

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **FIH Mobile 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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FIH[®] **富智康**[™]

FIH Mobile Limited

富智康集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2038)

**CONTINUING CONNECTED TRANSACTION
REVISION OF ANNUAL CAPS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser

JINGHUI CAPITAL 
景匯資本

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

 **紅日資本有限公司**
RED SUN CAPITAL LIMITED

A letter from the board of directors of FIH Mobile Limited is set out on pages 5 to 14 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 page 15 of this circular. A letter from Red Sun Capital Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 33 of this circular.

A notice for convening the extraordinary general meeting of the Company to be held at Kowloon Room I, Mezzanine Level, Kowloon Shangri-La Hotel, 64 Mody Road, Tsimshatsui East, Hong Kong on Friday, 18 September 2020 at 10:00 a.m. is set out on pages 38 and 39 of this circular.

A form of proxy for use at the extraordinary general meeting is enclosed. Whether or not you are able to attend the extraordinary general meeting in person, please complete the accompanying form of proxy in accordance with the instructions contained therein and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time scheduled for holding of the extraordinary general meeting or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting should you so wish.

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

Please see page 1 of this circular for measures to be taken at the extraordinary general meeting in view of the novel coronavirus disease (COVID-19), including:

- compulsory temperature checks and health declarations
- wearing of surgical face masks required for all attendees who should bring their own respective masks (the Company will not be providing any mask)
- no distribution of corporate gifts and refreshments at the EGM venue to reduce close contacts

Any person who does not comply with the precautionary measures may not be given access to the EGM venue. The Company strongly recommends the Shareholders to consider appointing the chairman of the EGM as their proxy to vote on the relevant resolution at the EGM according to their respective voting instructions, instead of attending the EGM in person.

Hong Kong, 28 August 2020

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PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

In view of the recent developments relating to the novel coronavirus disease (COVID-19), the Company will implement the following measures at the EGM to reduce the risk of infection of attendees:

- (i) Compulsory body temperature checks and health declarations will be conducted on every Shareholder, proxy and attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius may not be given access to the EGM venue.
- (ii) All attendees are required to bring their own respective surgical face masks and wear their masks inside the EGM venue at all times (the Company will not be providing any mask), and to maintain distance between seats.
- (iii) To reduce close contacts, no refreshments will be served, and there will be no corporate gifts.

The Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the health and safety of the attendees at the EGM.

In the interest of all stakeholders' health and safety, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the EGM as their proxy to vote on the relevant resolution according to their respective voting instructions stated in proxy forms at the EGM, instead of attending the EGM in person.

If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy to vote on your behalf in accordance with your instructions.

If Shareholders choose not to attend the EGM in person but have any questions about the relevant resolution, or about the Company or any matters for communication with the Board, they are welcome to contact the Company through "Contact FIH" at the Company's website (www.fihmb.com) or the company secretary of the Company at the following address:

The Company Secretary of FIH Mobile Limited
c/o Shenzhen Futaihong Precision Industrial Co., Ltd.
No. 2, 2nd Donghuan Road
Longhua Street, Baoan
Shenzhen City
Guangdong Province
518109
People's Republic of China

If Shareholders have any questions relating to the EGM arrangements, please contact Computershare Hong Kong Investor Services Limited, the Company's branch share registrar in Hong Kong as follows:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
E-mail: hkinfo@computershare.com.hk
Tel: 852 2862 8555
Fax: 852 2865 0990

DEFINITIONS

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

“associate(s)”	having the meaning as defined in the Listing Rules
“Board”	the board of Directors
“Company”	FIH Mobile Limited, a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“connected person(s)”	having the meaning as defined in the Listing Rules
“continuing connected transaction(s)”	having the meaning as defined in the Listing Rules
“controlling shareholder”	having the meaning as defined in the Listing Rules
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Kowloon Room I, Mezzanine Level, Kowloon Shangri-La Hotel, 64 Mody Road, Tsimshatsui East, Hong Kong on Friday, 18 September 2020 at 10:00 a.m., to consider and, if thought fit, approve the resolution in respect of the Product Sales Transaction and the Proposed Revised Annual Caps
“Existing Annual Caps”	the existing annual caps for the Product Sales Transaction for each of the three years ending 31 December 2022 as set out under the section headed “Historical values and annual caps” in the letter from the Board in this circular
“Financial Adviser”	Jinghui Capital Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, which has been appointed by the Company to be the financial adviser to advise the Company in respect of the Product Sales Transaction and the Proposed Revised Annual Caps
“Framework Product Sales Agreement”	the framework product sales agreement entered into among the Company, Hon Hai and Innolux Corporation (an associate of Hon Hai formerly known as Innolux Display Corporation and then Chimei Innolux Corporation, whose rights, obligations and liabilities thereunder were subsequently assumed and taken up by Hon Hai) on 18 January 2005 (as amended by the respective supplemental agreements among the above parties dated 28 February 2006, 24 October 2007 and 19 November 2010, and the respective supplemental agreements between the Company and Hon Hai dated 17 October 2013, 11 August 2016 and 9 October 2019)

DEFINITIONS

“Group”	the Company and/or its subsidiaries (as the case may be)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hon Hai”	鴻海精密工業股份有限公司 (Hon Hai Precision Industry Co. Ltd., for identification purposes only), the ultimate controlling shareholder of the Company
“Hon Hai Technology Group”	Hon Hai, its subsidiaries and/or associates (as the case may be), other than the Group
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee established by the Board comprising all the independent non-executive Directors, namely Mr. LAU Siu Ki, Dr. Daniel Joseph MEHAN and Mr. TAO Yun Chih, to consider the Product Sales Transaction and the Proposed Revised Annual Caps
“Independent Financial Adviser” or “Red Sun”	Red Sun Capital Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, which has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Product Sales Transaction and the Proposed Revised Annual Caps
“Independent Shareholders”	Shareholders other than Hon Hai and its associates
“Latest Practicable Date”	24 August 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China
“Product Sales Transaction”	the transactions contemplated under the Framework Product Sales Agreement as set out in the section headed “Product Sales Transaction” in the letter from the Board in this circular

DEFINITIONS

“Proposed Revised Annual Caps”	the revised annual caps proposed for the Product Sales Transaction for each of the three years ending 31 December 2022 as set out under the section headed “Historical values and annual caps” in the letter from the Board in this circular
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	the holders of the Shares
“Shares”	the ordinary shares of US\$0.04 each of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	having the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“US\$”	United States dollars, the lawful currency of the United States of America
“3C”	computer, communication and consumer electronics

LETTER FROM THE BOARD

FIH[®] 富智康[™]

FIH Mobile Limited

富智康集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2038)

Executive Directors:

CHIH Yu Yang (*Acting Chairman and
Chief Executive Officer*)

WANG Chien Ho

KUO Wen-Yi

Independent Non-executive Directors:

LAU Siu Ki

Daniel Joseph MEHAN

TAO Yun Chih

Registered Office:

P. O. Box 31119 Grand Pavilion
Hibiscus Way

802 West Bay Road

Grand Cayman, KY1-1205

Cayman Islands

Head Office:

No. 369 Jianshe South Road

Anci District

Langfang City

Hebei Province

People's Republic of China

*Principal Place of Business
in Hong Kong*

8th Floor, Peninsula Tower

538 Castle Peak Road

Cheung Sha Wan

Kowloon

Hong Kong

28 August 2020

Dear Shareholders,

**CONTINUING CONNECTED TRANSACTION
REVISION OF ANNUAL CAPS**

INTRODUCTION

Reference is made to the announcement of the Company dated 7 August 2020 regarding the captioned matter.

The Group is a vertically integrated manufacturing services provider with business models offering a comprehensive range of end-to-end components and manufacturing and engineering services to its customers in respect of handsets and other wireless communication devices and consumer electronic products, including unique and innovative product development and

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design, casings (including casings sold to customers and casings used to manufacture complete handsets for delivery to customers), components, PCBA (Printed Circuit Board Assembly), full-system assembly etc., and supply chain services and solutions, and repair and other after-sales services which are located close to the customers. In addition to handsets, the Group is engaged in the manufacturing of other wireless communication devices and consumer electronic products and accessories and related areas, such as e-Readers, tablets and voice interaction products like smart speakers.

The Hon Hai Technology Group is the leading global manufacturing service provider in the 3C industries. Hon Hai is the ultimate controlling shareholder of the Company holding approximately 61.94% of the total number of issued shares of the Company as at the Latest Practicable Date and therefore is a connected person of the Company.

The Group and the Hon Hai Technology Group have been carrying out the Product Sales Transaction from time to time under the Framework Product Sales Agreement. As Hon Hai is a connected person of the Company, the Product Sales Transaction constitutes a continuing connected transaction for the Company. With reference to the continuing connected transactions announcement of the Company dated 9 October 2019, the circular of the Company dated 14 November 2019 and the poll results announcement of the Company dated 6 December 2019, among other things, the Company set the Existing Annual Caps. The Company anticipates that the Existing Annual Caps may not be sufficient and proposes to revise them.

Based on the maximum amount of the Proposed Revised Annual Caps, the Product Sales Transaction constitutes a non-exempt continuing connected transaction for the Company under the Listing Rules. Accordingly, the Product Sales Transaction and the Proposed Revised Annual Caps are subject to the approval of the Independent Shareholders at the EGM.

The Company will convene the EGM to seek the Independent Shareholders' approval for the Product Sales Transaction and the Proposed Revised Annual Caps. The Company has established the Independent Board Committee and has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with (i) details of the Product Sales Transaction and the Proposed Revised Annual Caps; (ii) the letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM.

PRODUCT SALES TRANSACTION

Pursuant to the Framework Product Sales Agreement, for a term up to 31 December 2022, the Group has agreed to sell or procure its subsidiaries to sell to the Hon Hai Technology Group products (including but not limited to materials and components, tooling, light-guides and finished goods generally) manufactured, owned or held (coupled with interest) by the Group that may be used in connection with or for the purposes of the businesses of the Hon Hai Technology Group from time to time as well as such other products (including but not

LETTER FROM THE BOARD

limited to any materials and components) as may be agreed between the Group and the Hon Hai Technology Group from time to time upon and subject to the terms and conditions set out therein. In this respect, the scope of the aforesaid materials and components covers die-casting parts, flexible PCBs (printed circuit boards), PCBs, display/touch modules, heat sinks, work-in-progress generally and other materials and components that may be used in connection with or for the purposes of the businesses of the Hon Hai Technology Group from time to time as well as such other materials and/or components as may be agreed between the Group and the Hon Hai Technology Group from time to time.

Pricing terms

Under the Product Sales Transaction, the applicable price of the products to be sold to the Hon Hai Technology Group will be determined based on the following:

- (1) where the Group has been approved or otherwise designated by the relevant customers of the Hon Hai Technology Group, at the price agreed between the Group and such customers; if not, at a price to be determined by reference to the average market price; or
- (2) where (1) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Technology Group upon the basis of the principle of “cost plus”; or
- (3) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Technology Group based on reasonable commercial principles.

Under the Product Sales Transaction, the Group sells to the Hon Hai Technology Group products including, but not limited to, handset products, handset parts and moulds used in handset manufacturing and other consumer electronic products. Due to changes in the specifications of the handset products and technological changes, the specifications of the products under the Product Sales Transaction change from time to time as they need to be tailored for the specific product being manufactured and having regard to the changing market conditions (which may affect the prices of the products), the Group is not able to fix the prices of the products under the Product Sales Transaction but has instead agreed to the pricing terms set out above.

Payment for the Product Sales Transaction is usually received by the Group within 90 days after the date of the relevant invoice. These payment terms were usually adopted by the Group in its transactions with independent third parties or the Hon Hai Technology Group. Such terms are on normal commercial terms and not more favourable than those offered by the Group to independent third parties.

Pricing details

Below are details regarding the application of the pricing terms of the Product Sales Transaction. Such pricing details are equally applicable to transactions with independent third parties.

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Pricing terms

- (1) where the Group has been approved or otherwise designated by the relevant customers of the Hon Hai Technology Group, at the price agreed between the Group and such customers; if not, at a price to be determined by reference to the average market price; or

Pricing details

Where the Group is approved or otherwise designated by the customers of the Hon Hai Technology Group to supply products to the Hon Hai Technology Group, the products are sold at prices agreed between the Group and the Hon Hai Technology Group's customers (without the Hon Hai Technology Group's direct involvement).

Where the Group is not approved or otherwise designated by the customers of the Hon Hai Technology Group, the price will be determined by reference to the average market price or the market price (if there is only one independent transaction available). These products include handset products and parts and other products sourced from independent vendors in the market as well as other products whose market prices are available.

For the purpose of obtaining market prices, the Group refers to recent sales/purchases transaction(s) of the Group of same products to/from independent customers/suppliers, if available. In general, the Group will select at least one independent transaction (which is concluded after considering at least two quotations from independent customers/suppliers) or (if independent transactions are not available) two quotations from independent customers/suppliers within six months of the proposed transaction with the Hon Hai Technology Group in order to determine the average market price or the market price (if there is only one independent transaction available). For obtaining market prices, the Group may also refer to at least one transaction of the sale of the same products by the Hon Hai Technology Group to independent customers within six months of the proposed transaction under the Product Sales Transaction. The Group will review and check to ensure that the transaction price as agreed between the Group and the Hon Hai Technology Group is not less favourable than the average market price or the market price (if there is only one independent transaction available).

LETTER FROM THE BOARD

Pricing terms

- (2) where (1) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Technology Group upon the basis of the principle of “cost plus”; or

- (3) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Technology Group based on reasonable commercial principles.

Pricing details

Cost plus is determined based on the Group’s cost of the products sold to the Hon Hai Technology Group plus a margin as agreed between the Group and the Hon Hai Technology Group. These products comprise handset products and parts, moulds used in handset manufacturing and other products which are all tailor-made by the Group according to the Hon Hai Technology Group’s unique specifications. In determining the margin, the Group takes into account the margin for products of similar nature in the market by way of referring to margins for the Group’s sales of products of similar nature to independent customers. In general, the Group will select one independent transaction (most related to the subject product in nature) within six months of the proposed transaction with the Hon Hai Technology Group to determine the margin. In case there is no recent sale of products of similar nature to independent customers by the Group, the Group will make reference to the margins of the historical transactions involving the sales of products of similar nature to independent customers by the Group. The Group will review and check to ensure that the margin as agreed between the Group and the Hon Hai Technology Group is fair and reasonable adhering to the pricing terms and details and not less favourable than the margin for the Group’s sales of products of similar nature to independent customers.

In consideration of its inventory optimisation management, the Group may agree to prices lower than costs or prices/margins under the Group’s recent independent transactions. In such cases, the Group would only accept such lower prices if the products could not be sold at higher prices to other independent customers and the Group does not consider it to be in its interests to keep such inventory having regard to factors such as inventory obsolescence. The Group will attempt to solicit purchases from independent parties and will ensure that the prices of the products sold to the Hon Hai Technology Group will not be lower than any prices offered by interested independent buyers. The operation departments of the Group carry out the inventory optimisation management and solicit purchases from buyers including the Hon Hai Technology Group. The accounting departments of the Group will review any proposed sales of products by the operation departments under this pricing term.

This pricing term has not been applied since 2015 but remains to be relevant to cater to such circumstances in the future.

LETTER FROM THE BOARD

REASONS AND BENEFITS FOR THE PRODUCT SALES TRANSACTION

The Group and the Hon Hai Technology Group have been carrying out continuing connected transactions, as set out in the announcement of the Company dated 9 October 2019, to facilitate their respective businesses and operations from time to time.

The long-established relationship and connections between the Group and the Hon Hai Technology Group and the global geographical convenience and proximity between the Group and the Hon Hai Technology Group offer (among other things) efficient, convenient and timely communication and coordination between the parties to the transactions contemplated under the continuing connected transactions. The relevant continuing connected transactions, on one hand, provide a reliable, timely and efficient supply of materials, components and other products and provision of services in support of the Group's daily business operations, which are favourable to the Group's effective control and management over the product procurement, performance and quality, timeliness, production, facilities, capacities, expenditures, supply chain and after-sales services, whereas the relevant continuing connected transactions, on the other hand, generate more income for the Group and enhance the utilisation and management of the Group's assets and services. In addition, the continuous entering into of the continuing connected transactions between the Group and the Hon Hai Technology Group from time to time can effectively lower the operation risks of both the Group and the Hon Hai Technology Group mutually, and is favourable to the Group's daily business operations on an on-going basis.

As to the Product Sales Transaction, in particular, the Company considers it in its best interests to generate more income as well as enhance utilisation of its assets by carrying out the Product Sales Transaction in response to the Hon Hai Technology Group's needs from time to time, provided that the Hon Hai Technology Group purchases from the Group at prices comparable to market prices and/or which are considered to be fair and reasonable to the Company.

HISTORICAL VALUES AND ANNUAL CAPS

The table below sets out (1) the historical actual amounts of the Product Sales Transaction for the two years ended 31 December 2018 and 2019 and for the six months ended 30 June 2020; (2) the Existing Annual Caps; and (3) the Proposed Revised Annual Caps:

	Actual transaction amounts			Existing Annual Caps			Proposed Revised Annual Caps		
	For the year ended 31 December 2018 (audited)	For the year ended 31 December 2019 (audited)	For the six months ended 30 June 2020 (unaudited)	2020	2021	2022	2020	2021	2022
US\$'000									
Product Sales Transaction	1,207,353	997,226	921,308	2,289,785	2,829,964	3,497,575	3,370,641	4,159,639	5,133,326

LETTER FROM THE BOARD

REASON FOR, AND BASIS OF, THE PROPOSED REVISED ANNUAL CAPS

An existing customer of the Group (the “**Customer**”) was acquired by Hon Hai in the beginning of 2020 and became a connected person of the Company. The Group’s sales of products to the Customer have become part of the Company’s continuing connected transactions falling under the Product Sales Transaction since then. Taking into account the Group’s sales of products to the Customer, together with the other sales of products under the Product Sales Transaction, the Company anticipates that the Existing Annual Caps may not be sufficient and proposes to revise them.

The Proposed Revised Annual Caps are mainly based on:

- (a) the actual transaction amounts of the Product Sales Transaction for the six months ended 30 June 2020;
- (b) the transaction amounts of the Product Sales Transaction for the second half of 2020 as estimated based on the following:
 - the actual transaction amounts of the Group’s sales of products to the Customer in the second half of 2019 and the annual growth rate of the Group’s sales of products to the Customer of 2019 of 47.3%; and
 - the actual average monthly transaction amounts of the Group’s sales of products to the other customers (other than the Customer) under the Product Sales Transaction for the period from March to June 2020;
- (c) the transaction amounts of the Product Sales Transaction for 2021 and 2022 as estimated based on an annual growth rate of 23.4%, representing the annual growth rate of the estimated transaction amounts of the Product Sales Transaction of 2020; and
- (d) a buffer of approximately 10% to cater for any unforeseen changes in market conditions (including but not limited to an unexpected increase in consumer demand and/or unexpected increase in the cost of supply, where applicable).

The Directors (including the independent non-executive Directors whose opinion has been set out in the letter from the Independent Board Committee of this circular) consider that the Proposed Revised Annual Caps are fair and reasonable, the entering into of the Product Sales Transaction is in the Group’s ordinary and usual course of business and the terms of the Product Sales Transaction are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole. Mr. CHIH Yu Yang, an executive Director, is a director of a subsidiary and an associate of Hon Hai and Mr. WANG Chien Ho, an executive Director, is an employee of the Hon Hai Technology Group. In view of their relationship with the Hon Hai Technology Group, they abstained from voting on the Board’s resolutions in relation to the Product Sales Transaction and the Proposed Revised Annual Caps. Save as disclosed, no other Directors had to abstain from voting on the Board’s resolutions in relation to the Product Sales Transaction and the Proposed Revised Annual Caps.

LETTER FROM THE BOARD

INTERNAL CONTROL MEASURES

The Group has adopted the following internal control procedures over the continuing connected transactions of the Company including the Product Sales Transaction:

- Before entering into a transaction under the continuing connected transactions of the Company, the purchase departments and/or the operation 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. 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 accounting departments of the relevant member companies of the Group will review the aforesaid works carried out by the purchase departments and/or the operation departments (as the case may be) on a quarterly basis.
- The Company has formulated and maintained a list of connected persons of the Company for the purpose of monitoring the connected transactions (including the Product Sales Transaction) and a copy of such list, together with a copy of each of the framework agreements and subsequent supplemental agreements for the continuing connected transactions (including the Framework Product Sales Agreement), have been kept at the Group's headquarters accounting department, which is the department 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 headquarters accounting department of the Group collects the updated annual rolling forecast for each category of the continuing connected transactions (the "**CCT Rolling Forecast**") from the relevant operation departments of the Group every month and uses the CCT Rolling Forecast to calculate and monitor the estimated full-year transaction amount of each category of the continuing connected transactions at the Group's level. In relation to each category of the continuing connected transactions, the headquarters accounting department of the Group also compares the CCT Rolling Forecast with the pre-approved annual cap amounts or de minimis thresholds to check and see if there is any potential risk of the then estimated full-year transaction amount exceeding the corresponding annual cap amounts or de minimis thresholds. When there is potentially a new transaction under the relevant category of the continuing connected transactions to be transacted between the Group and the Hon Hai Technology Group, the chief financial officer of the Group (the "**Group CFO**") will inform the headquarters accounting department of the Group to ensure that such potential new transaction has been included in the relevant CCT Rolling Forecast and, if necessary, update such CCT Rolling Forecast based on the information regarding such potential new transaction then available for review by the Group CFO. When the relevant CCT Rolling Forecast indicates that the pre-approved annual cap amounts or de minimis thresholds relating to the relevant category of the continuing connected transactions may be exceeded, the

LETTER FROM THE BOARD

headquarters accounting department of the Group will check the reasons and/or assumptions underlying the relevant CCT Rolling Forecast again, in consultation with the operation departments of the Group, and then report the same to the Group CFO. The Group CFO will then internally review and assess if the then existing pre-approved annual cap amounts or de minimis thresholds will likely be exceeded, and if so, will initiate re-compliance or compliance with all the applicable requirements under the Listing Rules in respect of any revision of the then existing pre-approved annual cap amounts or setting of annual cap amounts for the de minimis continuing connected transaction that may potentially exceed the de minimis thresholds.

- The headquarters accounting department of the Group will consult with the Group's internal audit function in respect of continuing connected transaction compliance issues and report semi-annually to the Group CFO, normally before the Company's publication of the interim results and final results of the Group respectively in every financial year, and the Group CFO (in his own capacity and on behalf of the Group's management designated for the purposes of assisting the Board with the Group's enterprise risk management and internal controls) will semi-annually report to the audit committee of the Company (currently comprising all the independent non-executive Directors) and simultaneously, 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 properly implemented and operated and are adequate and effective to ensure that such transactions were so conducted. The audit committee will consider this accordingly.
- The Company's external auditor 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. According to Rule 14A.56 of the Listing Rules, the Company's external auditor will report its findings and conclusions (in the form of an independent assurance report) to the Board, whereas a copy thereof will be provided by the Company to the Stock Exchange.
- 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) semi-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 properly implemented and operated and are adequate and effective to ensure that such continuing connected transactions were so conducted and also conducted in accordance with the pricing policies set out in such relevant agreements.

LETTER FROM THE BOARD

- Please also refer to page 180 of the Company's 2019 annual report (incorporating its 2019 corporate governance report) as issued and published on 16 April 2020.

LISTING RULES IMPLICATIONS

As mentioned above, Hon Hai is the ultimate controlling shareholder of the Company and therefore is a connected person of the Company. Accordingly, the transactions contemplated under the Product Sales Transaction entered into between the Group and the Hon Hai Technology Group from time to time constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As at least one of the applicable percentage ratios (other than the profits ratio and the equity ratio which are not applicable in the present context) in respect of the maximum amount of the Proposed Revised Annual Caps is more than 5% and each of the Proposed Revised Annual Caps, on an annual basis, is more than HK\$10 million, the Product Sales Transaction constitutes a non-exempt continuing connected transaction for the Company under the Listing Rules. Accordingly, the Product Sales Transaction and the Proposed Revised Annual Caps are subject to the reporting, announcement, annual review and the approval of the Independent Shareholders requirements under Chapter 14A of the Listing Rules.

EGM

The Company will convene the EGM to seek the Independent Shareholders' approval for the Product Sales Transaction and the Proposed Revised Annual Caps. As Hon Hai is a party to the Framework Product Sales Agreement, Hon Hai and its associates are required to and will abstain from voting on the resolution to be proposed at the EGM for approving the above matters. At the EGM, votes will be taken by way of poll. As at the Latest Practicable Date, Hon Hai and its associates in aggregate were interested in 5,081,034,525 Shares, representing approximately 61.94% of the total number of issued shares of the Company.

RECOMMENDATIONS

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the view that (a) the Proposed Revised Annual Caps are fair and reasonable; (b) the entering into of the Product Sales Transaction is in the Group's ordinary and usual course of business and, together with the Proposed Revised Annual Caps, is in the interests of the Company and the Shareholders as a whole; and (c) the terms of the Product Sales Transaction are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole and, together with the bases of determining the Proposed Revised Annual Caps, are fair and reasonable. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to approve the Product Sales Transaction and the Proposed Revised Annual Caps at the EGM.

GENERAL

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

Yours faithfully,
By Order of the Board
CHIH Yu Yang
Acting Chairman



FIH Mobile Limited

富智康集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2038)

28 August 2020

Dear Independent Shareholders,

**CONTINUING CONNECTED TRANSACTION
REVISION OF ANNUAL CAPS**

We refer to the circular dated 28 August 2020 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 Product Sales Transaction and the Proposed Revised Annual Caps. Red Sun Capital Limited has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this regard.

Having considered the terms of the Product Sales Transaction as well as the Proposed Revised Annual Caps, and having taken into account the principal factors and reasons considered by, and the opinion of, Red Sun as stated in its letter dated 28 August 2020, we consider that (a) the Proposed Revised Annual Caps are fair and reasonable; (b) the entering into of the Product Sales Transaction is in the Group’s ordinary and usual course of business and, together with the Proposed Revised Annual Caps, is in the interests of the Company and the Shareholders as a whole; and (c) the terms of the Product Sales Transaction are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole and, together with the bases of determining the Proposed Revised Annual Caps, are fair and reasonable. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution proposed at the EGM approving the Product Sales Transaction and the Proposed Revised Annual Caps.

We draw the attention of the Independent Shareholders to (i) the letter from the Board; (ii) the letter from the Independent Financial Adviser; and (iii) the appendix to the Circular.

Yours faithfully,

Independent Board Committee

LAU Siu Ki

Daniel Joseph MEHAN

TAO Yun Chih

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Product Sales Transaction and the Proposed Revised Annual Caps for inclusion in this circular.



红日资本有限公司
RED SUN CAPITAL LIMITED

28 August 2020

*To: The Independent Board Committee and the Independent Shareholders of
FIH Mobile Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTION REVISION OF ANNUAL CAPS

I. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Product Sales Transaction and the Proposed Revised Annual Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company (the “**Circular**”) to the Shareholders dated 28 August 2020, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Pursuant to the Framework Product Sales Agreement, for a term up to 31 December 2022, the Group and the Hon Hai Technology Group have been carrying out the Product Sales Transaction from time to time. With reference to the continuing connected transactions announcement of the Company dated 9 October 2019, the circular of the Company dated 14 November 2019 and the poll results announcement of the Company dated 6 December 2019, among other things, the Company set the Existing Annual Caps. The Company anticipates that the Existing Annual Caps may not be sufficient and proposes to revise them.

Hon Hai is the ultimate controlling shareholder of the Company and therefore is a connected person of the Company. Accordingly, the Product Sales Transaction constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As at least one of the applicable percentage ratios (other than the profits ratio and the equity capital ratio which are not applicable in the present context) in respect of the maximum amount of the Proposed Revised Annual Caps is more than 5% and each of the Proposed Revised Annual Caps, on an annual basis, is more than HK\$10 million, the Product Sales Transaction constitutes a non-exempt continuing connected transaction for the Company under the Listing Rules. Accordingly, the Product Sales Transaction and the Proposed Revised Annual Caps are subject to the reporting, announcement, annual review and the approval of the Independent Shareholders requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

II. THE INDEPENDENT BOARD COMMITTEE

The Board currently comprises Mr. CHIH Yu Yang, Mr. WANG Chien Ho and Dr. KUO Wen-Yi as executive Directors, and Mr. LAU Siu Ki, Dr. Daniel Joseph MEHAN and Mr. TAO Yun Chih as independent non-executive Directors.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the Product Sales Transaction and the Proposed Revised Annual Caps are on normal commercial terms or better, fair and reasonable, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

We, Red Sun, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these respects and to give our opinion and recommendation in relation to the Product Sales Transaction and the Proposed Revised Annual Caps, for the Independent Board Committee's consideration when making its recommendation to the Independent Shareholders and also for the Independent Shareholders' consideration.

III. OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have acted as the independent financial adviser to the then independent board committee and the then independent shareholders of the Company, details of which are set out in the circular of the Company dated 14 November 2019 in relation to the relevant continuing connected transactions.

Apart from the normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant in assessing our independence, in each case in connection with the matters contemplated by this letter. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

IV. BASIS OF OUR ADVICE

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management, were true and accurate in all material respects at the time they were made and continue to be so as at the Latest Practicable Date, and the Shareholders will be informed of any material change of information contained or referred to in the Circular up to the date of the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors jointly and severally accept full responsibility for the accuracy in all material respects of the statements, information and representations contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been reasonably arrived at after due and careful consideration and there are no other material facts not contained in the Circular the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information in order to form a reasonable basis for our opinion and recommendation. 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 in any material respect. We consider that we have performed all necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion and recommendation.

We have not, however, conducted any independent verification of the information provided by the Directors and the Management, nor have we conducted independent investigation into the business and affairs or future prospects of the Group, the Hon Hai Technology Group and their respective associates. Notwithstanding the foregoing, we have formulated our opinion and recommendation with due skill and care and have made due inquiry before making our opinion and recommendation.

This letter is issued for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration in relation to the Product Sales Transaction and the Proposed Revised Annual Caps, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

V. BACKGROUND

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Product Sales Transaction and the Proposed Revised Annual Caps, we have taken into consideration the following principal factors and reasons:

Background information of the Group and the Hon Hai Technology Group

Principal business activities and the financial information of the Group

The Group is a vertically integrated manufacturing services provider with business models offering a comprehensive range of end-to-end components and manufacturing and engineering services to its customers in respect of handsets and other wireless communication devices and consumer electronic products, including unique and innovative product development and design, casings (including casings sold to customers and casings used to manufacture complete handsets for delivery to customers), components, PCBA (Printed Circuit Board Assembly), full-system assembly etc., and supply chain services and solutions, and repair and other after-sales services which are located close to the customers. In addition to handsets, the Group is engaged in the manufacturing of other wireless communication devices and consumer electronic products and accessories and related areas, such as e-Readers, tablets and voice interaction products like smart speakers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the Group’s financial performance extracted from (i) the published interim results announcement for the six months ended 30 June 2020 (the “**2020 Interim Results Announcement**”); (ii) the published annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”); and (iii) the published annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”):

Financial performance of the Group

	For the year ended 31 December			For the six months ended 30 June	
	2019	2018	2017	2019	2020
	(audited) US\$’000	(audited and restated) US\$’000	(audited) US\$’000	(unaudited) US\$’000	(unaudited) US\$’000
Revenue by geographic location	14,378,658	14,868,132	12,080,110	6,389,177	3,668,273
— Asia	12,023,341	11,724,824	10,241,720	5,346,674	3,351,241
— Europe	1,106,314	2,005,463	1,647,937	556,802	212,363
— America	1,249,003	1,137,845	190,453	485,701	104,669
Loss for the year/period	(32,517)	(679,072)	(525,394)	(83,839)	(101,298)

Comparison of financial performance between the six months ended 30 June 2019 and 2020

The Group recorded a revenue of approximately US\$6.4 billion and US\$3.7 billion for the six months ended 30 June 2019 and 2020, respectively, representing a period-on-period decrease of approximately US\$2.7 billion or 42.2%. Such decrease was mainly attributable to various factors highlighted in the 2020 Interim Results Announcement, including the adverse impact of the COVID-19 pandemic which in turn adversely affected (among others) the Group’s customers to a certain extent.

The Group recorded a net loss of approximately US\$83.8 million and US\$101.3 million for the six months ended 30 June 2019 and 2020, respectively, representing a period-on-period increase in loss of approximately US\$17.5 million. According to the 2020 Interim Results Announcement and as discussed with the Management, the Group’s net loss was primarily attributable to various factors, including the outbreak of COVID-19 since the beginning of 2020 whereas the Group temporarily closed its factories in the PRC and India in February and March 2020, respectively. Given that the COVID-19 pandemic has adversely impacted on not only global supply chains but also consumer demand and has contributed to a slowdown in the global economy generally, in part as a result of various lockdowns, shutdowns and restrictions, the Group’s financial results for the six months ended 30 June 2020 were also adversely affected.

Comparison of financial performance between the years ended 31 December 2018 and 2019

The Group recorded a revenue of approximately US\$14.9 billion and US\$14.4 billion for the years ended 31 December 2018 and 2019, respectively, representing a year-on-year decrease of approximately US\$0.5 billion or 3.4%. Such decrease was mainly attributable to the discontinuation of the Group’s logistics and distribution business.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group recorded a net loss of approximately US\$679.1 million and US\$32.5 million for the years ended 31 December 2018 and 2019, respectively, representing a year-on-year reduction in loss of approximately US\$646.6 million. According to the 2019 Annual Report and as discussed with the Management, the Group's net loss was primarily attributable to various factors, including the following: (i) the challenging conditions that the Group has faced since late 2017 (like unfavourable product mix, increasing pricing pressure and price hikes in components) having continued through 2018 into 2019; (ii) continued pressure on the Group's gross margins generally; and (iii) the Group's continued foreign exchange-related net loss in 2019 (the Group's foreign exchange-related net loss was approximately US\$57 million for 2019 and was materially smaller than the Group's foreign exchange-related net loss of approximately US\$102 million for 2018).

Comparison of financial performance between the years ended 31 December 2017 and 2018

The Group recorded a revenue of approximately US\$12.1 billion and US\$14.9 billion for the years ended 31 December 2017 and 2018, respectively, representing a year-on-year increase of approximately US\$2.8 billion or 23.1%. According to the 2018 Annual Report and as discussed with the Management, the growth was mainly attributable to the Group's continuous development and penetration of the PRC and international brand customers and efforts to expand production capacity in India and the entering into collaboration with a U.S. based internet customer.

The Group recorded a net loss of approximately US\$525.4 million and US\$679.1 million for the years ended 31 December 2017 and 2018, respectively, representing a year-on-year increase of approximately US\$153.7 million or 29.3%. According to the 2018 Annual Report and as discussed with the Management, the Group's net loss was primarily attributable to various factors, including the following: (i) the challenging conditions faced by the Group in the second half of 2017 persisted in 2018; (ii) pressure on the Group's gross margins continued; (iii) increase in the expenses relating to the continuous growth of the Group's IIDM (Integration, Innovation, Design, Manufacture) business (including ancillary logistics and distribution services); (iv) increase in the Group's foreign exchange loss; (v) substantial impairment losses relating to the Group's goodwill and interests in associates; (vi) fair value loss on convertible notes; and (vii) a substantial loss arising from the change in fair value of the Group's investments in certain listed companies.

Principal business activities of the Hon Hai Technology Group

The Hon Hai Technology Group is the leading global manufacturing service provider in the 3C industries.

As set out in the annual report of Hon Hai for the year ended 31 December 2019, its total revenue of approximately New Taiwan Dollars ("NTD") 5,293.8 billion and NTD5,342.8 billion for the years ended 31 December 2018 and 2019, respectively, representing a year-on-year increase of approximately 0.9%. Also, the Hon Hai Technology Group recorded profit of approximately NTD129.8 billion and NTD132.2 billion for the years ended 31 December 2018 and 2019, respectively, representing a year-on-year increase of approximately 1.8%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the annual report of Hon Hai for the year ended 31 December 2018, its total revenue of approximately NTD4,706.7 billion and NTD5,293.8 billion for the years ended 31 December 2017 and 2018, respectively, representing a year-on-year increase of approximately 12.5%. Also, the Hon Hai Technology Group recorded profit of approximately NTD135.4 billion and NTD129.8 billion for the years ended 31 December 2017 and 2018, respectively, representing a year-on-year decrease of approximately NTD5.6 billion or 4.1%.

VI. PRINCIPAL FACTORS AND REASONS CONSIDERED

Reasons and benefits for the Product Sales Transaction

As disclosed in the Letter from the Board, the Group and the Hon Hai Technology Group have been carrying out continuing connected transactions, as set out in the announcement of the Company dated 9 October 2019, to facilitate their respective businesses and operations from time to time.

The long-established relationship and connections between the Group and the Hon Hai Technology Group and the global geographical convenience and proximity between the Group and the Hon Hai Technology Group offer (among other things) efficient, convenient and timely communication and coordination between the parties to the transactions contemplated under the continuing connected transactions. The relevant continuing connected transactions, on one hand, provide a reliable, timely and efficient supply of materials, components and other products and provision of services in support of the Group's daily business operations, which are favourable to the Group's effective control and management over the product procurement, performance and quality, timeliness, production, facilities, capacities, expenditures, supply chain and after-sales services, whereas the relevant continuing connected transactions, on the other hand, generate more income for the Group and enhance the utilisation and management of the Group's assets and services. In addition, the continuous entering into of the continuing connected transactions between the Group and the Hon Hai Technology Group from time to time can effectively lower the operation risks of both the Group and the Hon Hai Technology Group mutually, and is favourable to the Group's daily business operations on an on-going basis.

As to the Product Sales Transaction, in particular, the Company considers it in its best interests to generate more income as well as enhance utilisation of its assets by carrying out the Product Sales Transaction in response to the Hon Hai Technology Group's needs from time to time, provided that the Hon Hai Technology Group purchases from the Group at prices comparable to market prices and/or which are considered to be fair and reasonable to the Company.

Having considered that (i) the Product Sales Transaction would generate more income for the Group; (ii) the utilisation and management of the Group's assets and services would be enhanced by the Product Sales Transaction; and (iii) the prices of the individual transactions contemplated under the Product Sales Transaction would be comparable to market prices of similar transactions entered into with independent third parties, we concur with the Management's view that the Product Sales Transaction is in the interests of the Company and the Shareholders as a whole.

Product Sales Transaction

Pursuant to the Framework Product Sales Agreement, for a term up to 31 December 2022, the Group has agreed to sell or procure its subsidiaries to sell to the Hon Hai Technology Group products (including but not limited to materials and components, tooling, light-guides and finished goods generally) manufactured, owned or held (coupled with interest) by the Group that may be used in connection with or for the purposes of the businesses of the Hon Hai Technology Group from time to time as well as such other products (including but not limited to any materials and components) as may be agreed between the Group and the Hon Hai Technology Group from time to time, upon and subject to the terms and conditions set out therein. In this respect, the scope of the aforesaid materials and components covers die-casting parts, flexible PCBs (printed circuit boards), PCBs, display/touch modules, heat sinks, work-in-progress generally and other materials and components that may be used in connection with or for the purposes of the businesses of the Hon Hai Technology Group from time to time as well as such other materials and/or components as may be agreed between the Group and the Hon Hai Technology Group from time to time.

Pricing terms

Under the Product Sales Transaction, the applicable price of the products to be sold to the Hon Hai Technology Group will be determined based on the following:

- (1) where the Group has been approved or otherwise designated by the relevant customers of the Hon Hai Technology Group, at the price agreed between the Group and such customers¹; if not, at a price to be determined by reference to the average market price (the “**Market Price Principle**”); or
- (2) where (1) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Technology Group upon the basis of the principle of “cost plus” (the “**Cost Plus Principle**”); or
- (3) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Technology Group based on reasonable commercial principles (the “**Reasonable Commercial Principle**”)².

Note 1: In this respect, the Group shall directly negotiate and agree the pricing terms with such customer, without the direct involvement of the Hon Hai Technology Group.

Note 2: This pricing term has not been applied since 2015 but remains to be relevant to cater to such circumstances in the future.

Under the Product Sales Transaction, the Group sells to the Hon Hai Technology Group products including, but not limited to, handset products, handset parts and moulds used in handset manufacturing and other consumer electronic products. Due to changes in the specifications of the handset products and technological changes, the specifications of the products under the Product Sales Transaction change from time to time as they need to be tailored for the specific product being manufactured and having regard to the changing market conditions (which may affect the prices of the products), the Group is not able to fix the prices of the products under the Product Sales Transaction but has instead agreed to the pricing terms set out above.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Payment for the Product Sales Transaction is usually received by the Group within 90 days after the date of the relevant invoice. These payment terms were usually adopted by the Group in its transactions with independent third parties or the Hon Hai Technology Group. Such terms are on normal commercial terms and not more favourable than those offered by the Group to independent third parties.

For details of the pricing terms for the Product Sales Transaction, please refer to the sub-heading “Pricing Details” in the Letter from the Board.

For our assessment, we have randomly sampled and reviewed six sets of transaction documents (the “**Product Sales Samples**”) between a member of the Group and member(s) of the Hon Hai Technology Group in respect of the Product Sales Transaction carried out during the period from 1 July 2019 up to 30 June 2020 (the “**Review Period**”). In addition to the Product Sales Samples, we randomly selected and reviewed six sets of transaction documents between a member of the Group and independent third party(ies) (the “**I3P Samples**”, together with the Product Sales Samples, the “**Samples**”) in respect of transactions having the same nature as the Product Sales Transaction, which were applied to the same pricing terms as the Product Sales Samples. The Samples comprise of invoices, purchase orders, transaction documents relating to products sold by the Hon Hai Technology Group to independent third parties, cost/price calculation sheets and relevant supporting documents under the Product Sales Transaction (to sell products to the Hon Hai Technology Group/independent third parties).

We consider the Review Period to be a suitable timeframe to enable us to assess the relatively current application of pricing policies and the relatively current internal control measures of the Group in practice. We summarised our work done as follows:

To start with, we understand from the Management that under the Product Sales Transaction, as from 2015, the Group has not been approved nor otherwise designated by the relevant customers of the Hon Hai Technology Group, and accordingly, the products have not been sold to the Hon Hai Technology Group at the price agreed between the Group and such customers for the Product Sales Transaction since 2015 but this pricing term remains to be relevant to cater to such circumstances in the future.

(a) The Market Price Principle

Based on our review of two Product Sales Samples which adopted the Market Price Principle and also based on our review and discussions with the Management, we understand that the Group obtained at least one historical transaction to the then independent third party or one transaction of the sale of the same products by the Hon Hai Technology Group to independent customers within six months of the proposed transaction under the Product Sales Transaction to provide reference on the market price. Based on our review of the Product Sales Samples, we note that the prices indicated on the invoices of the Product Sales Samples made reference to the prices indicated on the comparable invoice(s) of at least one historical transaction to the then independent third party or one comparable invoice of the sale of the same products by the Hon Hai Technology Group to independent customers within six months of the proposed transaction under the Product Sales Transaction. We also note from the invoices of the Product Sales Samples that the prices were consistent with the prices for the comparable historical independent transactions as demonstrated in the comparable invoices. We further note from the transaction documents that the product unit prices of such Product Sales Samples were identical to the ultimate unit prices of such products sold by the Hon Hai Technology Group to independent third parties. We consider it reasonable for the Group to make reference to historical independent transactions to the extent they are available within a reasonable timeframe.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We also note that the prices received (together with the payment terms) from the Hon Hai Technology Group under the Product Sales Transaction were no less favourable as compared with the prices (together with the payment terms) set out in the historical transactions with independent third parties in the Samples.

Accordingly, we consider that the Company has followed the Market Price Principle.

(b) The Cost Plus Principle

We have reviewed four Product Sales Samples and six I3P Samples in respect of the Cost Plus Principle. Based on our review and our discussions with the Management, we note that the pricing base is determined with reference to the percentage margin of comparable historical transactions with independent third parties.

We understand from the Management that the Group normally selects one independent comparable transaction within six months of the proposed transaction with the Hon Hai Technology Group/another independent third party to determine the current reasonable market margin. The Group would ensure that the margins earned by the Group for the proposed transaction with the Hon Hai Technology Group are no less favourable than the margin evidenced by the independent comparable transaction. Based on our review of the four Product Sales Samples and the six I3P Samples, we note that the prices indicated on the invoices of the Product Sales Samples or the I3P Samples made reference to the prices indicated on the invoices of independent comparable transactions. We have reviewed the invoices and the cost/price calculation sheets indicating the selling price, cost and margin of both the four Product Sales Samples and the six I3P Samples and noted that the margin agreed with the Hon Hai Technology Group was no less favourable than the margin for the independent comparable transactions. The Group will select one independent transaction (as closely related to the subject component/other product in nature as possible) within six months of the proposed transaction with the Hon Hai Technology Group to determine the margin pursuant to the pricing terms of the Product Sales Transaction. Given the specific nature of the subject product underlying the Product Sales Transaction, we consider the selection of one independent comparable transaction from an independent third party from a recent period to be fair and reasonable.

We understand from the Management that in the event no independent comparable transaction is available, the Group's accounting department would review the proposed transaction based on its past experience and public information on the market, if available. The Company would conduct a comparison between (i) the quotations obtained from the independent third parties; and (ii) the offers to the Hon Hai Technology Group. In some cases, depending on the nature of the subject transaction, the margins under the Cost Plus Principle will be determined after arm's length negotiations with the Hon Hai Technology Group, which take into account, among other factors, the prevailing market price, production capabilities and optimal utilisation of resources of the Group.

We note from the relevant I3P Samples which adopted the Cost Plus Principle that this pricing term is equally applicable to transactions with independent third parties.

Based on our review of the relevant Product Sales Samples, we note that the cost margin of sales to the Hon Hai Technology Group is substantiated to be no less favourable than that available from the independent comparable transaction. Given that the margins with the Hon Hai Technology Group are determined with reference to and are no less favourable than the margins available from independent third parties, we consider the Cost Plus Principle to be fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(c) The Reasonable Commercial Principle

We understand from the Management that it will be in the Group's best interests to generate more income as well as enhance utilisation of its assets by carrying out the Product Sales Transaction in response to the Hon Hai Technology Group's needs from time to time. Moreover, in consideration of its inventory optimisation management, the Group may agree to prices lower than costs or prices/margins under the Group's recent independent transactions. In such cases, the Group would only accept such lower prices if the products could not be sold at higher prices to other independent customers and the Group does not consider it to be in its interests to keep such inventory having regard to factors such as inventory obsolescence. The Group will attempt to solicit purchases from independent parties and will ensure that the prices of the products sold to the Hon Hai Technology Group will not be lower than any prices offered by interested independent buyers. The operation departments of the Group carry out the inventory optimisation management and solicit purchases from buyers including the Hon Hai Technology Group. The accounting departments of the Group will review any proposed sales of products by the operation departments under this pricing term. As stated in the Letter from the Board, this pricing term has not been applied since 2015 but remains to be relevant to cater to such circumstances in the future.

Notwithstanding that the Reasonable Commercial Principle has not been applied since 2015, based on our understanding with the Management, in the event that both the Market Price Principle and the Cost Plus Principle are not appropriate or applicable, the application of the Reasonable Commercial Principle for the Product Sales Transaction as mentioned above provides an alternative pricing term that would enable the Group to continuously utilise its assets by optimising its inventory, which in turn is beneficial to the Group as a whole. Accordingly, we consider the Reasonable Commercial Principle to be fair and reasonable.

Our analysis

Having considered that (i) the Group's intention to cooperate with the Hon Hai Technology Group; (ii) the Product Sales Transaction will be beneficial to both the Group and the Hon Hai Technology Group in order to facilitate their respective businesses and operations from time to time; and (iii) the pricing basis, in particular, the pricing terms shall follow the pricing procedure, which also applies to the transactions with independent third parties, we concur with the Management's view that the Product Sales Transaction is entered into in the ordinary and usual course of business of the Group, and the terms thereof are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Internal control measures

Set out below is an extract of the internal control procedures adopted by the Company over the continuing connected transactions of the Company, including the Product Sales Transaction, and details of the internal control procedures are set out in the Letter from the Board:

- (i) Before entering into a transaction under the continuing connected transactions of the Company, the purchase departments and/or the operation 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. 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 accounting departments of the relevant member companies of the Group will review the aforesaid works carried out by the purchase departments and/or the operation departments (as the case may be) on a quarterly basis.
- (ii) The Company has formulated and maintained a list of connected persons of the Company for the purpose of monitoring the connected transactions (including the Product Sales Transaction) and a copy of such list, together with a copy of each of the framework agreements and subsequent supplemental agreements for the continuing connected transactions (including the Framework Product Sales Agreement), have been kept at the Group's headquarters accounting department, which is the department 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 headquarters accounting department of the Group collects the updated annual rolling forecast for each category of the continuing connected transactions (the "**CCT Rolling Forecast**") from the relevant operation departments of the Group every month and uses the CCT Rolling Forecast to calculate and monitor the estimated full-year transaction amount of each category of the continuing connected transactions at the Group's level. In relation to each category of the continuing connected transactions, the headquarters accounting department of the Group also compares the CCT Rolling Forecast with the pre-approved annual cap amounts or de minimis thresholds to check and see if there is any potential risk of the then estimated full-year transaction amount exceeding the corresponding annual cap amounts or de minimis thresholds. When there is potentially a new transaction under the relevant category of the continuing connected transactions to be transacted between the Group and the Hon Hai Technology Group, the chief financial officer of the Group (the "**Group CFO**") will inform the headquarters accounting department of the Group to ensure that such potential new transaction has been included in the relevant CCT Rolling Forecast and, if

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necessary, update such CCT Rolling Forecast based on the information regarding such potential new transaction then available for review by the Group CFO. When the relevant CCT Rolling Forecast indicates that the pre-approved annual cap amounts or de minimis thresholds relating to the relevant category of the continuing connected transactions may be exceeded, the headquarters accounting department of the Group will check the reasons and/or assumptions underlying the relevant CCT Rolling Forecast again, in consultation with the operation departments of the Group, and then report the same to the Group CFO. The Group CFO will then internally review and assess if the then existing pre-approved annual cap amounts or de minimis thresholds will likely be exceeded, and if so, will initiate re-compliance or compliance with all the applicable requirements under the Listing Rules in respect of any revision of the then existing pre-approved annual cap amounts or setting of annual cap amounts for the de minimis continuing connected transaction that may potentially exceed the de minimis thresholds.

- (iii) The headquarters accounting department of the Group will consult with the Group's internal audit function in respect of continuing connected transaction compliance issues and report semi-annually to the Group CFO, normally before the Company's publication of the interim results and final results of the Group respectively in every financial year, and the Group CFO (in his own capacity and on behalf of the Group's management designated for the purposes of assisting the Board with the Group's enterprise risk management and internal controls) will semi-annually report to the audit committee of the Company (currently comprising all the independent non-executive Directors) and simultaneously, 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 properly implemented and operated and are adequate and effective to ensure that such transactions were so conducted. The audit committee will consider this accordingly.
- (iv) The Company's external auditor 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. According to Rule 14A.56 of the Listing Rules, the Company's external auditor will report its findings and conclusions (in the form of an independent assurance report) to the Board, whereas a copy thereof will be provided by the Company to the Stock Exchange.

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- (v) 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) semi-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 properly implemented and operated and are adequate and effective to ensure that such continuing connected transactions were so conducted and also conducted in accordance with the pricing policies set out in such relevant agreements.

We have reviewed the 2019 Annual Report and an internal report of the Company in relation to its continuing connected transactions issued in July 2020 which sets out, amongst others, the internal control policies and measures implemented by the Company to provide an effective framework for better corporate governance and enterprise risk management and monitor the continuing connected transactions between the Group and the Hon Hai Technology Group. We note that the Group has implemented its internal control procedures to ensure that the terms offered by connected persons of the Company are no less favourable than those available to or from independent third parties (as the case may be) and any continuing connected transactions of the Company should be conducted in accordance with the pricing policies under the respective continuing connected transaction framework agreements. Pursuant to the internal control measures and policies of the Company, the Group's internal audit department is responsible to review the internal control functions of the Group relating to its continuing connected transactions from time to time. The Group's accounting department is primarily responsible to review and monitor transactions between the Group and the Hon Hai Technology Group as to whether such transactions fall within the scope of the relevant agreements and that the annual caps are not exceeded.

Based on the above and having considered the internal control procedures adopted by the Company, we concur with the view of the Management that the procedures the Company adopted are considered to be efficient and adequate to govern the future execution of the Product Sales Transaction, which will continue to be conducted on terms that are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Reason for, and basis of, the Proposed Revised Annual Caps

Set out below are (i) the historical actual amounts of the Product Sales Transaction for the two years ended 31 December 2018 and 2019 and for the six months ended 30 June 2020; (ii) the Existing Annual Caps; and (iii) the Proposed Revised Annual Caps:

	Actual transaction amounts			Existing Annual Caps			Proposed Revised Annual Caps		
	For the year ended 31 December 2018	For the year ended 31 December 2019	For the six months ended 30 June 2020	2020	2021	2022	2020	2021	2022
	(audited)	(audited)	(unaudited)						
US\$'000									
Product Sales Transaction	1,207,353	997,226	921,308	2,289,785	2,829,964	3,497,575	3,370,641	4,159,639	5,133,326

As set out in the Letter from the Board, an existing customer of the Group (the “Customer”) was acquired by Hon Hai in the beginning of 2020 and became a connected person of the Company. The Group’s sales of products to the Customer have become part of the Company’s continuing connected transactions falling under the Product Sales Transaction since then. Taking into account the Group’s sales of products to the Customer, together with the other sales of products under the Product Sales Transaction, the Company anticipates that the Existing Annual Caps may not be sufficient and proposes to revise them.

The Proposed Revised Annual Caps are mainly based on:

- (a) the actual transaction amounts of the Product Sales Transaction for the six months ended 30 June 2020;
- (b) the transaction amounts of the Product Sales Transaction for the second half of 2020 as estimated based on the following:
 - the actual transaction amounts of the Group’s sales of products to the Customer in the second half of 2019 and the annual growth rate of the Group’s sales of products to the Customer of 2019 of 47.3%; and
 - the actual average monthly transaction amounts of the Group’s sales of products to the other customers (other than the Customer) under the Product Sales Transaction for the period from March to June 2020;
- (c) the transaction amounts of the Product Sales Transaction for 2021 and 2022 as estimated based on an annual growth rate of 23.4%, representing the annual growth rate of the estimated transaction amounts of the Product Sales Transaction of 2020; and
- (d) a buffer of approximately 10% to cater for any unforeseen changes in market conditions (including but not limited to an unexpected increase in consumer demand and/or unexpected increase in the cost of supply, where applicable).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Analysis on the Proposed Revised Annual Caps

To assess the fairness and reasonableness of the Proposed Revised Annual Caps, we have considered the basis for determining the Proposed Revised Annual Caps and reviewed the calculation of the Proposed Revised Annual Caps.

Based on our review and discussions with the Management, the annual transaction amount of the Product Sales Transaction for 2020 represents the sum of the actual historical amounts for the six months ended 30 June 2020 and a projected sum for the remaining six months from 1 July 2020 to 31 December 2020. The projected sum was estimated based on (i) the projected figures relating to sales to the Customer under the Product Sales Transaction; and (ii) the projected figures relating to sales to all other connected persons of the Company (“**Other Connected Customers**”) under the Product Sales Transaction.

The historical transaction amounts arising from sales to the Customer under the Product Sales Transaction during the six months from 1 July 2019 to 31 December 2019 and the associated historical growth rate of approximately 47.3% are used to project the Group’s monthly revenue in respect of sales to the Customer under the Product Sales Transaction for the remaining six months ending 31 December 2020. We obtained from the Management and reviewed a schedule of transaction amounts between the Group and the Customer during the years ended 31 December 2018 and 2019 and noted that the historical growth rate of approximately 47.3% was calculated based on such transaction amounts during the two years ended 31 December 2018 and 2019. We also noted that the transaction amounts of the Product Sales Transaction with the Customer was higher in the second half of 2019 than the first half of 2019. Therefore, we concur with the Management that it is reasonable to use the historical transaction amounts of the Product Sales Transaction with the Customer in the second half of 2019 to project for the period from 1 July 2020 to 31 December 2020. In assessing the impact of the COVID-19 pandemic to the actual and estimated sales from the Group to the Customer under the Product Sales Transaction, we obtained from the Management and reviewed a schedule of transaction amounts under the Product Sales Transaction between the Group and the Customer during the six months ended 30 June 2019 and 2020, respectively, and noted that the transaction amounts for the first half of 2020 had been held up to a level similar to that for the first half of 2019. In addition, as discussed with the Management, the transaction amounts of the Product Sales Transaction with the Customer was under substantial growth during the year ended 31 December 2019 and the momentum of growth could be expected to continue for the three years ending 31 December 2020, 2021 and 2022.

Given that (i) the growth rate represents the latest actual year-on-year comparison in growth of the transaction amounts of the Product Sales Transaction with the Customer; (ii) the transaction amounts under the Product Sales Transaction between the Group and the Customer for the first half of 2020 had been held up to a level similar to that for the first half of 2019, despite the COVID-19 pandemic; (iii) the relatively higher growth in sales during the second half of 2019 as compared with the first half of 2019 to the Customer under the Product Sales Transaction; and (iv) the potential continuation of growth in the transaction amounts of the Product Sales Transaction for the three years ending 31 December 2020, 2021 and 2022 with the Customer, we consider that it is reasonable for the Company to apply the historical growth rate of approximately 47.3% and the historical transaction amounts with the Customer as the basis to project for the remaining six months for the year ending 31 December 2020.

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The projected figures relating to sales to the Other Connected Customers under the Product Sales Transaction for the six months ending 31 December 2020 was based on the average of the actual transaction amounts between the Group and the Other Connected Customers during the four months from 1 March 2020 to 30 June 2020 and such projection has taken into account the actual and potential impacts of the COVID-19 pandemic by utilising the actual transaction amounts between the Group and the Other Connected Customers under the Product Sales Transaction during the four months from 1 March 2020 to 30 June 2020. We understand that by the time the Company starts calculating the projected sales figures, the latest available historical transaction information of the Product Sales Transaction is from 1 March 2020 up to 30 June 2020. Moreover, for estimating the Proposed Revised Annual Caps, it is expected that the Other Connected Customers would contribute similar transaction amounts for the second half of 2020 as compared to the period from March 2020 to June 2020 under the Product Sales Transaction. The Company considers, and we concur, it appropriate to use the most recent monthly revenue as the basis to project the monthly revenue for the remaining six months for the year ending 31 December 2020 in respect of sales to the Other Connected Customers.

The proposed revised annual caps for the year ending 31 December 2020 are calculated taking into account (i) the actual transaction amounts of the Product Sales Transaction during the six months ended 30 June 2020; (ii) the projected transactions with the Customer under the Product Sales Transaction during the six months ending 31 December 2020 based on the historical growth rate of approximately 47.3% and historical transaction amounts during the six months ended 31 December 2019; and (iii) the projected transactions with the Other Connected Customers under the Product Sales Transaction during the six months ending 31 December 2020 based on the latest transaction amounts with the Other Connected Customers during the four months from 1 March 2020 to 30 June 2020. A buffer of 10% is applied to arrive at the proposed revised annual caps for the year ending 31 December 2020. The proposed revised annual caps for the year ending 31 December 2021 are calculated by multiplying the proposed 2020 annual caps with the growth rate of approximately 23.4%. The proposed revised annual caps for the year ending 31 December 2022 are calculated by multiplying the proposed 2021 annual caps with the same growth rate.

We understand from the Management that the growth rate of approximately 23.4% was calculated based on the actual and projected transaction amounts of the Product Sales Transaction for the year ending 31 December 2020 comparing with the actual transaction amounts of 2019 after taking into account, among other things, the actual and potential impacts of the COVID-19 pandemic. For estimating the Proposed Revised Annual Caps, the Management expected that the growth in the transaction amounts of the Product Sales Transaction with the Customer and the Other Connected Customers would continue for the years ending 31 December 2021 and 2022. As such, the Management considers, and we concur, the growth rate for the year ending 31 December 2020 to be appropriate for calculating the proposed revised annuals caps for the years ending 31 December 2021 and 2022 in order to capture the projected increase in transaction amounts with the Customers and the Other Connected Customers during the year ending 31 December 2020 and such growth is expected to continue for the years ending 31 December 2021 and 2022.

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The buffer of 10% is to cater for any unforeseen changes in market conditions including an unexpected increase in consumer demand and/or unexpected increase in the cost of supply (where applicable). As discussed with the Management, the buffer of 10% is to cater for unexpected circumstances, such as unexpected increase in consumer demand and/or unexpected increase in the cost of supply, which would provide the Group with the flexibility but not the obligation to sell products under the Product Sales Transaction to the Hon Hai Technology Group, apart from the projected transaction amounts for sales to the Customer and the Other Connected Customers under the Product Sales Transaction. Having taken into account (i) the pricing basis, in particular, the pricing terms shall follow the pricing procedure as discussed under the heading “Pricing terms” above; (ii) the reasons and benefits for the Product Sales Transaction which would generate more income for the Group; and (iii) the buffer providing the flexibility but not obligation for the Group to sell products under the Product Sales Transaction to the Hon Hai Technology Group under unexpected circumstances, we consider the growth rate as mentioned above and the buffer to be acceptable for the purpose of determining the Proposed Revised Annual Caps.

Based on our assessment of the calculation of the Proposed Revised Annual Caps, which are based on factors including the historical transaction amounts for the years ended 31 December 2018 and 2019, the estimated transaction amounts for the year ending 31 December 2020, the annual growth rate of approximately 23.4% and a buffer of 10%, we are of the view that the bases of determining the Proposed Revised Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. The Independent Shareholders should note that the Proposed Revised Annual Caps and the underlying assumptions and calculations should not be construed as a forecast of any future expenditure, income or profitability of the Group.

Having considered that, in particular, (i) the Hon Hai Technology Group is a prominent industry leader of providing vertically integrated manufacturing services; (ii) the Product Sales Transaction generates more income for the Group; and (iii) the terms of the Product Sales Transaction are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, we are of the view that the entering into of the Product Sales Transaction is in the ordinary and usual course of business of the Group and, together with the Proposed Revised Annual Caps, is in the interests of the Company and the Shareholders as a whole.

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VII. RECOMMENDATION

In formulating our recommendation to the Independent Board Committee and the Independent Shareholders, we have considered the above principal factors and reasons, in particular, the following:

- (i) the reasons and benefits for the Product Sales Transaction;
- (ii) the Product Sales Transaction forms part of the Group's businesses on a continuing basis;
- (iii) the Product Sales Transaction will be conducted in the ordinary and usual course of business of the Group and on normal commercial terms; and
- (iv) the reason and basis for determining the Proposed Revised Annual Caps are fair and reasonable, details of which are set out in the section headed "Reason for, and basis of, the Proposed Revised Annual Caps".

Having considered the factors and reasons as stated above and based on our analysis set out above, we are of the opinion that (i) the Proposed Revised Annual Caps are fair and reasonable; (ii) the entering into of the Product Sales Transaction is in the ordinary and usual course of business of the Group and, together with the Proposed Revised Annual Caps, in the interests of the Company and the Shareholders as a whole; and (iii) the terms of the Product Sales Transaction are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole and, together with the basis of determining the Proposed Revised Annual Caps, are fair and reasonable.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Product Sales Transaction and the Proposed Revised Annual Caps.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Jimmy Chung
Managing Director

Mr. Jimmy Chung is a Responsible Officer of Red Sun Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and permitted to undertake work as sponsor. He has over 20 years of experience in corporate finance industry in Greater China.

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) Directors' interests

As at the Latest Practicable Date, the interests and/or short positions, if any, of each Director and chief executive of the Company in the shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) (i) 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 the Directors and chief executive were taken or deemed to have under such provisions of the SFO), or (ii) which were required to be and were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (iii) which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) adopted by the Company were as follows:

Name of director	Name of corporation	Capacity/Nature of interest	Total number of ordinary shares	Approximate percentage of interest in the Company/ associated corporation
CHIH Yu Yang	The Company	Personal Interest	20,731,661	0.2527%
	Hon Hai	Personal Interest	108,075	0.0008%
	Chiun Mai Communication Systems, Inc. (“CMCS”) (Note)	Personal Interest	1,000	0.0007%
KUO Wen-Yi	The Company	Interest of Spouse	700,000	0.0085%
	Hon Hai	Personal Interest	1,848	0.00001%
		Interest of Spouse	13	0.0000001%

Note: The Company indirectly, through its wholly-owned subsidiaries, holds approximately 87.06% of the entire number of issued shares of CMCS, a company incorporated in Taiwan.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which would have 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 the Directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO), or (ii) which were required to be and were recorded in the register required to be kept by the Company under Section 352 of the SFO, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, its holding company or any subsidiary of the Company's holding company was a party and in which a director of the Company or an entity connected with a director of the Company (as defined in Section 486 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.

(b) Substantial Shareholders' interests

So far as is known to any Director, as at the Latest Practicable Date, Shareholders (other than the Directors or chief executive of the Company) who had interests and/or short positions in the shares and/or underlying shares of the Company which would fall 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 were as follows:

Name of substantial shareholder	Capacity/Nature of interest	Total number of ordinary shares	Approximate percentage of interest in the Company
Foxconn (Far East) Limited (Note 1)	Beneficial owner	5,081,034,525	61.94%
Hon Hai (Notes 1 and 2)	Interest of a controlled corporation	5,081,034,525	61.94%

Notes:

1. Foxconn (Far East) Limited is a direct wholly-owned subsidiary of Hon Hai, and therefore, Hon Hai is deemed or taken to be interested in the 5,081,034,525 Shares which are beneficially owned by Foxconn (Far East) Limited for the purposes of the SFO.
2. Mr. CHIH Yu Yang, the acting chairman and an executive Director, is a director of a subsidiary and an associate of Hon Hai. Mr. WANG Chien Ho, an executive Director, is an employee of the Hon Hai Technology Group.

Save as disclosed above, as at 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.

3. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinion or advice contained in this circular:

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

As at the Latest Practicable Date, Red Sun was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Red Sun had 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 and/or logo in the form and context in which they appear.

The letter and recommendation given by Red Sun are given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, Red Sun had no 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 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service contract with any member of the Group which does not expire or which is not determinable by the Company or its subsidiaries (as the case may be) within one year without payment of compensation other than statutory compensation.

5. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests 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 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. DIRECTORS' INTEREST IN COMPETING BUSINESS

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

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in the announcement of the Company dated 7 August 2020 in respect of the interim results of the Group for the six months ended 30 June 2020, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

8. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Framework Product Sales Agreement is available for inspection at the Company's principal place of business in Hong Kong at 8th Floor, Peninsula Tower, 538 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong during normal business hours on any weekday (except public holidays in Hong Kong) from the date of this circular up to the date of the EGM (both dates inclusive) and also at the EGM.

NOTICE OF EGM

FIH[®] 富智康[™]

FIH Mobile Limited

富智康集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2038)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of the shareholders of FIH MOBILE LIMITED (the “**Company**”) will be held at Kowloon Room I, Mezzanine Level, Kowloon Shangri-La Hotel, 64 Mody Road, Tsimshatsui East, Hong Kong on Friday, 18 September 2020 at 10:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following ordinary resolution:

ORDINARY RESOLUTION

“**THAT:**

- (a) the transactions contemplated under the framework product sales agreement entered into among the Company, 鴻海精密工業股份有限公司 (Hon Hai Precision Industry Co. Ltd., for identification purposes only) (“**Hon Hai**”) and Innolux Corporation (an associate of Hon Hai formerly known as Innolux Display Corporation and then Chimei Innolux Corporation) on 18 January 2005 (as amended by the respective supplemental agreements among the above parties dated 28 February 2006, 24 October 2007 and 19 November 2010, and the respective supplemental agreements between the Company and Hon Hai dated 17 October 2013, 11 August 2016 and 9 October 2019) (the “**Product Sales Transaction**”) for the three years ending 31 December 2022 and the Company’s entering into and implementation thereof from time to time thereunder and the latest terms governing the same be and are hereby approved in all respects;
- (b) the proposed revised annual caps as set out in the Company’s circular dated 28 August 2020 in respect of the Product Sales Transaction for the three years ending 31 December 2022 be and are hereby approved in all respects; and
- (c) 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 authorised for and on behalf of the Company to execute and deliver (and affix the Company’s common seal to, if necessary) all such other 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 Product Sales Transaction for the three years ending 31 December 2022 and/or the said proposed revised annual caps.”

By Order of the Board
CHIH Yu Yang
Acting Chairman

Hong Kong, 28 August 2020

NOTICE OF EGM

Registered Office:

P. O. Box 31119 Grand Pavilion
Hibiscus Way
802 West Bay Road
Grand Cayman, KY1-1205
Cayman Islands

Head Office:

No. 369 Jianshe South Road
Anci District
Langfang City
Hebei Province
People's Republic of China

*Principal Place of Business
in Hong Kong:*

8th Floor, Peninsula Tower
538 Castle Peak Road
Cheung Sha Wan
Kowloon
Hong Kong

Notes:

- (1) The register of members of the Company will be closed from Monday, 14 September 2020 to Friday, 18 September 2020, both days inclusive, during which period no transfer of shares of the Company (“**Shares**”) will be registered. In order to be entitled to attend and vote at the EGM, 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 Friday, 11 September 2020.
- (2) Any member entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies to attend and to vote on his/her behalf. 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.
- (3) Where there are joint registered holders of any Share(s), any one of such joint holders may vote, either in person or by proxy, in respect of such Share(s) as if he/she were solely entitled thereto, but if more than one of such joint holders is present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
- (4) To be valid, the 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 Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time scheduled for holding the meeting (or adjourned meeting thereof). Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or any adjournment thereof if the members so desire.
- (5) 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, the ultimate controlling shareholder of the Company, and its associates (such term as defined in the Listing Rules) are required to abstain from voting on the above ordinary resolution.
- (6) The ordinary resolution set out above will be determined by way of poll.
- (7) In view of the recent developments relating to the novel coronavirus disease (COVID-19), the Company strongly recommends its Shareholders to consider appointing the chairman of the meeting as proxy to vote on the ordinary resolution set out above according to their respective voting instructions at the meeting, instead of attending the meeting in person.