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If you have sold or transferred all your shares in **FIT Hon Teng Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the licensed bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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FIT Hon Teng Limited

鴻騰六零八八精密科技股份有限公司

(Incorporated in the Cayman Islands with limited liability under the name Foxconn Interconnect Technology Limited and carrying on business in Hong Kong as FIT Hon Teng Limited)

(Stock Code: 6088)

**CONTINUING CONNECTED TRANSACTIONS
(I) FRAMEWORK SALES AGREEMENT
(II) FRAMEWORK PURCHASE AGREEMENT
(III) FRAMEWORK SUB-CONTRACTING SERVICES AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



Alliance Capital Partners Limited

同人融資有限公司

A letter from the board of directors of FIT Hon Teng Limited is set out on pages 5 to 19 of this circular. A letter from the Independent Board Committee (as defined herein) containing its advice to the Independent Shareholders (as defined herein) is set out on pages 20 to 21 of this circular. A letter from Alliance Capital Partners Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 41 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at 66-1, Chungshan Road, Tucheng District, New Taipei City 23680, Taiwan on December 24, 2019 at 10:00 a.m., is set out on pages 47 to 49 of this circular. Whether or not you are able to attend the extraordinary general meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time of the extraordinary general meeting (i.e. not later than 10:00 a.m., December 22, 2019) or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the extraordinary general meeting in person should you so wish.

December 4, 2019

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DEFINITIONS

In this circular, the following terms shall have the meanings set out below unless the context requires otherwise:

“Announcement”	the announcement of the Company dated November 25, 2019 regarding, among others, the proposed renewal of the Framework Sales Agreement, the Framework Purchase Agreement and the Framework Sub-contracting Services Agreement and the proposed setting of the annual caps for the Product Sales Transaction, Product Purchase Transaction and the Sub-contracting Services Transaction for the years ending December 31, 2020, 2021 and 2022;
“affiliated company(ies)”	having the meaning as defined in the Listing Rules;
“associate(s)”	having the meaning as defined in the Listing Rules;
“Belkin International”	Belkin International, Inc., a company formed and incorporated under the laws of the State of Delaware, the United States;
“Board”	the board of Directors;
“Company”	FIT Hon Teng Limited (鴻騰六零八八精密科技股份有限公司), a company incorporated in the Cayman Islands with limited liability under the name Foxconn Interconnect Technology Limited and carrying on business in Hong Kong as FIT Hon Teng Limited, the Shares of which are listed on the Main Board of the Stock Exchange;
“Comparable Profit Interval”	the interval between the 25th percentile and the 75th percentile of the profit level indicators of comparable companies;
“(continuing) connected transaction(s)”	having the meaning as defined in the Listing Rules;
“connected person(s)”	having the meaning as defined in the Listing Rules;
“Database”	a well-known database of financial information of listed/quoted companies covers historical financial data, company ratings, stock information, earnings estimates, analytical reports and data, owners’ information, related news and other comprehensive analytical information of tens of thousands of listed/quoted companies;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be held on Tuesday, December 24, 2019 at 10 a.m. to approve the Framework Sales Agreement, the Framework Purchase Agreement, the Framework Sub-contracting Services Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Sub-contracting Services Transaction, the Proposed Product Sales Annual Caps, the Proposed Product Purchase Annual Caps and the Proposed Sub-contracting Services Annual Caps, or where the context so admits, any adjournment thereof;

DEFINITIONS

“Existing Framework Purchase Agreement”	the framework purchase agreement entered into between the Company and Hon Hai on November 9, 2016 (as amended by the supplemental agreements dated June 26, 2017 and including any amendment thereto from time to time);
“Existing Framework Sales Agreement”	the framework sales agreement entered into between the Company and Hon Hai on November 9, 2016 (including any amendment thereto from time to time);
“Existing Framework Sub-contracting Services Agreement”	the framework sub-contracting services agreement entered into between the Company and Hon Hai on November 9, 2016 (including any amendment thereto from time to time);
“Existing Product Purchase Transaction”	purchase of various raw materials, ancillary materials and semi-finished components and assembled products by the Group from Hon Hai Group as contemplated under the Existing Framework Purchase Agreement;
“Existing Product Sales Transaction”	sale of various interconnect solutions and other related products manufactured or owned by the Group to Hon Hai Group as contemplated under the Existing Framework Sales Agreement;
“Existing Sub-contracting Services Transaction”	sub-contracting services provided by Hon Hai Group to the Group as contemplated under the Existing Framework Sub-contracting Services Agreement;
“First Restricted Share Award Scheme”	the restricted share award scheme approved and adopted by the Company on January 31, 2018 and amended on May 15, 2018 (as restated, supplemented and amended from time to time);
“Foxconn Far East Cayman”	Foxconn (Far East) Limited, an exempted company incorporated in the Cayman Islands with limited liability which owns 100% issued shares of Foxconn Far East Hong Kong;
“Foxconn Far East Hong Kong”	Foxconn (Far East) Limited, a limited liability company incorporated in Hong Kong;
“Framework Purchase Agreement”	the framework purchase agreement entered into between the Company and Hon Hai on November 25, 2019 in relation to the Product Purchase Transaction;
“Framework Sales Agreement”	the framework sales agreement entered into between the Company and Hon Hai on November 25, 2019 in relation to the Product Sales Transaction;
“Framework Sub-contracting Services Agreement”	the framework sub-contracting services agreement entered into between the Company and Hon Hai on November 25, 2019 in relation to the Sub-contracting Services Transaction;
“Group”, “we” or “us”	the Company and its subsidiaries;

DEFINITIONS

“Hon Hai”	Hon Hai Precision Industry Co., Ltd. (鴻海精密工業股份有限公司), a limited liability company established in Taiwan and listed on the Taiwan Stock Exchange (Stock Code: 2317), the controlling shareholder of the Company;
“Hon Hai Group”	Hon Hai and its subsidiaries and (where relevant) 30%-controlled entities and, for the purpose of this circular, excluding the Group;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	the independent board committee established by the Board to consider the Framework Sales Agreement, the Framework Purchase Agreement, the Framework Sub-contracting Services Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Sub-contracting Services Transaction, the Proposed Product Sales Annual Caps, the Proposed Product Purchase Annual Caps and the Proposed Sub-contracting Services Annual Caps and to advise the Independent Shareholders in respect thereof;
“Independent Shareholders”	Shareholders other than Hon Hai and its associates;
“Latest Practicable Date”	December 1, 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular;
“Listing”	the listing of the Company on the Stock Exchange on July 13, 2017;
“Listing Date”	July 13, 2017;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and/or supplemented from time to time;
“percentage ratios”	the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules;
“Product Purchase Transaction”	purchase of various raw materials, ancillary materials and semi-finished components and assembled products by the Group from Hon Hai Group as contemplated under the Framework Purchase Agreement;
“Product Sales Transaction”	sale of various interconnect solutions and other related products manufactured or owned by the Group to Hon Hai Group as contemplated under the Framework Sales Agreement;
“Proposed Product Purchase Annual Caps”	the proposed annual caps for the Product Purchase Transaction for the years ending December 31, 2020, 2021 and 2022;
“Proposed Product Sales Annual Caps”	the proposed annual caps for the Product Sales Transaction for the years ending December 31, 2020, 2021 and 2022;
“Proposed Sub-contracting Services Annual Cap”	the proposed annual caps for the Sub-contracting Services Transaction for the years ending December 31, 2020, 2021 and 2022;

DEFINITIONS

“Prospectus”	the prospectus dated June 29, 2017 issued by the Company, a copy of which is available on the Company’s website at www.fit-foxconn.com and the Stock Exchange’s website at http://www.hkexnews.hk ;
“Restricted Share Award Schemes”	the First Restricted Share Award Scheme and the Second Restricted Share Award Scheme;
“Second Restricted Share Award Scheme”	the restricted share award scheme approved and adopted by the Company on February 11, 2019 (as restated, supplemented and amended from time to time);
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and/or supplemented from time to time;
“Share(s)”	the ordinary share(s) with nominal value of US\$0.01953125 each of the Company;
“Shareholders”	the holders of the Shares;
“Share Grant”	a share grant awarded to a participant under the Share Grant Scheme;
“Share Grant Scheme”	the share grant scheme approved and adopted by the Company on January 5, 2015, and the rules and interpretations thereof further adopted by the Board on November 4, 2016;
“Share Option Scheme”	the share option scheme approved and adopted by the Company on December 19, 2017;
“Sharp”	Sharp Corporation (シャープ株式会社), a limited liability company registered in Japan, the shares of which are listed on the First Section of the Tokyo Stock Exchange, Inc. (Stock Code: 6753.T);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Sub-contracting Services Transaction”	sub-contracting services provided by Hon Hai Group to the Group as contemplated under the Framework Sub-contracting Services Agreement;
“subsidiary(ies)”	having the meaning ascribed to it Listing Rules;
“US\$”	United States dollars, the lawful currency of the United States of America;
“Vietnam”	the Socialist Republic of Vietnam; and
“%”	percent.

LETTER FROM THE BOARD



FIT Hon Teng Limited **鴻騰六零八八精密科技股份有限公司**

*(Incorporated in the Cayman Islands with limited liability under the name Foxconn Interconnect Technology Limited
and carrying on business in Hong Kong as FIT Hon Teng Limited)*

(Stock Code: 6088)

Executive Directors:

LU Sung-Ching (Chairman)
LU Pochin Christopher
PIPKIN Chester John

Independent Non-executive Directors:

CURWEN Peter D
TANG, Kwai Chang
CHAN, Wing Yuen Hubert
TRAINOR-DEGIROLAMO Sheldon

Registered Office:

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New Taipei City 23680
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*Principal Place of Business
in Hong Kong:*

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

December 4, 2019

Dear Shareholders,

CONTINUING CONNECTED TRANSACTIONS
(I) FRAMEWORK SALES AGREEMENT
(II) FRAMEWORK PURCHASE AGREEMENT
(III) FRAMEWORK SUB-CONTRACTING SERVICES AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

The purpose of this circular is to provide the Shareholders with information regarding the Framework Sales Agreement, the Framework Purchase Agreement, the Framework Sub-contracting Services Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Sub-contracting Services Transaction, the Proposed Product Sales Annual Caps, the Proposed Product Purchase Annual Caps and the Proposed Sub-contracting Services Annual Caps, and to seek approval of the Independent Shareholders in respect of the ordinary resolutions set out in the notice of the EGM on pages 47 to 49 of this circular.

LETTER FROM THE BOARD

In respect of the Framework Sales Agreement, the Framework Purchase Agreement, the Framework Sub-contracting Services Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Sub-contracting Services Transaction, the Proposed Product Sales Annual Caps, the Proposed Product Purchase Annual Caps and the Proposed Sub-contracting Services Annual Caps, the recommendation of the Independent Board Committee to the Independent Shareholders is set out on pages 20 to 21 of this circular and the letter from Alliance Capital Partners Limited to the Independent Board Committee and the Independent Shareholders containing its advice is set out on pages 22 to 41 of this circular.

(I) FRAMEWORK SALES AGREEMENT

References are made to the section headed “Connected Transaction — Non-exempt Continuing Connected Transactions” of the Prospectus, the announcement of the Company dated May 10, 2019 and the circular of the Company dated June 4, 2019.

The Company’s products are sold to, among others, contract manufacturers and brand company customers. Contract manufacturers incorporate the Company’s interconnect solutions with a vast number of other components and modules and assemble them into finished products at the specification of their customers, generally brand companies. Brand companies generally market and sell their finished products to end users. Hon Hai Group is a leading contract manufacturer which is involved in, among others, assembling the finished products for brand companies and many brand companies often require Hon Hai Group to purchase the relevant parts and components, including the Company’s interconnect solutions, from specific approved suppliers like the Company, as part of the assembly process for better quality control and overall supply chain management.

As disclosed in the Prospectus, the Existing Framework Sales Agreement will expire after three years commencing on the Listing Date.

On November 25, 2019, the Company and Hon Hai agreed upon the terms of the Framework Sales Agreement, pursuant to which the Group has agreed to sell various interconnect solutions and other related products to Hon Hai Group from time to time during the three years of 2020 to 2022 and subject to the terms and conditions thereof which are substantially the same as the Existing Framework Sales Agreement.

The principal terms of the Framework Sales Agreement are set out as follows:

Parties

- (i) The Company
- (ii) Hon Hai

Term

The Framework Sales Agreement is effective during the period of January 1, 2020 to December 31, 2022. The parties may renew the Framework Sales Agreement through friendly negotiations, subject to compliance with the relevant requirements of the Listing Rules and all other applicable laws and regulations.

LETTER FROM THE BOARD

Subject matter

The Group has agreed to sell various interconnect solutions and other related products to Hon Hai Group from time to time. Please also refer to the section headed “Reasons for and Benefits in relation to the Transactions” of this circular for more details.

The parties and/or their respective subsidiaries may enter into an individual sales agreement and/or other transaction documents (“**Sales Documents**”) in respect of each actual transaction based on the terms of the Framework Sales Agreement. The Sales Documents shall contain the specific details of the terms of the transaction and must comply with the agreed terms of the Framework Sales Agreement in all material respects. In case of any conflict between the Framework Sales Agreement and the Sales Documents, the Framework Sales Agreement shall prevail.

Condition

The Framework Sales Agreement is conditional upon the approval by the Independent Shareholders at the EGM.

Pricing policy

The purchase price for the products under the Framework Sales Agreement shall be determined as follows:

- for the sales to Hon Hai Group that are designated by the Group’s brand company customers, at the price negotiated and determined between the Group’s brand company customers and the Group; or
- for other sales to Hon Hai Group where selling prices were not designated by the Group’s customers (“**Connected Sales**”), at a price that is determined by referencing the blended profit margin, which is the difference between revenue generated from such sales and historical cost allocated thereto for the preceding month, divided by the corresponding revenue, to that of sales to independent third parties (“**Third Party Sales**”), on a rolling basis, such that the differences in the blended profit margins between Connected Sales and Third Party Sales in each fiscal year shall not be more than 6.5% having considered the long-term business relationship, large sales volume to Hon Hai Group, and the strategic partnership with Hon Hai Group.

As more particularly set out in the section headed “Connected Transaction — Non-exempt Continuing Connected Transactions — (c) Framework Sales Agreement” of the Prospectus, in respect of the 6.5% blended profit margin, the Company believes it is industry practice to (1) grant large customers volume discounts; (2) give long-term customers with repeated sales and sustainable businesses price discounts as this would incur lower negotiation, coordination and logistics costs and subject the Company to lower exposure to credit risks, as compared to dealing with new customers; and (3) offer better pricing terms to customers with long-term strategic value to the Company. Having considered that (a) Hon Hai Group accounted for 23.0%, 24.8% and 25.1% of the Group’s revenue in 2016, 2017 and 2018 respectively and the relative magnitude of such amounts vis-a-vis revenue contribution from the other customers, (b) the Company’s long-term business cooperation with Hon Hai Group since the Company’s inception which the Company believes subject it to minimal credit risk as compared to other third party customers, and (c) being part of the ecosystem of Hon Hai Group brings the Company significant strategic value, the Directors are of the view that the 6.5% capped difference in the blended profit margin is under normal commercial terms, fair and reasonable, and in the interests of the Shareholders as a whole.

LETTER FROM THE BOARD

The “blended profit margin” is calculated by dividing blended gross profit by revenue from customers during a specific period. Blended gross profit is calculated by aggregating the revenue generated from specific customers less the historical unit cost allocated to such sales for the preceding month multiplied by number of units sold. The Company will calculate the blended gross margin for Connected Sales and for Third Party Sales, respectively, and compare the two to determine whether the difference exceeds 6.5%.

As an internal control measure for compliance with the 6.5% threshold, the management of the Company reviews and monitors whether the difference exceeds the 6.5% threshold, at least on a quarterly basis, and takes appropriate measures to ensure compliance from time to time based on the review results. If the management determines that there is a risk for exceeding the 6.5% threshold on an annual basis, it will increase the frequency of review as appropriate and take further measures to ensure compliance.

Historical Transaction Amounts

The table below sets out the historical transaction amounts of the Existing Product Sales Transaction for the two years ended December 31, 2017 and 2018 and eight months ended August 31, 2019.

<i>(in US\$ millions)</i>	Historical transaction amounts		
	Year ended December 31,		Eight months
	2017	2018	ended August 31, 2019
Existing Product Sales Transaction	844.4	931.4	465.1

The actual transaction amount of the Existing Product Sales Transaction for the eight months ended August 31, 2019 does not exceed the existing annual cap of the Existing Product Sales Transaction for the year ending December 31, 2019, being US\$1,465.0 millions. In view of the internal control measures set out under the section headed “Internal Control”, the Company is of the view that such annual cap will not be exceeded.

Proposed Product Sales Annual Caps

The Proposed Product Sales Annual Caps for each of the three years ending December 31, 2020, 2021 and 2022 are set forth below, which were determined primarily with reference to projections of the Company which in turn are prepared by the Company mainly with reference to the following major factors:

- the latest available actual amounts of the transactions under the Existing Product Purchase Transaction and the Existing Product Sales Transaction during the period from January 1, 2017 to August 31, 2019 (both dates inclusive);
- the historical growth and budget of the Product Purchase Transaction and the Product Sales Transaction;
- the expected growth of the Group’s existing businesses between 2020 and 2022 in view of (i) an estimated 9.0% compound annual growth rate (“**CAGR**”) for markets of mobile devices, communication infrastructure, computer and consumer electronics, automotive, industry and medical, connected home and smart accessories (the “**Six Major End Markets**”) for the years 2019 to 2023 projected by an independent industry consultant, and (ii) the Company’s investment and acquisition activities from time to time;

LETTER FROM THE BOARD

- the increase in the amount of continuing connected transactions due to the investment in or acquisition of certain companies or business units in 2018 and 2019, including among others the acquisition of Belkin International by way of a merger, the investment in FIT-Sharp joint venture, the purchase of certain inventories, equipment and intangible assets for automotive electronic business, the purchase of certain assets related to vehicle camera and electronic rearview mirror technology business, the acquisition of equity interest in Kantatsu Co., Ltd. and the acquisition of the land use right of a parcel of industrial land in Vietnam; and
- the changes in production strategy as a result of the Group's production costs control measures in 2019.

<i>(in US\$ millions)</i>	Proposed Annual Caps		
	Year ending December 31,		
	2020	2021	2022
Proposed Product Sales Annual Caps	1,250.0	1,350.0	1,400.0

(II) FRAMEWORK PURCHASE AGREEMENT

References are made to the section headed “Connected Transaction — Non-exempt Continuing Connected Transactions” of the Prospectus, the announcement of the Company dated May 10, 2019 and the circular of the Company dated June 4, 2019.

The Product Purchase Transactions can generally be classified into three models:

- *Model One:* Gold salts, one of the major raw materials, is a hazardous material allowed to be sold only by licensed suppliers in the PRC. Hon Hai Group is one of the licensed suppliers and has been a supplier of the Group. In addition, due to Hon Hai Group's economies of scale, the processing fees are generally competitive when compared with other suppliers.
- *Model Two:* The Group purchases certain ancillary materials from Hon Hai Group, either as an approved supplier designated by the Group's customers or due to its competitive prices compared to other suppliers.
- *Model Three:* In order to enhance the Group's production efficiency and manage its production cost, the Group from time to time engages Hon Hai Group, for certain labor-intensive production processing of its interconnect solutions and certain other products. Hon Hai Group has been a long-term supplier of manufacturing vendor services of the Group with the expertise to manage a large workforce.

As disclosed in the Prospectus, the Existing Framework Purchase Agreement will expire after three years commencing on the Listing Date.

On November 25, 2019, the Company and Hon Hai agreed upon the terms of the Framework Purchase Agreement pursuant to which the Company has agreed to purchase from Hon Hai Group gold salts as raw materials, ancillary materials and semi-finished components and assembled products from time to time during the three years of 2020 to 2022 and subject to the terms and conditions thereof which are substantially the same as the Existing Framework Purchase Agreement.

LETTER FROM THE BOARD

The principal terms of the Framework Purchase Agreement are set out as follows:

Parties

- (i) The Company
- (ii) Hon Hai

Term

The Framework Purchase Agreement is effective during the period of January 1, 2020 to December 31, 2022. The parties may renew the Framework Purchase Agreement through friendly negotiations, subject to compliance with the relevant requirements of the Listing Rules and all other applicable laws and regulations.

Subject matter

The Company has agreed to purchase from Hon Hai Group gold salts as raw materials, ancillary materials and semi-finished components and assembled products from time to time. Please also refer to the section headed “Reasons for and Benefits in relation to the Transactions” of this circular for more details.

The parties and/or their respective subsidiaries may enter into an individual purchase agreement and/or other transaction documents (“**Procurement Documents**”) in respect of each actual transaction based on the terms of the Framework Purchase Agreement. The Procurement Documents shall contain the specific details of the terms of the transaction and must comply with the agreed terms of the Framework Purchase Agreement in all material respects. In case of any conflict between the Framework Purchase Agreement and the Procurement Documents, the Framework Purchase Agreement shall prevail.

Condition

The Framework Purchase Agreement is conditional upon the approval by the Independent Shareholders at the EGM.

Pricing policy

The price of the products are determined as follows:

- *Model One*: for the procurement of gold salts, at the price determined with reference to comparable third-party prices. Where such third-party prices are not readily available, at the price equivalent to the sum of the purchase prices of the Group and the processing fees. As a risk control measure, the Group will procure gold salts from at least two suppliers, but will allocate at least 70% annual purchase from the supplier with the lowest fee quote; or
- *Model Two*: for the procurement of ancillary raw materials from Hon Hai Group that is designated by the Group’s customers, at the price agreed between Hon Hai Group and the Group’s customers, or determined with reference to comparable third-party prices to the extent independent-third-party suppliers are available; or

LETTER FROM THE BOARD

- *Model Three:* for the procurement of semi-finished components and assembled products, at the price determined with reference to comparable third-party prices to the extent independent-third-party suppliers are available. Where such third-party prices are not readily available, at the price determined based on (a) Hon Hai Group's purchase prices of raw materials supplied by the Group, (b) their purchase prices of other raw materials, (c) their labor costs and overheads, (d) the relevant operating expenses estimated to be allocated to such transactions and (e) the Comparable Profit Interval provided by a professional independent third party and in accordance with reasonable business principles.

The Comparable Profit Interval is established by using the Database and based on "return on cost and operating expenses" as the profit level indicator, and can be used to evaluate whether the pricing of the transaction is reasonable or not. In the Database, quantitative and qualitative conditions are used to identify comparable companies with similar financial data characteristics, principal business and functional risk characteristics. The Comparable Profit Interval is then established based on the financial information of comparable companies. During the period covered by the agreement, the financial information of comparable companies and the Comparable Profit Interval are updated annually based on the Database.

Hon Hai Group uses the sum of the costs in (a) to (d) above multiplied by (1 + "return on cost and operating expenses") as the basis of pricing, and ensures that the "return on cost and operating expenses" used falls within the Comparable Profit Interval issued by the professional independent third party. The costs in (a) to (d) above are determined based on the accounting records of Hon Hai Group prepared in accordance with the International Financial Reporting Standards. The Group will verify whether the relevant cost and operating expenses are consistent with the accounting records of Hon Hai Group.

As to the 70% threshold set out in Model One above, the procurement department of the Company ensures the compliance of the 70% threshold by placing orders for the first three weeks of each month with its gold salts supplier with the lowest quote. It also prepares a monthly report of actual purchase amounts for management's review as to the compliance of the 70% threshold.

Historical Transaction Amounts

The table below sets out the historical transaction amounts of the Existing Product Purchase Transaction for the two years ended December 31, 2017 and 2018 and eight months ended August 31, 2019.

<i>(in US\$ millions)</i>	Actual transaction amounts		
	Year ended December 31, ended August 31,		
	2017	2018	Eight months ended August 31, 2019
Existing Product Purchase Transaction	437.9	436.3	285.6

The actual transaction amount of the Existing Product Purchase Transaction for the eight months ended August 31, 2019 does not exceed the existing annual cap of the Existing Product Purchase Transaction for the year ending December 31, 2019, being US\$680.0 millions. In view of the internal control measures set out under the section "Internal Control", the Company is of the view that such annual cap will not be exceeded.

LETTER FROM THE BOARD

Proposed Product Purchase Annual Caps

The Proposed Product Purchase Annual Caps for each of the three years ending December 31, 2020, 2021 and 2022 are set forth below, which were determined primarily with reference to projections of the Company which in turn are prepared by the Company mainly with reference to the following major factors:

- the latest available actual amounts of the transactions under the Existing Product Purchase Transaction and the Existing Product Sales Transaction during the period from January 1, 2017 to August 31, 2019 (both dates inclusive);
- the historical growth and budget of the Product Purchase Transaction and the Product Sales Transaction;
- the expected growth of the Group's existing businesses between 2020 and 2022 in view of the Company's investment and acquisition activities from time to time;
- the increase in the amount of continuing connected transactions due to the investment in or acquisition of certain companies or business units in 2018 and 2019, including among others the acquisition of Belkin International by way of a merger, the investment in FIT-Sharp joint venture, the purchase of certain inventories, equipment and intangible assets for automotive electronic business, the purchase of certain assets related to vehicle camera and electronic rearview mirror technology business, the acquisition of equity interest in Kantatsu Co., Ltd. and the acquisition of the land use right of a parcel of industrial land in Vietnam;
- the changes in production strategy as a result of the Group's production costs control measures in 2019;
- the increase in procurement of raw materials and semi-finished components from brand customers directly; and
- the increase in the Group's production capacity following the acquisition of the land use right of a parcel of industrial land in Vietnam so as to reduce the purchase from Hon Hai Group certain semi-finished components and assembled products.

<i>(in US\$ millions)</i>	Proposed Annual Caps		
	Year ending December 31,		
	2020	2021	2022
Proposed Product Purchase Annual Caps	550.0	520.0	500.0

LETTER FROM THE BOARD

(III) FRAMEWORK SUB-CONTRACTING SERVICES AGREEMENT

References are made to the section headed “Connected Transaction — Non-exempt Continuing Connected Transactions” of the Prospectus, the announcement of the Company dated May 10, 2019 and the circular of the Company dated June 4, 2019.

As disclosed in the Prospectus, the Existing Framework Sub-contracting Services Agreement will expire after three years commencing on the Listing Date.

On November 25, 2019, the Company and Hon Hai agreed upon the terms of the Framework Sub-contracting Services Agreement, pursuant to which Hon Hai Group has agreed to provide the Group with sub-contracting services from time to time during the three years of 2020 to 2022 and subject to the terms and conditions thereof which are substantially the same as the Existing Framework Sub-contracting Services Agreement.

The principal terms of the Framework Sub-contracting Services Agreement are set out as follows:

Parties

- (i) The Company
- (ii) Hon Hai

Term

The Framework Sub-contracting Services Agreement is effective during the period of January 1, 2020 to December 31, 2022. The parties may renew the Framework Sub-contracting Services Agreement through friendly negotiations, subject to compliance with the relevant requirements of the Listing Rules and all other applicable laws and regulations.

Subject matter

Hon Hai Group has agreed to provide sub-contracting services (mainly on processing of optical communication module and assembly of semi-finished components and finished products) to the Group from time to time. Please also refer to the section headed “Reasons for and Benefits in relation to the Transactions” of this circular for more details.

The parties and/or their respective subsidiaries may enter into an individual sub-contracting services agreement and/or other transaction documents (“**Sub-contracting Services Documents**”) in respect of each actual transaction based on the terms of the Framework Sub-contracting Services Agreement. The Sub-contracting Services Documents shall contain the specific details of the terms of the transaction and must comply with the agreed terms of the Framework Sub-contracting Services Agreement in all material respects. In case of any conflict between the Framework Sub-contracting Services Agreement and the Sub-contracting Services Documents, the Framework Sub-contracting Services Agreement shall prevail.

Condition

The Framework Sub-contracting Services Agreement is conditional upon the approval by the Independent Shareholders at the EGM.

LETTER FROM THE BOARD

Pricing policy

The sub-contracting fees under the Framework Sub-contracting Services Agreement shall be determined with reference to comparable independent-third-party prices.

Where such independent-third-party prices are not readily available, the sub-contracting fees are determined based on (a) the relevant labor costs and overheads, (b) the relevant operating expenses estimated to be allocated to such transactions and (c) the Comparable Profit Interval provided by a professional independent third party and in accordance with reasonable business principles.

The Comparable Profit Interval is established by using the Database and based on “return on cost and operating expenses” as the profit level indicator, and can be used to evaluate whether the pricing of the transaction is reasonable or not. In the Database, quantitative and qualitative conditions are used to identify comparable companies with similar financial data characteristics, principal business and functional risk characteristics. The Comparable Profit Interval is then established based on the financial information of comparable companies. During the period covered by the agreement, the financial information of comparable companies and the Comparable Profit Interval are updated annually based on the Database.

Hon Hai Group uses the sum of the costs in (a) to (b) above multiplied by (1 + “return on cost and operating expenses”) as the basis of pricing, and ensures that the “return on cost and operating expenses” used falls within the Comparable Profit Interval issued by the professional independent third party. The costs in (a) to (b) above are determined based on the accounting records of Hon Hai Group prepared in accordance with the International Financial Reporting Standards. The Group will verify whether the relevant cost and operating expenses are consistent with the accounting records of Hon Hai Group.

Historical Transaction Amounts

The table below sets out the historical transaction amounts of the Existing Sub-contracting Services Transaction for the two years ended December 31, 2017 and 2018 and eight months ended August 31, 2019.

(in US\$ millions)	Historical transaction amounts		
	Eight months		
	Year ended December 31, ended August 31,		
	2017	2018	2019
Existing Sub-contracting Services Transaction	72.9	106.6	68.9

The actual transaction amount of the Existing Sub-contracting Services Transaction for the eight months ended August 31, 2019 does not exceed the existing annual cap of the Existing Sub-contracting Services Transaction for the year ending December 31, 2019, being US\$240.0 millions. In view of the internal control measures set out under the section “Internal Control”, the Company is of the view that such annual cap will not be exceeded.

Proposed Sub-contracting Services Annual Caps

The Proposed Sub-contracting Services Annual Caps for each of the three years ending December 31, 2020, 2021 and 2022 are set forth below, which were determined primarily with reference to projections of the Company which in turn are prepared by the Company mainly with reference to the following major factors:

- the latest available actual amounts of the transactions under the Existing Sub-contracting Services Transaction during the period from January 1, 2017 to August 31, 2019 (both dates inclusive);

LETTER FROM THE BOARD

- the historical growth and budget of the Sub-contracting Services Transaction;
- the expected growth of the Group's existing businesses between 2020 and 2022 in view of (i) an estimated 9.0% CAGR for the Six Major End Markets for the years 2019 to 2023 projected by an independent industry consultant, (ii) the change in part of the business mode of outsourcing certain non-core, labor-intensive assembly processes to certain production facilities of Hon Hai Group located in Vietnam from product sales and purchase to provision of sub-contracting services, and (iii) the Company's investment and acquisition activities from time to time; and
- the changes in production strategy as a result of the Group's production costs control measures in 2019.

<i>(in US\$ millions)</i>	Proposed Annual Caps Year ending December 31,		
	2020	2021	2022
Proposed Sub-contracting Services Annual Caps	310.0	322.0	340.0

REASONS FOR AND BENEFITS IN RELATION TO THE TRANSACTIONS

In respect of the Product Sales Transaction and the Product Purchase Transaction, the Company strategically focuses on automotive and other emerging applications of the Group's interconnect solutions and related products, part of the sales and procurement of which are carried out with associates of Hon Hai and connected persons of the Company to reduce production costs and increase profits. The Company therefore considers it in the best interests to generate more income and save cost by carrying out the Product Sales Transaction and the Product Purchase Transaction in response to the latest development of the Company's business plans, provided that the Group purchases from and sells to Hon Hai Group at prices pursuant to the pricing policies set forth in the Framework Sales Agreement and the Framework Purchase Agreement.

In respect of the Sub-contracting Services Transaction, the Company is of the view that it is in the interest of the Company to enhance the production efficiency and manage the production cost by sub-contracting certain labor-intensive production processing of its interconnect solutions and other products to Hon Hai Group, which possesses the necessary expertise in providing assembly services to quickly respond to increased demand from the Company's customers and to deliver required products in large volumes.

In view of the above, the Directors (including the independent non-executive Directors whose view is set out in the Letter from the Independent Board Committee) consider that (i) the Proposed Product Sales Annual Caps, the Proposed Product Purchase Annual Caps and the Proposed Sub-contracting Services Annual Caps are fair and reasonable, and (ii) the Framework Sales Agreement, the Framework Purchase Agreement, the Framework Sub-contracting Services Agreement and the terms of each of the Product Sales Transaction, the Product Purchase Transaction and the Sub-contracting Services Transaction are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

INTERNAL CONTROL

The Group has adopted the following internal control procedures over the continuing connected transactions of the Company including the Product Sales Transaction, the Product Purchase Transaction and the Sub-contracting Services Transaction:

- Before entering into a transaction under the continuing connected transactions of the Company, the purchase, operation and/or other functional departments (as the case may be) of the Group will review and check whether the pricing is fair and reasonable adhering to the pricing terms and details and, in respect of the procurement of ancillary raw materials from Hon Hai Group that is designated by the Group's customers, the Group's purchase prices are the prices agreed between Hon Hai Group and the Group's customers. In addition to reviewing the pricing before entering into a transaction under the continuing connected transactions of the Company where the pricing terms under the relevant agreements are applied for the first time or the pricing terms are different from those used previously, the operation management department of the Group will review the aforesaid works carried out by the purchase, operation and/or other functional departments (as the case may be) on a quarterly basis. Where the price is to be determined with reference to the market price, the Group will obtain quotations from at least two independent third parties. The Group will then compare the quotations offered by such independent third parties and make sure that the price to be determined under the continuing connected transactions would be no less favorable to the Group.
- The operation management department of the Company is primarily responsible to review and monitor the continuing connected transactions ensuring that the annual caps of the relevant continuing connected transactions are not exceeded and the continuing connected transactions have been conducted in accordance with the pricing policies or mechanisms under the framework agreements relating to such continuing connected transactions. The continuing connected transaction management committee, members of which consist of the head of the operation management department, functional supervisor and officers, under the operation management department directly reports to the Board on continuing connected transaction-related matters. The operation management department has a budget management system which creates a rolling forecast on the monthly transaction amount of the continuing connected transactions. Based on the above, the continuing connected transaction management committee evaluates and reports to the executive Directors on actual monthly transaction amount and predicted future transaction amount of the continuing connected transactions. There is also an early warning mechanism in which executive Directors will be immediately informed and an agenda for revision of annual cap(s) will be proposed to the Board for the Directors' review and approval when the utilization rate (inclusive of both actual and predicted transaction amount) exceeds the threshold of 95%. The Company's internal audit function will also inspect the execution of the continuing connected transactions. Moreover, the operation management department will consult with the Group's internal audit function and external lawyers in respect of continuing connected transaction compliance issues and annually report to the head of the operation management department, who (in his own capacity and on behalf of the Group's management designated for the purposes of the Group's enterprise risk management and internal controls) will report to the audit committee of the Company and also provide a confirmation to the audit committee that the continuing connected transactions of the Company which are subject to the annual review and disclosure requirements under the Listing Rules have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and that the Group's internal control procedures applicable to continuing connected transactions are adequate and effective to ensure that such transactions were so conducted. The audit committee will consider this accordingly.

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- The Company's external auditors will review the continuing connected transactions (which are subject to the annual review and disclosure requirements under the Listing Rules) annually to check and confirm (among others) whether the pricing terms have been adhered to and whether the relevant caps have been exceeded.
- The independent non-executive Directors will review the continuing connected transactions of the Company (which are subject to the annual review and disclosure requirements under the Listing Rules) annually to check and confirm whether such continuing connected transactions are conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions were conducted in accordance with the pricing policies set out in such relevant agreements.

GENERAL INFORMATION

The Group

The Group is a leading global interconnect solutions provider and one of the few global interconnect solutions providers whose offerings span wire-based, fiber-based and wireless interconnect solutions. It is also a global consumer electronics leader, connecting people with technologies at home, at work and on the go.

Hon Hai Group

Hon Hai Group is primarily engaged in the manufacture, sales and service of connectors, cases, thermal module, wired/wireless communication products, optical products, power supply modules, and assemblies for use in the IT, communications, automotive equipment, precision molding, automobile, and consumer electronics industries.

LISTING RULES IMPLICATIONS

As of the Latest Practicable Date, the Company is indirectly owned as to 76.38% by Hon Hai, the controlling shareholder of the Company. Accordingly, Hon Hai is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

Based on the Proposed Product Sales Annual Caps, the Proposed Product Purchase Annual Caps and the Proposed Sub-contracting Services Annual Caps, one or more of the applicable percentage ratios are more than 5% and the Product Sales Transaction, the Product Purchase Transaction and the Sub-contracting Services Transaction constitute non-exempt continuing connected transactions for the Company under the Listing Rules and therefore the Framework Sales Agreement, the Framework Purchase Agreement, the Framework Sub-contracting Services Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Sub-contracting Services Transaction, the Proposed Product Sales Annual Caps, the Proposed Product Purchase Annual Caps and the Proposed Sub-contracting Services Annual Caps are subject to the approval of the Independent Shareholders.

Hon Hai and its associates will abstain from voting on the resolutions to be proposed at the extraordinary general meeting for approving the above matters. The Product Sales Transaction, the Product Purchase Transaction and the Sub-contracting Services Transaction are also subject to the annual review requirements under Rules 14A.55 to 14A.59 of the Listing Rules.

LETTER FROM THE BOARD

The Board has established the Independent Board Committee to review, consider and recommend the Framework Sales Agreement, the Framework Purchase Agreement, the Framework Sub-contracting Services Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Sub-contracting Services Transaction, the Proposed Product Sales Annual Caps, the Proposed Product Purchase Annual Caps and the Proposed Sub-contracting Services Annual Caps and to advise the Independent Shareholders in respect thereof, and has appointed Alliance Capital Partners Limited as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Mr. LU Sung-Ching has abstained from voting on the relevant board resolutions by reason of being a director of Hon Hai. Save for Mr. LU Sung-Ching, none of the Directors has any material personal interest in the Product Sales Transaction, the Product Purchase Transaction and the Sub-contracting Services Transaction and none of the Directors has abstained from voting on the board resolutions to approve the Framework Sales Agreement, the Framework Purchase Agreement, the Framework Sub-contracting Services Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Sub-contracting Services Transaction, the Proposed Product Sales Annual Caps, the Proposed Product Purchase Annual Caps and the Proposed Sub-contracting Services Annual Caps.

RECOMMENDATION

After taking into account the view of the Independent Board Committee as set out in this circular and the reasons for and benefits of the Product Sales Transaction, the Product Purchase Transaction, the Sub-contracting Services Transaction, the Directors are of the view that the terms of the Framework Sales Agreement, the Framework Purchase Agreement, the Framework Sub-contracting Services Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Sub-contracting Services Transaction, the Proposed Product Sales Annual Caps, the Proposed Product Purchase Annual Caps and the Proposed Sub-contracting Services Annual Caps are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favor of the ordinary resolutions to approve the Framework Sales Agreement, the Framework Purchase Agreement, the Framework Sub-contracting Services Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Sub-contracting Services Transaction, the Proposed Product Sales Annual Caps, the Proposed Product Purchase Annual Caps and the Proposed Sub-contracting Services Annual Caps at the EGM.

EGM

A notice convening the EGM to be held at 66-1, Chungshan Road, Tucheng District, New Taipei City 23680, Taiwan on December 24, 2019 at 10:00 a.m., is set out on pages 47 to 49 of this circular. At the EGM, ordinary resolutions will be proposed for the Independent Shareholders to consider and, if thought fit, to approve the Framework Sales Agreement, the Framework Purchase Agreement, the Framework Sub-contracting Services Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Sub-contracting Services Transaction, the Proposed Product Sales Annual Caps, the Proposed Product Purchase Annual Caps and the Proposed Sub-contracting Services Annual Caps.

The ordinary resolutions proposed at the EGM will be determined by way of poll by the Independent Shareholders relating to the Framework Sales Agreement, the Framework Purchase Agreement, the Framework Sub-contracting Services Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Sub-contracting Services Transaction, the Proposed Product Sales Annual Caps, the Proposed Product Purchase Annual Caps and the Proposed Sub-contracting Services Annual Caps.

LETTER FROM THE BOARD

Pursuant to Rule 14A.36 of the Listing Rules, any connected person and any Shareholder and their respective associates with a material interest (other than by virtue of being a Shareholder) in the Product Sales Transaction, the Product Purchase Transaction and the Sub-contracting Services Transaction are required to abstain from voting at the EGM. Hon Hai and its associates who in aggregate were interested in 5,179,557,888 Shares (representing approximately 76.38% the total number of Shares in issue) as of the Latest Practicable Date are required to and will abstain from voting at the EGM in respect of the ordinary resolutions approving the Framework Sales Agreement, the Framework Purchase Agreement, the Framework Sub-contracting Services Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Sub-contracting Services Transaction, the Proposed Product Sales Annual Caps, the Proposed Product Purchase Annual Caps and the Proposed Sub-contracting Services Annual Caps.

A form of proxy for use in connection with the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the EGM (i.e. not later than 10:00 a.m., December 22, 2019) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from December 19, 2019 to December 24, 2019 both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, December 18, 2019.

GENERAL

Your attention is drawn to the letter from the Independent Board Committee, the letter from Alliance Capital Partners Limited, the additional information set out in the appendix to this circular and the notice of the EGM.

Yours faithfully,
For and on behalf of the Board
FIT Hon Teng Limited*
LU Sung-Ching
Chairman of the Board

* *Incorporated in the Cayman Islands with limited liability under the name Foxconn Interconnect Technology Limited and carrying on business in Hong Kong as FIT Hon Teng Limited*



FIT Hon Teng Limited
鴻騰六零八八精密科技股份有限公司

*(Incorporated in the Cayman Islands with limited liability under the name Foxconn Interconnect Technology Limited
and carrying on business in Hong Kong as FIT Hon Teng Limited)*
(Stock Code: 6088)

December 4, 2019

Dear Independent Shareholders,

CONTINUING CONNECTED TRANSACTIONS
(I) FRAMEWORK SALES AGREEMENT
(II) FRAMEWORK PURCHASE AGREEMENT
(III) FRAMEWORK SUB-CONTRACTING SERVICES AGREEMENT

We refer to the circular dated December 4, 2019 of the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise you regarding the fairness and reasonableness of the Framework Sales Agreement, the Framework Purchase Agreement, the Framework Sub-contracting Services Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Sub-contracting Services Transaction, the Proposed Product Sales Annual Caps, the Proposed Product Purchase Annual Caps and the Proposed Sub-contracting Services Annual Caps. Alliance Capital Partners Limited has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this regard.

Having considered the Framework Sales Agreement, the Framework Purchase Agreement, the Framework Sub-contracting Services Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Sub-contracting Services Transaction, the Proposed Product Sales Annual Caps, the Proposed Product Purchase Annual Caps and the Proposed Sub-contracting Services Annual Caps, and having taken into account the principal factors and reasons considered by, and the opinion of, Alliance Capital Partners Limited as stated in its letter dated December 4, 2019, we consider that the Framework Sales Agreement, the Framework Purchase Agreement, the Framework Sub-contracting Services Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Sub-contracting Services Transaction, the Proposed Product Sales Annual Caps, the Proposed Product Purchase Annual Caps and the Proposed Sub-contracting Services Annual Caps are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolutions proposed at the EGM approving the Framework Sales Agreement, the Framework Purchase Agreement, the Framework Sub-contracting Services Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Sub-contracting Services Transaction, the Proposed Product Sales Annual Caps, the Proposed Product Purchase Annual Caps and the Proposed Sub-contracting Services Annual Caps.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We draw the attention of the Independent Shareholders to (i) the letter from the Board; (ii) the letter from Alliance Capital Partners Limited; and (iii) the appendix to the Circular.

Yours faithfully,
Independent Board Committee

CURWEN Peter D	TANG, Kwai Chang	CHAN,	TRAINOR-
		Wing Yuen Hubert	DEGIROLAMO Sheldon
	<i>Independent Non-executive Directors</i>		

LETTER FROM ALLIANCE CAPITAL PARTNERS LIMITED

The following is the text of Letter from Alliance Capital Partners Limited to the Independent Board Committee and the Independent Shareholders, prepared for the purpose of inclusion in this circular.



Alliance Capital Partners Limited
同人融資有限公司

Room 1502-03A, Wing On House
71 Des Voeux Road Central, Central
Hong Kong

4 December 2019

*To: The Independent Board Committee and the Independent Shareholders
of FIT Hon Teng Limited*

CONTINUING CONNECTED TRANSACTIONS **(I) FRAMEWORK SALES AGREEMENT** **(II) FRAMEWORK PURCHASE AGREEMENT** **(III) FRAMEWORK SUB-CONTRACTING SERVICES AGREEMENT**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the proposed annual caps for the (i) Framework Sales Agreement, (ii) Framework Purchase Agreement, and (iii) Framework Sub-contracting Services Agreement (collectively, the “**Framework Agreements**”), and the Product Sales Transaction, the Product Purchase Transaction and the Sub-contracting Services Transaction (collectively, the “**Transactions**”), details of which are set out in letter from the board (the “**Letter from the Board**”) contained in the circular dated 4 December 2019 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

Reference is made to the Prospectus of the Company, the announcements of the Company dated 18 August 2017, 14 May 2018, 16 October 2018, 10 May 2019 and 25 November 2019, and the circulars of the Company dated 12 October 2017, 6 June 2018, 4 June 2019 and 4 December 2019, in respect of, amongst other things, the continuing connected transactions of the Company. As set out in the Announcement dated 25 November 2019, in light of the coming expiry of the (i) existing framework purchase agreement, (ii) existing framework sales agreement, and (iii) existing framework sub-contracting services agreement (collectively, the “**Existing Framework Agreements**”) entered into between the Company and Hon Hai for a period of three years since the date of listing, the Company has entered into the Framework Agreements for a period of another three years commencing on 1 January 2020 and ending on 31 December 2022.

As at the Latest Practicable Date, the Company is indirectly owned as to 76.38% by Hon Hai, the controlling shareholder of the Company. Accordingly, Hon Hai is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

Based on the Proposed Product Sales Annual Caps, the Proposed Product Purchase Annual Caps, and the Proposed Sub-contracting Services Annual Caps (collectively, the “**Proposed Annual Caps**”), one or more of the relevant percentage ratios are more than 5%, and the Transactions constitute non-exempt continuing connected transactions for the Company under the Listing Rules, the Transactions and the Proposed Annual Caps are subject to reporting, announcement, annual review and the approval of the Independent Shareholders.

LETTER FROM ALLIANCE CAPITAL PARTNERS LIMITED

The Company expects to convene an extraordinary general meeting to seek the Independent Shareholders' approval for the Framework Agreements, the Transactions and the Proposed Annual Caps. Hon Hai and its associates will abstain from voting on the resolution(s) to be proposed at the extraordinary general meeting for approving the above matters.

THE INDEPENDENT BOARD COMMITTEE

As at the Latest Practicable Date, the Independent Board Committee, comprising all of the independent non-executive Directors of the Company (namely Mr. CURWEN Peter D, Mr. TANG Kwai Chang, Mr. CHAN Wing Yuen Hubert, and Mr. TRAINOR-DEGIROLAMO Sheldon) who have no direct or indirect interest in the Transactions, has been established to advise the Independent Shareholders as to whether Framework Sales Agreement, the Framework Purchase Agreement, the Framework Sub-contracting Services Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Sub-contracting Services Transaction, the Proposed Product Sales Annual Caps, the Proposed Product Purchase Annual Caps and the Proposed Sub-contracting Services Annual Caps, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In this regard, we, Alliance Capital Partners Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on this matter.

In the past two years, we were appointed as independent financial adviser to the Company (i) in April 2018, for the proposed revision of annual caps for the year ended 31 December 2018 and our opinion letter was included in the Company's circular dated 6 June 2018; and (ii) in April 2019, for the proposed revision of annual caps for certain continuing connected transaction for the year ending 31 December 2019 and change in pricing policy, and our opinion letter was included in the Company's circular dated 4 June 2019. Apart from the normal advisory fee paid to us in connection with these transactions, we do not have any business dealings with the Company.

Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, there is no relationship or interests with the Company, the Group, the Hon Hai Group, or any of their respective associates, or any other parties that could reasonably be regarded as relevant to our independence, and we are not involved in any discussion pertaining to the Transactions. We consider that we are independent under Rule 13.84 of the Listing Rules.

BASIS OF OUR ADVICE

In formulating our recommendations, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Directors and senior management (collectively, the "**Management**") of the Company. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Management of the Company are true and accurate at the time they were made and will continue to be true and accurate as at the date of the despatch of the Circular.

The Management collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement contained in the Circular misleading. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Management of the Company. We consider that we have been provided with sufficient information on which to form a reasonable basis

LETTER FROM ALLIANCE CAPITAL PARTNERS LIMITED

for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided to us so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Management of the Company, nor have we conducted an independent investigation into the business and affairs or the prospects of the Company, the Group, the Hon Hai Group, or any of their respective associates. As set out in the Letter from the Board, we understand that the Management shall ensure the information referred to in the Circular continues to be true, accurate and complete as at the date of the EGM. The Company will notify the Shareholders of any material changes as soon as practicable, if any.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources which are the latest information publicly available to the best of our knowledge, the sole responsibility of Alliance Capital Partners Limited is to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND FACTORS CONSIDERED

In formulating our opinion on the Framework Agreements, the Transactions, and the Proposed Annual Caps, we have taken into consideration the following principal factors and reasons:

1. Background of the Group

The Group focuses on the development, manufacturing and marketing of electronic and optoelectronic connectors, antennas, acoustic components, cables and modules for applications in computers, communication equipment, consumer electronics, automobiles, industrial and green energy field products.

1.1 Business expansion, acquisition and disposals

1.1.1 FIT-Sharp

In February 2018, the Group invested in FIT-Sharp which would be engaged in development, design, manufacturing, distribution and marketing for automotive cameras and electronic rearview mirrors. In July 2018, the Group purchased Wuxi Sharp Electronic Components Co., Ltd. (無錫夏普電子元器件有限公司), being a non-wholly owned subsidiary of Sharp, certain assets of vehicle camera and electronic rearview mirror technology business.

As disclosed in 2019 Interim Report (as defined below), the Group's revenue from the automotive, industry and medical end market increased by 100.5% for the six months ended 30 June 2019 as compared to the corresponding figures for the six months ended 30 June 2018, which was primarily due to the Group's efforts in the research and development ("R&D") in the automotive application area, the completion of the integration of Sharp's businesses including the vehicle camera business in the second half of 2018 and the continuous development of potential customers.

1.1.2 Belkin International

In March 2018, the Group effected the acquisition of Belkin International by way of a merger. Belkin International is a world-recognised brand of consumer electronics products, with a wide range of offerings of services and solutions addressing mobile device and desktop connectivity, and sales channels to retailers, distributors, dealers and resellers throughout the USA, Canada, South America, Asia Pacific and Europe as well as on-line sales channels to end users. Belkin International also has in-house design, R&D, and consumer insights capabilities that complement the manufacturing and R&D resources of the Group. The merger is expected to bring transformative change to the Group by broadening the Group's consumer-facing operations through a world-class consumer electronics brand.

The Group established a new "smart home" business by combining the Linksys and Wemo businesses and related assets of Belkin International and similar "smart home" assets of the Group which further strengthened the Group's market leading position in the global interconnect solutions industry, contributing to the increase in the Group's revenue from the connected home market and the smart accessories market by 366.9% and 387.5% respectively for the year ended 31 December 2018 as compared to the corresponding figures for the year ended 31 December 2017, as disclosed in the 2018 Annual Report (as defined below).

1.1.3 Automotive electronics businesses of the Hon Hai Group

In May 2018, the Group purchased certain inventories, equipment and intangible assets for automotive electronics businesses from the Hon Hai Group. The Group expected that the demand for connectors applied in the automotive end market would be driven by, among others, connectors applied in autonomous driving, increasing demand for vehicles and increasing popularity of in-vehicle infotainment. This has also contributed to the increase of the Group's revenue from the automotive, industry and medical end market by 100.5%, as disclosed in the 2019 Interim Report.

1.1.4 Kantatsu Co., Ltd

In January 2019, the Group acquired 4.6% of the entire equity interest in Kantatsu Co., Ltd. ("**Kantatsu**"), a leading lens manufacturer with significant experience in high precision optical design, molding, and automation technology. Lens is a key component of a camera module, and the acquisition of equity interest in Kantatsu is expected to strengthen the Group's automotive camera module capability. On 17 October 2019, the Group announced that it entered into a share purchase agreement to further acquire the preferred shares of Kantatsu, which represent approximately 26.83% of the entire equity interest in Kantatsu on a Fully Converted Basis (as defined in the announcement of the Company dated 17 October 2019 in relation to acquisition of preferred shares in Kantatsu (the "**Kantatsu Announcement**")). For more details, please refer to the Kantatsu Announcement.

LETTER FROM ALLIANCE CAPITAL PARTNERS LIMITED

1.1.5 New Wing (Bac Giang)

In January 2019, the Group acquired the land use right of a parcel of industrial land in Vietnam (Zone A) from the Hon Hai Group to expand the Group's production capacity and enhance cost competitiveness. This parcel of land is in the vicinity of the Group's existing leased plant facilities for the production of acoustic accessories and other products and Zone A land serves the purpose of expansion of the Group's production base in Vietnam. In March 2019, the Group further acquired land use right of additional parcels of land (Zone B, C, D and E) for same purpose.

1.2 Financial information

Set out below are certain key consolidated financial information of the Group, as extracted from (i) the annual reports of the Group for the years ended 31 December 2017 and 2018 ("**2017 Annual Report**" and "**2018 Annual Report**" respectively) and the interim reports for the six months ended 30 June 2018 and 2019 ("**2018 Interim Report**" and "**2019 Interim Report**" respectively):

	Year ended 31 December		Six months ended 30 June	
	2017	2018	2018	2019
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Revenue	3,398,803	4,005,635	1,719,352	1,918,306
Gross profit	544,995	708,077	294,654	376,360
<i>Gross profit margin</i>	<i>16.0%</i>	<i>17.7%</i>	<i>17.1%</i>	<i>19.6%</i>
Operating profit	219,826	308,552	139,820	121,836
<i>Operating profit margin</i>	<i>6.5%</i>	<i>7.7%</i>	<i>8.1%</i>	<i>6.4%</i>
Profit for the year	180,486	232,675	106,845	100,743
<i>Net profit margin</i>	<i>5.3%</i>	<i>5.8%</i>	<i>6.2%</i>	<i>5.3%</i>

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The table below sets forth the revenue by end markets in absolute amounts and as percentages of revenue for the years/periods indicated:

Revenue	For the year ended 31 December				For the six months ended 30 June			
	2017		2018		2018		2019	
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
Mobile devices	1,566,701	46.1%	1,712,332	42.8%	740,193	43.1%	670,897	35.0%
Communication infrastructure	865,172	25.5%	938,582	23.4%	454,125	26.4%	440,510	23.0%
Computer and consumer electronics	838,931	24.7%	933,801	23.3%	455,946	26.5%	357,895	18.7%
Automotive, industry and medical	57,677	1.7%	79,728	2.0%	30,914	1.8%	61,995	3.2%
Connected home	7,878	0.2%	36,781	0.9%	3,723	0.2%	124,195	6.5%
Smart accessories	62,444	1.8%	304,411	7.6%	34,451	2.0%	262,814	13.6%
Total:	<u>3,398,803</u>	<u>100%</u>	<u>4,005,635</u>	<u>100%</u>	<u>1,719,352</u>	<u>100%</u>	<u>1,918,306</u>	<u>100%</u>

For the year ended 31 December 2017 and 2018

The Group achieved a significant increase in revenue of approximately US\$607 million, or 17.9%, from approximately US\$3,399 million for the year ended 31 December 2017 to approximately US\$4,006 million for the year ended 31 December 2018. As disclosed in the 2018 Annual Report, the Group recorded a sales growth in all six main end markets, namely, (i) the mobile devices end market, (ii) the communications infrastructure end market, (iii) the computer and consumer electronics end market, (iv) the automotive, industry and medical end market, (v) the connected home market and (vi) the smart accessories market, by approximately 9.3%, 8.5%, 11.3%, 38.2%, 366.9% and 387.5% respectively, for the year ended 31 December 2018 as compared to that for the year ended 31 December 2017. The Group also recorded increase in gross profit margin, operating profit margin and net profit margin for the year ended 31 December 2018.

In terms of revenue from end markets, over 90% of the revenue for the year ended 31 December 2017 was attributable to the (i) mobile devices, (ii) communication infrastructure, and (iii) computer and consumers electronics. The proportion of revenue from these three end markets decreased to slightly below 90% for the year ended 31 December 2018, where the revenue contribution from smart accessories market was almost 5-folds resulting from the acquisition of Belkin, thereby slightly diversified the revenue from different end markets.

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For the six months ended 30 June 2018 and 2019

The Group recorded an increase in revenue of approximately US\$200 million, or 11.6%, from approximately US\$1,718 million for the six months ended 30 June 2018 to approximately US\$1,918 million for the six months ended 30 June 2019. As disclosed in the 2019 Interim Report, such increase was mainly attributable to a growth in revenue generated from (i) the automotive, industry and medical end market of approximately 100.5%, (ii) the connected home end market of approximately 3,235.9% and (iii) the smart accessories end market of approximately 662.9%, for the six months ended 30 June 2019 as compared to the corresponding figures for the six months ended 30 June 2018. For the six months ended 30 June 2019, the Group experienced an increase in gross profit margin, and at the same time a decline in the operating profit margin and net profit margin, due to increase in operating, research and development costs.

In terms of revenue from end markets, the impact of acquisition of Belkin further materialised, and the revenue from different end markets further diversified: revenue for the six months ended 30 June 2019 attributable to the (i) mobile devices, (ii) communication infrastructure, and (iii) computer and consumers electronics decreased to below 80% of the Group's revenue, while the aggregate revenue attributable to (i) the connected home market, and (ii) the smart accessories market increased to over 20% of the Group's revenue, resulting from an increase of 3,235.9% and 662.9%, respectively, as compared to the revenue attributable to the respective end markets in the corresponding period in 2018.

2. Background of the Hon Hai Group

Hon Hai is a limited liability company established in Taiwan, the shares of which are listed on the Taiwan Stock Exchange (Stock code: 2317). Hon Hai is a controlling shareholder of the Company and is primarily engaged in the manufacture, sales and service of connectors, cases, thermal module, wired/wireless communication products, optical products, power supply modules, and assemblies for use in the IT, communications, automotive equipment, precision moulding, automobile, and consumer electronics industries.

3. Principal terms of the Framework Agreements

(a) Framework Sales Agreement

Pursuant to the Framework Sales Agreement, the Group has agreed to sell to the Hon Hai Group various interconnect solutions and other related products during the period of 1 January 2020 to 31 December 2022, at a price to be determined as follows:

- (1) for the sales to the Hon Hai Group that are designated by the Group's brand company customers (the "**Designated Product Sales**"), at the price negotiated and determined between the Group's brand company customers and the Group; or

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- (2) for other sales to the Hon Hai Group where selling prices were not designated by the Group's customers (the "**Connected Sales**"), at a price that is determined by referencing the blended profit margin, which is the difference between revenue generated from such sales and historical cost allocated thereto for the preceding month, divided by the corresponding revenue, to that of sales to independent third parties (the "**Third Party Sales**"), on a rolling basis, such that the differences in the blended profit margins between the Connected Sales and the Third Party Sales in each fiscal year shall not be more than 6.5% having considered the long-term business relationship, large sales volume to the Hon Hai Group, and the strategic partnership with the Hon Hai Group.

In respect of the Designated Product Sales, we understand from the Management that it is indeed an industry practice that the brand companies (i.e. the ultimate customers) often require contract manufacturers (i.e. the Group's direct customer) to purchase the relevant parts and components, including the Group's interconnect solutions, from specific approved suppliers like the Group, for purpose of better quality control and overall supply chain management. In this regard, we have obtained and reviewed 49 sales samples from the Company covering the major types of parts and components of the largest transaction amount during the period from April 2018 to August 2019. Based on the documents and information received, we noted that the brand companies did require the Hon Hai Group to source certain parts and components from the Group, and that the selling prices of the Designated Product Sales were negotiated and determined between the Group's brand company customers and the Group. Based on the information received, we are of the view that Group has complied with the pricing mechanism for the Designated Product Sales.

In respect of the Connected Sales where the prices are determined with reference to the blended profit margins, the Management advised that the Group would regularly calculate the gross margin for the Connected Sales and for the Third Party Sales, respectively, and monitor that the difference would not exceed 6.5%. We have obtained and reviewed the gross profit margin analysis table of the Connected Sales and the Third Party Sales prepared by the Group, covering the period from April 2018 to August 2019, and noted that the differences did not exceed 6.5%. Based on the information received, we are of the view that Group has complied with the pricing mechanism for the Connected Sales.

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(b) Framework Purchase Agreement

Pursuant to the Framework Purchase Agreement, the Group has agreed to purchase from the Hon Hai Group various raw materials, ancillary materials and semi-finished components and assembled products during the period of 1 January 2020 to 31 December 2022 under three procurement models as follows:

Model

Pricing Policy

Model One

Purchase of gold salts from the Hon Hai Group as the Group's raw materials

Purchase price is to be set at the price determined with reference to comparable third-party prices. Where such third-party prices are not readily available, purchase price is to be set at the price equivalent to the sum of the purchase prices of the Group and the processing fees.

As a risk control measure, the Group will procure gold salts from more than one supplier, but will allocate at least 70% annual purchase from the supplier with the lowest fee quote.

As set out in the Prospectus and the Letter from the Board, the Group procures gold salts from the Hon Hai Group in order to take advantage of the Hon Hai Group's economies of scale. In particular, gold salts, one of the major raw materials, is a hazardous material and generally allowed to be sold only by licensed suppliers.

We have enquired with the Management and noted that a subsidiary of the Hon Hai Group is a licensed supplier with the relevant business license and safety production permit issued by Shenzhen Administration of Work Safety in the PRC and Taiwan respectively.

To assess the implementation of the pricing mechanism of Model One, we have obtained and reviewed the summary of the fee quotations, provided by the Hon Hai Group and independent third party suppliers, covering the period from April 2018 to August 2019, which were determined by the sum of the commodity spot prices and the processing fees provided by the Hon Hai Group and independent third party suppliers.

We noted that the Group has selected gold salts suppliers with the lowest quote basis.

The Management also confirmed that they have complied with the 70% threshold in 2017 and 2018, and the eight months ended 31 August 2019.

Based on the information reviewed as described above, we are of the view that the Group has complied with the pricing mechanism of Model One.

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Model

Pricing Policy

Model Two

Purchase of ancillary raw materials from the Hon Hai Group

Brand companies may require the Group to purchase certain ancillary materials from a designated supplier, for example, the Hon Hai Group (the “**Designated Supplier Transactions**”). In this case, purchase prices are the price agreed between the Hon Hai Group and the Group’s customers; in other case where the Hon Hai Group is not designated as supplier (the “**Non-designated Supplier Transactions**”), purchase prices are determined with reference to comparable independent third party prices to the extent that independent third party suppliers are available.

Based on our discussion with the Management and our review of the relevant correspondences between the Group and a brand company, we understand that the brand company requires the Group to purchase certain ancillary materials from their designated supplier, such as the Hon Hai Group, and it is likely for the Group to purchase ancillary raw materials from the Hon Hai Group, as Non-designated Supplier Transactions, due to the competitive prices of the Hon Hai Group could offer resulting probably from economies of scale.

To assess the implementation of the pricing mechanism of Model Two, we have obtained and reviewed 16 and 37 samples of Designated Supplier Transactions and Non-designated Supplier Transactions respectively, covering the major types of ancillary raw materials of the largest transaction amount during the period from April 2018 to August 2019. For the Designated Supplier Transactions, we noted that the prices were negotiated between the Hon Hai Group and the Group’s customers. For the Non-designated Supplier Transactions, we noted from the purchase order samples and other corresponding documents that the Group has compared the price quotations from the Hon Hai Group with those from independent third party suppliers. Based on the information reviewed as described above, we are of the view that the Group has complied with the pricing mechanism of Model Two.

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Model

Model Three

Purchase of semi-finished components and assembled products from the Hon Hai Group to whom the Group provides certain raw materials and components for their production of semi-finished components and assembled products

Pricing Policy

Purchase price are determined with reference to comparable third-party prices to the extent independent-third-party suppliers are available. Where such third-party prices are not readily available, purchase prices are determined based on (a) the Hon Hai Group's purchase prices of raw materials supplied by the Group, (b) the Hon Hai Group's purchase prices of other raw materials, (c) the Hon Hai Group's labor costs and overheads, (d) the relevant operating expenses estimated to be allocated to such transactions, and (e) the Comparable Profit Interval provided by an independent third party professional (the "**Adviser**") and in accordance with reasonable business principles.

As mentioned in the Letter from the Board, the Comparable Profit Interval is established by using a well-known database (the "**Database**") and based on "return on cost and operating expenses" as the profit level indicator, and can be used to evaluate whether the pricing of the transaction is reasonable or not. In the Database, quantitative and qualitative conditions are used to identify comparable companies with similar financial data characteristics, principal business and functional risk characteristics. The Comparable Profit Interval is then established based on the financial information of comparable companies. During the period covered by the agreement, the financial information of comparable companies and the Comparable Profit Interval will be updated annually based on the Database.

In order to enhance the Group's production efficiency and manage its production cost, the Group from time to time engages the Hon Hai Group for certain labour-intensive production processing of its interconnect solutions and certain other products.

The Hon Hai Group has been a long-term supplier of manufacturing services vendor of the Group with the expertise to manage a large workforce. Furthermore, as advised by the Management, given the unique nature of the semi-finished goods and assembled products, there were no third party transactions for comparable products. As such, conducting the Product Purchase Transaction with the Hon Hai Group is essential and mutually complementary.

Model

Pricing Policy

To assess the implementation of the pricing mechanism of Model Three, we have obtained and reviewed a summary of 14 purchase transaction samples and the underlying documents from the Group covering the major types of semi-finished components and assembled products of the largest transaction amount during the period from June 2018 to August 2019, which sets out the breakdown of raw material costs, labor costs and overheads and the implied handling fee imposed based on the then agreed mark-up percentage. We noted that the handling fee did not exceed the then effective agreed mark-up percentage. Based on the information reviewed as described above, we are of the view that the Group has complied with the pricing mechanism of Model Three.

We are also advised by the Management that the Adviser to provide the Comparable Profit Interval is a group member of a reputable international accounting firm with expertise in international taxation and transfer pricing issues, which will analyse the fairness and reasonableness of the mark-up percentage in the industry. Given the credential and qualifications of the reputable international accounting firm, as well as the experience of the Adviser, we are of the view that it is reasonable to determine the cost-plus mark-up percentage with reference to the Comparable Profit Interval provided by the Adviser on an annual basis.

(c) Framework Sub-contracting Services Agreement

Pursuant to the Framework Sub-contracting Services Agreement, the Hon Hai Group has agreed to provide sub-contracting services (mainly on processing of optical communication module and assembly of semi-finished components and finished products) during the period of 1 January 2020 to 31 December 2022, at sub-contracting services fees to be determined with reference to comparable independent-third-party prices. Where such independent-third-party prices are not readily available, the sub-contracting fees are to be determined based on relevant (a) labor costs and overheads, (b) the relevant operating expenses estimated to be allocated to such transactions and (c) the Comparable Profit Interval provided by a professional independent third party and in accordance with reasonable business principles.

The Comparable Profit Interval is established by using financial information extracted from the Database to calculate “return on cost and operating expenses” as the profit level indicator, which can be used to evaluate whether the pricing of the transaction is reasonable or not. In the Database, quantitative and qualitative conditions are used to identify comparable companies with similar financial data characteristics, principal business and functional risk characteristics. The Comparable Profit Interval is then established based on the financial information of comparable companies on a 3-years rolling basis.

During the period covered by the agreement, the financial information of comparable companies and the Comparable Profit Interval will be updated annually based on the financial information extracted from the Database.

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For example, in order to determine the cost-plus mark-up percentage for the year ending 31 December 2020, the financial information for the comparable companies for the year 2016 to 2018 was extracted from the Database by the Adviser in order to calculate the Comparable Profit Interval. We have reviewed the selection criteria of the comparable companies. In addition to the requirement of similarity in business operation, there are further criteria including (i) profit making in at least a year during the 3 years, (ii) the research and development cost being not higher than 3% of the sales on average during the 3 years; and (iii) the selling and administrative expenses being not higher than 20% of the sales on average during the 3 years. We have discussed with the Adviser, and understand that the criteria adopted are those commonly adopted for transfer pricing analysis to ensure the fairness and reasonableness of the mark-up percentage in the industry.

We have also obtained the calculation of the Comparable Profit Interval and the underlying financial information extracted from the Database by the Adviser. We noted that the comparable companies were selected from companies listed on the stock exchanges of Japan, Korea or Taiwan etc. with business similar to the Group, and that the calculation of the Comparable Profit Interval has been performed according to the method as described.

To assess the implementation of the pricing mechanism of the Sub-contracting Services, we have obtained and reviewed a summary of 14 sample transactions and the underlying documents from the Group covering the major types of sub-contracting services of the largest transaction amount during the period from April 2018 to August 2019, and we noted that the sub-contracting fees were determined with reference to comparable third party prices or based on the relevant labour costs and overheads, and handling fee up to 5% of the relevant labour costs and overheads. Hence, we are of the view that the Group has complied with the then agreed pricing mechanism for sub-contracting services rendered by the Hon Hai Group.

We note there is a change of pricing policy under Framework Sub-contracting Services Agreement whereby the cost-plus mark-up percentage is to be made with reference to the Comparable Profit Interval provided by the Adviser on an annual basis. The Management considers that the Comparable Profit Interval provided by the Adviser intending to find out the reasonable level of mark-up percentage serves as a good reference and is a fair and appropriate mechanism to determine the price for both the Group and the related party.

As advised by the Management, the Adviser to provide the Comparable Profit Interval is a group member of a reputable international accounting firm with expertise in international taxation and transfer pricing issues, which will analyse the fairness and reasonableness of the mark-up percentage in the industry. Given the credential and qualifications of these reputable international accounting firm, as well as the experience of such the Adviser, we are of the view that it is reasonable to determine the sub-contracting service fee and the cost-plus mark-up percentage with reference to the Comparable Profit Interval provided by the Adviser on an annual basis.

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4. Reasons for and benefits in relation to the continuing connected transactions

In respect of the Product Purchase Transaction and the Product Sales Transaction, the Group strategically focuses on automotive and other emerging applications of the Group's interconnect solutions and related products, part of the procurement and sales of which are carried out with associates of Hon Hai and connected persons of the Company to reduce production costs and increase profits. The Group therefore considers it in the best interests to generate more income and save cost by carrying out the Product Purchase Transaction and the Product Sales Transaction in response to the latest development of the Group's business plans, provided that the Group purchases from and sells to the Hon Hai Group at prices pursuant to the pricing policies set forth in the Framework Purchase Agreement and the Framework Sales Agreement.

In respect of the Sub-contracting Services Transaction, the Group is of the view that it is in the interest of the Group to enhance the production efficiency and manage the production cost by sub-contracting certain labour-intensive production processing of its interconnect solutions and other products to the Hon Hai Group, which possesses the necessary expertise in providing assembly services to quickly respond to the demand from the Group's customers and to deliver required products in large volumes.

5. Basis for determining the Proposed Annual Caps

Set out below is the historical transaction amounts of the continuing connected transactions:

	Year ended December 31		Eight months ended August 31
	2017	2018	2019
	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>
Product Sales Transaction	844.4	931.4	465.1
Product Purchase Transaction	437.9	436.3	285.6
Sub-contracting Services Transaction	72.9	106.6	68.9

Set out below the Proposed Annual Caps and the utilisation of historical annual caps:

	For the year ending 31 December		
	2020	2021	2022
	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>
Proposed Product Sales Annual Caps	1,250.0	1,350.0	1,400.0
Proposed Product Purchase Annual Caps	550.0	520.0	500.0
Proposed Sub-contracting Services Annual Caps	310.0	322.0	340.0

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	Approved annual caps			Actual transaction amount			Utilisation rate		
	For the year ending			For the year ended			For the year ended		
	31 December			31 December			31 December		
	2017	2018	2019	2017	2018	For the eight months ended 31 August 2019	2017	2018	For the eight months ended 31 August 2019
	US\$ Million			US\$ Million			US\$ Million		
Product Sales Transaction	1,008.8	1,222.0	1,465.0	844.4	931.4	465.1	83.7%	76.2%	31.7%
Product Purchase Transaction	508.5	634.8	680.0	437.9	436.3	285.6	86.1%	68.7%	42.0%
Sub-contracting Services Transaction	88.3	124.7	240.0	72.9	106.6	68.9	82.6%	85.5%	28.7%

5.1 The Proposed Product Sales Annual Caps

We understand from the Management that the Proposed Product Sales Annual Caps are determined based on the following:

- *Historical transaction amount and growth in product sales transaction*

We noted that the product sales transaction amount under the existing framework product sales agreement increased from approximately USD844.4 million for the year ended 31 December 2017 to approximately USD931.4 million for the year ended 31 December 2018, representing a growth of approximately 10.3%.

- *the projected growth of the Group's business operation in view of the Company's investment and acquisition activities from time to time*

Based on our discussion with the Management and with reference to existing production schedule based on current and future market demand, we noted there is in general an increase in business and this may entail an increase in Product Sales Transaction.

- *further investment in or acquisition of certain companies or business units in future*

We noted the Group's business expansion as set out under paragraph 1.1 of this letter. In addition, based on our discussion with the Management, we understand that the Group is open for future investment and expansion opportunity by various means, including acquisition of similar business units or companies with similar operation as our Group's. Transaction with the Hon Hai Group and these potential targets will become continuing connected transaction upon such acquisition. As such, the Management has taken this possibility into account in arriving at the Proposed Product Sales Annual Caps.

We also noted the low utilisation of annual caps for 2019, which was only approximately 31.7% for the first 8 months. We have enquired with the Management and are given to understand that the lower utilisation rate for the eight months ended 31 August 2019 is primarily due to, among others, (i) the seasonality effect on the production of the Group and (ii) the business strategies of the Group's major customers which are computer and consumer electronics, and mobile and wireless brand companies that usually release their new products in the second half of each year. As confirmed by the Management, the expected transaction amount

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of Product Sales Transaction for the year ending 31 December 2019 is projected to be more than USD\$1,000 million, and, if materialised, would result in around 70% of utilisation of the annual cap for the year ending 31 December 2019, which will be similar to those recorded for the years ended 31 December 2017 and 2018.

Based on the above, and

- (i) the level of historical utilisation of annual caps;
- (ii) the fact that the annual caps for the years ended/ending 31 December 2017, 2018 and 2019 were adjusted subsequent to the initial annual caps as stated in the Company's prospectus;
- (iii) the Proposed Product Sales Annual Caps are calculated based on the expected transaction amount of Product Sales Transaction for the year ending 31 December 2019, taking into account (a) the estimated CAGR for year 2019 to 2023 of approximately 9.0% for the six major end markets as described under paragraph 1.2 above (weighted average based on the Group's historical sales proportion of the six major end markets) based on the estimated CAGRs projected by an independent industry research agent for a market research commissioned by the Group; (b) a general buffer of around 6% to 10%;
- (iv) the Management has been monitoring the actual and forecasted transaction amount of Product Sales Transaction for the year ending 31 December 2019 by each of the relevant business units monthly, and most of the business units have been able to meet their forecast transaction amounts;

we are of the view that the Proposed Product Sales Annual Caps are justifiable.

5.2 Proposed Product Purchase Annual Caps

We understand from the Management that the Proposed Product Purchase Annual Caps are determined based on the following:

- *Historical transaction amount and growth in product purchase transaction*

We noted that the product purchase transaction amount under the existing framework product purchase agreement remained relatively stable for the year ending 31 December 2017 and 2018.

- *the projected growth of the Group's business operation in view of the Company's investment and acquisition activities from time to time*

Based on our discussion with the Management and with reference to existing production schedule based on current and future market demand, we noted there is in general an increase in business and this may entail an increase in Product Purchase Transaction.

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- *further investment in or acquisition of certain companies or business units in future*

We noted the Group's business expansion as set out under paragraph 1.1 of this letter. In addition, based on our discussion with the Management, we understand that the Group is open to future investment and expansion opportunity by various means, including acquisition of similar business units or companies with similar operation as our Group's. Transaction with the Hon Hai Group and these potential targets will become continuing connected transaction upon such acquisition. As such, the Management has taken this possibility into account in arriving at the Proposed Product Purchase Annual Caps.

- *possible decrease in transaction with the Hon Hai Group in the product purchase transaction*

Following the Group's expansion of production capacity in Vietnam, and the increase in procurement of raw materials semi-finished components from brand customers directly, the Management anticipated that the volume of transaction with the Hon Hai Group under the product purchase transaction will be decreased.

We also note the low utilisation of annual caps for 2019, which was only approximately 42.0% for the first 8 months. We have enquired with the Management and are given to understand that the lower utilisation rate for the eight months ended 31 August 2019 is primarily due to, among others, (i) the seasonality effect on the production of the Group and (ii) the business strategies of the Group's major customers which are computer and consumer electronics, and mobile and wireless brand companies that usually release their new products in the second half of each year. As confirmed by the Management, the expected transaction amount of Product Purchase Transaction for the year ending 31 December 2019 is projected to be more than USD\$500 million, and, if materialised, would result in around 70% of utilisation of the annual cap for the year ending 31 December 2019, which will be within the range of the utilisation rates recorded for the years ended 31 December 2017 and 2018.

Based on the above, and

- (i) the level of historical utilisation of annual caps;
- (ii) the fact that the annual caps for the years ended/ending 31 December 2017, 2018 and 2019 were adjusted subsequent to the initial annual caps as stated in the Company's prospectus;
- (iii) the Group's acquisition of land use rights in Vietnam and certain production process would be handled within the Group, resulting in fewer transaction with the Hon Hai Group;
- (iv) there was a recent change in relation to brand customers whereby the requisite raw materials/semi assembled products will be provided by the brand customers directly, thereby the transaction with the Hon Hai Group is expected to be reduced;
- (v) the Proposed Product Purchase Annual Caps are calculated based on the expected transaction amount of Product Purchase Transaction for the year ending 31 December 2019, taking into account (a) the possible increase in transaction amount for Product Purchase Transaction due to the Group's business expansion as described under

paragraph 1.1 and further business acquisition would likely be cancelled out by the impact of events described under paragraph (iii) and (iv) above for the years ending 31 December 2020; (b) a 6% general buffer for the year ending 31 December 2020; and (c) a slight decrease in the annual cap amount for the years ending 31 December 2021 and 2022 to reflect the possible reduction in transaction amount with the Hon Hai Group due to the events described under paragraph (iii) and (iv) above;

- (vi) the Management has been monitoring the actual and forecasted transaction amount of Product Purchase Transaction for the year ending 31 December 2019 by each of the relevant business units monthly, and most of the business units have been able to meet their forecast transaction amounts;

we are of the view that the Proposed Product Purchase Annual Caps are justifiable.

5.3 Proposed Sub-contracting Services Annual Caps

We understand from the Management that the Proposed Sub-contracting Services Annual Caps are determined based on the following:

- *change of business mode for outsourcing: from product sales and purchase, to provision of sub-contracting services*

We noted that it has been the Group's policy to further outsource non-core, labour intensive assembly processes to certain production facilities of the Hon Hai Group located in Vietnam in order to control production costs. Based on the customers' orders, indication of orders, or estimation of the Management with reference to advanced stage negotiation, the Group will require additional Sub-contracting Service Transaction of approximately USD110 million for the year ending 31 December 2020.

- *the projected growth of the Group's business operation in view of the Company's investment and acquisition activities from time to time*

Based on our discussion with the Management and with reference to existing production schedule based on current and future market demand, we noted there is in general an increase in business and this may entail an increase in Sub-Contracting Services Transaction.

- *further investment in or acquisition of certain companies or business units in future*

We noted the Group's business expansion as set out under paragraph 1.1 of this letter. In addition, based on our discussion with the Management, we understand that the Group is open for future investment and expansion opportunity by various means, including acquisition of similar business units or companies with similar operation as the Group's. Further sub-contracting services from the Hon Hai Group may be required. As such, the Management has taken this possibility into account in arriving at the Proposed Sub-contracting Services Annual Caps.

We also note the low utilisation of annual caps for 2019, which was only approximately 28.7% for the first 8 months. We have enquired with the Management and are given to understand that the lower utilisation rate for the eight months ended 31 August 2019 is primarily

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due to, among others, (i) the seasonality effect on the production of the Group; (ii) the business strategies of the Group's major customers which are computer and consumer electronics, and mobile and wireless brand companies that usually release their new products in the second half of each year; and (iii) time is required to implement the new business mode from sales/purchase to/from the Hon Hai Group, to engaging sub-contracting services from the Hon Hai Group (for details, please refer to the Group's circular dated 4 June 2019), and it is presumed that both business modes will be in parallel operation in contemplation of the migration during the year ending 31 December 2019. As confirmed by the Management, the expected transaction amount of Sub-contracting Transaction for the year ending 31 December 2019 is projected to be more than USD\$140 million, and, if materialised, would result in around 60% of utilisation of the annual cap for the year ending 31 December 2019, which will be within the Management's anticipation given the time required for implementation of new business mode and the presumption of parallel operation in contemplation of the migration as elaborated above.

Based on the above, and

- (i) the level of historical utilisation of annual caps and the reasons therefor;
- (ii) the fact that the annual caps for the year ending 31 December 2019 was adjusted subsequent to the initial annual cap;
- (iii) the Proposed Sub-contracting Services Annual Caps, which are calculated based on the expected transaction amount of Sub-contracting Services Transaction for the year ending 31 December 2019 of approximately USD140 million, and also taking into account (a) the impact of change of business mode, of approximately USD110 million estimated for the year ending 31 December 2020; (b) the estimated CAGR for year 2019 to 2023 of approximately 9.0% for the six major end markets as described under paragraph 1.2 above (weighted average based on the Group's historical sales proportion of the six major end markets), based on the estimated CAGRs projected by an independent industry research agent for a market research commissioned by the Group; and (c) a general buffer of around 2% to 10%;
- (iv) the Management has been monitoring the actual and forecasted transaction amount of Sub-contracting Services Transaction for the year ending 31 December 2019 by each of the relevant business units monthly, and most of the business units have been able to meet their forecast transaction amounts; and
- (v) the administrative procedures and cost saving expected under the sub-contracting services model, and the Management's intention to utilise Sub-contracting Services Transaction when both the Group and the Hon Hai Group are ready to do so;

we are of the view that the Proposed Sub-contracting Service Annual Caps are justifiable.

6. Internal control procedures and pricing policies

As disclosed in the Letter from the Board, the Group has adopted internal control procedures on the continuing connected transactions of the Company including the Product Sales Transaction, the Product Purchase Transaction and the Sub-contracting Services Transaction, pursuant to which the Management will monitor and review the continuing connected transactions on a monthly basis (including, among others, the transaction amount of the continuing connected transactions during

LETTER FROM ALLIANCE CAPITAL PARTNERS LIMITED

the month). We have obtained and reviewed the set of the internal control procedures on connected transactions and are of the view that the internal control procedures adopted by the Group is in place to ensure the continuing connected transactions are conducted on normal commercial terms and not prejudicial to the interests of the Company and the minority Shareholders.

The Company has engaged the Company's auditor to review and report to the Board on the continuing connected transactions every year in accordance with Rule 14A.56 of the Listing Rules. The independent non-executive Directors will also review the Transactions under the Framework Agreements on an annual basis. Accordingly, the Directors determined that the internal control system of the Group is effective to ensure that the transactions contemplated under the Framework Agreements will be conducted on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

We have reviewed the 2017 Annual Report and 2018 Annual Report of the Company and noted that both the independent non-executive Directors and auditors of the Company have confirmed that the continuing connected transactions under the Existing Framework Agreements were conducted in accordance with the requirements following the internal control procedures during the years ended 31 December 2017 and 2018.

Based on the above procedures, we are of the view that there are sufficient internal control procedures in place to ensure the continuing connected transactions are conducted on normal commercial terms and not prejudicial to the interests of the Company and the minority Shareholders.

RECOMMENDATIONS

Having considered the principal factors and reasons above, we are of the view that (i) the Transactions will be conducted in the ordinary and usual course of business; (ii) the terms of the Framework Agreements are on normal commercial terms; (iii) the Proposed Annual Caps are fair and reasonable; and (iv) the Framework Agreements are in the interest of the Group and the Shareholders as a whole so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Framework Agreements, and the Proposed Annual Caps at the EGM.

Yours faithfully,
For and on behalf of
Alliance Capital Partners Limited
Alyssa Ng
Managing Director

Ms. Alyssa Ng is licensed person under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities and has more than 10 years' experience in participation and advising in various initial public offerings and transactions involving companies listed in Hong Kong, including but not limited to the provision of independent financial advisory services regarding connected transactions.

APPENDIX — GENERAL INFORMATION

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive of the Company

As of the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under the provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which had otherwise been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”), were as follows:

(i) Long positions in the Shares of the Company as of the Latest Practicable Date

Name of Director	Capacity and nature of interest	Number of Shares held	Approximate percentage of shareholding
LU Sung-Ching ¹	Beneficial owner	123,720,000	1.83%
LU Pochin Christopher	Beneficial owner	12,512,000	0.18%
PIPKIN Chester John ²	Beneficial owner	1,790,000	0.03%

Note:

1. Mr. Lu is also interested in 321,440,000 Shares under the Share Grant Scheme.
2. Mr. Pipkin is also interested in 200,000 share options granted by the Company under the Share Option Scheme.

(ii) Long position in the share capital or debentures of the associated corporations of the Company as of the Latest practicable Date

Name of Director	Name of associated corporation of the Company	Capacity and nature of interest	Number of shares in the corporation	Approximate percentage of shareholding
PIPKIN Chester John	FIT CHB Holdco, Inc.	Beneficial owner	450,000	9.57%

APPENDIX — GENERAL INFORMATION

(iii) Long position in share options granted by the Company

The Share Option Scheme was conditionally approved and adopted by the Shareholders on December 19, 2017. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to enable the Group to offer valuable incentive to attract and retain quality personnel to work towards enhancing the value and attaining the long-term objectives of the Group. As of the Latest Practicable Date, the long position of the Directors in the share options granted by the Company was as follows:

Name of Director	As of January 1, 2018	Granted during the year 2018 and up to the Latest practicable Date	Exercised during the year 2018 and up to the Latest practicable Date	Lapsed during the year 2018 and up to the Latest practicable Date	Cancelled during the year 2018 and up to the Latest practicable Date	As of the Latest Practicable Date	Date of grant of share options	Exercise period of share options (both dates inclusive)	Closing price of the Shares immediately before the date on which the share options were granted	Exercise price of share options
									HK\$	HK\$
PIPKIN Chester John	—	200,000	—	—	—	200,000	December 28, 2018	December 28, 2019 to December 28, 2022	3.380	3.422

Save as disclosed above, as of the Latest Practicable Date, none of the Directors or chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which had otherwise been notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests of substantial Shareholders

As of the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as was known to the Directors or chief executive of the Company, the persons or entities, other than a Director or chief executive of the Company, who had an interest or a short position in the shares or the underlying shares of the Company which would fall to be

APPENDIX — GENERAL INFORMATION

disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other company which is a subsidiary of the Company, or in any options in respect of such share capital were as follows:

Long positions in the Shares as of the Latest Practicable Date

Name of Shareholders	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
Hon Hai	Interest in controlled corporation ¹	5,179,557,888	76.38%
Foxconn Far East Cayman	Interest in controlled corporation ²	5,179,557,888	76.38%
Foxconn Far East Hong Kong	Beneficial owner	5,179,557,888	76.38%

Note:

1. *Hon Hai holds the entire issued share capital of Foxconn Far East Cayman, which in turn holds the entire issued share capital of Foxconn Far East Hong Kong.*
2. *Foxconn Far East Cayman holds the entire issued share capital of Foxconn Far East Hong Kong, which in turn holds 5,179,557,888 Shares of the Company.*

Save as disclosed above, as of the Latest Practicable Date, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be and were recorded in the register required to be kept by the Company under Section 336 of the SFO.

As of the Latest Practicable Date, Mr. LU Sung-Ching, an executive Director, is a director of Hon Hai.

Save as disclosed above, as of the Latest Practicable Date, none of the director of the Company is a director or employee in Hon Hai, Foxconn Far East Cayman or Foxconn Far East Hong Kong which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(c) Directors' or chief executive's rights to acquire interests or short positions in Shares and debentures

The Share Grant Scheme was approved and adopted by the Board on January 5, 2015, and the Board further adopted the rules and interpretations thereof on November 4, 2016.

APPENDIX — GENERAL INFORMATION

Details of the interests of the Directors in the Share Grant are set out below.

Name of Director	Date of grant	Number of Share Grant
LU Sung-Ching	January 5, 2015	321,440,000

Save as disclosed above, as of the Latest Practicable Date, none of the Directors or chief executive of the Company or their respective spouse or minor children were granted any rights to acquire benefits by means of acquisition of the Shares in or debentures of the Company or any other body corporate; nor was the Company, its subsidiaries or holding company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company to acquire such rights in the Company or any other body corporate.

3. DISCLOSURE OF OTHER INTERESTS

(a) Interests in contract or arrangement

As of the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement which is significant to the business of the Group.

(b) Interests in assets

As of the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since December 31, 2018, being the date to which the latest published audited accounts of the Group were made up.

(c) Interests in competing business

As of the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the Listing Rules.

4. QUALIFICATION OF EXPERT

The following is the qualification of the expert who has given an opinion or advice on the information contained in this circular:

Name	Qualification
Alliance Capital Partners Limited	a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities

5. CONSENT

Alliance Capital Partners Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear herein.

6. MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, save as disclosed in the interim results announcement of the Company for the six months ended June 30, 2019 published on August 12, 2019, the Directors are not aware of any material adverse change in the financial or trading position of the Group since December 31, 2018, being the date to which the latest published audited financial statements of the Group were made up.

7. MISCELLANEOUS

- (a) None of the Directors has entered into a service contract with the Company which does not expire or which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.
- (b) As of the Latest Practicable Date, Alliance Capital Partners Limited was not beneficially interested in the share capital of any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. As of the Latest Practicable Date, none of the Directors or Alliance Capital Partners Limited had any interest, either directly or indirectly, in any assets which have been, since December 31, 2018 being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited.
- (d) The principal share registrar of the Company is Conyers Trust Company (Cayman) Limited.
- (e) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Framework Purchase Agreement, the Framework Sales Agreement and the Framework Sub-contracting Services Agreement are available for inspection during normal business hours at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong from the date of this circular to the date of the EGM (both dates inclusive) and also at the EGM.

NOTICE OF EGM



FIT Hon Teng Limited 鴻騰六零八八精密科技股份有限公司

*(Incorporated in the Cayman Islands with limited liability under the name Foxconn Interconnect Technology Limited
and carrying on business in Hong Kong as FIT Hon Teng Limited)*
(Stock Code: 6088)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of FIT Hon Teng Limited (the “**Company**”) will be held at 66-1, Chungshan Road, Tucheng District, New Taipei City 23680, Taiwan on Tuesday, December 24, 2019 at 10 a.m., for the following purposes:

To consider and, if thought fit, passing (with or without modifications) the following ordinary resolutions:

1. “THAT the terms of the framework sales agreement entered into between the Company and Hon Hai Precision Industry Co. Ltd. (“**Hon Hai**”) on November 25, 2019 (the “**Framework Sales Agreement**”), the transactions contemplated under the Framework Sales Agreement (the “**Product Sales Transaction**”) and the proposed annual caps for the Product Sales Transaction for the years ending December 31, 2020, 2021 and 2022 (the “**Proposed Product Sales Annual Caps**”) as described in the circular of the Company dated December 4, 2019 be and are hereby approved, confirmed and ratified in all respects; and

any one director of the Company, or any two directors of the Company if affixation of the Company’s common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute and deliver (and affix the Company’s common seal to, if necessary) all such documents, instruments or agreements and to do all such other acts or things which he/they may in his/their absolute discretion consider necessary or desirable in connection with or incidental to any of the matters contemplated under the Framework Sales Agreement, the Product Sales Transaction and/or the Proposed Product Sales Annual Caps.”

2. “THAT the terms of the framework purchase agreement entered into between the Company and Hon Hai on November 25, 2019 (the “**Framework Purchase Agreement**”), the transactions contemplated under the Framework Purchase Agreement (the “**Product Purchase Transaction**”) and the proposed annual caps for the Product Purchase Transaction for the years ending December 31, 2020, 2021 and 2022 (the “**Proposed Product Purchase Annual Caps**”) as described in the circular of the Company dated December 4, 2019 be and are hereby approved, confirmed and ratified in all respects; and

any one director of the Company, or any two directors of the Company if affixation of the Company’s common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute and deliver (and affix the Company’s common seal to, if necessary) all such documents, instruments or agreements and to do all such other acts or things which he/they may in his/their absolute discretion consider necessary or desirable in connection with or incidental to any of the matters contemplated under the Framework Purchase Agreement, the Product Purchase Transaction and/or the Proposed Product Purchase Annual Caps.”

NOTICE OF EGM

3. “THAT the terms of the framework sub-contracting services agreement entered into between the Company and Hon Hai on November 25, 2019 (the “**Framework Sub-contracting Services Agreement**”), the transactions contemplated under the Framework Sub-contracting Services Agreement (the “**Sub-contracting Services Transaction**”) and the proposed annual caps for the Sub-contracting Services Transaction for the years ending December 31, 2020, 2021 and 2022 (the “**Proposed Sub-contracting Services Annual Caps**”) as described in the circular of the Company dated December 4, 2019 be and are hereby approved, confirmed and ratified in all respects; and

any one director of the Company, or any two directors of the Company if affixation of the Company’s common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute and deliver (and affix the Company’s common seal to, if necessary) all such documents, instruments or agreements and to do all such other acts or things which he/they may in his/their absolute discretion consider necessary or desirable in connection with or incidental to any of the matters contemplated under the Framework Sub-contracting Services Agreement, the Sub-contracting Services Transaction and/or the Proposed Sub-contracting Services Annual Caps.”

By Order of the Board
FIT Hon Teng Limited*
LU Sung-Ching
Chairman of the Board

Hong Kong, December 4, 2019

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Headquarters in Taiwan:

66-1, Chungshan Road
Tucheng District
New Taipei City 23680
Taiwan

Principal Place of Business in Hong Kong:

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Notes:

- (a) As set out in the circular of the Company dated December 4, 2019, the register of members of the Company will be closed from Thursday, December 19, 2019 to Tuesday, December 24, 2019, both dates inclusive, during which period no transfer of Shares will be registered. In order to be entitled to attend and vote at the extraordinary general meeting, all transfers of Shares accompanied by the relevant share certificates and properly completed and signed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, December 18, 2019.
- (b) Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number of shares in respect of which each such proxy is appointed.

NOTICE OF EGM

- (c) Form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 48 hours before the time appointed for holding of the extraordinary general meeting (i.e. not later than 10:00 a.m., December 22, 2019) or any adjourned meeting.
 - (d) In accordance with Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), Hon Hai Precision Industry Co., Ltd., the controlling shareholder of the Company, and its associates (as defined in the Listing Rules) are required to abstain from voting on the ordinary resolutions.
 - (e) The ordinary resolutions set out above will be determined by way of poll.
- * *Incorporated in the Cayman Islands with limited liability under the name Foxconn Interconnect Technology Limited and carrying on business in Hong Kong as FIT Hon Teng Limited*