until the date of receipt of the purchase price plus (iii) (if the Sellers exercise the Third Party Transfer Put and the Purchaser transfers Target Shares to a third party within one year) the positive difference between the Put Option purchase price and the price per share paid by the third party multiplied by the number of such Target Shares. Further, upon the occurrence of any liquidation, administration, dissolution, receivership, arrangement or scheme with creditors, interim or provisional supervision by the court or court appointee, and/or similar proceedings under any applicable insolvency or business continuity laws with respect to any party to the Shareholders' Agreement, the Sellers (if the Purchaser is the defaulting party) or the Purchaser (if any Seller is a defaulting party) have the right, subject to applicable law, to purchase all the Target Shares held by the defaulting party for an aggregate consideration of US\$1.

The Shareholders' Agreement will be for a term of six years from the date of First Tranche Completion and may be automatically renewed for consecutive one year periods, unless terminated by the parties to the Shareholders' Agreement. The Shareholders' Agreement will automatically terminate (1) on the date of Second Tranche Completion, (2) if all the Target Shares are held by one party, (3) in respect of a party if that party ceases to hold any Target Shares or (4) by mutual agreement of the parties.

4. REASONS FOR, AND BENEFITS OF, THE PROPOSED TRANSACTION

The Board considers that the Proposed Transaction will enhance shareholder value and is in the interests of the Company and the Shareholders as a whole. The Group started its activities in automotive in 2021 and the Proposed Transaction will help to accelerate its strategic diversification and expansion of its suite of audio solutions for the automotive segment. The Proposed Transaction, combined with the Group's existing capabilities, will better position the Group for future growth in the broader, and rapidly evolving, mobility market, providing unique technologies to enhance infotainment and sensory user experience.

The Group intends to preserve the operational autonomy of the Target Group and further foster its leadership in the premium segment, whilst gradually implementing positive enhancements aimed at, among other endeavours, (i) broadening the available selection of products to be offered toward end-to-end audio systems, i.e. by adding embedded electronics and software solutions, and (ii) helping to enable even further operational efficiencies based on sustainable and highly automated smart manufacturing technologies. The Group will strive to further strengthen the market positioning of the Target Group by protecting, and building upon, its legacy of innovation, along with the combined potential to scale up operations across all key functional areas with a view to continuing, globally, to support all customers in the realisation of their growth strategies.

5. INFORMATION ON THE TARGET GROUP

The Target Group owns and operates the Premium Sounds Solutions business (“PSS”) which is a leading global provider of acoustic components and sound systems with an over 50-year operating history. PSS produced over 110 million loudspeakers last year and maintains a diversified global manufacturing footprint across several countries. With a rich history of innovation and strong track record of delivering quality products, PSS is a Tier 1 supplier to a diversified base of global automotive original equipment manufacturers, which include a growing selection of electric vehicles and plug-in hybrid electric vehicles. In addition, PSS retains a sizeable portfolio of commercial relationships in the premium and branded consumer audio segment. Supported by a strong and diversified pool of talent alongside technology capabilities, the existing business of the Target Group is well-positioned to continue capitalising on strong growth and increasing demand for advanced premium sound solutions across segments in the coming years.

The table below sets out selected financial information on the Target Group based on the audited consolidated accounts of the Target Group prepared in accordance with Belgian GAAP for the two financial years ended 31 March 2023:

<i>Euros</i>	For the year ended 31 March	
	2022	2023
Net profit before tax	13,715,000	36,876,000
Net profit after tax	9,473,000	27,030,000

The audited consolidated net asset value of the Target Group as at 31 March 2023 was Euro 80,000,000.

6. INFORMATION ABOUT THE GROUP AND THE SELLERS

(a) The Group

The Group is a leading smart devices solutions provider as well as a pioneer in the design and development of a wide range of components and embedded solutions for application in both consumer electronics and mobility market. The Group combines excellence in hardware design and manufacturing with software development and integration capabilities to provide end-to-end support to customers in their innovation solution. The Group continuously reinforces its technological leadership through strategic investments, and dynamic ecosystem partnerships strategy, in order to foster research and development across diverse fundamental fields such as innovative materials and processing technologies, automation and software development and integration.

(b) Seller 1

Acoustics Solutions Holding B.V. is the majority shareholder of the Target which (directly or indirectly) holds the shares in the Target Group. Acoustics Solutions Holding B.V. is owned by Dutch private equity firm Value Enhancement Partners alongside Ardent Equity, and functions as a holding company for both their interests in the Target Group.

(c) Seller 2

Stichting Administratiekantoor Acoustics Solutions International, a foundation administrative office incorporated and organised under the laws of the Netherlands is the minority shareholder of the Target. Stichting Administratiekantoor Acoustics Solutions International is a management pooling vehicle through which both Value Enhancement Partners and management (in the framework of the management incentive package currently in place) hold participations in the Target Group.

7. RECOMMENDATION OF THE BOARD

Having regard to the reasons for, and benefits of, the Proposed Transaction as set out above, the Directors consider that the terms of the Proposed Transaction (including the terms of the Sale and Purchase Agreement and the Shareholders' Agreement) are on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole.

None of the Directors had a material interest in the Proposed Transaction and no Director has abstained from voting on the relevant resolutions of the Board to approve the Proposed Transaction.

8. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Proposed Transaction exceeds 25% but is less than 100%, the Proposed Transaction constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Proposed Transaction is subject to the reporting, announcement and shareholders' approval requirement under Chapter 14 of the Listing Rules.

9. EGM AND CIRCULAR

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Proposed Transaction.

The Circular containing, among other things, (1) further details of the terms of the Proposed Transaction; (2) the accountants' report on the Target Group and (3) other information as required under the Listing Rules together with a notice convening the EGM, will be despatched to the Shareholders. In order to allow sufficient time for the Company to prepare the Circular, including the accountants' report on the Target Group in accordance with International Financial Reporting Standards, the Circular will be despatched more than 15 business days after the publication of this announcement and is expected to be despatched to the Shareholders on or before the end of November 2023.

It is expected that the EGM will be convened to be held on or before mid December 2023.

10. FURTHER INFORMATION

DBS Bank Ltd. acted as the financial adviser to the Company on the Proposed Transaction.

Further announcements will be made by the Company in relation to the Proposed Transaction as and when appropriate.

The Proposed Transaction is subject to all of the Conditions being satisfied (or, if applicable, waived) and therefore may or may not become unconditional. If any of the Conditions is not satisfied (or, if applicable, waived), the Proposed Transaction will not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares and other securities of the Company.

11. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of Directors of the Company
“Circular”	the circular to be despatched by the Company to the Shareholders in connection with the EGM
“Company”	AAC Technologies Holdings Inc., a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, approve the Proposed Transaction
“First Tranche Completion”	completion of the sale and purchase of the First Tranche Shares
“First Tranche Effective Date”	1 April 2023
“First Tranche Shares”	80% the issued share capital of the Target
“Group”	the Company and its subsidiaries
“Guarantor”	AAC Technologies Pte. Ltd., a private company incorporated in Singapore with limited liability and a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Long Stop Date”	30 April 2024
“Postponed Second Tranche Effective Date”	1 April 2026 or 1 April 2027 (as the case may be)
“Proposed Transaction”	the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement and the Shareholders Agreement
“Purchaser”	AAC Technologies (Belgium) BV, a private company incorporated in Belgium with limited liability and a wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the agreement for the sale and purchase of the Sale Shares dated 10 August 2023 entered into between the Sellers, the Purchaser and the Guarantor
“Sale Shares”	the First Tranche Shares and the Second Tranche Shares
“Second Tranche Completion”	completion of the sale and purchase of the Second Tranche Shares
“Second Tranche Effective Date”	1 April 2025
“Second Tranche Shares”	20% the issued share capital of the Target
“Seller 1”	Acoustics Solutions Holding B.V., a private company incorporated in the Netherlands with limited liability
“Seller 2”	Stichting Administratiekantoor Acoustics Solutions International, a foundation administrative office incorporated in the Netherlands
“Sellers”	Seller 1 and Seller 2
“Sellers Group and Related Parties”	the Sellers and their affiliates and related parties (including shareholders, beneficial owners, directors, officers, managers, partners and immediate family members)

“Shareholder(s)”	the holder(s) of Shares
“Share(s)”	the ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into on First Tranche Completion between the Sellers, the Purchaser, the Guarantor and the Target
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Acoustics Solutions International B.V., a private company incorporated in the Netherlands with limited liability
“Target Adjusted Net Financial Debt (Cash)”	the pro forma net financial debt (cash) of the Target Group calculated based on an agreed methodology and taking into account pre-agreed adjustments
“Target EBITDA”	the pro forma normalised earnings before interest, taxation, depreciation and amortisation of the Target Group calculated based on an agreed methodology and taking into account pre-agreed adjustments
“Target Group”	the Target and its subsidiaries
“Target Shares”	shares in the capital of the Target
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

On behalf of the Board
AAC Technologies Holdings Inc.
Zhang Hongjiang
Chairman

Hong Kong, 10 August 2023

As at the date of this announcement, the Board comprises Mr. Pan Benjamin Zhengmin, Mr. Mok Joe Kuen Richard and Ms. Wu Ingrid Chun Yuan, together with three Independent Non-executive Directors, namely Mr. Zhang Hongjiang, Mr. Kwok Lam Kwong Larry and Mr. Peng Zhiyuan.