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

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 02018

2017 Sustainability Report

Key Highlights in 2017

Safety Training

352,766 hours

32% yoy

Injury Rate

2.65 per 1,000 workers

0.48 yoy

Health and Safety Expenditure

RMB **70** Million

32% yoy

Number of R&D, Engineers & Technician

4,388

Patents

2,503

480

Environmental Protection Expenditure

RMB **57** Million

71% yoy

Sustainability Recognitions

Listed on the Hang Seng Corporate Sustainability Index and Hang Seng (Mainland China and Hong Kong) Corporate Sustainability Index for the fourth year running since 2014

The inaugural BDO ESG Awards presented the accolades of "Best in ESG" and "Best in Reporting", while the Hong Kong Management Association commended the Company on ESG Disclosure.

Recognized by FinanceAsia as the "Top 10 of Best at Corporate Social Responsibility Company" and "Top 10 of Most Committed to Corporate Governance"

Vision

- To become the world's leading comprehensive miniaturized technology components solutions provider

Mission

- To invent the next generation of micro components
- To define new standards for micro component performance
- To become customers' most preferred supplier and long term partner

Contents

About the Report

This is the fifth stand-alone sustainability report of AAC Technologies Holdings Inc. ("AAC Technologies" or the "Company"). The report has been prepared in accordance with the Core option of the Global Reporting Initiative's ("GRI") Sustainability Reporting Standards, and in compliance with Environmental, Social and Governance ("ESG") Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This report, where relevant and applicable, makes reference to the 10 principles of the United Nations Global Compact, and outlines our contribution to the Sustainable Development Goals (SDGs). The Company also published its operating model according to the <IR> guidelines published by the International Integrated Reporting Council ("IIRC"), aiming to demonstrate how it generates value and raise the levels of understanding from our stakeholders.

Scope of the Report

This report discloses sustainability performance and initiatives of our manufacturing facilities in Changzhou, Suzhou, Shuyang, Shenzhen and Vietnam, unless otherwise stated. Supplementing our 2017 annual report, the report discloses progress on environmental, social and governance issues from 1 January 2017 to 31 December 2017. For governance section, please refer to our 2017 Annual Report (p.35-59). Due to differences in legal requirements across regions where the Company operates, certain quantitative indicators have not yet been used for some of our subsidiaries. The Company is working to ensure that these indicators are included in a single set of unified standard statistics in our future sustainability reports.

How to obtain this Report

The report is published in English and Chinese. In case of any conflicts between the two versions, the English version shall prevail. Visit **http://www.aactechnologies.com** to download the PDF version of this report or view it online, along with other key policies relating to environmental, social and governance. As a conservation measure, we do not publish hard copies.

The Board of Directors acknowledges its responsibility for ensuring the integrity of the sustainability report and to the best of its knowledge this report addresses all relevant material issues and fairly presents the ESG performance of the organisation and its impacts. The Board of Directors confirms that it has reviewed and approved the report.

Feedback

The report aims to be plain, clear and easy-to-read. We have taken into consideration the interests and requirements of different stakeholders to the extent possible in compilation of this report and will continue to do so. We welcome your thoughts and feedback and any suggestions you may have in terms of what you would like to see incorporated in our future reports. Please contact us at:

AAC Technologies Holdings Inc.

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Fax: +852 3470 0103

E-mail: aac2018@aactechnologies.com

Website: http://www.aactechnologies.com/investor-relations/ir-contact

Our Policy

AAC Technologies keeps the Company's policies transparent to our valued stakeholders. Policies relevant to sustainability approach and corporate governance are available on our website under the "About AAC" and "Investor Relations" sections.

Policy	Company Website
Sustainability Policy	About AAC ▶ Sustainability ▶ Sustainability Policy
Code of Conduct	About AAC ▶ Sustainability ▶ Code of Conduct
Board Diversity Policy	Investor Relations ▶ Corporate Governance ▶ Board Committees
Whistle-blowing Policy	Investor Relations ▶ Corporate Governance ▶ Code of Conduct and Whistleblowing Policy
Corporate Disclosure Policy	Investor Relations ▶ Corporate Governance ▶ Shareholders Engagement and Value
Shareholders Communication Policy	Investor Relations ▶ Corporate Governance ▶ Shareholders Engagement and Value
Procedures for Shareholder to propose a person for election as a Director	Investor Relations ▶ Corporate Governance ▶ Shareholders' Rights

Message from CEO

Dear Stakeholders,

At AAC Technologies, sustainability is a vital part of our business model as well as our approach to delivering excellent products and services. Not only have we been incorporating "SUSTAINABILITY" into our strategic decision-making process, we have also consistently raised the bar in our reporting. To cope with investors' rising appetite for ESG data, we have adopted the new GRI Standards of Sustainability Reporting in this report and have started to align our performance and goals with the United Nation Sustainable Development Goals.

"Safety First" is one of our core values and we have never lost our focus on our employees' health and safety. While we continue to record zero fatality in our production facilities this year, we have also strengthened further our governance by digitizing the overall system. This makes it more effective in terms of ensuring compliance, rectifying potential hazards and improving it on an ongoing basis. Along with our business expansion, resources are allocated to ensure health and safety are provided for correspondingly. You will note that our expenditure on health and safety and safety training hours continue to increase.

Building on what the Company has achieved for the past few years, our environmental management efforts will remain robust on emissions reduction and resources conservation. In addition, we have cooperated "Environmental Defense Fund" this year by conducting research on energy saving projects including ground heat pump and waste heat recovery. As the first corporation in China to support this initiative, we aim not only to create feasible energy saving solutions, but also provide training opportunities to young people who are committed to bringing solutions to climate changes.

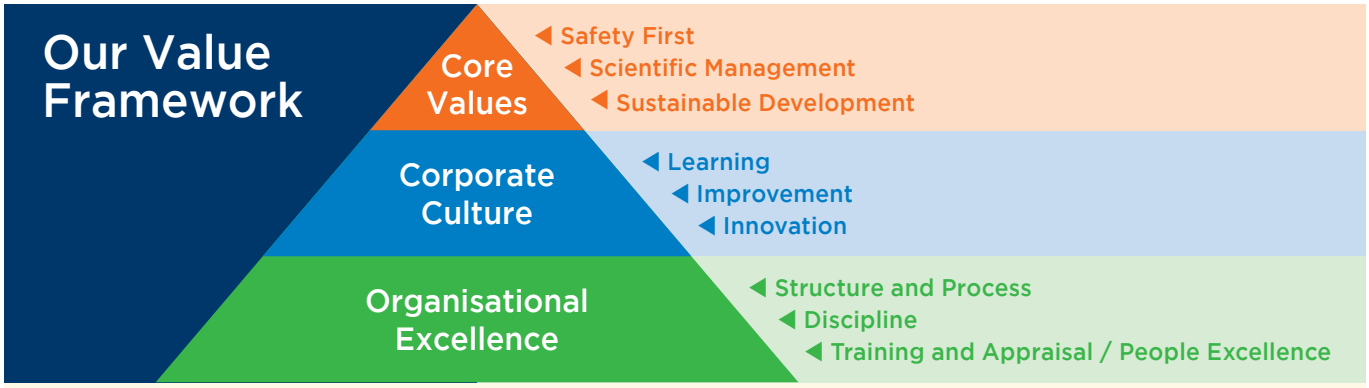
Embedded in the corporate culture, our quest for product innovation and excellence is reflected in the levels of customers' satisfaction. In 2017, we were encouraged by the fact that one of our major clients, after evaluation, raised our supplier rating to the highest grade. This is a strong affirmation of the quality of our products and services. This year, our R&D centres around the world, acting as the driving force for innovation foundation, have contributed to the attainment of 480 new patents. This increased the total to 2,503 patents as of the year end.

It is important for us to give back to community where we operate. In 2017, our total charitable contributions amounted to over RMB 3.3 million. We continue to focus on providing quality education for the underprivileged by participating in "Teach for China" program which is dedicated for left-behind children in rural China.

We are pleased that we are retained as one of the constituents in the Hang Seng Corporate Sustainability Index and Hang Seng (Mainland China and Hong Kong) Corporate Sustainability Index for the fourth year running. The inaugural BDO ESG Awards presented the accolades of "Best in ESG" and "Best in Reporting", while the Hong Kong Management Association commended AAC Technologies on ESG Disclosure. The Company was also recognized by FinanceAsia as the "Top 10 of Best at Corporate Social Responsibility Company" and "Top 10 of Most Committed to Corporate Governance". We are honoured to have been recognised in these ways. We believe that we are on the right track as we improve and disclose our ESG performance to our key stakeholders.

This report outlines many accomplishments from last year. However, there is much more we need to do. Looking ahead, our team continues to work towards delivering on our goals on sustainability and reporting on our progress. We look forward to your continued interest and support in our future endeavours.

Benjamin Zhengmin Pan
Chief Executive Officer



Core Values

Safety First
Regard safety to people and to the environment as the utmost factor in our manufacturing process, driving our sustainability progress

Scientific Management
Improve our management capability through relentless search for innovation and optimization

Sustainable Development
Develop through rising level of professionalism and dynamic risk management

Corporate Culture

Learning
Encourage learning and self-improvement to satisfy curiosity and expand horizons

Improvement
Continue to improve the Company's business (technological) objectives, workflow and organisational structure at any given time

Innovation
Pursue technological innovation and courageous exploration while retaining flexibility and rapid response capabilities

Organisational Excellence

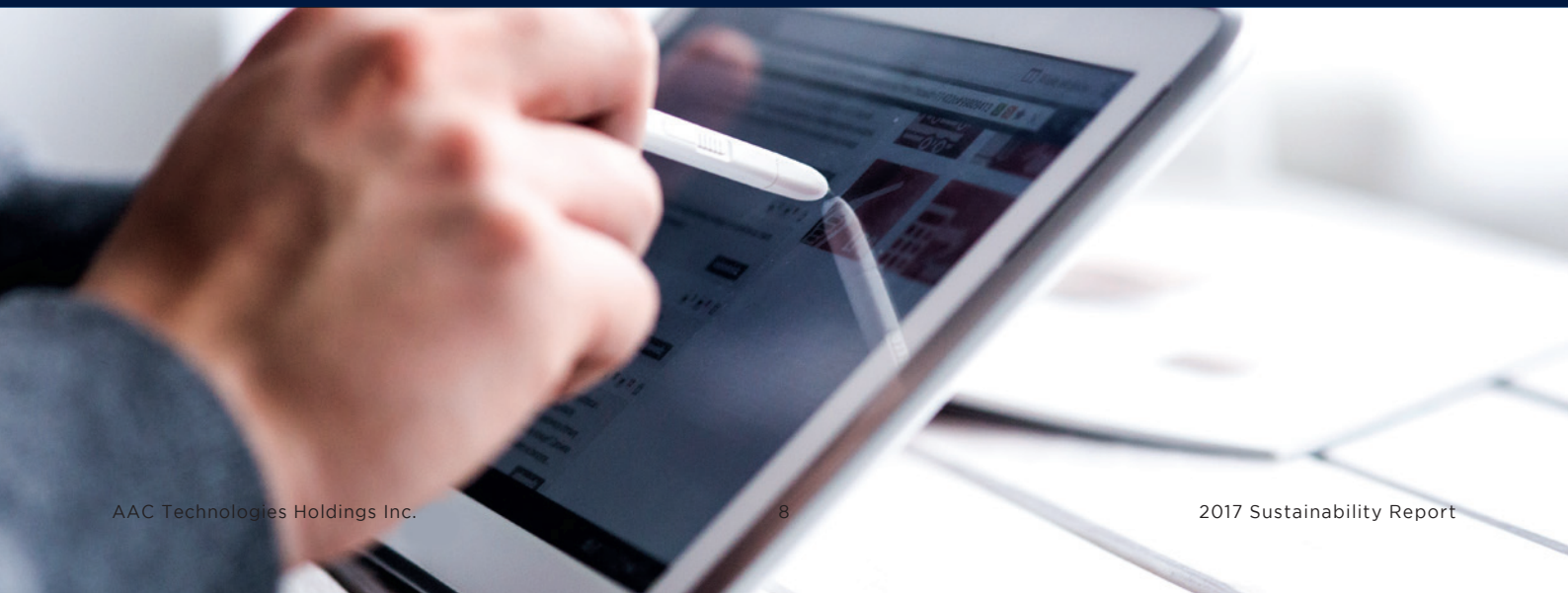
Structure and Process
Strictly adhere to the agreed structure and process and optimize continuously

Discipline
Evaluate the working house scientifically and optimize process and efficiency to decide job allocation

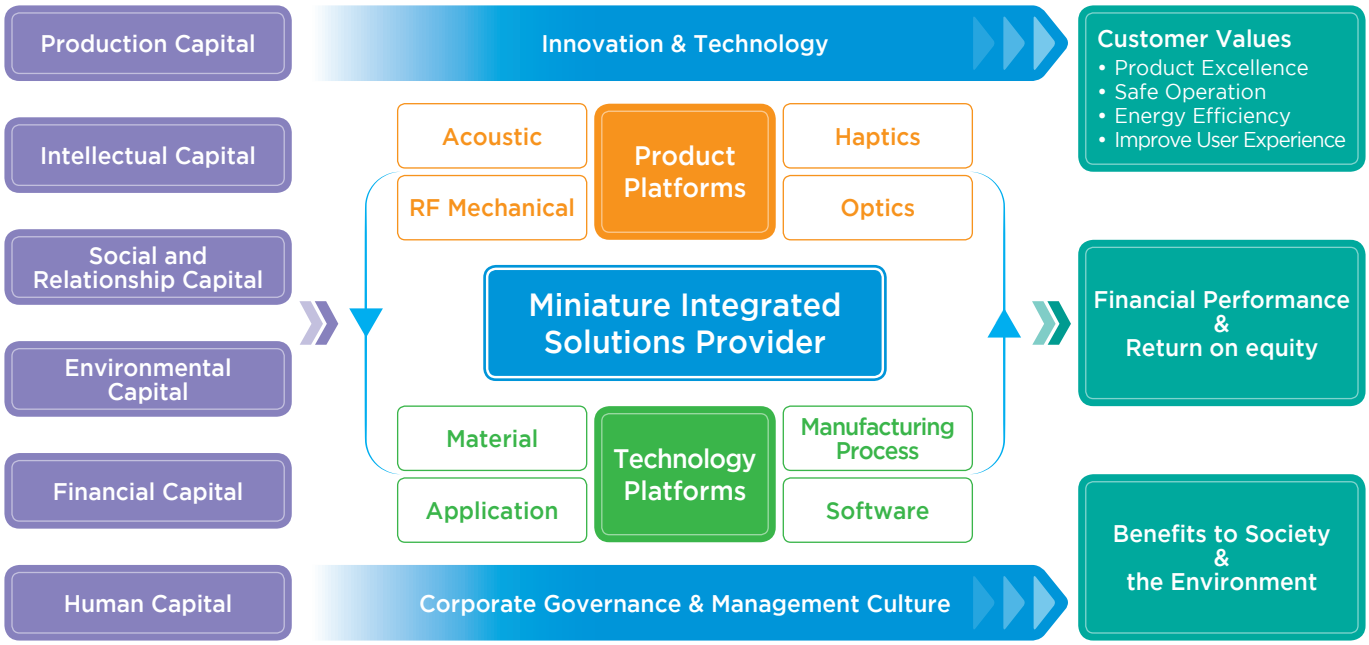
Training and Appraisal / People Excellence
Recruit and retain professional team through effective appraisal system

About AAC Technologies

AAC Technologies is the world's leading micro components total solutions-provider for communications and consumer markets. We deliver integrated solutions using the latest miniaturized technology components across acoustic, haptic, radio frequency and optical segments. Our products are found in mobile devices, including smartphones, tablets, wearables, ultrabooks, notebooks and electronic book-readers.

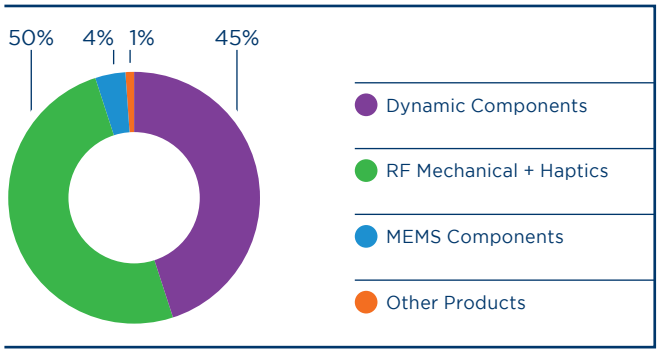


Operating Model



Key Facts and Figures for FY17

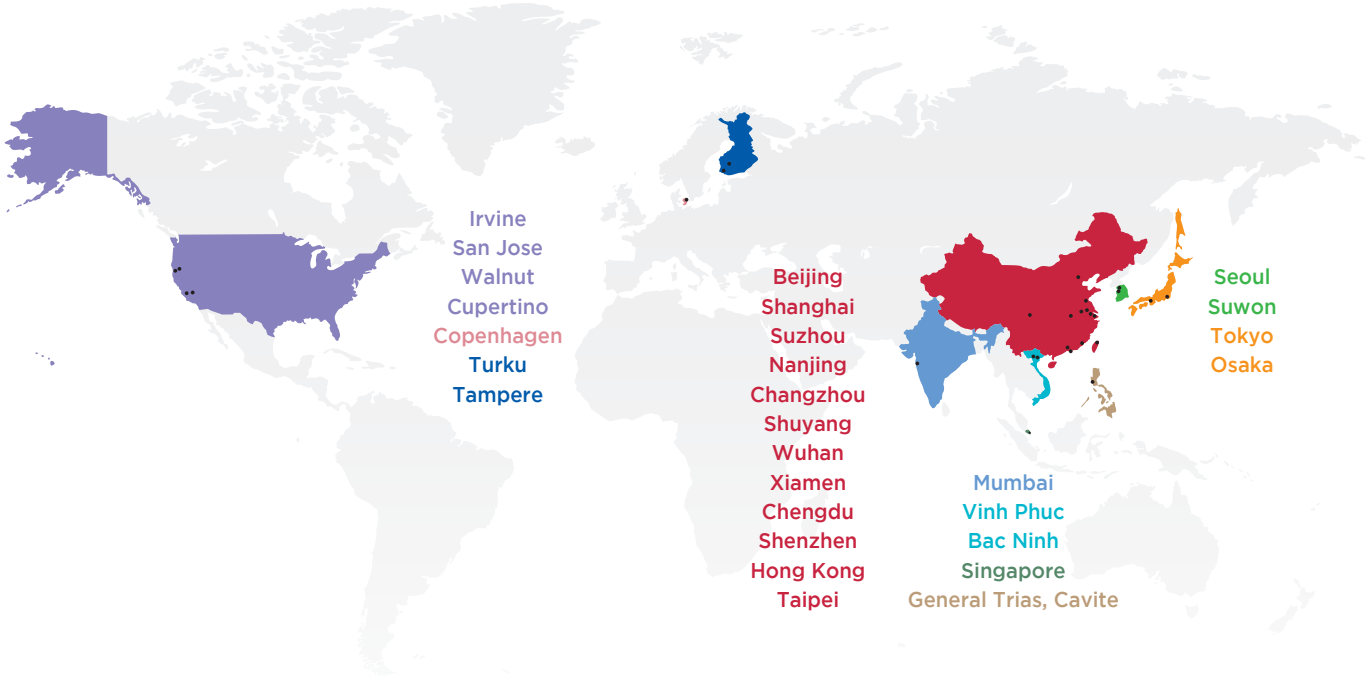
Revenue Distribution



AAC Technologies operates around the globe with research and development centers in China, Singapore, Japan, United States and Denmark, testing laboratories in Singapore and South Korea, manufacturing facilities in China, Vietnam and the Philippines and sales offices optimally located in different parts of the world. Being the Asia Pacific region headquarters, AAC Singapore plays a significant role in leading the R&D of antenna cord MEMs and the treasury aspects of the Group.

Revenue (million RMB)	Net Profit (million RMB)	Net Assets (million RMB)
21,119	5,325	17,551
+36% yoy	+32% yoy	+23% yoy
R&D Engineers	**Reinvested in R&D**	**Return on Equity**
1,518	7.9%	33.6%
+25% yoy	of sales	

Our Worldwide Locations of Operation



Memberships and Charters

Actively involved in a number of initiatives and charters promoting sustainable development in economic, environmental and social aspects, the Company is a corporate member of industry associations and chambers listed below.

Organisations	Membership Company
China Electronic Components Association	AAC Technologies Holdings Inc.
Federation of Shenzhen Commerce in Shenzhen	AAC Technologies Holdings Inc.
Jiangsu Chamber of Commerce in Shenzhen City	AAC Technologies Holdings Inc.
Changzhou Overseas Chinese Entrepreneurs Association	AAC Technologies Holdings Inc.
Changzhou Capital Market Industry Chamber of Commerce	AAC Technologies Holdings Inc.
China Semiconductor Industry Association	AAC Acoustic Technologies (Shenzhen) Co., Ltd.
Shenzhen Hi-Tech Industry Association	AAC Acoustic Technologies (Shenzhen) Co., Ltd.
Federation of Shenzhen Industries	AAC Acoustic Technologies (Shenzhen) Co., Ltd.
Shenzhen General Chamber of Commerce	AAC Acoustic Technologies (Shenzhen) Co., Ltd.
Shenzhen Changzhou Chamber of Commerce	AAC Acoustic Technologies (Shenzhen) Co., Ltd.

Awards and Recognitions

Award Received	Awarded to	Awarded by
Sustainability		
Constituent Member of "Hang Seng Corporate Sustainability Index"	AAC Technologies Holdings Inc.	Hang Seng Indexes Company Limited
Citation for Environmental, Social and Governance Disclosure	AAC Technologies Holdings Inc.	The Hong Kong Management Association
Best in Reporting Award	AAC Technologies Holdings Inc.	Hong Kong – BDO Limited
Best in ESG Award	AAC Technologies Holdings Inc.	Hong Kong – BDO Limited
Corporate Transparency		
Best New Entry – General Category	AAC Technologies Holdings Inc.	The Hong Kong Management Association
Top 10 of Most Committed to Corporate Governance	AAC Technologies Holdings Inc.	FinanceAsia
Top 10 of Best at Corporate Social Responsibility Company	AAC Technologies Holdings Inc.	FinanceAsia
2017 Golden Hong Kong Stock Grand Award	AAC Technologies Holdings Inc.	Co-organized by Zhitong Caijing and Tonghuashun Caijing
Best Website - Technology / Hardware	AAC Technologies Holdings Inc.	Institutional Investor
Socio-Economic Contribution		
Most Honored Companies	AAC Technologies Holdings Inc.	Institutional Investor
Award in Excellence in Investor Relations	AAC Technologies Holdings Inc.	IR Magazine
The Forbes Global 2000	AAC Technologies Holdings Inc.	Forbes
Asia's Fab 50 Companies	AAC Technologies Holdings Inc.	Forbes
Top 100 HK-Listcos Selection 2017 - Top 100 Comprehensive Strength	AAC Technologies Holdings Inc.	Co-organized by Tencent and Finet Group Limited
Top 500 China Private Enterprises	AAC Technologies Holdings Inc.	All-China Federation of Industry & Commerce
Chinese Private Manufacturing Enterprises 500	AAC Technologies Holdings Inc.	All-China Federation of Industry & Commerce
Better World Company	AAC Technologies Holdings Inc.	Shenzhen Charity Federation Shenzhen Charity Foundation for Elderly Public Welfare Development
Shenzhen Industries Award	AAC Acoustic Technologies (Shenzhen) Co., Ltd.	Federation of Shenzhen Industries
The 8th Hong Kong Outstanding Corporate Citizenship Logo	AAC Technologies Holdings Inc.	Hong Kong Productivity Council
Environmental Responsibility		
Green Office and Eco-Healthy Workplace Awards Label	AAC Technologies Holdings Inc.	World Green Organisation
Product Excellence		
Ranked Third in the Top 100 China Electronics Components Enterprises	AAC Technologies Holdings Inc.	China Electronic Components Association

Our Sustainability Approach

As a global leader in comprehensive micro-components solutions, we embrace and act on our social and environmental responsibilities. We proactively manage risks to our operations and reputation, capitalizing on opportunities through the integration of sustainability into our business strategy.

Responding to the Sustainable Development Goals (SDGs)

The Sustainable Development Goals ("SDGs") are a set of 17 goals, (as reproduced on the left), launched by the United Nations in 2015 to promote the world's sustainable development. Measurable targets are prescribed to cover a broad range of issues such as eliminating poverty, combating climate change and quality education. Involvement of the business sector is strongly called upon in order to effectively tackle these global sustainability issues.

AAC Technologies embraces the vision of SDGs. We believe that we are able to play our part in realizing the goals where our expertise, resources and dedication will help. In 2017, we identified 9 SDGs which are relevant to our operations and reported on our approaches in contributing to the goals, actively taking up our social responsibilities to build a better world.

Leadership Commitment

The Company's sustainability management is spearheaded by the CEO and the Executive Director, and percolates down to the respective departments and divisions responsible for managing critical sustainability issues and monitoring trends for opportunities to improve sustainability performance.

These departments include Environmental Management, Health and Safety, Green Product Division, Quality Assurance, Human Resources, Investor Relations, CSR, Legal and Procurement. The Company has included ESG factors as a strategic consideration in the process of decision-making; responsible department heads are charged with the tasks of identifying, assessing and mitigating current and potential ESG risks and opportunities.

While the environmental management department focuses on handling environmental issues including environmental impact assessment, pollutant treatment, effluent and waste management and related technological aspects, etc., the health and safety department is primarily responsible for occupational health and safety issues. Both divisions report to the Services Guarantee Department. Human Resources remains in-charge of community engagement and external affairs.

Ethics Committee

GOAL 16
Provide access to justice for all and build effective, accountable and inclusive institutions at all levels

The Company has a structured management team with divided responsibilities on ethics related issues. Our ethics committee is led by the CEO as the chief inspector and regional inspectors, who take charge of independent and confidential investigation on the cases before the CEO making further decisions. The working team consists of human resources, legal and audit departments which report to the committee on issues including employee conduct, intellectual property rights and conflict of interest etc.

[1] EHS is abbreviation of Environmental, Health and Safety.

Through quarterly assessments on ethical risk management, we closely monitor, prevent and eliminate any illegal and unethical behavior, such as bribery, fraud, leakage of confidential information and money laundering etc. Employees have full responsibility to protect the Company's interests and conform to the Company's Code of Conduct while carrying out their duties. Those who have access to confidential information must sign a confidentially agreement. Employees are expected to refrain themselves from corrupt behavior and report any suspected cases of code of conduct violation through our whistleblowing mechanism.

A warning system, which laid out disciplinary actions to taken in cases of unethical behavior, has been revised in order to ensure personnel involved takes responsibilities for their behavior. Training on business ethics and self-evaluation are the major tools to raise employee awareness and control related risks. No corruption cases have been reported during the year.

In addition, our external auditor will not be engaged for any non-audit work unless the non-audit work meets the criteria suggested in the Listing Rules and HKICPA's Code of Ethics for Professional Accountants and has been discussed and pre-approved by Audit and Risk Committee.

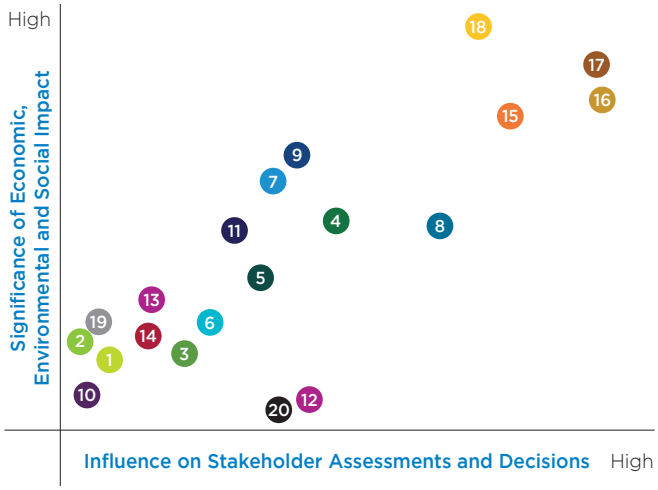
Stakeholder Engagement

AAC Technologies has a wide network of stakeholders, including customers, employees, shareholder/ investors, communities, environment, suppliers and non-governmental organisations (NGOs). We communicate with our stakeholders on an ongoing basis through channels and platforms such as annual reports, sustainability reports, surveys, regular dialogue and meetings. Their opinions are reflected to the sustainability report.

Below is the table listing our stakeholder groups, our methods to engage with them, and the topics we address.

Customer	Environment	Employee	Government	Shareholder/ Investor	Supplier	Community
Key Topics						
Product innovation, carbon emission	Compliance with regulations, environmental management, development of greener products	Health and safety, training and development, welfare and benefits	Regulatory requirements, environmental, safety	Operations and strategy, corporate governance, risk management	Raw material sourcing (including conflict minerals), carbon emission, process optimization, human rights, ethics	Education, social welfare, environmental protection, Community investment
Engagement Approach						
Seminars, in-person meetings, customer satisfaction surveys	Seminars and conferences, in-person meetings with environmental NGOs	Employee satisfaction surveys, newsletters, training, social media platform, communication sessions	In-person meetings, responses to government or regulatory policies	Investors' meeting, annual general meeting, sustainability reports	Seminars, trainings, onsite visits, in-person meetings, audit	Volunteering and donation, community activities

AAC Technologies reports contents centered on key topics by identifying, prioritizing, validating and reviewing the sustainability topics. We have implemented this materiality analysis process based on the interest of stakeholders and the Company since last year.



1 Use of renewable materials
2 Energy consumption
3 Green products
4 Compliance with environmental laws and regulations
5 Expenditure on environmental protections
6 Supplier management
7 Talent management
8 Occupational health and safety
9 Development and training
10 Diversity and equal opportunity
11 Employee communication
12 Human right protection
13 Anti-corruption
14 Cartel and monopoly
15 Compliance with local laws and regulations
16 Product quality and safety
17 Customer privacy protection
18 Customer satisfaction
19 Community relations
20 Anti-discrimination

We believe the most pertinent sustainability issues include product quality and safety, customer privacy protection, customer satisfaction. Additional material sustainability issues include supplier management, energy consumption, equal employment opportunity, human rights, etc.

Our efforts in all material areas are addressed within this report or on our website. All aspects other than Development and training, talent management and employee communication which impact only within the Company, have an impact both inside and outside the Company.

Material Topic	External Stakeholder	Internal	Activities in 2017	Corresponding Section
Product Quality and Safety	Customer and Supplier	✔	The Company appointed specially trained employees in various departments as internal inspectors to strengthen implementation of its quality management system. They are responsible for monitoring the operation of quality management system in their respective departments, organizing training, resolving issues and providing recommendation for improvement, etc. We revised the Supplier Code of Conduct by incorporating a rating system, making sure suppliers' performance with regards to the environment, health and safety, and social responsibility will be monitored and evaluated on a regular basis.	Product Excellence
Customer Privacy	Customer	✔	We have maintained a three-level information security management structure in accordance with ISO/IEC 27001:2013 to ensure the information security management system is well understood by its employees and related measures are duly implemented throughout the organisation.	Product Excellence
Customer Satisfaction	Customer	✔	One of our major clients raised its evaluation of AAC Technologies as a supplier from C+ to A, which is a great affirmation of the quality of our products and services. We believe in delivering innovative solutions to our customers by engaging them right from the beginning of the product design stage and keep them involved throughout the production process.	Product Excellence
Compliance with Local Laws and Regulations	Customer and Contractors	✔	We keep ourselves abreast of the latest global laws and regulations on all sustainability aspects in markets where we operate. Conduct quarterly risk management self-test to prevent corruption, blackmail, money laundering, support for terrorism and other criminal acts Set a code of conduct, specifying bribery corruption and other unlawful act	Caring for Our People Product Excellence

Caring for Our People

Talent management is the key to our success. We have optimised our talent management system, driving towards a more desirable workplace, enabling employees to excel, and dedicating ourselves to employees' health and safety as well as career development.

Engaging with Our Employees

8 DECENT WORK AND ECONOMIC GROWTH

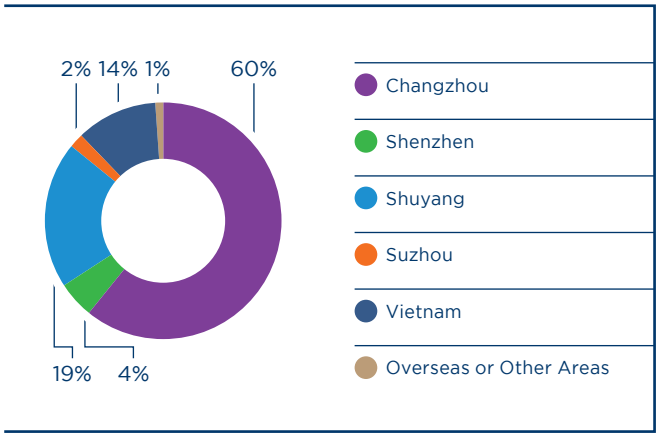
GOAL 8
Promote full and productive employment and decent work for all

The Company actively listens and responds to employees' concerns through multiple communication channels. During the year, our employee hotline has been extended to a 24-hour service. In addition to traditional channels such as drop-box and email, a mobile grievance collection platform has been set up, enabling employees to provide feedback more conveniently through phone, text messages and QR code. These new platforms have raised our efficiency in replying and resolving employees' suggestions and complaints. In 2017, 1,078 suggestions and complaints were received via the platforms since June and the majority of them have been resolved or accepted. In addition, the management participates in quarterly support meetings, aiming to learn more about the difficulties employees encountered and provide necessary assistance, forging dialogues and trust with employees.

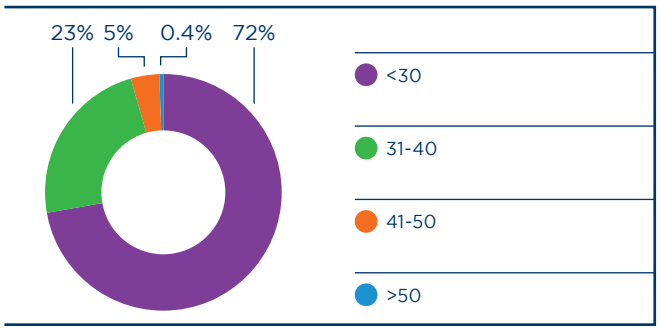
As of 31 December 2017, the Company had a total of 52,171 employees. Changzhou, Shuyang and Vietnam account for 60%, 19% and 14% respectively of the total. 87% of the Company's employees are production workers, 4% are management executives and 9% are R&D, engineers and technicians.

The proportion of male to female employees is 60:40. There are 37,602 employees aged below 30, or 72% of the total workforce. The 31-40, 41-50 and the over 50 age groups represent 23%, 5% and 0.4% of the workforce, respectively. Approximately 35% of employees have degree level qualifications or higher.

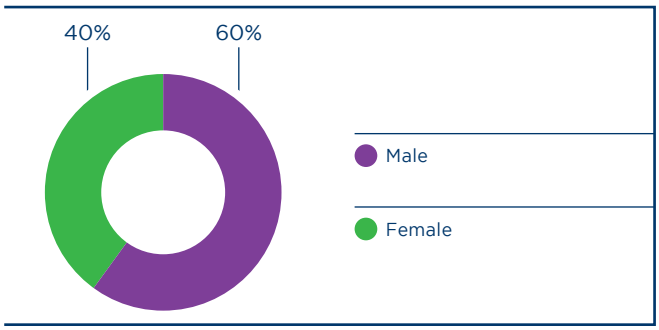
Geographical Distribution



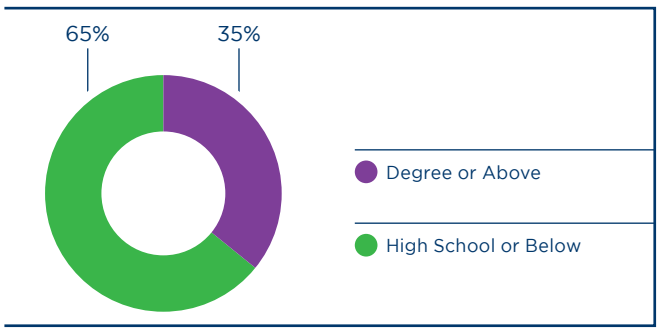
Age Profile



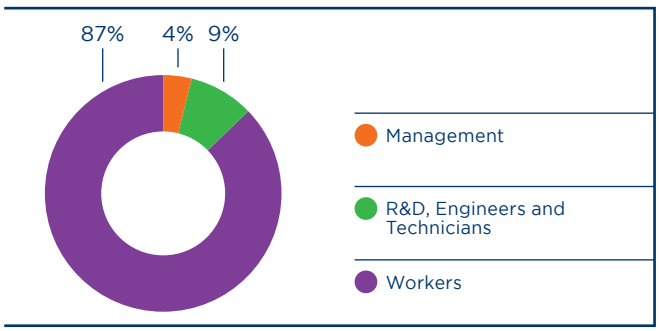
Gender Profile



Education Profile

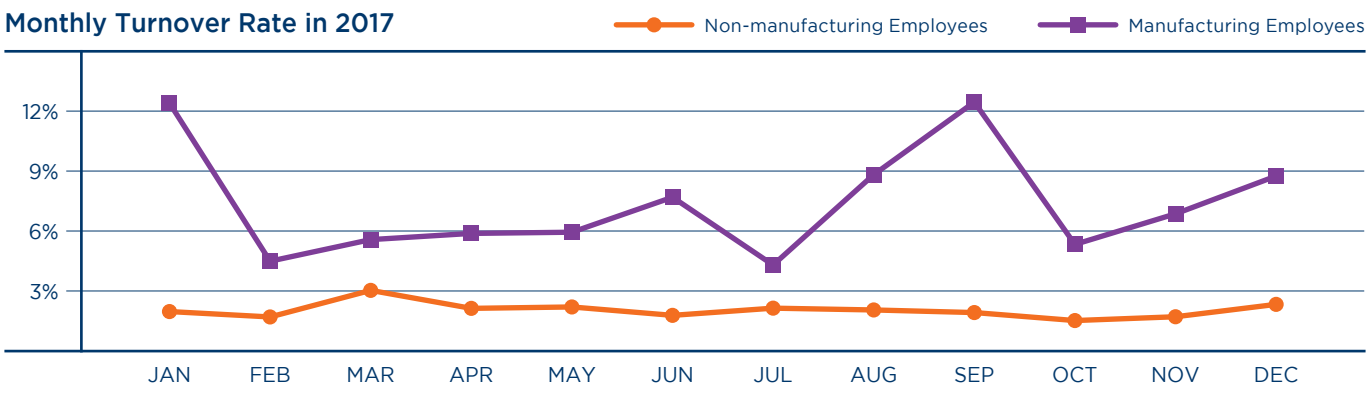


Professional Profile



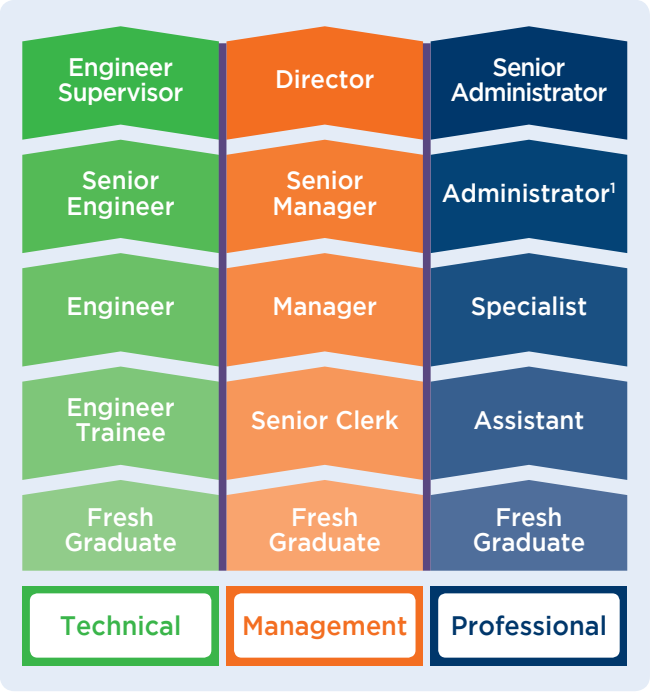
In 2017, the average monthly turnover rate for manufacturing and non-manufacturing employees was 7.4% and 2.1% respectively.

Monthly Turnover Rate in 2017



Training and Development

AAC Technologies values talent and offers employees diverse opportunities to advance their careers. We have expanded cooperation with more universities for recruitment and training of fresh graduates who aspire to join the industry. In 2017, our H-type career management system was optimised to a triple-channel system, offering three streams of career development paths in technical, management and professional fields.



The focus of training is tailored for employees from different streams. For example, knowledge-based training for junior employees as well as legal, financial and professional skills training etc. for related professionals. To enhance the competency of our managers, we offer team-building and leadership training, together with the Senior Executive Programme For China jointly organised by Harvard Business School and China Europe International Business School. We equip managers with strategic and global mindsets as well as practical management skills to fulfil the Company's needs for future development.

The Company has enriched the training programme for new employees to suit the actual situation of daily business operations. Information security, quality assurance and environmental know-how are the main focus, enabling our employees with necessary knowledge and skills as they perform their duties.

We evaluate employees' performances according to our appraisal management system. The appraisal results not only determine promotion of talents but also help us to understand the training needs of each employee, so as to adjust our overall training plan and talent management strategies. In 2017, the Company provided a total of 747,538 hours of occupational training to employees, or 14 hours per person.

Employee Rights

Building an Equal Working Environment

10 REDUCED INEQUALITIES

GOAL 10
Reduce inequality within and among countries

We take responsibility to protect employees' rights and to build a decent working environment. We follow our Code of Conduct which specifies equal opportunity for employees, without any discrimination on race, gender, religion, marital status and disability, etc. Employees are encouraged to respect each other. Any forms of harassment and abuse are strictly prohibited. Employees may report any rights violations through our reporting channel and disciplinary actions are taken against such behaviours.

[1] For example, accountant, human resource manager, auditor.

The Company respects the basic human rights and labour rights stipulated in the "Labour Law of the PRC" as well as other relevant laws at all locations where we operate. We respect and follow the Universal Declaration of Human Rights, United Nations International Covenant on Civil and Political Rights, United Nations International Covenant on Economic, Social and Cultural Rights and other covenants and declarations.

We ensure lawful recruitment processes and prohibit the recruitment of child and forced labour, with identity checks performed during the hiring process. During the year, there were no child or forced labour cases reported. Employees also enjoy the right of association and collective bargaining as our policy forbids any punishment or discrimination for employees' association with trade unions.

Employee Welfare and Benefits

Outward bound activities for internal audit staff in Changzhon

Tug of war competition

The Company provides reasonable welfare benefits in accordance with laws and regulations, including but not limited to salaries, bonuses and social insurance. In addition, we improve employee welfare in three main areas: revising our welfare management system, improving working environment and organising employee activities.

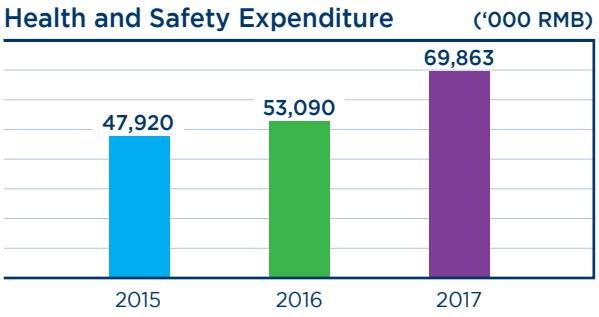
We have revised our welfare management system for rewarding employees and enhancing cohesion within the Company. The application requirements and procedures have been laid out for all types of welfare benefits and allowances, including expenses for travelling, housing and meal allowances, business trip expenses and employee activities etc. We have also set up an employee support fund, aiding employees and their families in financial difficulties due to critical illness or injury, to deliver care to employees in need.

In 2017, the focus of our efforts was on enhancing living and working environments of employees, such as renovating dormitories, canteens and waiting areas of the Company's shuttle bus, as well as collecting employee feedback regularly on living conditions and quality of meals provided.

The Company pays a great deal of attention to employees' physical health and mental well-being. Our employee health check management system arranges annual health check-ups for all employees, in tune with specific needs of each job position. In 2017, free health check-ups for existing employees amounted to 12,611 person-times. New employees are offered pre-employment health check-ups to prevent the spread of infectious diseases. A reading room is also available in the work place for relaxation. The human resources department and the workers' union organised various activities for employees, creating opportunities for them to socialise and enjoy work life. Activities include sports day, outings, day camps and wine tasting workshop, etc.

Outward bound activities for outstanding employees

Health and Safety



Safeguarding occupational health and safety (OHS) of employees was one of the key concerns of the Company during the year. Our health and safety expenditure increased by 32% to approximately RMB 70 million in 2017. The environmental, health and safety (EHS) system has been upgraded in accordance with our three-year plan, bolstering safety risks management through building an informatised monitoring system and clearer channels for reporting among EHS manager, chemicals and fire safety engineers as well as safety personnel. The Company carried out internal evaluation of the EHS system during the year, to assess safety compliance, procedures, performance and targets attainment. Recommendations were provided for improvement and revision of safety guidelines, measures and strategy through this evaluation. We strive to maintain the effectiveness of the system in the long-run so as to minimise the risks of our operations.

Passing external safety audits, our production plants in Shenzhen, Changzhou and Suzhou have obtained OHSAS18001 Occupational Health and Safety Certification. We have continued with a series of safety inspections introduced in 2017, including the monthly safety inspections conducted jointly by the related departments to identify potential safety hazards and non-conformity.

A number of modifications were made in the OHS management to enhance employees' safety at work. Personal Protective Equipment (PPE) are now under centralised management by the safety department, with revised procedures established in accordance with national standards, specifying procurement, distribution and use of protective equipment. A list of PPEs was drawn with details of qualified equipment and frequency of replacement, ensuring only the most suitable equipment are used for different tasks. As a pilot project, safety department in Changzhou is responsible for examining the suitability of the PPE before procurement takes place, thus ensuring PPE achieves the desired results.

Regarding the use of hazardous chemicals, we comply with additional national standards and have imposed more stringent requirements and procedures on chemicals procurement and storage. Apart from that, more personnel have been allocated to the emergency response team. These measures allow employees to take on greater responsibility and help keep the working environment safe and reduce the number of accidents.

The Company also made efforts to maintain the safety of all its production facilities. Safety procedures for repairing machinery and managing operations carried out in confined spaces were laid out in the EHS system. To prevent incidents of fire, regular inspections are conducted on the facilities. All fire incidents are recorded, and the causes are investigated and steps taken for rectifications required for preventing recurrence. Tips and reminders for fire safety precautions are provided to employees.

Hazardous Chemicals Control Procedures

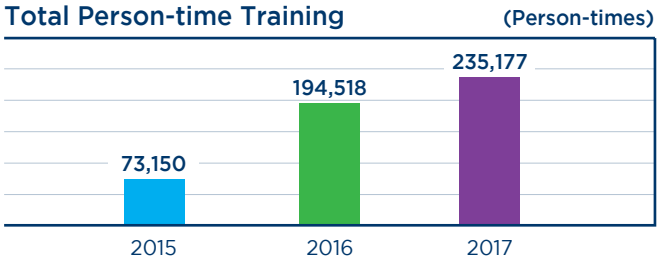
GOAL 3
Ensure healthy lives and promote well-being for all at all ages

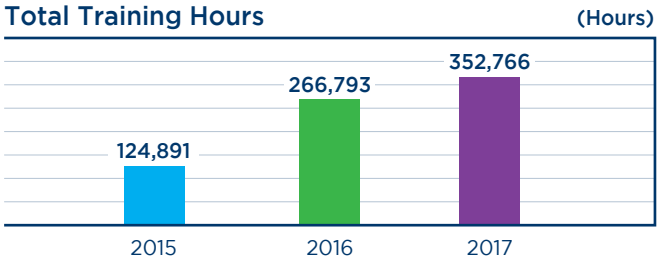
Hazardous chemicals management is important throughout corporate manufacturing. AAC Technologies established hazardous chemicals management system to ensure safe production, which specifies the full procedures for application and recycling of hazardous chemicals. Production units must apply through a centralized system to access to hazardous chemicals. Chemicals will then be distributed accurately according to production volume of each units without any leftovers.

To ensure the safety of the warehouse, personnel who collects chemicals must go through electromagnetic detection and electrostatic operations before entering the warehouse. Chemical wastes left after use are collected by warehouse managers before classification and storage. Explosion-proof cameras are installed in the warehouse in which warnings are issued in case of emergencies.

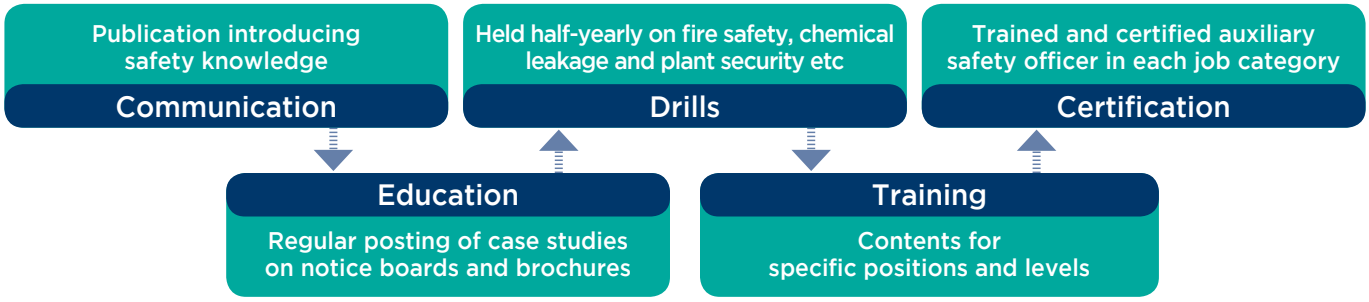
Raising Safety Awareness

We actively invested in raising employees' awareness of OHS for cultivating a safety culture within the company. In 2017, our occupational health and safety training hours have risen by 32% to a total of 352,766 hours. 235,177 person-times of training were provided to junior, production unit, teams and specialized levels. Training sessions focused on fire safety, hazardous chemicals handling, occupational health and safety promotion as well as infectious diseases prevention. During the year, we also held training sessions on road safety, aiming to prevent traffic accidents near our plants and protecting employees' safety as they commute to work.





The Company continues to organize auxiliary safety officer programmes for training employees to become the vanguards of OHS promotions. They obtained certifications as auxiliary safety officers, shouldering responsibility on safety monitoring and awareness in their respective working units. Other tools and initiatives on safety education include monthly safety newsletter, safety announcements and case studies. The diagram below shows the tools we use to sustain our safety culture.



Occupational Health Management

AAC Technologies is committed to control and eliminate any causes of occupational hazards. Complying with the Law of the PRC on the Prevention and Control of Occupational Diseases, we ensure indicators of dust, noise and hazardous matters are all up to standards. We control the risks by laying out responsibilities, preventive measures and emergency mechanisms. A detailed management plan is drawn and monitored each year to meet the target of zero incident of occupational diseases. We commission independent third-party to identify any factors related to occupational hazards on an ongoing basis.

For job positions with potential health hazards, we check the ventilation systems, clean out dust regularly and ensure employees wear masks during operations. To protect employees from having health issues due to occupational hazards, all employees are entitled to annual health checks under our health examination system. Items inspected vary according to the nature of work and the magnitude of contact with hazardous materials and other factors. Employees with abnormal results are subject to receive more comprehensive health check-ups. In 2017, 9,931 person-times checks for occupational health were provided to employees. Their health check records, treatment records and medical history are stored in our occupational health management system for future reference.

Protect Our Environment

To meet the increasingly stringent compliance requirements on environmental management, we are obliged to act proactively to strengthen and optimise steps for mitigating environmental impacts of our operations, not only to achieve environmental compliance, but also to strive for environmental sustainability through a more environment-friendly production process.

Environmental Management

The Company's Environmental Management Department is responsible for all environment related work practices in production plants which include collaborating with the Plant Division and Production Division, monitoring the environmental quality of the plants and their surroundings, as well as managing emissions and management of "Three Wastes". And our EHS Management System has set clear standards and procedures to ensure all tasks conducted in our production plants are aligned with environmental laws and principle of clean manufacturing. The system encompasses internal management protocols, such as "Hazardous Waste Management Control Procedure", "Water Pollution Prevention Management Procedures" and "Air Pollution Prevention Management Procedures". Keeping abreast of the latest changes in laws and production situations, we fine-tune the EHS Management System on an ongoing basis.

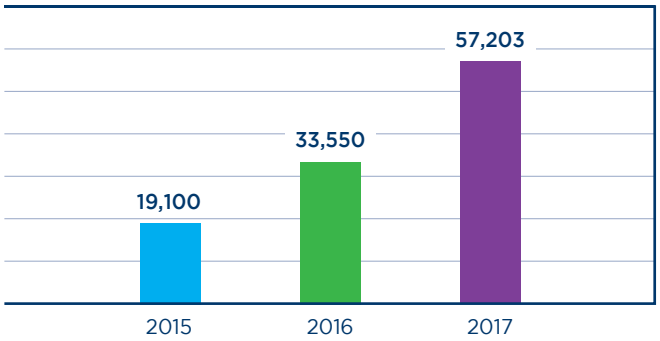
The Company has also commissioned external certification bodies to assure our environmental management system is effective. Currently, our main production plants located in Changzhou, Suzhou, Shuyang and Shenzhen have obtained ISO14001 Environmental Management System Certification.

In 2017, the Company formulated its "3-Year Plan on Environmental Management". Targets of exhaust gas emission, wastewater discharge and hazardous waste reduction have been set and possible solutions are developed. The plan proposes the objectives for the coming 3 years and analyses the corresponding investment and return. This year, with increased production volume, investment in new production lines and new infrastructure in plants, environmental protection expenditure has increased to RMB57.2 million, or 71% more than that of 2016.

Environmental Policy

The Group has established its environmental policy as stated on our website under sustainability. The Policy expresses our commitment to environment stewardship. We welcome supervision by stakeholders.

Environmental Protection Expenditure ('000 RMB)



Raising Environmental Awareness

The Environmental Management Department strives to keep abreast of up-to-date national or regional environmental management policies. The Company publishes internal newsletter which disseminates national and regional environmental protection information, including changes in environmental regulations and updates on progress of environmental events. Consequently, we aim to strengthen the awareness of our employees and they can comprehend related policy amendments in a proper manner.

In terms of communication with environmental regulatory authorities, we put in efforts on interacting with local governments, participating in environmental training activities held by the governments, provision of assistance in online monitoring, calibration of monitoring equipment and electricity consumption.

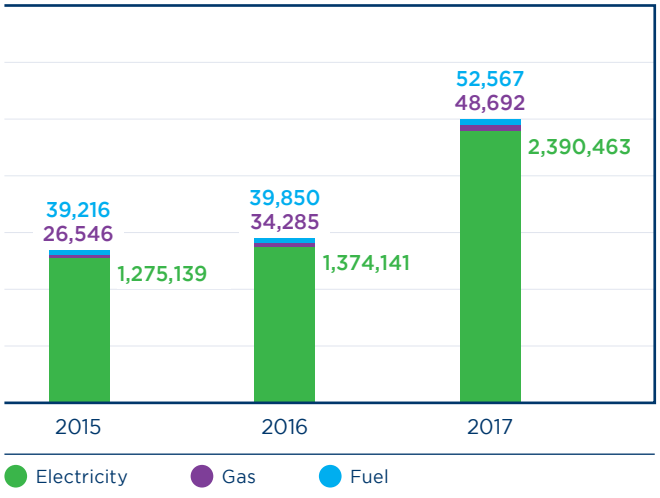
Collaborating with Environmental Organisation

AAC Technologies is attentive to opinions of external organisations about its production plants and therefore ensures site visits of relevant bodies to its production plants and obtains feedback from these organisations. During the year, we contacted an environmental research institution to examine our environmental monitoring record with relevant evidence provided. Subsequently, the record is rectified, and we received positive comments from the institution. By means of interacting with environmental agencies, AAC Technologies gets effective recommendations that can help enhance its environmental management.

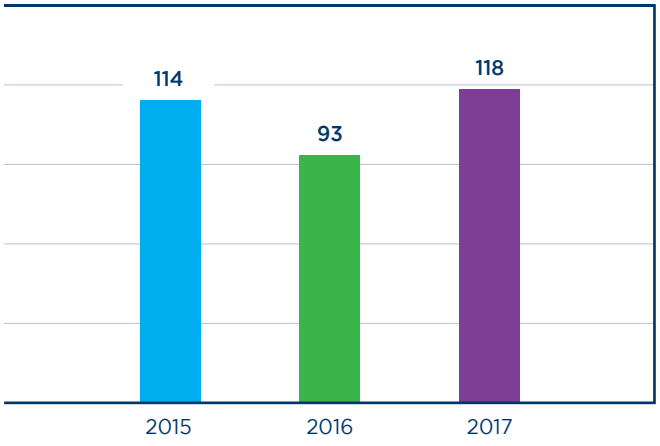
Energy Consumption

In 2017, the total amount of our energy consumption was 2,491,722 Gigajoules, an increase driven by an upsurge in electricity usage, which contributes 96% of total energy consumption. Gas and fuel represent 4% of the total energy consumption. There is little direct consumption of energy, which leads to fewer air pollutants caused by burning of gas and fuel. The total amount of energy consumption surged in 2017 mainly because of establishment of the Changzhou production plant and new production lines.

Total Energy Consumption (Gigajoules)

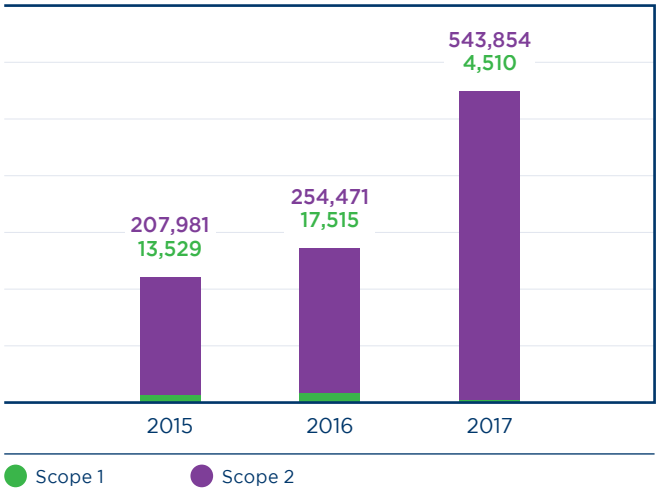


Energy Intensity (Gigajoules/Million RMB in Turnover)



In 2017 we initiated the greenhouse gases (GHG) emission audit with extended organisational boundary. This is intended to make the GHG emission data compatible with environmental data which includes Changzhou, Suzhou, Shuyang and Shenzhen in China, as well as the main production plants in Vietnam. Based on the relevant guidelines applicable in mainland China for GHG emissions, we have adjusted the boundary of our scope 1 data. Emissions from sources with higher uncertainty and not required in the guidelines are excluded. In 2017, our total GHG emissions amounted to 548,366 tonnes of carbon dioxide equivalent, of which, Scope 1 and Scope 2 were 4,510 and 543,854 tonnes respectively. Emission intensity was computed as 26 tonnes of carbon dioxide equivalent emission per million RMB revenue.

Total Amount of Greenhouse Gases Emission
(Tonnes of Carbon Dioxide Equivalent)



Energy Saving

GOAL 7
Ensure access to affordable, reliable, sustainable and modern energy for all

Ensuring efficient energy consumption can reduce the corresponding GHG. Our Plant Division is responsible for monitoring energy consumption, optimising strategies and implementing energy saving measures in our production plants. Recommendations for energy saving in the "3-Year Plan Environmental Management" include waste heat recycling systems and greater use of renewable energy.

Furthermore, we monitor performance of previously implemented energy saving projects and analyse the actual energy efficiency of such projects. Through these actions, we identify the best approaches and promote them in other plants and areas.

In 2017, through analysing the actual situation in different production plants, several energy retrofits were completed, which include alteration of vacuum generator, transformation of the overall control system of refrigeration room and optimisation of the chilled water system. Projects for waste heat recycling and distributed photovoltaic power generation system in Changzhou and Shuyang are now in progress. These projects aim to achieve sustainable enhancement of energy efficiency and generation of clean energy to replace at least part of our usage of conventional energy. Below table summarises the energy saving initiatives undertaken in 2017 and their respective benefits.

Energy Saving Projects	Location	Transformation Details	Energy Saved
Promote use of vacuum pump as vacuum generator (Completed)	Changzhou	A plant area in Changzhou uses vacuum pump to replace air compressor. While it can achieve similar outcomes, it reduces electricity consumption by 80% and raises energy conversion efficiency.	Expected benefits: 6,800,000 kWh/year
Transformation of the overall control system of refrigeration room (Completed)	Changzhou	In Changzhou, two plant areas use the overall control system for refrigeration room which has better performance in terms of efficiency of the refrigeration room. Techniques such as motor frequency change, adjustment of cooling based on demand and automatic change in cooling according to external environmental changes are used. One of them is certified by third parties for having reached the expected energy efficiency of the design. The energy efficiency of the other area will be verified in 2018.	Expected benefits: 886,000 kWh/year
Waste heat recycling from air compressor (In progress)	Changzhou	A plant area in Changzhou recycles waste heat of air compressor to heat domestic water. The water is supplied to bathrooms in dormitories. This system can completely replace the existing water boiler.	Expected benefits: 231,622 m^2 Natural Gas/year
Distributed photovoltaic power generation system (In progress)	Changzhou Shuyang	Construction of photovoltaic power generation system with total installed capacity of 12.2 MW will introduce clean energy in production plants and reduce reliance on traditional energy.	In 25 years life expectancy, 12,720,000 units of electricity produced annually
Optimisation of chilled water system (Completed)	Suzhou	Production plants in Shuyang have alter the chilled water system. They employ central cooling with higher efficiency, replacing the low efficiency ice producing machine. This provides the same cooling effects, while reducing electricity consumption.	Expected benefits: 217,000 kWh/year
Adjust pressure controlling system (Completed)	Vietnam	Installing a pressure controlling system in some of the production plants in Vietnam. Through internal checking, turn off the unnecessary air compressors.	Annual actual benefits: 36,036 kWh

In 2017, we initiated cooperation with the Environmental Defense Fund (EDF) by participating in "EDF Climate Corps". With the support of EDF, we coordinated with high school students selected and trained by EDF to carry out research on energy saving projects. These participants conducted a 10-week long research on AAC Technologies and proposed energy saving suggestions such as ground heat pump and waste heat recovery for data centre.

To further monitor electricity consuming equipment in production plants, AAC Technologies plans to apply the "3 Levels" energy consumption measurement in new production plants, targeting measurement of energy consumption in production plants, vehicles and equipment individually. By monitoring the energy usage of specific equipment, we can figure out effective ways of energy management and future energy savings potential.

EDF Climate Corps

EDF ENVIRONMENTAL DEFENSE FUND | CLIMATE CORPS

13 CLIMATE ACTION

GOAL 13
Take urgent action to combat climate change and its impacts

Environmental Defense Fund is a traditional non-profit environmental organization who has initiated a project called "EDF Climate Corps". EDF Climate Corps is a fellowship program that brings together an arsenal of top talent, resources and expertise in a variety of subject matters and industries to help organizations meet their sustainability and energy goals. Since 2008, over 450 organizations in the U.S. and China have enlisted more than 800 EDF Climate Corps fellows to design customized energy solutions such as scalable energy efficiency, renewable energy, energy management strategies and more. EDF Climate Corps fellows have identified ways to avoid more than 2 million metric tons of annual CO2 emissions. Collectively, these projects could save 1.5 billion dollars in energy costs over their lifetimes.

Water Usage

6 CLEAN WATER AND SANITATION

GOAL 6
Ensure availability and sustainable management of water and sanitation for all

Our major source of water usage is in Shuyang where two additional water saving measures have been implemented in 2017. Water used in production is recycled and purified and the wastewater generated in the process is used for flushing toilets.

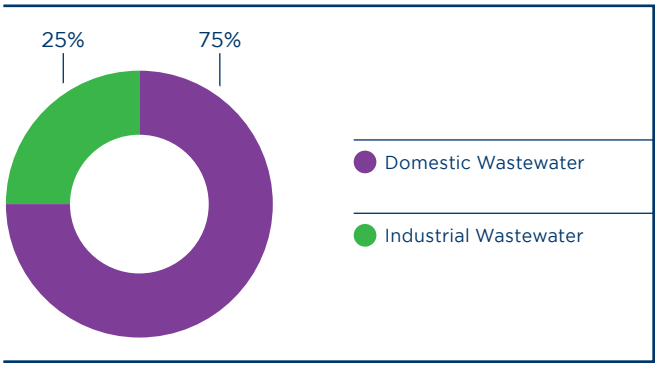
Water Saving Projects in Shuyang	Details of the Retrofit	Water Saved
Water purification & reuse and use of wastewater for toilet flushing (Completed)	Production plants in Shuyang employ water purifiers to recycle used water for reuse in production process. The purification plant is able to recycle 60% of used water, while 40% is collected and supplied to bathrooms under constant pressure, for toilet flushing.	Annual actual benefits: 14,861 tonnes
Water purifier level 2, EDI concentrated water reuse (Completed)	Production plants in Shuyang use the concentrated water produced in water purifying process, consisting of level 2 concentrated water of reverse osmosis and EDI concentrated water, as input of water purifiers directly. In turn, it reduces tap water usage.	Expected benefits: 100,000 tonnes

To comply with environmental regulations, we have set up facilities for treatment of wastewater from production. During the year, for new production lines in Changzhou, we have commissioned external consultants to design the corresponding wastewater treatment plans. Among various wastewater treatment plans, reuse is the first priority. At the new production line in Changzhou, we plan to reuse the wastewater for cleansing and polishing process, after treatment.

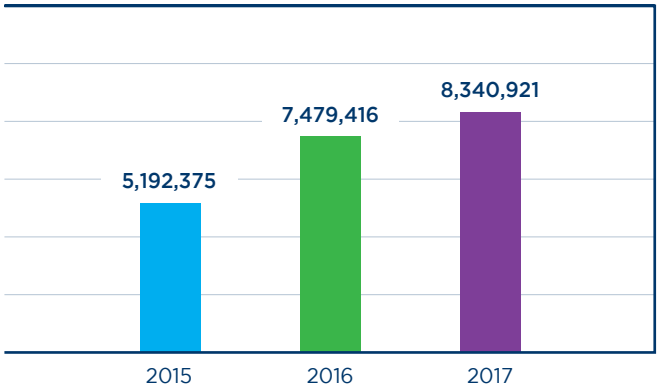
In 2017, our municipal water consumption was 8,340,921 tonnes, which is 12% more than that of the previous year. However, water intensity was 395 tonnes per million RMB revenue, which is 18% lower than last year, demonstrating that water saving measures have been effective.

Domestic wastewater is the major source of effluents, accounting for 75%, while industrial wastewater generated from the production processes accounts for only 25%, meeting the relevant environmental requirements.

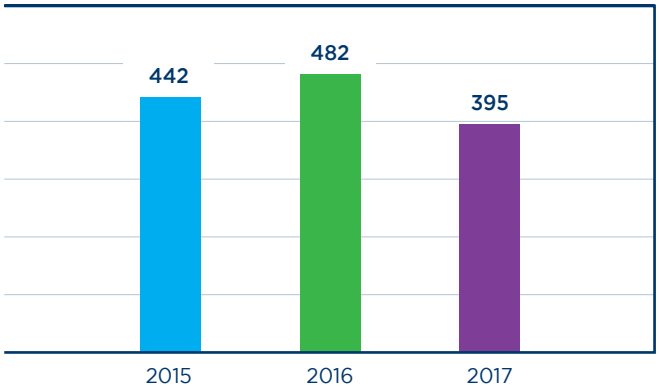
Composition of Effluents



Municipal Water (Tonnes)



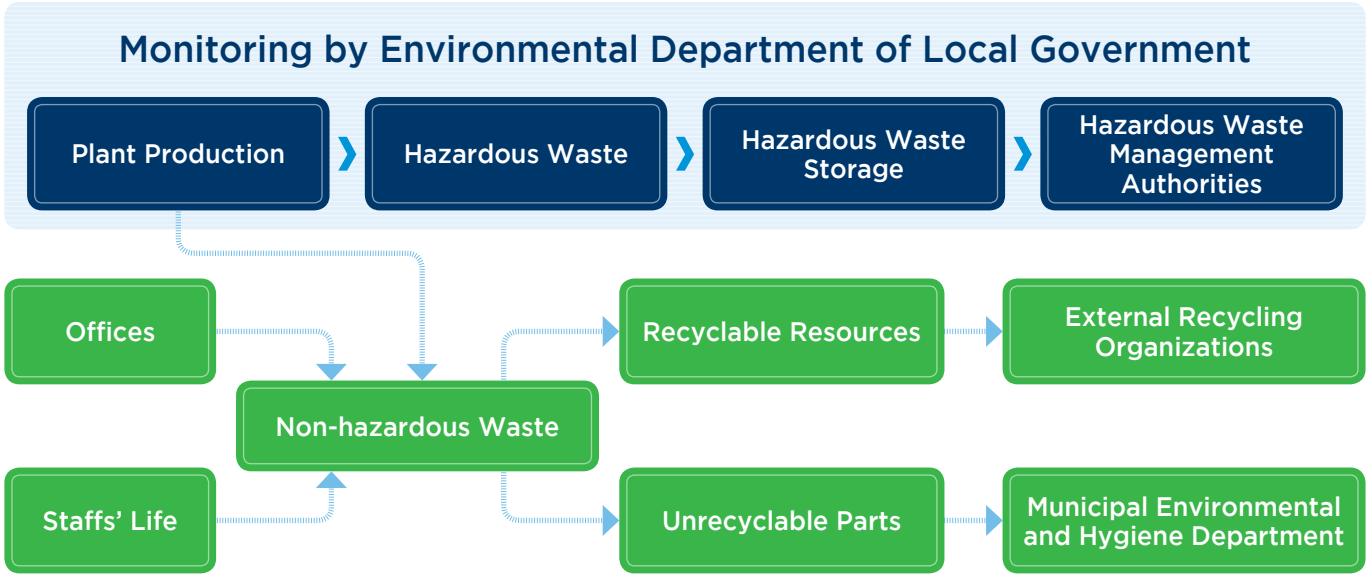
Water Intensity (Tonnes/Million RMB Revenue)



Waste Management

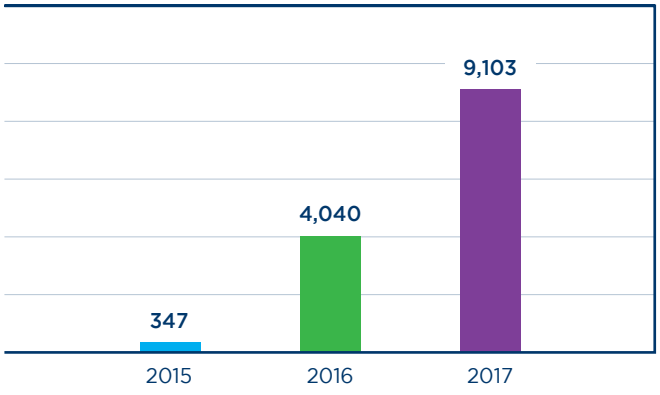
Under EHS management system, we have enforced waste management protocols, such as “The Protocol of Hazardous Waste Management Control”, which specify waste management tasks in different production plants. Operations at all locations are required to comply with the management’s requirements. Handling of hazardous waste is strictly monitored in a comprehensive and traceable manner.

Non-hazardous waste is handed over to external organisations for recycling. Moreover, non-recyclable waste is collected and handled by local Environmental and Hygiene departments.

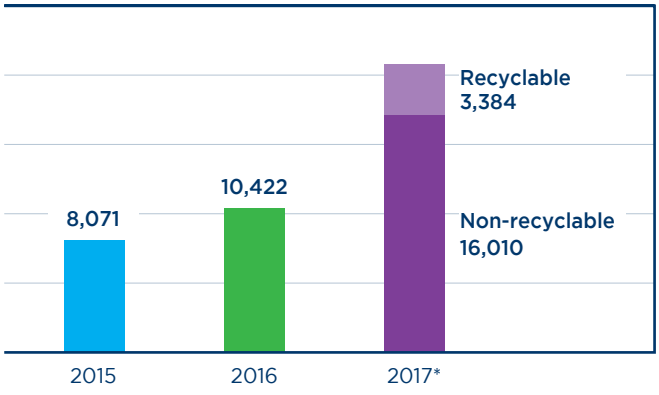


Under the current processing conditions, production of smartphone cases generates large amounts of hazardous waste, mainly abandoned cutting fluid and sludge. We commenced investing in smartphone cases production line since late 2016, and it was fully operated in 2017. Consequently, our Environmental Management Department had stepped up exploration of possible solutions for hazardous waste mitigation, to reduce the risk and cost of handling hazardous waste. For instance, in case of the abandoned cutting fluid, we adopt evaporation to reduce the amount of hazardous waste. Regarding sludge, we are planning to undertake sludge drying by lowering the water content, aiming to reduce the amount of sludge produced.

Hazardous Waste (Tonnes)



Non-hazardous Waste (Tonnes)



* Recyclable waste and non-recyclable waste are calculated separately since 2017

During the year, the total amount of non-hazardous waste generated was 19,394 tonnes, of which 3,384 tonnes of non-hazardous waste was recycled by external organisations. The remaining waste, such as domestic waste generated in daily living of employees, is collected and managed by local Environmental and Hygiene Department. Nonetheless, the amount of hazardous waste produced is 9,103 tonnes, 87% of which is accounted for by smartphone cases production. The amount of hazardous waste generated is higher than in 2016. That is due to new production plant in Shuyang, and more smartphone production lines became operational in 2017 as compared to 2016. Intensity of the industrial waste generated in our factories (includes hazardous and non-hazardous industrial waste) in 2017 was 0.59 tonnes per million RMB revenue.

Exhaust Gas Emission Control

Our production process does not involve any burning and there are no excessive exhaust gas generating procedures. The main sources of emissions are organic exhaust gases generated in processes of cleaning of industrial products, including acid pickling. Corresponding treatment equipment, such as lye cleaning tanks and activated carbon adsorption towers, are available to treat the exhaust gas before emission to ensure compliance with local emission standards. Meanwhile, independent third parties certified by the Environmental Department are commissioned to monitor pollutant concentration in exhaust gas outlets and report the statistics to the Environmental Department. In 2017, we had conducted environmental monitoring 18 times and all the results were found to be compliant with relevant laws and regulations. According to the statistics recorded and operating hours of equipment in 2017, 0.34 tonnes NMHC and 0.004 tonnes tins and its compounds were emitted in 2017.

Similar to wastewater treatment, we have constructed facilities required for exhaust gas treatment for new projects in compliance with laws. During the year, with new infrastructure for the new production line in Changzhou, we employed external consultants to design appropriate plans for exhaust gas treatment for the designated project.

Green Product Development

GOAL 12
Ensure sustainable consumption and production patterns

Production of electronic products involves use of substances that might have potential hazards for the environment. Many countries and regions provide guidelines which are relevant to harmful substances used in electronic products, for example, “Measures for the Control of Pollution from Electronic Information Products” in China, RoHS and REACH in European Union. For ensuring our products do not violate the relevant regulations and for mitigating environmental impacts caused by the harmful substances, we have set up Environmental Substance Control Division. It monitors harmful substances comprehensively, in product design, raw materials, production and shipping processes. Moreover, the Environmental Management Department works with the Product Research and Development Department, to consider environmental requirements of product production during the research and development stage itself.

In addition, we have designed and implemented some simple but effective green production measures. For example, product packaging materials such as cartoon boxes are reused where feasible. Intermediate products circulate in different production plants, such as paper and plastic boxes, as they are sent back to the original production plants for reuse which successfully keeps track on our consumption of resources.

Product Excellence

AAC Technologies has a relentless drive to deliver customers' satisfaction through managing sustainable supply chain, establishing robust quality management system, safeguarding information assets, and optimising our customer management strategy on an ongoing basis.

Driving Innovation

Research and development is critical for growth and long-term success. AAC Technologies owns and operates 14 research and development centres worldwide with over 4,300 senior research staff and engineers. In 2017, the Company successfully obtained 480 new patents and now has a total of 2,503 patents. Incentivizing employees to develop patentable technologies, the Company filed 1,567 additional patent applications during the year.

With intellectual property is one of our most valuable assets, the Intellectual Property Division has formulated and implemented the Patent Operations Procedures and Patent Documentation Control Measures to reduce the risk of infringement of intellectual property rights, ensuring that our employees and suppliers respect other companies' intellectual property rights.

To eliminate the risk of infringing other intellectual property rights, we conduct patent risk assessment during the product design phase, that is monitoring competitors' patents regularly, modifying our product design plan, cooperating closely with R&D and Marketing Department to keep abreast of the latest technology development and undertaking early deployment of patents. During the year, there were no reported cases of infringement of intellectual property rights, patents or trademarks.

Supplier Management Model

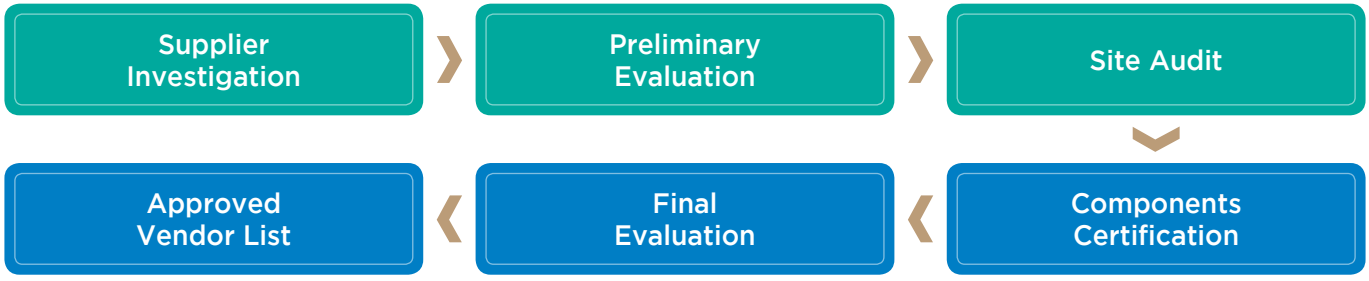
AAC Technologies recognizes that a sustainable supply chain is the foundation of the highest quality products and services, the main gauge for customer satisfaction. Committed to building stable partnerships with our suppliers, we have advocated collaboration, mutual benefits, high standards, and integrity in our supply chain management and operations.

In 2017, we revised the Supplier Code of Conduct to incorporate a rating system which enables us to manage suppliers systematically by monitoring integrated performance of suppliers, such as number of complaints from customers, compliance with environmental standards, delivery time, etc. Through daily and annual scrutiny by the management, as well as comprehensive performance evaluations, we keep track of suppliers' performance with regard to the environment, health and safety, and social responsibility.

With 569 suppliers in China, we pursue a comprehensive supply chain management strategy to establish a healthy business ecosystem. Our Supplier Code of Conduct outlines our expectations of suppliers in areas of legal compliance, labour and human rights, health and safety, environmental protection, conflict minerals, as well as quality assurance. In 2017, 71 suppliers in China were evaluated for performance in terms of social responsibility. The majority passed the initial evaluation, and the rest were able to pass after rectifications.

New Suppliers Qualification Procedure

For new suppliers, we have adopted a stringent pre-qualification procedure. Our suppliers must obtain ISO 9001 certification for quality management. In addition, we encourage our suppliers to establish the ISO 14001 Environmental Management System and maintain the related environmental materials management as well as the SA8000 Social Responsibility System. After certification, site audits are carried out to confirm suppliers' technical skills, process capability, production capacity, and environmental management capabilities.



In cases of nonconformity, we ask suppliers to take improvement measures and a second audit is conducted after three months. Those who fail to meet the expected criteria are not shortlisted. Our Suppliers Components Certification Procedures assess whether the quality of the supplier's parts and components meet the requirements of the design specifications. Suppliers who can meet all the expected criteria in terms of quality, corporate social responsibility, cost, business ethics, etc., are shortlisted in our approved vendors list.

Conflict Minerals

We take the matter of conflict minerals[1] seriously and actively encourage our suppliers to procure from non-conflict mines approved by the Electronic Industry Citizenship Coalition (EICC). The materials used for our products are governed and certified by our international customers for prohibition of conflict minerals.

In accordance with our customers' requirement, we conduct conflict-free minerals due diligence on our suppliers, adopting the Conflict Minerals Reporting Template formulated by EICC and Global e-Sustainability Initiative (GeSI). We collect suppliers' information related to conflict minerals, requiring all suppliers using tin, tantalum, tungston and gold to sign back a Conflict Minerals Declaration and assist the verification of responsible sourcing practices.

Based on the Declaration, our GP team requires suppliers to conduct EICC and GeSI Conflict Free Smelter Audit on smelters or refineries of their supply chain and terminate all their related business purchase of conflict minerals, including but not limited to tin, tantalum, tungsten and gold.

Our GP team also requires suppliers to disclose the list of mines from which they procure the raw materials during the process of components certification, ensuring their supplies do not contain conflict minerals.

Working closely with our customers and suppliers, we will continue to revise our conflict mineral management process and play an active role in promoting responsible sourcing and seeking sustainable solutions to the problem of conflict minerals.

[1] Conflict minerals refer to minerals that are mined under conditions of armed conflict, notably in the Democratic Republic of the Congo and adjoining countries. Profits from the sale of these minerals finance ongoing armed conflicts.

Maintain a Sustainable Supply Chain

AAC Technologies has implemented guidelines for suppliers regarding human resource policy, recruitment procedures and employee confidentiality in accordance with EICC. We require our suppliers to sign a commitment declaration regarding the above conditions, including the prohibition of child labour, provision of a safe working environment, eco-friendly etc., so as to embed sustainability into their business decision making and daily operations. Regarding conflict minerals, we take the matter seriously and actively encourage our suppliers to procure from non-conflict mines approved by the EICC, requiring all suppliers to disclose the list of mines from which they procure the raw materials, especially metals like gold, tin, tantalum and tungsten, to ensure the supply does not contain conflict minerals.

We keep abreast of the latest international laws and regulations on the control of hazardous substances in electrical and electronic products. To ensure conformity of product quality to the European Union's RoHS[1] (2011/65/RU), REACH[2] (1907/2006/EC) standards and other customer requirements, our Green Partner Lab checks incoming goods for hazardous substances to avoid use of materials that do not comply with environmental protection standards. We engage our suppliers through on-site audits, seminars, and training to help them better understand and respond to our updated requirements.

Looking forward, AAC Technologies will continue to maintain a comprehensive supplier management system. We focus on supplier quality control and set improvement targets for suppliers based on their previous year's performance. The Company is developing a Supplier Relationship Management System which is expected to be launched in 2019.

Quality Assurance

To secure the highest product quality, AAC Technologies has established a robust quality management system. Our production plants are certified for ISO 9001:2015[3] Quality Management Systems and QC080000[4], ensuring product quality meets customers' expectations and international standards as measured by performance indicators such as delivery rate, resource use efficiency, and customer satisfaction rate.

Internal Inspection System

In 2017, the Company commenced to appoint internal inspectors from various departments to strengthen implementation of its quality management system. Having received relevant training, these inspectors are responsible for monitoring the operation of quality management system in their respective departments, organizing training, resolving issues, providing recommendation for improvement, etc. To build the capability of internal inspectors, we organize workshops quarterly for experience sharing, and annual training for revision of quality standards. We also evaluate the performance of internal inspectors systematically with indicators such as working capability, project collaboration skill and learning ability.

[1] Restriction of Hazardous Substances Directive, a directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment.

[2] Registration, Evaluation, Authorisation and Restriction of Chemicals.

[3] A family of quality management systems standards.

[4] Hazardous Substance Process Management Standards in Electrical and Electronic Components and Products.

Continuous Improvement in Quality Management

AAC Technologies focuses on continuous improvement of its quality management system. We have standardized daily improvement mechanism to identify problems and preventive measures immediately. To inspire potential and create innovative culture, employees are encouraged to submit creative proposals to improve quality.

In addition, we have formed a Quality Control Circle, which is composed of small group of employee from the same or associated field, to voluntarily resolve the technical issues in work and hence carry out continuous improvement activity. To promote employees' problem solving aptitude and create an autonomous learning atmosphere, training and certification of six sigma[1] are provided for employees.

Greener Products

By following the principle of "Green Materials, Green Processes, Green Products", we carry out due diligence at all levels when managing hazardous chemicals. Our GP team regularly updates environmental substance management regulations in compliance with international standards such as RoHS and REACH, ensuring that materials used at all stages of production are safe for employees and customers. In addition, the GP laboratory has sophisticated testing equipment to monitor potential environmentally harmful substances in products, greatly enhancing the accuracy and efficiency of our laboratory tests. In 2017, our products achieved a passing rate of 100% and we received no complaints about environmentally harmful substances during the year.

AAC Technologies strives to achieve zero defects through adhering to the philosophy of "predict, prevent, protect". In 2017, we continued to encourage product manufacturing and management excellence through the following initiatives:

- Raise the employees' awareness on quality control and management;
- Optimize the supply chain to ensure a stable supply of quality raw materials;
- Optimize product reliability and develop innovative manufacturing expertise;
- Encourage innovation and establish unrivalled product development platforms based on customers' experiences.

[1] Six sigma is a set of tools and procedures for process improvement.

Data Security

Operating in a sector where innovation drives performance, the Company treats information security as one of the strategic topics. We have implemented a comprehensive range of measures to safeguard our data assets such as customers' information from data breaches, leaks, and hacks. The Company has obtained certification on ISO/IEC 27001:2013 Information Security Management Systems, ensuring we manage sensitive company information systematically by applying a risk management process.

Information security strategy was formulated to ensure that AAC Technologies has reliable technical support and resources when responding to the challenging external environment. Our information security strategy includes management strategy for data assets, personnel security, physical environment security, communication security, information security incidents, etc. We review and update the overall information security strategy on a regular basis to ensure its appropriateness, sufficiency, and effectiveness.

In accordance with ISO/IEC 27001:2013, the Company has maintained a three-level information security management structure to ensure the information security management system is well understood by our employees and related measures are duly implemented throughout the organisation.

Information Security Committee	• Top decision-making body • To implement the rules and regulations of various standards and norms of information security operations • To formulate and promote the information security system • To engage in continuous information security training and audits • To provide advice on information security management
Information Security Department	• To establish, maintain, and continuously improve the information security management system • To conduct internal audit and management review for the system on a regular basis • To provide information security training for employees
Information Technology Department	• To implement information security controls based on information security management strategies, processes, and systems

The Company has standardized procedures for handling all forms of customer information to ensure it is not disclosed to third-parties. A manual of information security was prepared to ensure that employees properly use the Company's information assets in the course of business and appropriately handle confidential information. To effectively prevent the occurrence of information security incidents, employees who violate information security guidelines, laws and regulations, or confidentiality agreements are subjected to penalties. During the year, the Company was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Company relating to information security.

Relentless in Satisfying Our Customers

AAC Technologies strives to deliver satisfaction to its customers; our departments of sales and marketing, quality, R&D, and operations are taking the lead in providing our customers the best possible experience.

We establish customer satisfaction goals and use a broad range of communication channels and customer satisfaction surveys to gauge customer needs and expectations, aiming to use these feedbacks to improve the quality of our products, services and processes.

Sales and Marketing

- To establish and maintain good customer relationships, regular customer visits
- To conduct acustomer satisfaction survey
- To handle customer complaints
- To conduct customer visit reception
- To collect customer's opinions on product quality, feedback to relevant departments to develop quality improvement plan
- To provide technical support

Quality

- To provide quality improvement measures

Research and Development

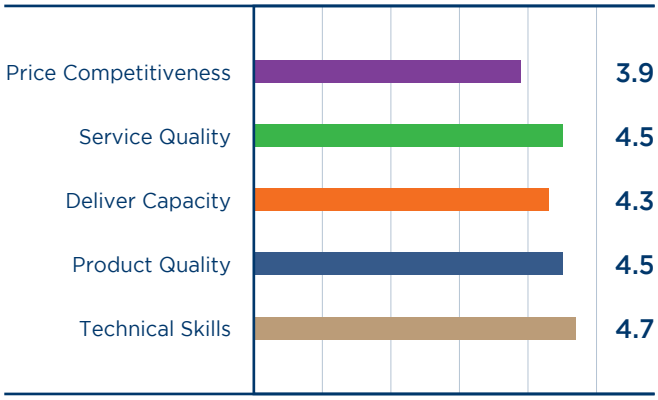
- To provide technical improvement measures

Operation

- To provide improvement measures of delivery capacity

In 2017, we received 845 specific customer queries, including minor complaints and service feedback, in which 816 of them are resolved, taking up 97% of total complaints. We have optimised our customer satisfaction management strategy by making it a three-dimensional process, including comprehensive evaluation survey, daily data tracking, and customer visit.

2017 Customer Satisfaction (out of 5)



For the comprehensive evaluation survey, we receive customer reviews by participating in supplier conferences and quarterly review meetings. We collect customer feedback by conducting satisfaction surveys via telephone communication and daily visits. During the year, the overall satisfaction level of our products and services remained high, especially on the technical skills aspect, demonstrating strong competitive advantages of technological research and development have been maintained by the Company.

In addition, we track customer feedback by monitoring the data of customer return rate, number of serious complaints, and delivery fulfilment rate for the Customer Satisfaction Analysis Report on an ongoing basis. By analysing these data and offering suggestions for improvement at client engagement activities, we are able to maintain excellent relations with customers.

In 2017, we felt encouraged in that one of our major clients raised its evaluation of AAC Technologies as a supplier from C+ to A, an affirmation of the quality of our products and services. We will continue to optimize our customer satisfaction management strategy to meet customer needs and enhance customer experience.

Community Care

We dedicate ourselves to engaging domestic communities and the wellbeing of our next generation. In 2017, we have deepened our existing charity initiatives through raising fund and strengthening our support for quality education programme.

Strengthening Our Ties with Teach for China

GOAL 4
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

AAC Technologies, as a long-term partner of Teach for China, a non-profit education programme dedicated to underprivileged children in rural China, launched a meals project at a school in Guangxi, providing nutritious breakfast and dinner to pupils.

We have renovated the school library with refurbished facilities, new books, computers and a borrowing system. To provide students safe drinking water, we also donated water bottles for children on Children's day. Working closely with the project team in supporting the programme, our employees made regular visits, donations and contributions, with caring hearts of opening children's minds and opportunities for a brighter future.

With the vision of providing quality education to all children in China regardless of family conditions, we helped raise funds for the Teach for China project, with our donations and contributions propelling teachers, installation of equipment as well as other school necessities.

Meals Project

In one of the schools we support, pupils are mostly "left-behind children" and could only afford one meal a day. After a visit our employees reported this to the Company management following which funds were raised and plans drawn to expand the canteen services to include breakfast and dinner. As the new school term started in September, the children were finally able to enjoy 3 meals a day. The menu has also been upgraded to provide the necessary nutrients. The project received positive feedback and recognition by pupils, parents and the local authorities.

Striving to boost employee and community involvement in supporting Teach for China, we partnered with Tencent in organizing a charity miles event, in which participants can donate their walking mileages through Wechat platforms. The event provided another convenient and efficient channel for making donations, promoted a healthy lifestyle among employees and eventually publicized the event to a wider audience. Donations from over 1.5 million participants amounting to over RMB 1,955,600 were raised.

We also continued our participation in the Tencent 9.9 public fund-raising event on Public Welfare day held on September 9th. Employees donated through social media where they can share the message to encourage their friends and families to participate.

Poverty Alleviation

The Company actively participates in precise poverty alleviation work. In 2017, we made a donation to "Sichuan Hundreds of Technicians Project Education Poverty Alleviation Program", the first project for precision poverty alleviation held by Sichuan Provincial Office for Poverty Alleviation and Immigration. The programme aims to provide underprivileged high school and vocational school graduates with high-quality vocational education and entrepreneurship development opportunities free of charge, lifting families out of poverty.

The Company also participated in the "Hundred Enterprises to Help Hundred Villages" action held by the Federation of Industry and Commerce of Wujin District. We visited households in poverty and providing them with consolation money and showing our care.

Nurturing Talents

Research and innovation does not only benefit our business but also the industry and society where knowledge and technologies are becoming the driving force of sustainable development. The Company jointly established the "Nanjing University Acoustics – AAC Scholarship" with the Nanjing University in 2013. In 2017, we have donated RMB 200,000, offering financial support for students who achieve excellence in the acoustics field. We actively facilitate the exchanges between the industry and the academia through participating in various research projects, in which we believe is a win-win collaboration.

In 2017, our total charitable contributions amounted to around RMB 3.3 million, which was a 30% increase over the preceding year. We will continue to expand our charity fund-raising projects, contributing to quality education and improving living standards in rural China. Below is a summary of donations we made in 2017.

Summary of Charitable Contributions in 2017

Description	Amount (RMB)
Donation to Teach for China	1,000,000
Donation to Sichuan Poverty Alleviation Foundation	1,000,000
Donation to Beijing Lead Future Foundation	950,000
Donation to Nanjing University scholarship	200,000
Donation to Wujin District Charity Federation	100,000
Donation to Jiangsu "Hundred Enterprises to Help Hundred Villages"	20,000
Sponsorship to Badminton Competition	20,000
Sponsorship to Guangxi Vocational College scholarship	10,000
Donation of Water Bottles to Primary School	7,289

Performance Data Summary

To facilitate stakeholders' understanding and benchmarking of our corporate responsibility performance, the data summary provides statistical information on the Company's sustainability performance.

		Unit	2017	2016	2015
Workforce Demographics	Total Headcount				
	By Geographical Distribution (full time)				
	Changzhou		**31,327**	28,903	24,062
	Shenzhen		**2,305**	2,034	2,325
	Shuyang		**10,008**	8,626	4,227
	Suzhou		**919**	559	538
	Vietnam		**7,038**	5,836	-
	Overseas and other areas		**574**	438	4,535
	Total		**52,171**	46,396	35,687
	By Age				
	<30		**37,602**	36,814	25,143
	31-40		**11,948**	7,923	4,909
	41-50		**2,428**	1,531	1,168
	>50		**193**	128	46
	By Gender				
	Male		**31,190**	26,906	18,307
	Female		**20,981**	19,490	12,959
	By Educational Background				
	Degree or above		**18,252**	13,983	10,884
	High school or below		**33,919**	32,413	20,382
	By Employee Category				
	Management		**2,238**	2,027	2,148
	R & D, Engineer & Technician		**4,388**	4,206	2,153
	Worker		**45,545**	40,163	26,965
	Employees Training				
	Average training hours		**14.3**	30.3	30.7

Performance Data Summary

		Unit	2017	2016	2015
Health and Safety	**Safe Manufacturing Investments**	RMB '000	**69,863**	53,090	47,920
	Performance of Occupational Health and Safety*				
	Major pollution incidents		**0**	0	0
	Fire hazard		**4**	2	0
	Work-related accidents		**138**	142	137
	Work-related injuries per 1,000 workers		**2.65**	3.13	3.88
	Lost days due to work-related injury		**1,771**	2,337.4	2,783
	Work-related fatalities		**0**	1 <	0
	Number of occupational disease cases		**0**	0	0
	Training on Occupational Safety and Health*				
	Total person-times training		**235,177**	194,518	107,972
	Total training hours		**352,766**	266,793	133,988
	Percentage of workers trained		**100%**	100%	100%
Environment	**Environmental Protection Expenditure**	RMB '000	**57,203**	33,550	19,100
	Total Resources Consumption*				
	Electricity	kWh	**664,017,445**	381,708,872	354,208,228
	Fuel Oil	kg	**1,230,247**	925,249	910,516
	Fuel Gas	m^3	**1,250,717**	880,653	681,867
	Coal	Tons	**0**	0	21
	Total energy intensity	GJ per million RMB revenue	**118**	93	114
	Water	Tons	**8,340,921**	7,479,416	5,192,375
	Water intensity	Tons per million RMB revenue	**395**	482	442
	Emissions*				
	Air Pollutant				
	Non-methane hydrocarbon	Tons	**0.34**	-	-
	Tin and its compounds	Tons	**0.004**	-	-
	Effluent				
	Wastewater discharge	Tons	**6,645,461**	6,918,338	4,431,910
	Solid Waste				
	Hazardous waste	Tons	**9,103**	4,040	347
	Non-hazardous waste	Tons	**19,394**	10,422	8,071
	Waste intensity	Tons per million RMB revenue	**0.59^**	0.93	0.72
	Greenhouse Gases Emissions and Intensity				
	GHG emissions	tCO_2e	**548,366**	271,986	221,240
	Scope I	tCO_2e	**4,510>**	17,515	13,259
	Scope II	tCO_2e	**543,854**	254,471	207,981
	Emission intensity	Per RMB 10,000 revenue	**0.26**	0.28	0.24
	Usage of Packaging Materials*				
	Carton	PCS	**3,491,300**	4,183,718	4,010,754
	Blister boxes	PCS	**53,544,827**	40,795,052	29,358,441
	Carrier tape	Meter	**15,007,207**	11,428,054	8,895,973
	Carrier disc	PCS	**454,709**	323,275	355,578
	Packing belt	Roll	**2,659**	2,210#	1,946
	Sealing paper	Roll	**503,981**	459,591	425,550
	Label	PCS	**6,023,618**	3,963,765	2,790,039
Community	**Donation**	RMB '000	**3,307**	2,550	6,920

* Covering the factories in Changzhou, Shenzhen, Shuyang, Suzhou and Vietnam

< Traffic accidents

^ Deleted domestic waste with no direct relationship with production in 2017 waste intensity calculation

> The methodology of computing scope 1 carbon emissions was adjusted in 2017 as we have dismissed sources of emissions which cannot be ascertained. Therefore, the data is not comparable with that of previous year.

Data was restated

HKQAA
HONG KONG QUALITY ASSURANCE AGENCY
香 港 品 質 保 證 局

VERIFICATION STATEMENT

Scope of Verification

Hong Kong Quality Assurance Agency (HKQAA) has been engaged by AAC Technologies Holdings Inc. (AAC) to undertake an independent verification for its 2017 Sustainability Report for the period of 1st January 2017 to 31st December 2017 ("Report"), the scope of this verification is limited to the data and information disclosed other than the "Protect our Environment" and "Product Excellence" Section of the Report.

Level of Assurance and Methodology

Our verification process was designed to obtain an appropriate level of assurance for devising opinions and conclusions. The extent of this verification process undertaken was provided for the criteria set in The Environmental, Social and Governance ("ESG") Reporting Guide of The Stock Exchange of Hong Kong Limited.

Our verification procedure performed covered reviewing of relevant documentation, interviewing responsible personnel with accountability for preparing the reporting contents and verifying the selected representative sample of data and information. Raw data and supporting evidence of the selected samples were also thoroughly examined during the verification process.

Independence

AAC is responsible for the collection and presentation of the information presented. HKQAA does not involve in calculating, compiling, or in the development of the Report. Our verification activities are independent from AAC.

Conclusion

On the basis of our verification results and in accordance with the verification scope, it is the opinion of the HKQAA's verification team that:

- The Report illustrates AAC's performance in a balanced, comparable, clear and timely manner; and
- The performance data and information states in the Report within the verification scope are reliable and complete; also meets the criteria set in the ESG guideline.

Signed on behalf of Hong Kong Quality Assurance Agency

Connie Sham
Head of Audit
April 2018

GRI and HKEX ESG Content Index

This Content Index includes references to Key Performance Indicators of the GRI Standards and the HKEX ESG Reporting Guide.

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	102-8	B1.1	Information on employees and other workers	p. 17
	102-9	B5.1	Supply chain	p.31-33
	102-10	–	Significant changes to the organization and its supply chain	No significant change
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Strategy	102-14	–	Statement from senior decision-maker	p.6-7
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	102-48	–	Restatements of information	p.41
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United Nations Global Compact

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