



## Corporate Disclosure Policy

(Adopted by the Board on 7<sup>th</sup> November 2012, revised on 16<sup>th</sup> February 2016)

AAC Technologies Holdings Inc (the “Company” or “AAC” together with its subsidiaries, the “Group”) is committed to promoting consistent disclosure practices aiming at timely, accurate, complete, and proper disclosure of inside information about the Group to the market. This disclosure policy is adopted to explain the Group’s general disclosure practices and document the system which is now in place in AAC for monitoring the developments in our business, so that potentially inside information/transactions can be quickly escalated up the organization to those responsible for deciding whether an announcement should be made in order to ensure compliance with the continuous disclosure obligations under the Listing Rules of the Hong Kong Stock Exchange (the “Exchange”), the Guidelines under Securities and Futures Ordinance (the “SFO”), and applicable laws and regulations of the Company Ordinance.

There are three key elements comprised in the concept of inside information. They are

- a) the information about the particular corporation must be **specific**;
- b) the information **must not be generally known** to that segment of the market which deals or which would likely deal in the corporation’s securities; and
- c) the information would, if so known be **likely to have a material effect on the price of the corporation’s securities**.

### I. Principles of Disclosures

AAC is aware of its disclosure obligations under the Listing Rules and the SFO and the statutory obligations to disclose inside information as soon as reasonably practicable after the information has come to its knowledge. In this respect, AAC has a continuous disclosure obligation to announce the information to avoid a false market in its securities as soon as reasonably practicable, where in the view of the Exchange there is or there is likely to be a false market in its securities.

AAC conducts its affairs with close regard to the “Guidelines on Disclosure of Inside Information” issued by the Securities and Futures Commission in June 2012; and the “Guide on Disclosures of Price-sensitive information” and “Recent Economic Developments and the Disclosure Obligations of Listed Issuers” issued by the Exchange in 2002 and 2008 respectively.

## **II. Overseeing and Coordinating Disclosures**

### **a) Disclosure Committee**

There is a Disclosure Committee to promote consistent disclosure practices aiming at timely, accurate, complete, and broadly disseminated disclosure of inside information about the Group to the market in accordance with applicable laws and regulatory requirements. The Committee consists of Executive Director and Head of Investor Relations who oversees investor relationship and general corporate communication.

The Committee will meet (include telephone) at such times as shall be necessary or appropriate.

The Board must be immediately advised on any decision by the Committee to make an announcement regarding inside information or pursuant to requirements of the Exchange and any other relevant body as detailed in this policy.

### **b) Approval of policy**

This policy has been approved by the Board.

### **c) Educating employees about disclosure policy**

This policy is available on AAC’s website. In addition, training is provided to certain officers and employees about disclosure issues and this policy.

### **d) On-going review of policy**

To ensure that the existing procedures continue to operate smoothly in practice, the Committee will undertake annual reviews having regard to the regulatory requirements and the expectations of the shareholders and other stakeholders, and submit to the Board for review and approval thereafter.

### **III. Designated Spokespersons**

To minimize risk of unauthorized or inconsistent disclosure, only designated persons are authorized to discuss AAC's corporate matters to investors, analysts, the media or other members of the public. AAC's current spokespersons are:-

- a) CEO;
- b) Executive Director; and
- c) Investor Relations personnel ("IR").

For specific explanatory purposes, officers in R&D function may be called by designated spokespersons to be involved for ad hoc matters, e.g. specific technology applications.

#### **Responsibility for coordinating communications to the investment community**

- a) IR is responsible for coordinating all communications with investors, analysts and other members of the investment community.
- b) Executive Director is responsible to ensure that any communications in (a) above does not contain inside information.
- c) AAC spokespersons who receive enquiries from the investment community should deal with the enquiry as they see fit.
- d) Other AAC employees who receive enquiries from the investment community should refer the enquiry to IR.

#### **Responsibility for coordinating communications to the media**

- a) IR is responsible for coordinating all communications with reporters, journalists and other media.
- b) Executive Director is responsible to ensure that any communications in (a) above does not contain inside information.
- c) AAC spokespersons who receive media enquiries should deal with the enquiry as they see fit or liaise with Disclosure Committee.
- d) Other AAC employees who receive media enquiries should refer the enquiry to IR.

### **IV. Determining Inside Information**

Management of individual business units and functions has the obligations to notify Executive Director of any potential transactions or developments of business which may give rise to disclosure obligations. Executive Director is responsible for providing the Board with adequate, reliable and timely information

which will enable Directors to make an informed decision on whether the transaction or developments in question are likely to constitute inside information and should be announced immediately. Executive Director is authorized to seek external professional advice as necessary and in particular from the Company's external auditors and compliance lawyers.

The determination that "inside" information exists and must be disclosed or kept strictly confidential is a legal and business judgment, dependent on prevailing market conditions and the potential financial, operational and overall impact of the information on AAC.

Inside information includes positive and negative information. The following are common examples of such events or circumstances where AAC should consider a disclosure obligation:

- Changes in performance, or the expectation of the performance, of the business;
- Changes in financial condition, e.g. cashflow crisis, credit crunch;
- Changes in directors and (if applicable) supervisors;
- Changes in auditors or any other information related to the auditors' activity;
- Changes in the share capital, e.g. new share placing, bonus issue, rights issue, share split, share consolidation and capital reduction;
- Issue of debt securities, convertible instruments, options or warrants to acquire or subscribe for securities;
- Takeovers and mergers (corporations will also need to comply with the Takeovers Codes that include specific disclosure obligations);
- Purchase or disposal of equity interests or other major assets or business operations;
- Formation of a joint venture;
- Decisions concerning repurchase programs or transactions in other listed financial instruments;
- Legal disputes and proceedings;
- Changes in expected earnings or losses;
- Changes in the investment policy;
- Changes in the accounting policy; and
- Ex-dividend date, changes in dividend payment date and amount of dividend; changes in dividend policy.

Generally, no employee or director may disclose, discuss or share inside information about AAC that has not been released to the public with outside parties.

## **V. Monitoring Information Disclosure**

In monitoring the continuous disclosure obligations arising from any business transactions or developments, AAC pays regard to the Listing Rules and the SFO in relation to share price movements, inside information, notifiable transactions, connected/related parties transactions and advance/financial assistance and guarantees to affiliated companies.

### **a) Share Price Movements**

AAC responds promptly to any enquiries made by the Exchange concerning unusual movements in the price or trading volume of our securities.

The daily closing prices and trading volumes of AAC shares are recorded by IR. When there are unusual movements in the price or trading volume in AAC shares, IR will inform Executive Director who will then analyze whether there is any matter that might be influencing the share price movements and consider whether an announcement is required to be made. A monthly share price report prepared by IR is circulated to the Board in the following month.

### **b) Inside Information**

The guiding principle is that information which is expected to constitute inside information under the Listing Rules or the SFO will be announced as soon as reasonably practicable after it becomes known to the Board of the Company and/or is the subject of a decision by the Board of the Company unless the information falls within any of the safe harbors as provided in the SFO. In cases where a decision by the Board of the Company is pending or in cases of incomplete negotiations, AAC implements procedures to maintain the confidentiality of information such as: using codenames in correspondence, private fax lines and password protected e-mails, limiting dissemination of the information to those who “need to know”, and reminding parties involved of the need to keep all such information strictly confidential. Until an announcement is made, Directors and Management ensure that such information is kept strictly confidential. Where it is felt that the necessary degree of security cannot be maintained or that security may have been breached, an announcement will be made as soon as practicable. Executive Director is responsible for this process.

Senior management of AAC involved in significant business transactions or have access/exposed to Inside Information, are potential ‘insiders’. This list

of insiders will be reviewed on a regular basis by the Board, and served with this Disclosure Policy, and the Code of Ethics, whereby they are asked to confirm acknowledgement.

**c) Notifiable Transactions**

Executive Director will keep track of the Group's threshold levels for disclosure pursuant to the size tests under the Listing Rules, so that an announcement can be made as soon as practicable should a notifiable transaction arise.

Finance team is alerted as to the importance of keeping information on potential acquisition/disposal of assets/investments confidential, and that whenever there is a leakage of information during the course of development, they will inform Executive Director immediately so that remedial actions, including making an inside information announcement, can be taken at the earliest opportunity.

**d) Connected/Related Parties Transactions**

In monitoring disclosure of connected/related parties' transactions, AAC follows the guidelines and obligation under the Listing Rules of the Exchange. Executive Director will keep track of the Group's threshold levels for disclosure pursuant to the size tests and annual cap under the Listing Rules, so that an announcement can be made as soon as practicable.

**e) Advance/Financial Assistance and Guarantees to Affiliated Companies**

AAC will make an announcement pursuant to the requirements of the Listing Rules in the event that

- our advance made to an entity (excluding subsidiaries); or
- financial assistance extended to affiliated companies and guarantees given for facilities granted to affiliated companies together in aggregate exceeds 8% of the Group's total assets. If the amount of advance increases by 3% or more since that last announced, AAC will make a further disclosure. Where circumstances giving rise to disclosure continue, AAC will publish the relevant information in our next interim or annual report.

In monitoring whether any advance/financial assistance and guarantee to affiliated companies will hit the above thresholds set under the Listing Rules, AAC undertakes regular reviews of the advance/financial assistance and guarantee to affiliated companies, including:

- monthly review by Executive Director on the status of the outstanding advances/financial assistance and guarantees made to affiliated companies relative to the Group's total assets; and
- ad hoc reviews on the impact of any transaction involving advance/financial assistance and guarantee to affiliated companies with reference to the Group's total assets.

## **VI. Disseminating information to shareholders and other stakeholders**

In disseminating inside information, AAC has established and implemented procedures for responding to external enquiries (including from shareholders, analysts, media and other stakeholders) about the Group's affairs. Designated spokespersons are identified and authorized to act as the Company and to respond to enquiries. To avoid potential conflict of interest, Company's issues relating to an individual manager will not be commented or responded by the individual manager concerned. Periodic training and refresher courses on dealing with the media are provided to the spokespersons.

A structured IR program has in place to uphold a high level of corporate transparency and maintain close contact and open two-way dialogue with shareholders and the investment community to keep them abreast of AAC's latest development strategy, business management, financial information and business progress.

IR is committed to meeting shareholders' and investors' requests on business-related information in a timely manner, and at the same time proactively communicates with the investment community. This is designed to ensure AAC's strengths and competitive advantages, as well as its ability to manage changes in the business environment, are fully understood and hence reflected in the AAC's market valuation. IR also reports to senior management on a regular basis to keep executives informed of the latest perceptions in the market regarding AAC and the issues of concern to shareholders and investors.

#### **a) Shareholders**

AAC aims to present a clear and balanced assessment of its financial position and prospects. Financial results are announced as early as possible, and audited financial statements are published within three months after the end of the financial year. Interim financial statements are published within two months after the end of the half-year period. Quarterly statements are issued to keep shareholders informed of the performance and operations of the Group.

Inside information is announced promptly through the Exchange and AAC's website. AAC has a framework agreement with external legal advisors for involving them at short notice in the assessment of the potential inside information and to involve them in the preparation of announcements.

For the meetings with investors, meeting agenda will be prepared beforehand and records of all discussions are kept. In case of plant visits, other employees meeting the investors during the visit should be briefed as to the extent and nature of information that can be communicated.

#### **b) Analysts**

A briefing session on AAC's performance and results is normally organized for analysts and shareholders on the same day after the quarterly/interim/annual results have been announced. It has been the practice that the company does not publish revenue guidance and that the guidance is an oral reply to questions posed by either investors or media reporters. Hence, both investors' call and media briefings are held in the same window of "non-trading" period to make sure such questions are answered with the same information and without giving any specific figures or percentages.

IR reviews all the research reports regarding AAC received from various brokerage firms. For matters that require Board of Directors or Management attention, IR will circulate a summary of reports. Under normal circumstances, AAC makes no comment on an analyst's financial projections or opinions. Where an analyst report contains inaccurate information, IR will inform the analyst of the correct information if that information is already in the public domain and does not constitute inside information, and request the analyst to make changes in his/her report accordingly.

For the meetings with analysts, meeting agenda will be prepared beforehand and records of all discussions are kept. In case of plant visits, other employees meeting the analysts during the visit should be briefed as to the extent and nature of information that can be communicated.

**c) Media**

A briefing on AAC's performance and results is normally organised for the media in the afternoon on the same day after the quarterly/interim/annual results have been announced.

In order to proactively manage dissemination of information about significant issues or major development in business, a press release will be issued to all media via e-mail or fax. An electronic copy of the press release will be posted on the AAC's website. The issue of press releases or strategic announcements by AAC's subsidiaries and majority owned joint ventures is subject to a set of agreed procedures.

All media inquiries will be referred to IR for centralized handling. For AAC's subsidiaries and those joint ventures where AAC hold a majority stake, local business heads will inform Executive Director, where practical, of any interviews or communication prior to these taking place and report any media inquiries concerning issues which may impact the position of AAC and its share prices. Upon final approval of the lines to take, which is subject to an internal clearance procedure, Executive Director or designate will respond to the media.

A gist of news reports related to and of interest to AAC, covering news in our operating region from print, electronic media and wire services is provided to Executive Director on a daily basis.

IR may appoint a financial PR agent for its professional services of handling media enquiries, monitoring daily news report, organizing press events and assisting other ad hoc projects. IR should monitor the use of company sensitive information by the agent and ensure that their responses to third parties are aligned with company's spokespersons.

**d) Dealing with media speculation, market rumors and analysts' reports**

AAC is generally under no obligation to respond to media speculation, market rumors or analysts' reports.

- 1) However, if AAC has inside information and relies on a safe harbor to withhold disclosure subject to the preservation of confidentiality, the existence of media speculation, market rumors or analysts' reports about the corporation might indicate that matters intended to be kept confidential have leaked. In particular, where media speculation, market rumors or analysts' reports are largely accurate and the information underlying the speculation, rumors or reports constitutes inside information. Thus, such circumstances are likely to require AAC to issue an immediate announcement.
- 2) If AAC does not have inside information but media reports or market rumors carry false or untrue information, AAC is not obliged to make further disclosure under the SFO.
- 3) AAC should ensure that no inside information is given when answering an analyst's questions or reviewing an analyst's draft report. It is inappropriate for a question to be answered, or draft report corrected, if doing so involves providing inside information.
- 4) In some circumstances, AAC does not have inside information but an analyst's report contains errors or misinterpretations, AAC is not obliged to make a correction or clarification under the SFO. It may nevertheless be appropriate, as a matter of good practice, for AAC to clarify historical information and correct any factual errors in the analyst's assumptions which are significant to the extent that they may mislead the market, provided any clarification is confined to drawing the analyst's attention to information that has already been made available to the market.

No analyst, investor or journalist should receive a selective release of inside information.

*(See Appendix: Standard operating procedure to media and industry reports)*

**e) Quiet periods**

AAC observes a "Quiet Period" that begins one calendar month prior to the announcements of its quarterly, interim results, and two calendar months prior to the year-end financial results to avoid the potential for selective disclosure or its perception of doing so. During the Quiet Periods, there will not be any IR-related access to CEO, Executive Director and senior management.

Up until two weeks prior to the results' announcements, IR will continue to attend meetings or engage in telephone conversations with analysts, shareholders and investors and participate in media's activities. However, the contents of such communications are limited to information already released or discussed and any other time-sensitive topics such as current operational data, to-be-announced financial results will not be discussed.

Within the immediate two weeks leading to the results' announcements, IR will not conduct any direct investor relations activities nor meeting or calls with any analysts, shareholders, investors and media's requests.

**f) Other Stakeholders**

Announcements by industry regulators, government departments and other bodies may affect the share price of the Company or market activity in our shares. If such announcement is expected to have a particularly significant impact on the Company, an announcement will be made by the Company providing the Company's view on the impact of the relevant announcement.

## **Appendix: Standard Operating Procedure to Media News and Industry reports**

**IR Communications on media news/reports, Subject identified by daily monitoring by IR team and PR firm.**

### **I. Cold Calls**

- a) IR notes down the name of reporter and questions if reporter cold calls, and inform supervisors.
- b) Reports to senior management if got regional reporters (e.g. WSJ, Bloomberg, CNN, CNBC, etc) cold call.

### **II. Published News**

Determine if information is Inside Information or Rumors by reviewing the nature of the information published and adhering to SFC's Inside Information guidelines.

#### **a) Inside Information**

- 1) Inform senior management (CEO, CFO, COO) and organize Board Meeting.
- 2) Consult Company's HKEx compliance lawyer about the necessity of publication of announcement and trading halts.
- 3) Make appropriate disclosure /announcement within same day of the news made known.

#### **b) Rumors**

The Company's policy is: "NO COMMENTS" on market rumors or speculation, except when such rumor spreading has led to a false market. In some cases, HKEx will call either one of the Company's authorized representative for verbal clarification first and determined whether an announcement headed "Unusual price and volume movement" and/or "Clarification Announcement" has to be released within that trading day.

**Scenario 1:** Inappropriate Media News (e.g. results forecasts published)

- i) Respond within the day;
- ii) Contact Company's HKEx compliance lawyer to prepare such announcement immediately and circulate to the Board for approval;
- iii) PR firm will inform reporter immediately for correction and issue a clarification Press Release, if appropriate;
- iv) IR team will send out email referring to the Press Release to investors;

In the event that HKEx has called either one of the Company's authorized representative for verbal clarification and the Company will issue a clarification announcement or a voluntary announcement.

**Scenario 2:** Unfavorable News but not an inside information

- i) Verify internally with senior management for those with long term implications;
- ii) Inform Directors immediately – call for board meeting if necessary;
- iii) Have an uniform response as soon as possible.

**Scenario 3:** Unfavorable Incorrect Published Reports --- the most serious one, react quickly

- i) Inform CEO and the Board of Directors immediately;
- ii) Consult both Company's Auditor and HKEx compliance lawyer, prepare such announcement immediately and circulate to the Board for approval;
- iii) IR team will have to issue a clarification email to investors and arrange senior management for conference call as soon as practicable;
- iv) PR firm will issue a clarification press release, and if necessary, arrange interviews with friendly media parties immediately.

In the event that HKEx has called either one of the Company's authorized representative for clarification announcement, the Company will issue a clarification announcement or a voluntary announcement.

**Scenario 4:** General online comments (blog, twitter, facebook, forum, online channels)

- i) IR team and PR firm and will discuss internally our responsive actions, if any;
- ii) PR firm will contact the website administer immediately for correction.

**Scenario 5:** Word of mouth (Investors will call IR team) --- the most frequent one, only verify internally those with long term implications and be prepared to communicate in next IR event.