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## **FIT Hon Teng Limited**

**鴻騰六零八八精密科技股份有限公司**

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

**(Stock code: 6088)**

### **DISCLOSEABLE AND CONNECTED TRANSACTION ISSUANCE OF SHARES BY LINKSYS DEEMED DISPOSAL OF EQUITY INTEREST IN LINKSYS**

#### **SHARE PURCHASE AGREEMENT**

The Board is pleased to announce that on August 2, 2021 (after trading hours of the Stock Exchange), Linksys entered into the Share Purchase Agreement with Fortinet pursuant to which Fortinet conditionally agreed to purchase, and Linksys conditionally agreed to allot, issue and sell, the New Shares for the Consideration.

As of the date of this announcement, Linksys is a non-wholly owned subsidiary of the Company, which is held by the Company as to 67.39% and Fortinet as to 32.61%. Upon issuance of the New Shares, Linksys will be held by the Company as to 49.21% and Fortinet as to 50.79%. Linksys will then cease to be a subsidiary of the Company and the financial results of Linksys will cease to be consolidated into the consolidated financial statements of the Company.

#### **LISTING RULES IMPLICATIONS**

On March 19, 2021, Linksys, a then wholly-owned subsidiary of the Company, entered into the First Share Purchase Agreement with Fortinet pursuant to which Fortinet purchased and Linksys allotted, issued and sold 2,117,852 series A preferred shares for a total consideration of US\$75,000,000.00. At the time of entering into the First Share Purchase Agreement, Fortinet was an independent third party of the Company and all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the First Transaction were less than 5%. Therefore the First Transaction did not constitute a discloseable or connected transaction of the Company.

As of the date of this announcement, Linksys is held by the Company as to 67.39% and Fortinet as to 32.61%. Fortinet is therefore a connected person of the Company at the subsidiary level, by virtue of being a substantial shareholder of its non-wholly owned subsidiary.

On the basis that the First Transaction and the Proposed Transaction are entered into by Linksys with Fortinet within a 12-month period, the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Proposed Transaction shall be aggregated with those of the First Transaction. Accordingly, as the highest of all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Proposed Transaction, when aggregated with those of the First Transaction, are more than 5% but less than 25%, the Proposed Transaction constitutes a discloseable and connected transaction of the Company. The Proposed Transaction, but for Rule 14A.37 of the Listing Rules, is subject to the reporting, announcement and the independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

An application will be made by the Company to the Stock Exchange for a waiver from the requirement of the Company to convene a general meeting under Rule 14A.37 of the Listing Rules on the basis that: (i) to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder had a material interest in the Proposed Transaction, and no Shareholder would be required to abstain from voting if the general meeting of the Company was convened to approve the Proposed Transaction; and (ii) Foxconn (Far East) Limited, which was directly interested in 5,179,557,888 Shares as disclosed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and such Shares constituted approximately 75.15% of the total number of issued Shares as of the date of this announcement, had indicated its approval of the Proposed Transaction.

If the abovementioned waiver under Rule 14A.37 of the Listing Rules is granted by the Stock Exchange, no extraordinary general meeting of the Company will be convened for the purpose of considering and approving the Proposed Transaction.

If the abovementioned waiver is not granted by the Stock Exchange, the Company currently expects to convene an extraordinary general meeting to obtain the requisite approval from the Shareholders.

#### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An Independent Board Committee, comprising Mr. CURWEN Peter D, Mr. TANG Kwai Chang and Mr. CHAN Wing Yuen Hubert, has been formed to advise the Shareholders in connection with the Proposed Transaction, and an Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Shareholders on the same.

#### **CIRCULAR**

The circular containing, amongst other things, further information on the terms of the Proposed Transaction, a letter from the Independent Board Committee and a letter from the Independent Financial Adviser, is expected to be dispatched to the Shareholders on or before August 24, 2021.

The Board is pleased to announce that on August 2, 2021, Linksys, a non-wholly owned subsidiary of the Company, entered into the Share Purchase Agreement with Fortinet pursuant to which Fortinet conditionally agreed to purchase, and Linksys conditionally agreed to allot, issue and sell, the New Shares for the Consideration.

## **MAJOR TERMS OF THE SHARE PURCHASE AGREEMENT**

### **Date**

August 2, 2021 (after trading hours of the Stock Exchange)

### **Parties**

- (i) Linksys, as the issuer; and
- (ii) Fortinet, as the subscriber.

### **Subject Matter**

The New Shares, being 2,400,232 series A preferred shares of Linksys, representing 21.25% of its entire issued share capital as enlarged by the issuance of the New Shares.

As of the date of this announcement, Linksys is a non-wholly owned subsidiary of the Company, which is held by the Company as to 67.39%, being 4,376,894 series A preferred shares, and Fortinet as to 32.61%, being 2,117,852 series A preferred shares. Upon the issuance of the New Shares, Linksys will be held by the Company as to 49.21%, being 4,376,894 series A preferred shares, and Fortinet as to 50.79%, being 4,518,084 series A preferred shares. Linksys will then cease to be a subsidiary of the Company and the financial results of Linksys will cease to be consolidated into the consolidated financial statements of the Company.

### **Consideration**

The Consideration is US\$84,999,990.43, which was agreed after arm's length negotiations between Linksys and Fortinet taking into account (i) the unaudited consolidated financial statements of Linksys for the years ended December 31, 2019 and 2020 and for the six months ended June 30, 2021; and (ii) the net asset value of Linksys as of June 30, 2021.

### **Conditions Precedent**

Each party's obligation to consummate the Proposed Transaction is subject to the fulfillment (or waiver) of the following conditions precedent:

- (a) Each party having performed and complied with all covenants, agreements, obligations and conditions contained in the Share Purchase Agreement that are required to be performed or complied with by such party on or before the Closing;
- (b) all authorizations, approvals or permits, if any, of any governmental authority or regulatory body of the United States or of any state that are required in connection with the lawful issuance and sale of the New Shares pursuant to the Share Purchase Agreement being obtained and effective as of the Closing;

- (c) Each of the Company, Linksys and Fortinet having executed and delivered the Amended and Restated Investors' Rights Agreement and the Amended and Restated Right of First Refusal Agreement to the other parties; and
- (d) all waiting periods (and extensions thereof) relating to filings required under the HSR Act having expired or been terminated.

In addition to conditions (a) to (d) as disclosed above, the obligation of Fortinet to purchase the New Shares is subject to the fulfillment (or waiver by Fortinet) of the following conditions precedent:

- (e) each of the representations and warranties of Linksys in the Share Purchase Agreement being true and correct on and as of the date of the Share Purchase Agreement and on and as of the Closing Date as though such representations and warranties were made on and as of such date (except for representations and warranties which address matters only as to a specified date, which representations and warranties being true and correct with respect to such specified date);
- (f) each of the items, agreements, certificates and documents required to be executed and/or delivered by Linksys and/or its counsel upon the Closing in accordance with the terms of the Share Purchase Agreement having been received by the designated recipient(s) thereof; and
- (g) approval by CFIUS having been obtained (if applicable).

In addition to conditions (a) to (d) as disclosed above, the obligation of Linksys to allot, issue and sell the New Shares is subject to the fulfillment (or waiver by Linksys) of the following conditions precedent:

- (h) each of the representations and warranties of Fortinet in the Share Purchase Agreement being true and correct as of the Closing Date; and
- (i) the Company having obtained a shareholders' approval of the Proposed Transaction by way of a general meeting or a written shareholders' approval of the Proposed Transaction in accordance with Rule 14A.37 of the Listing Rules.

## **Closing**

The Closing shall take place on the date of the next fiscal month end of Linksys following the satisfaction or waiver (where applicable by both parties or the relevant party as indicated above) of the above conditions precedent, or on such other date as Linksys and Fortinet may mutually agree upon in writing.

At the Closing, Linksys shall deliver to Fortinet (A) a copy of the register of members of Linksys, showing Fortinet as the relevant owner of the Shares being purchased by Fortinet at the Closing, and (B) a share certificate representing the New Shares being purchased by the Purchaser at the Closing, against Fortinet's payment of the aggregate Consideration therefor by wire transfer to a bank account designated by Linksys.

## **Termination**

The Share Purchase Agreement may be terminated at any time prior to the Closing:

- (a) by mutual written agreement of both parties;
- (b) by either party if the Closing shall not have been consummated on or before November 30, 2021; provided that the right to terminate the Share Purchase Agreement pursuant to this provision shall not be available to any party whose breach of any provision of the Share Purchase Agreement results in the failure of the Closing to be consummated by such time;
- (c) by Fortinet if there has been a breach of any representation, warranty, covenant or agreement of Linksys set forth in the Share Purchase Agreement such that the conditions precedent for Fortinet to purchase the New Shares would not be satisfied, and such breach has not been cured within ten (10) calendar days after written notice thereof to Linksys; provided, however, that no cure period shall be required for a breach which by its nature cannot be cured;
- (d) by Linksys, if there has been a breach of any representation, warranty, covenant or agreement of Fortinet set forth in the Share Purchase Agreement such that the conditions precedent for Linksys to allot, issue and sell the New Shares would not be satisfied, and such breach has not been cured within ten (10) calendar days after written notice thereof to Fortinet; provided, however, that no cure period shall be required for a breach which by its nature cannot be cured; or
- (e) by either party upon notice to the other party if all waiting periods (and extensions thereof) under the HSR Act shall not have expired or been terminated on or before November 30, 2021.

## **INVESTORS' RIGHTS AGREEMENT AND RIGHT OF FIRST REFUSAL AGREEMENT**

Linksys, Fortinet and the Company will enter into the Amended and Restated Investors' Rights Agreement and the Amended and Restated Right of First Refusal Agreement to govern the rights and obligations of Linksys, Fortinet and the Company. The Amended and Restated Investors' Rights Agreement and the Amended and Restated Right of First Refusal Agreement shall include the following principal terms, among others:

- (i) the number of directors of Linksys shall be seven, of which (i) three directors shall be nominated by the Company; (ii) three directors shall be nominated by Fortinet; and (iii) one director shall be mutually selected by the Company and Fortinet; and
- (ii) customary preferred shareholder protection rights including anti-dilution rights, rights of first refusal, information rights, co-sale rights and consent rights over reserved matters.

## GENERAL INFORMATION

### The Group

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

### Linksys

Linksys is incorporated in the Cayman Islands with limited liability and operates primarily in the connected home business.

### Fortinet

Fortinet is a Delaware corporation listed on the NASDAQ Capital Market (NASDAQ code: FTNT). Fortinet secures the largest enterprise, service provider, and government organizations around the world and ranks number one in the most security appliances shipped worldwide. More than 500,000 customers trust Fortinet to protect their businesses.

### Financial information of Linksys

Set out below is the financial information of Linksys as extracted from the financial statements of Linksys for the two years ended December 31, 2019 and 2020 and six months ended June 30, 2021:

	For the year ended December 31, 2019	For the year ended December 31, 2020	For the six months ended June 30, 2021
Net loss before tax and extraordinary items	US\$25,881,000	US\$14,164,000	US\$16,216,000
Net loss after tax and extraordinary items	US\$18,422,000	US\$8,623,000	US\$10,708,000

Based on the financial statements of Linksys for the six months ended June 30, 2021, the unaudited net asset value of Linksys is US\$152,746,000.

## REASONS FOR AND BENEFITS OF THE PROPOSED TRANSACTION

The Proposed Transaction enhances Linksys's competitiveness by offering to the market enterprise-grade connectivity and security and unparalleled quality of services to organizations that need to provide seamless and secured connectivity for their employees to efficiently work from home. The Proposed Transaction creates an alliance that leverages Fortinet's global reach of existing cybersecurity customers and Linksys's trusted consumer networking product in both retail and major internet service providers. For example, the collaboration between Fortinet and Linksys has already introduced a product "Linksys HomeWRK for Education" which is secured by Fortinet. This affordable solution allows schools to distribute provision-free hardware with simple data plans to students who need fast-speed internet connections at home, so that they can complete homework and stay on top of their learning requirements for better academic performance.



Taking into account the above reasons and the terms of the Share Purchase Agreement, all Directors (including the independent non-executive Directors) are of the view that (i) the terms of the Share Purchase Agreement are fair and reasonable; (ii) the Proposed Transaction is on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (iii) the Proposed Transaction is in the interests of the Company and the Shareholders as a whole.

None of the Directors (including the independent non-executive Directors) has a material interest in the Share Purchase Agreement.

## **FINANCIAL IMPACT OF DEEMED DISPOSAL OF EQUITY INTEREST IN LINKSYS**

As of the date of this announcement, Linksys is a non-wholly owned subsidiary of the Company, which is held by the Company as to 67.39% and Fortinet as to 32.61%. Upon the Closing, Linksys will be held by the Company and Fortinet as to 49.21% and 50.79% respectively. Linksys will then cease to be a subsidiary of the Company and the financial results of Linksys will cease to be consolidated into the consolidated financial statements of the Company.

The Company expects to record a gain up to US\$5 million (before tax and expenses) from the deemed disposal of Linksys under the Share Purchase Agreement, representing the change in the net asset value of Linksys attributable to the Company before and after the Proposed Transaction. The net asset value of Linksys attributable to the Company before and after the Proposed Transaction are US\$152,746,000 and US\$237,745,990.43 respectively. However, the actual amount of net gain from the deemed disposal can only be determined on the Closing Date. Linksys intends to use the Consideration as its general working capital.

## **LISTING RULES IMPLICATIONS**

On March 19, 2021, Linksys, a then wholly-owned subsidiary of the Company, entered into the First Share Purchase Agreement with Fortinet pursuant to which Fortinet purchased and Linksys allotted, issued and sold 2,117,852 series A preferred shares for a total consideration of US\$75,000,000.00. At the time of entering into the First Share Purchase Agreement, Fortinet was an independent third party of the Company and all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the First Transaction were less than 5%. Therefore the First Transaction did not constitute a discloseable or connected transaction of the Company.

As of the date of this announcement, Linksys is held by the Company as to 67.39% and Fortinet as to 32.61%. Fortinet is therefore a connected person of the Company at the subsidiary level, by virtue of being a substantial shareholder of its non-wholly owned subsidiary.

On the basis that the First Transaction and the Proposed Transaction are entered into by Linksys with Fortinet within a 12-month period, the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Proposed Transaction shall be aggregated with those of the First Transaction. Accordingly, as the highest of all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Proposed Transaction, when aggregated with those of the First Transaction, are more than 5% but less than 25%, the Proposed Transaction constitutes a discloseable and connected transaction of the Company. The Proposed Transaction, but for Rule 14A.37 of the Listing Rules, is subject to the reporting, announcement and the independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

An application will be made by the Company to the Stock Exchange for a waiver from the requirement of the Company to convene a general meeting under Rule 14A.37 of the Listing Rules on the basis that: (i) to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder had a material interest in the Proposed Transaction, and no Shareholder would be required to abstain from voting if the general meeting of the Company was convened to approve the Proposed Transaction; and (ii) Foxconn (Far East) Limited, which was directly interested in 5,179,557,888 Shares as disclosed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and such Shares constituted approximately 75.15% of the total number of issued Shares as of the date of this announcement, had indicated its approval of the Proposed Transaction.

If the abovementioned waiver under Rule 14A.37 of the Listing Rules is granted by the Stock Exchange, no extraordinary general meeting of the Company will be convened for the purpose of considering and approving the Proposed Transaction.

If the abovementioned waiver is not granted by the Stock Exchange, the Company currently expects to convene an extraordinary general meeting to obtain the requisite approval from the Shareholders.

#### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An Independent Board Committee, comprising Mr. CURWEN Peter D, Mr. TANG Kwai Chang and Mr. CHAN Wing Yuen Hubert, has been formed to advise the Shareholders in connection with the Proposed Transaction. As Mr. TRAINOR-DEGIROLAMO Sheldon is a non-executive director of Linksys after the First Transaction, for the sake of good corporate governance, Mr. TRAINOR-DEGIROLAMO Sheldon will not join the Independent Board Committee.

An Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Shareholders on the same.

#### **CIRCULAR**

The circular containing, amongst other things, further information on the terms of the Proposed Transaction, a letter from the Independent Board Committee and a letter from the Independent Financial Adviser, is expected to be dispatched to the Shareholders on or before August 24, 2021.

**As the Closing is conditional upon the fulfilment or waiver (as the case may be) of the conditions precedent as set out under the paragraph headed "Conditions precedent" under the section headed "Major Terms of the Share Purchase Agreement" in this announcement, the Proposed Transaction may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.**



## DEFINITIONS

“Amended and Restated Investors’ Rights Agreement”	the amended and restated investors’ rights agreement to be entered into among Linksys, Fortinet and the Company at the Closing;
“Amended and Restated Right of First Refusal Agreement”	the amended and restated right of first refusal agreement to be entered into among Linksys, Fortinet and the Company at the Closing;
“Board”	the board of Directors of the Company;
“CFIUS”	the Committee on Foreign Investment in the United States of America, or any member agency thereof acting in its capacity as a CFIUS member agency;
“Closing”	the closing of the Proposed Transaction in accordance with the terms and conditions of the Share Purchase Agreement;
“Closing Date”	the date of the Closing;
“Company”	FIT Hon Teng Limited (鴻騰六零八八精密科技股份有限公司), a company incorporated in the Cayman Islands with limited liability under the name Foxconn Interconnect Technology Limited and carrying on business in Hong Kong as FIT Hon Teng Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6088.HK);
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules;
“connected transaction(s)”	has the meaning ascribed thereto in the Listing Rules;
“Consideration”	the consideration for the Proposed Transaction of US\$84,999,990.43;
“Directors”	directors of the Company;
“discloseable transaction(s)”	has the meaning ascribed thereto in the Listing Rules;
“First Share Purchase Agreement”	the share purchase agreement, dated March 19, 2021, entered into between Linksys and Fortinet;
“First Transaction”	the transaction contemplated under the First Share Purchase Agreement;
“Fortinet”	Fortinet Inc., a Delaware corporation listed on the NASDAQ Capital Market (NASDAQ code: FTNT);

“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HSR Act”	the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended;
“Independent Board Committee”	an independent committee of the Board comprising Mr. CURWEN Peter D, Mr. TANG Kwai Chang and Mr. CHAN Wing Yuen Hubert being formed for the purpose of advising the Shareholders in relation to the Proposed Transaction;
“Independent Financial Adviser”	Alliance Capital Partners Limited, an independent financial adviser being appointed for the purpose of advising the Independent Board Committee and Shareholders in relation to the Proposed Transaction;
“independent third party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons;
“Linksys”	Linksys Holdings, Inc., a company incorporated in the Cayman Islands with limited liability;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Shares”	2,400,232 series A preferred shares of Linksys, representing 21.25% of its entire issued share capital as enlarged by the issuance of the New Shares;
“Proposed Transaction”	the transaction contemplated under the Share Purchase Agreement;
“Share(s)”	ordinary share(s) with nominal value of US\$0.01953125 each in the issued capital of the Company or if there has been a subsequent subdivision, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;
“Shareholder(s)”	the holders of the Shares;
“Share Purchase Agreement”	the share purchase agreement, dated August 2, 2021, entered into between Linksys and Fortinet, as further described in the section headed “Major Terms of the Share Purchase Agreement” in this announcement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“subsidiary(ies)” has the meaning ascribed thereto in the Listing Rules;

“United States” the United States of America;

“US\$” United States dollar(s), the lawful currency of the United States; and

“%” percent.

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

Hong Kong, August 3, 2021

*As of the date of this announcement, the Board comprises Mr. LU Sung-Ching, Mr. LU Pochin Christopher and Mr. PIPKIN Chester John as executive Directors, and Mr. CURWEN Peter D, Mr. TANG Kwai Chang, Mr. CHAN Wing Yuen Hubert and Mr. TRAINOR-DEGIROLAMO Sheldon as independent non-executive Directors.*

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