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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 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)

**MAJOR TRANSACTION —
JOINT VENTURE RELATING TO
AUTOMOTIVE SMART COCKPIT AND ASSISTANT SYSTEMS**

Financial Adviser



A letter from the board of directors of FIH Mobile Limited is set out on pages 4 to 18 of this circular.

This circular is despatched to the shareholders of FIH Mobile Limited for information purposes only, and a written shareholder's approval has been obtained in lieu of holding a general meeting of FIH Mobile Limited pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Hong Kong, 5 November 2021

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DEFINITIONS

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

“associates”	such term as defined in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day other than a Saturday, Sunday or public holiday when banks in London are open for business
“Commercial Agreements”	certain intellectual property licensing agreements relating to the license of software and patents by the JV Partners or their affiliates to the JV Co, support and service agreements relating to the provision of support services by the JV Partners or their affiliates to the JV Co and term sheets for certain software and hardware supply agreements
“Company”	FIH Mobile Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
“Completion”	completion of the JV Agreement in accordance with its terms and conditions
“Conditions Precedent”	the conditions precedent to Completion as set forth in the JV Agreement
“Director(s)”	the director(s) of the Company
“EUR”	Euro, the lawful currency of the Eurozone
“FIH Internal Restructuring”	the internal restructuring to be completed by the Company and Wonderful Stars in accordance with the JV Agreement, which includes (without limitation) the injection of Mobile Drive Taiwan and Mobile Drive China (which are the Company’s two indirect wholly-owned subsidiaries) into the JV Co as part of Wonderful Stars’ contribution to the JV Co under the JV Agreement
“Financial Adviser”	Oriental Patron Asia Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in 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 Proposed Transaction

DEFINITIONS

“Foxconn Far East”	Foxconn (Far East) Limited, the direct controlling shareholder of the Company and a direct wholly-owned subsidiary of Hon Hai
“Group” or “we”	collectively, the Company and its subsidiaries, and “our” and “us” shall be construed accordingly
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“JV Agreement”	the joint venture agreement dated 24 August 2021 entered into among the Company, Wonderful Stars, Stellantis and the JV Co
“JV Co”	Mobile Drive Netherlands B.V., a company incorporated in the Netherlands, being a Party to the JV Agreement
“JV Co Board”	the board of directors of the JV Co
“JV Co Shares”	the issued and outstanding shares in the capital of the JV Co with a nominal value of EUR1 each
“JV Group”	collectively, the JV Co and its subsidiaries from time to time, including at Completion, Mobile Drive Taiwan and Mobile Drive China
“JV Partners”	Stellantis and Wonderful Stars, and individually as a “JV Partner”
“Latest Practicable Date”	1 November 2021, 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 of Hong Kong Limited as amended from time to time
“Material Breach”	a material breach of the JV Agreement, which will in any event include a breach by a Party of the obligations relating to infringement of intellectual property rights, non-compete and non-solicitation in accordance with the JV Agreement, or any of the relevant intellectual property licensing agreements

DEFINITIONS

“NTD”	New Taiwan dollar, the lawful currency of Taiwan
“Options”	collectively, the Wonderful Stars Call Option, the Wonderful Stars Put Option, the Stellantis Call Option and the Stellantis Put Option, and individually as an “Option”
“Parties”	the parties to the JV Agreement, namely the Company, Stellantis, Wonderful Stars and the JV Co
“percentage ratios”	such term as defined in the Listing Rules
“Proposed Transaction”	the transactions contemplated under the JV Agreement, including (without limitation) the formation of the JV Co and the grants of the Options
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Share(s)”	the ordinary share(s) of US\$0.04 each of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stellantis”	Stellantis N.V., a public company (<i>naamloze vennootschap</i>), incorporated under the laws of the Netherlands, being a Party to the JV Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“Wonderful Stars”	Wonderful Stars Pte. Ltd., an indirect wholly-owned subsidiary of the Company incorporated in Singapore, being a Party to the JV Agreement

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*)

KUO Wen-Yi

MENG Hsiao-Yi

Independent Non-executive Directors:

LAU Siu Ki

Daniel Joseph MEHAN

TAO Yun Chih

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in Hong Kong:*

8th Floor, Peninsula Tower

538 Castle Peak Road

Cheung Sha Wan

Kowloon

Hong Kong

5 November 2021

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION —
JOINT VENTURE RELATING TO
AUTOMOTIVE SMART COCKPIT AND ASSISTANT SYSTEMS**

INTRODUCTION

References are made to (i) the announcement of the Company dated 18 May 2021 in respect of the memorandum of understanding entered into between the Company and Stellantis, which sets out the general framework and principles for cooperation on the establishment and operation of a joint venture company under the laws of the Netherlands; (ii) the announcement of the Company dated 24 August 2021 in relation to the Proposed Transaction; and (iii) the announcement of the Company dated 27 August 2021 in relation to the grant of waiver under

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Rule 14.41(a) of the Listing Rules ; (iv) the announcement of the Company dated 28 October 2021 in relation to the Company's subsequent application made to the Stock Exchange for a waiver (the "**Waiver**") from strict compliance from Rule 14.41(a) of the Listing Rules in relation to the further delay in despatch of circular; and (v) the announcement of the Company dated 3 November 2021 in relation to the grant of the Waiver.

On 24 August 2021, the Company entered into the JV Agreement with Stellantis, Wonderful Stars and the JV Co to establish a joint venture through the JV Co to pursue the business objectives as more particularly described below, and to provide for the manner in which the JV Co's business shall be conducted and the rights and obligations of the JV Partners shall be regulated, upon and subject to the terms and conditions set out therein.

Under the JV Agreement, (i) Stellantis granted Wonderful Stars the Wonderful Stars Call Option (as defined below) and the Wonderful Stars Put Option (as defined below); and (ii) Wonderful Stars granted Stellantis the Stellantis Call Option (as defined below) and the Stellantis Put Option (as defined below). The Options are exercisable upon occurrence of certain Option Events (as defined below). The Call Options and the Put Options form part of the terms of the JV Agreement and no premium will be paid by each Party for the grant of the Options.

The purpose of this circular is to provide the Shareholders with, among others, further details of the Proposed Transaction.

JV AGREEMENT

The principal terms of the JV Agreement are summarised as follows:

JV Co's Corporate Structure upon Completion

Immediately following Completion, each of Stellantis and Wonderful Stars shall hold 50% of the JV Co as the holding company for the software and hardware business and two newly-injected direct wholly-owned subsidiaries in Taiwan and Mainland China, namely Mobile Drive Technology Co., Ltd. ("**Mobile Drive Taiwan**") and 深圳市超捷通訊有限公司 (Shenzhen Mobile Drive Technology Co., Ltd. for identification purposes only) ("**Mobile Drive China**") respectively, as more particularly described below.

Mobile Drive Taiwan is principally engaged in research and development as well as sales of handsets, whereas Mobile Drive China is principally engaged in research and development of communication systems, handsets as well as other software, hardware and related systems.

Scope of Activities of JV Group

The worldwide geographical scope of the JV Group's activities focuses on the categories of infotainment, telematics and cloud service platform, together with ancillary hardware (such as smart cockpit in-vehicle infotainment cluster front and rear seat display

LETTER FROM THE BOARD

and infotainment, and telematics box) and software (such as AI (Artificial Intelligence)-based applications, navigation, voice assistant, all-around visibility, e-commerce store operation, payment services integration, etc.).

Business Objectives of JV Group

The business objectives of the JV Group will be to:

- (1) create the leading “Digital Cockpit” and “Assistant” in the worldwide automotive market and to build automotive grade solutions in this field;
- (2) integrate internal and/or third party software, hardware and cloud solutions to create market leading solutions; provide an engaging and satisfying user interface with the vehicle; and include onboard (in-vehicle) to offboard interfaces with consumer devices (e.g. mobile phones) and digital ecosystems; and
- (3) target the adoption and installation of the products of the JV Co into the initial Stellantis vehicles and provide for regular maintenance and updates thereafter; seek to provide solutions that can be applied across the entire portfolio of Stellantis vehicles as well as brand-specific products; and sell its solutions to third party OEMs (original equipment manufacturers).

Business Plan of JV Group

The JV Co expects to commercially launch its products immediately upon Completion. The JV Group will supply software solutions and related hardware for automakers, and provide regular maintenance and updates thereafter after installation of products of the JV Co. The target customers of the JV Co are the Stellantis Group Companies and worldwide third-party automakers.

Parties’ Obligations prior to Completion

Prior to Completion:

- (1) the Company and Wonderful Stars shall complete the FIH Internal Restructuring; and
- (2) Stellantis and the Company and their relevant affiliates shall enter into the Commercial Agreements.

JV Partners’ Contributions

Stellantis shall contribute in EUR a cash amount equivalent to US\$40 million to the JV Co, and grant the licence of mutually-agreed intellectual property, at Completion.

Wonderful Stars (through the Company) shall contribute the mutually-agreed businesses and assets of Mobile Drive Taiwan and Mobile Drive China (collectively, the “**Mobile Drive Group**”) (which are the Company’s two indirect wholly-owned

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subsidiaries) to the JV Co as part of the FIH Internal Restructuring, and grant the licence of mutually-agreed intellectual property to the JV Co. Following Completion, the Mobile Drive Group (which will become the direct wholly-owned subsidiaries of the JV Co) will no longer be the subsidiaries of the Company, and accordingly, the financial statements of the Mobile Drive Group will not be consolidated into the Company's or the Group's financial statements after Completion.

The JV Partners have agreed to transfer certain employees to the JV Group and intend to adopt an incentive plan which is generally in line with the market to incentivise the JV Group's key employees.

The capital contributions to the JV Co were determined after arm's length negotiations among the Parties, principally taking into account (1) the joint venture value creation including (i) the Group's solid business positions as a vertically integrated manufacturing services provider with a business model 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; (ii) the injection of the Mobile Drive Group by the Company to the JV Co which can enable the JV Group to have access to engineering resources to develop enhanced infotainment solutions to the automotive industry; and (iii) Stellantis, being one of the world's leading automakers and a mobility provider with rich heritage and broad geographic presence, can provide to the JV Group its years of experience for automotive planning, development, maintenance and manufacturing domain know-how, as well as opportunities to compete for infotainment business and customer base of its brand portfolio; and (2) the expected working capital required for the JV Group and the technology and other support and facilities required for carrying out the business objectives and scope of activities of the JV Group.

In view of the fact that (1) Wonderful Stars will contribute the Mobile Drive Group to the JV Group which enable the JV Group to have access to its engineering resources to develop enhanced infotainment solutions to the automotive industry; (2) Stellantis will contribute its years of experience in the automotive industry and opportunities to compete for infotainment business and customer base of its brand portfolio, as well as the expected working capital required for the JV Group; and (3) each of the JV Partners will grant the licence of mutually agreed intellectual properties to the JV Co to meet the business operation needs of the JV Co upon Completion, the Board is of the view that the capital contributions by the JV Partners are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Save for the contribution of the mutually-agreed businesses and assets of the Mobile Drive Group to the JV Co, the Company has no other capital commitment towards the JV Co under the JV Agreement.

Conditions Precedent

Completion is conditional upon the satisfaction or waiver of the Conditions Precedent, including (without limitation) the following:

LETTER FROM THE BOARD

- (1) completion of the FIH Internal Restructuring to the satisfaction of Stellantis and in accordance with the JV Agreement;
- (2) due execution and delivery of the Commercial Agreements by the relevant parties; and
- (3) all approvals from the relevant governmental, regulatory or administrative authorities in the applicable jurisdictions having been obtained.

If any of the Conditions Precedent is not satisfied on or before 31 October 2021 (the “**Long Stop Date**”) or if prior to such date it transpires that any of the Conditions Precedent is incapable of satisfaction and is not waived by the relevant Party/Parties, each Party (except the Party in breach of any of its obligations in relation to the satisfaction of the Conditions Precedent) shall be entitled to terminate the JV Agreement by written notice. However, if the Condition Precedent numbered (3) above is not satisfied on or before the Long Stop Date, the Long Stop Date shall be postponed until such approvals are obtained, provided that the Long Stop Date cannot be extended beyond 31 March 2022 without the approval of the relevant Parties.

As the relevant Parties require additional time to obtain the approvals from the relevant governmental, regulatory or administrative authorities in the applicable jurisdictions, the Condition Precedent numbered (3) above will not be satisfied by the Long Stop Date. Accordingly, pursuant to the above provision in the JV Agreement, the Long Stop Date has been postponed until such approvals have been obtained.

The FIH Internal Restructuring in relation to Mobile Drive Taiwan was completed on 27 October 2021. The FIH Internal Restructuring in relation to Mobile Drive China will not be completed on or before 31 October 2021 as additional time is required by the Company to obtain the relevant governmental and regulatory approvals. In addition, as at the Latest Practicable Date, the Company is still in process of preparing the completion accounts of the Mobile Drive Group to be agreed with Stellantis and the legal documents for the transfer of the legal title of the Mobile Drive Group to the JV Co. Subject to the relevant governmental and regulatory approvals being obtained, the Company currently expects the FIH Internal Restructuring to be completed by the end of November 2021 or early December 2021. The Company will make an announcement when the FIH Internal Restructuring has been completed.

As at the Latest Practicable Date, none of the Conditions Precedent have been fulfilled.

Completion shall take place on the date that is ten Business Days after the satisfaction or waiver of the Conditions Precedents (or on such other date as the Parties may agree). Completion is currently expected to take place by the end of November 2021 or early December 2021.

The Company will make an announcement when Completion has occurred.

LETTER FROM THE BOARD

Board Composition of JV Co

The JV Co Board shall consist of two executive directors and four non-executive directors. Each of Stellantis and Wonderful Stars is entitled to nominate one executive director and two non-executive directors respectively. The executive director nominated by Stellantis shall act as the chief financial officer of the JV Co, whereas the executive director nominated by Wonderful Stars shall act as the chief executive officer of the JV Co.

The chairman of the JV Co Board shall be a non-executive director appointed by the JV Co Board for a three-year term upon the recommendation of the Parties on an alternating basis. Stellantis shall appoint the first chairman. The chairman shall have all rights attributed to him under the JV Agreement as a non-executive director, but shall not have a casting vote or any special rights, namely any additional vote in the event the number of votes on a certain matter is equal.

Restrictions on Transfer of JV Co Shares

The JV Partners shall not transfer the legal and/or beneficial ownership of the JV Co Shares except in accordance with the JV Agreement. Also, except for certain permitted transfers of JV Co Shares, no JV Partner shall be allowed to transfer any of its JV Co Shares before the fifth anniversary of Completion (the “**Lock-Up Period**”), except with the prior written consent of the other JV Partner. After the Lock-Up Period, no JV Partner shall be allowed to transfer any of its JV Co Shares to certain restricted transferees, except with the prior written consent of the other JV Partner. Moreover, following the Lock-Up Period, if a JV Partner intends to accept a bona fide offer received from a third party for all its JV Co Shares, such JV Co Shares shall first be offered for purchase by the other JV Partner in accordance with the JV Agreement.

Fair Market Value

“**Fair Market Value**” refers to, as at the date of determination, with respect to any JV Co Share, the price of such JV Co Shares that a willing and informed purchaser would pay to a willing seller in an arm’s length transaction, determined according to a multi-criteria approach based on the following criteria: (i) the JV Co’s last audited financial statements (based on IFRS (international financial reporting standards) reference) prior to any sale or purchase of JV Co Shares (if such sale or purchase of JV Co Shares occurs after six (6) months of the last audited financial statements, it will be based on new audited financial statements (based on IFRS reference) prepared within six (6) months prior to the time Fair Market Value is determined); and (ii) on the last business plan unanimously validated by the JV Co Board before such sale or purchase of the JV Co Shares.

For the avoidance of doubt, the Fair Market Value of the JV Co Shares shall mean the proportionate percentage of the Fair Market Value of the JV Co minus “net debt” as calculated under the JV Agreement and shall not include any special premium or discounts.

LETTER FROM THE BOARD

Material Event

Any of the following events shall qualify as a material event (the “**Material Event**”):

- (1) due to a reasonable lack of competitiveness, which shall be examined on comparable terms and conditions in the same industry taking into consideration, without limitation, pricing, resources, capacity and material allocation, the JV Co and its subsidiaries fail to obtain, for any two consecutive years in the first seven years of the initial business plan, (at least 50% in terms of aggregate contract value of) the material agreements contemplated to be awarded by the Stellantis Group Companies (i.e. Stellantis and all of its affiliates (except, for the avoidance of doubt, the JV Co)) to the JV Co or any of its subsidiaries for such two consecutive years in the initial business plan (where the JV Co or any of its subsidiaries is the supplier and a Stellantis Group Company is the purchaser); and
- (2) the JV Co and its subsidiaries fail to secure, for any two consecutive years in the first seven years of the initial business plan, by written contract, (at least 50% in terms of aggregate value of) the third-party business contemplated to be developed or delivered by the JV Co and its subsidiaries for such two consecutive years in the initial business plan.

A Material Event shall be deemed not to have occurred if the Material Event would have been triggered by a failure to secure any material agreement from either Stellantis Group Companies or a third party that was caused by or due to any unreasonable action or omission on the part of Stellantis Group Companies or a breach by Stellantis Group Companies of any of their respective obligations to the JV Co or its subsidiaries.

Option Event

Any of the following events occurring in relation to a JV Partner shall qualify as an option event in relation to such JV Partner (the “**Option Event**”):

- (1) a court of competent jurisdiction renders an order or a resolution is passed for the dissolution or administration of that JV Partner (otherwise than in the course of a reorganisation or restructuring previously approved in writing by the other JV Partner, such approval not to be unreasonably withheld or delayed);
- (2) any person takes any action (which is not withdrawn or discharged within 10 calendar days) to appoint a liquidator, manager, receiver, administrator, administrative receiver or other similar officer in respect of any assets which include without limitation the JV Co Shares held by the concerned JV Partner or any of its subsidiaries;
- (3) that JV Partner convenes a meeting with its creditors or makes or proposes any arrangement or composition with, or any assignment for the benefit of, its creditors;

LETTER FROM THE BOARD

- (4) in relation to Wonderful Stars and/or the Company only, a change of control occurs;
- (5) that JV Partner is in Material Breach which the other JV Partner treats as an Option Event;
- (6) to the benefit of Stellantis only, a Material Event occurs; and
- (7) a JV Partner is in breach of the non-compete obligations under the JV Agreement, and such breach has not been remedied within 30 Business Days from the moment such breach has been notified by the other JV Partner in accordance with the JV Agreement. Non-compete obligations include the obligation that JV Partners shall not (and shall cause their respective affiliates under its control to not) create any new legal entity or joint venture that will engage in any business that substantially overlaps or competes with the overall business of the JV Group during the term of the JV Agreement.

Call Options and Put Options

If an Option Event occurs in relation to a JV Partner (the “**Affected Party**”), the Affected Party shall (except in the case of a Material Breach) be obliged to notify the other JV Partner and the JV Co promptly of such Option Event. Upon an Option Event, the other JV Partner (the “**Non-Affected Party**”) shall be entitled (but not be obliged) to either: (i) require the Affected Party to purchase all JV Co Shares (and not part only) held by it (the “**Put Option**”); or (ii) purchase all JV Co Shares (and not part only) held by the Affected Party (except if the Option Event is triggered by a Material Event) (the “**Call Option**”), in each case by sending a written notice to the Affected Party to this effect (the “**Option Notice**”) in accordance with the terms of the JV Agreement.

The Option Notice shall be made in writing and shall include the option price (the “**Option Price**”). The Option Price shall be:

- for the JV Co Shares sold under a Put Option that is triggered by a Material Event: the subscription price paid by the Non-Affected Party (Stellantis only in case of a Material Event) in immediately available funds to the JV Co at Completion plus such Non-Affected Party’s pro rata part of the JV Co’s retained earnings plus all amounts contributed by the Non-Affected Party or its affiliates from time to time to any JV Group company or spent on acquiring or subscribing for securities in any JV Group company (including any loans) the extent such Party is not otherwise entitled to those amounts after closing of the relevant share transfer;
- for the JV Co Shares sold under a Put Option other than a Put Option that is triggered by a Material Event: the higher of: (i) the Fair Market Value of the JV Co Shares subject to the Put Option; and (ii) the subscription price paid by the Non-Affected Party in immediately available funds or contributions in kind to the JV Co at Completion plus such Non-Affected Party’s pro rata part of the JV Co’s retained earnings plus all amounts contributed by the Non-Affected Party

LETTER FROM THE BOARD

or its affiliates from time to time to any JV Group company or spent on acquiring or subscribing for securities in any JV Group company (including any loans) the extent such Party is not otherwise entitled to those amounts after closing of the relevant share transfer; and

- for the JV Co Shares sold under a Call Option: the Fair Market Value minus 50%.

If the Affected Party notifies the Non-Affected Party within 30 Business Days following the receipt of the Option Notice that it disagrees with the calculation of the Option Price and the Affected Party and the Non-Affected Party fail to agree on the calculation of the Option Price within 20 Business Days after such notice from the Affected Party has been received by the Non-Affected Party, an independent valuation expert shall be appointed in accordance with the JV Agreement to determine the Option Price. If the Affected Party fails to respond within the period of 20 Business Days, it shall be deemed to have accepted the Option Price. The conclusions of the expert shall be final and binding upon the Parties.

Upon the occurrence of an Option Event, in case the Affected Party is Stellantis, Wonderful Stars (i.e. the Non-Affected Party) shall be entitled (but not be obliged) to either:

- (1) require Stellantis to purchase all JV Co Shares (and not part only) held by Wonderful Stars (the “**Wonderful Stars Put Option**”); or
- (2) purchase all JV Co Shares (and not part only) held by Stellantis (except if the Option Event is triggered by a Material Event) (the “**Wonderful Stars Call Option**”).

Upon the occurrence of an Option Event, in case the Affected Party is Wonderful Stars, Stellantis (i.e. the Non-Affected Party) shall be entitled (but not be obliged) to either:

- (1) require Wonderful Stars to purchase all JV Co Shares (and not part only) held by Stellantis (the “**Stellantis Put Option**”); or
- (2) purchase all JV Co Shares (and not part only) held by Wonderful Stars (except if the Option Event is triggered by a Material Event) (the “**Stellantis Call Option**”).

Termination of JV Agreement

No later than 12 months prior to the 10th anniversary of Completion (the “**Initial Expiration Date**”), the Parties shall discuss whether another 10-year term is desirable for the JV Co to pursue its business objectives. Upon mutual agreement between the Parties, the JV Agreement shall be deemed extended until the 20th anniversary of Completion (the “**Second Expiration Date**”).

LETTER FROM THE BOARD

No later than 12 months prior to the Second Expiration Date, the Parties shall discuss whether options other than a liquidation of the JV Co are available to allow the pursuit of the JV Co's business objectives and the possibility of a partial or full sale of the JV Co and/or a partial or full exit of Stellantis and/or Wonderful Stars, in each case with a view to obtaining the best market value for the JV Co's assets.

If the Parties have not agreed on their future cooperation after the Second Expiration Date, before the date that is 6 months prior to the Second Expiration Date, Stellantis and Wonderful Stars are entitled to instruct the JV Co Board to appoint a liquidating committee to liquidate the JV Co. If the JV Co enters into dissolution and/or liquidation, the JV Co shall assign all its intellectual property rights to Stellantis (at fair, reasonable and non-discriminatory terms and conditions no less favourable than those applicable directly before the termination of the JV Agreement in accordance with its terms) upon Stellantis' written confirmation.

The JV Agreement shall also terminate:

- (1) in respect of Stellantis or Wonderful Stars from such moment it ceases to hold any JV Co Shares under the JV Agreement;
- (2) by a Party upon the non-fulfillment of any of the Conditions Precedent or obligations under the sections headed "Parties' Obligations prior to Completion" and "JV Partners' Contributions" above; or
- (3) by unanimous written consent from the Parties.

INFORMATION OF THE COMPANY

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.

INFORMATION OF STELLANTIS

Stellantis is one of the world's leading automakers and a mobility provider, guided by a clear vision: to offer freedom of movement with distinctive, affordable and reliable mobility solutions.

LETTER FROM THE BOARD

To the best of knowledge, information and belief of the Directors having made all reasonable enquiries, Stellantis (as a listed company with its public shares traded in the French, Italian and U.S. stock markets) is a third party independent of the Company and its connected persons within the meaning of the Listing Rules.

INFORMATION OF WONDERFUL STARS AND JV CO

Wonderful Stars is principally engaged in investment holding and wholesale of handphones and other telecommunication apparatus.

As to the JV Co's principal business activities, please see the section headed "Scope of Activities of JV Group" above.

For the sake of completeness, Wonderful Stars and the JV Co are the Company's indirect wholly-owned subsidiaries as at the Latest Practicable Date.

FINANCIAL INFORMATION OF THE JV CO

As the JV Co was incorporated on 7 June 2021 and has not yet commenced business, financial information (including the net asset value and net profits (both before and after taxation)) of the JV Co is not yet available as at the Latest Practicable Date.

FINANCIAL INFORMATION OF MOBILE DRIVE TAIWAN AND MOBILE DRIVE CHINA

Set out below is certain audited financial information of Mobile Drive Taiwan and Mobile Drive China respectively for each of two years ended 31 December 2020, as extracted from their respective audited financial statements prepared in accordance with Enterprise Accounting Standards in Taiwan and China Accounting Standards for business enterprises in the People's Republic of China (the "PRC" or "China"), respectively.

Mobile Drive Taiwan

	For the year ended	
	31 December	
	2019	2020
	(NTD'000)	(NTD'000)
	(audited)	(audited)
Revenue	0	0
Net loss after tax and extraordinary items	241	292,482

As at 31 December 2020, total assets and the net assets value attributable to the equity owner of Mobile Drive Taiwan were NTD217.7 million and NTD161.4 million, respectively.

LETTER FROM THE BOARD

Mobile Drive China

	For the year ended	
	31 December	
	2019	2020
	(RMB'000)	(RMB'000)
	(audited)	(audited)
Revenue	7,641	8,881
Net loss after tax and extraordinary items	21,134	35,074

As at 31 December 2020, total assets and the net assets value attributable to the equity owner of Mobile Drive China were RMB54.8 million and RMB23.8 million, respectively.

FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

Formation of JV Co

Upon Completion, the Group will cease to have control over the JV Co and the Mobile Drive Group, and hence the JV Co and the Mobile Drive Group will cease to be the subsidiaries of the Company and their respective financial results, assets and liabilities shall no longer be consolidated into the Group's financial statements. The JV Co, which will wholly own the Mobile Drive Group, will be owned by Wonderful Stars as to 50% of the JV Co's total equity interest, and thus the investment in the JV Co and the subsequent share of profits/losses of the JV Co will be accounted for by equity method in the Company's consolidated financial statements.

Upon Completion, it is expected that there will be a derecognition of assets and liabilities of approximately US\$19.7 million and US\$15.9 million respectively and recognition of an investment in a joint venture of US\$40.0 million on the Group's consolidated statement of financial position, and a recognition on the Group's consolidated statement of profit or loss and other comprehensive income of a gain of approximately US\$34.7 million (before taxation, if any), calculated by: (1) the difference upon Completion between the carrying amount of the assets and liabilities of the JV Group, estimated to be approximately US\$3.8 million and the fair value of the Group's equity interest in the JV Co, estimated to be approximately US\$40.0 million; and (2) the estimated transaction costs directly attributable to the Proposed Transaction of approximately US\$1.5 million.

The actual gain as a result of the Proposed Transaction to be recorded by the Group is subject to any changes to the financial conditions of the JV Co and the Mobile Drive Group on the date of Completion, and therefore may be different from the amount mentioned above.

It is expected that the consideration for the Group's disposal of its interests in the assets and liabilities of the Mobile Drive Group will be the Group's share of equity interest in the JV Co upon Completion. The Group currently intends to hold the investment in the JV Co as a long-term strategic deployment into the JV Group's business objectives and activities as more particularly described above, including those relating to smart cockpit and assistant systems as well as ancillary hardware and software, together with Stellantis' investment in the JV Co.

LETTER FROM THE BOARD

Call Options and Put Options

Upon Completion, subject to the valuation of each Option on the date of Completion, it is expected that the grant of the Stellantis Put Option and the Stellantis Call Option as well as the acquisition of the Wonderful Stars Put Option and the Wonderful Stars Call Option will not give rise to material effects on the Company's consolidated financial statements. The fair values of the Options subsequently measured on reporting dates or upon being exercised may be different from those being initially recognised, and such differences may have impact on the carrying values of the Options on the consolidated statement of financial condition of the Company and the consolidated statement of profit or loss and other comprehensive income of the Company, the amounts of which are subject to the actual figures to be derived and calculated with reference to the then conditions and circumstances and cannot be determined as at the Latest Practicable Date.

REASONS FOR, AND BENEFITS OF, THE PROPOSED TRANSACTION

Through the collaboration with Stellantis pursuant to the JV Agreement, the Group could develop business with Stellantis covering primarily smart cockpit and assistant systems together with ancillary hardware and software, thereby generating more revenue as well as enhancing utilisation of its assets, capacities, intellectual property, research and development achievements as well as capabilities (particularly the Group's expertise and experience in providing its innovative software design and hardware development services and solutions as well as wireless communication and information exchange technologies and cloud services, together with ancillary networks and ecosystem) in the IoV (Internet of Vehicles) business segment for the benefit of the Company and its shareholders as a whole, in furtherance of the Group's business strategy to actively expand its engagement in the IoV business segment to continuously build up a better Internet and mobile ecosystem.

IMPLICATIONS UNDER THE LISTING RULES

Formation of JV Co and Contribution of Mobile Drive Group to JV Co

As all relevant percentage ratios in relation to each of the formation of the joint venture and the contribution of the Mobile Drive Group to the JV Co under the JV Agreement are below 5%, each of the formation of the joint venture and the contribution of the Mobile Drive Group to the JV Co under the JV Agreement does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

Call Options and Put Options

Pursuant to Rule 14.75(1) of the Listing Rules, as the exercise of the Wonderful Stars Call Option or the Wonderful Stars Put Option, which are mutually exclusive, is at the discretion of Wonderful Stars, the premium, being the price paid and/or payable by Wonderful Stars to acquire the Wonderful Stars Call Option or the Wonderful Stars Put Option, will be taken into consideration for the purpose of classification of notifiable transaction. As no premium will be paid by Wonderful Stars for the grant of these Options, each of the Wonderful Stars Call Option and the Wonderful Stars Put Option is exempt from the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

Pursuant to Rule 14.74(1) of the Listing Rules, as the exercise of the Stellantis Call Option or the Stellantis Put Option, which are mutually exclusive, is not at Wonderful Stars' discretion, the Stellantis Call Option or the Stellantis Put Option will be classified as if it had been exercised upon its grant. As the highest possible monetary value of the Option Price cannot be determined at the time of the grant using the information currently available, the grant of the Stellantis Call Option or the Stellantis Put Option will be classified as a major transaction for the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Company will comply with the applicable Listing Rules requirements if any of the Options is exercised, as and when necessary.

On an aggregated basis, the formation of the joint venture under the JV Agreement and the grant of the Stellantis Call Option or the Stellantis Put Option will be classified as a major transaction for the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Shareholders' Approval

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Shareholders has a material interest in the Proposed Transaction. As such, no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Proposed Transaction.

As at the Latest Practicable Date, Foxconn Far East is interested in 5,081,034,525 Shares, representing approximately 63.43% of the total number of issued Shares. As such, the Proposed Transaction may be approved by Foxconn Far East by way of its written Shareholder's approval in accordance with Rule 14.44 of the Listing Rules. As at the Latest Practicable Date, the Company has obtained written approval of the Proposed Transaction from Foxconn Far East in lieu of holding a general meeting for the approval of the Proposed Transaction pursuant to Rule 14.44 of the Listing Rules. Therefore, no general meeting of the Company for the approval of the Proposed Transaction will be convened and held.

RECOMMENDATION

The Directors, having regard to the reasons for and benefits of the Proposed Transaction referred to in the section headed "Reasons for, and benefits of, the Proposed Transaction" above, consider that the terms of the Proposed Transaction are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the ordinary resolution if the Company were to convene a general meeting to approve the Proposed Transaction.

GENERAL

Your attention is drawn to the additional information set out in the appendices to this circular.

LETTER FROM THE BOARD

IMPORTANT

As Completion is conditional upon the satisfaction or waiver of the Conditions Precedent and the fulfillment of the obligations as set out in this circular, Completion may or may not take place. Accordingly, Shareholders and potential investors in the Company are advised to exercise caution when dealing in the Shares.

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

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three financial years ended 31 December 2018, 2019 and 2020 and for the six months ended 30 June 2021 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.fihmb.com>):

- (a) The annual report of the Company for the year ended 31 December 2018 published on 9 April 2019 (pages 64 to 148):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0409/ltm20190409423.pdf>

- (b) The annual report of the Company for the year ended 31 December 2019 published on 16 April 2020 (pages 79 to 163):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0416/2020041600335.pdf>

- (c) The annual report of the Company for the year ended 31 December 2020 published on 20 April 2021 (pages 92 to 170):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0420/2021042000953.pdf>

- (d) The interim report of the Company for the six months ended 30 June 2021 published on 15 September 2021 (pages 4 to 30):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0915/2021091500432.pdf>

2. INDEBTEDNESS

As at the close of business on 31 August 2021, being the latest practicable date for the purpose of preparing indebtedness statement prior to the printing of this circular, the Group had outstanding indebtedness of approximately US\$985,787,000:

	As at 31 August 2021
	<i>US\$'000</i>
Bank loans — unsecured and unguaranteed	837,980
Bank loans — secured by bank balances of fellow subsidiaries and unguaranteed	124,900
Lease liabilities — unsecured and unguaranteed	20,314
Lease liabilities — secured by rental deposits and unguaranteed	<u>2,593</u>
Total indebtedness	<u><u>985,787</u></u>

Save as disclosed above and apart from intra-group liabilities and normal trade payables, the Group did not have, as at 31 August 2021, any mortgage, charges, debentures, debt securities issued and outstanding, and authorised or otherwise created but unissued, outstanding borrowings or indebtedness in the nature of borrowings including term loans, bank overdrafts, liabilities under acceptance (other than normal trade bills), acceptance credits, and lease commitments or other similar indebtedness, or any guarantees or contingent liabilities.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the effect of the Proposed Transaction and the financial resources available to the Group including internally generated funds, available facilities and other financial resources, the Group will have sufficient working capital for its requirements, that is for at least 12 months from the date of publication of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

OEM (Original Equipment Manufacturing) refers to the one who undertakes the production and processing tasks outsourced by another company with “key core technology” of the products. The OEM model is common in the electronics industry and has become an inevitable choice for the brand manufacturers for its cost structure. Due to the rapid development of the IT industry and the continuous acceleration of product updates, it is not ideal to cover all product lines through its own production with outsourcing production becoming more attractive for cost saving purposes. OEM manufacturers generally have the advantage of large-scale production. Especially for materials procurement and production quality control in large-scale production and manufacturing, OEMs have breadth of experience, which can effectively reduce production costs and achieve economies of scale. However, just as the electronics industry, the entry barrier for OEM industry is very low and its profit margin is limited, so when the gross margin profit of the market declines, only those with a large scale of production can survive. Due to the competitive environments, OEMs willingly reduce their profit margins in order to secure the contracting relationships with major brand manufacturers to meet their capacity. Especially, as the economy of China is opening up, China has attracted low-end and favourable investment conditions. As China has taken over the low-end manufacturing chain, the competition of the industry has been intensified, further reducing the profit margin of OEMs. This is why the Group has kept monitoring the current economic environment and market landscape and its potential impact on both the general economy and consumption power and preferences of customers we served as well as our end markets and closely manage and control our costs and capital resources so that the Group we can respond in a quick manner as circumstances change. As many of our costs and operating expenses are relatively fixed, a reduction in customer demand, particularly a reduction in demand for a product that represents a significant amount of revenue, can harm our gross profit margins and results of operations.

As the Group mainly deploys its manufacturing facilities in China, the OEM industry in China has a direct impact on the Group’s business. Since the reform and opening up, China has attracted significant foreign investments due to factors such as low labour costs, preferential land use and favourable investment conditions. Chinese OEMs have emerged as the low-end

industrial chain, taking over the demands and achieving impressive results. “Made in China” was once meant to be cheap manufacturing, but a significant decline in gross profit margin, an increase in raw materials and labour costs of OEM companies, the intensification of industry competition, the enhancement of the market power of alternatives and the enhancement of the bargaining power of the customers and consumers have made the sustainable development of OEM companies a challenging task. In fact, going after the cheap manufacturing cost in China is no longer a favourable option, the National Bureau of Statistics (NBS) released data reporting the average wage of urban workers continued to increase in China. Although 2020 wages grew at a slightly slower rate, the wages still see an upward trend, as the increasingly skilled workforce in the high-value industries pulled up the wages. According to the data, the average annual income of employees in urban non-private units stood at RMB (Renminbi) 97,379 in 2020, which represents a real growth of 5.2% year-over-year, while for employees in urban private units was RMB57,727 in 2020, up 5.3%. Besides, China has announced recently that it will allow couples to have up to three children, after census data showed a decline in birth rates. Xinhua News, the China news agency, said following a politburo meeting chaired by President Xi Jinping, “the policy will come with supportive measures, which will be conducive to improving our country’s population structure, fulfilling the country’s strategy of actively coping with an ageing population”. This verifies indirectly that wages rise continually under the sluggish fertility rate and labour supply shortage. That is one of the reasons that many foreign-invested enterprises have chosen to move to the emerging countries such as India or Vietnam where the Group has already had its footprints on. In the “Asia Segment” section in the interim report of the Company published on 15 September 2021 for the six months ended 30 June 2021 (the “**IR2021 Report**”), there are detailed explanations why the Group made the strategic decision to expand in India and enhance its competence. It is worthy to note that although there is an increase in capacity in China to reflect the Group’s customer demand, it is not contradicted with the Group’s overall strategy to mitigate the risk of reliance on a single region.

Regarding the outlook of the Group’s business and performance, the global general economy, development of COVID-19 (the novel coronavirus) and vaccination roll-out rate, handset market, global supply chain, component shortage, geo-economic risks, government incentives and support, consumer behaviours and propensity to consume, product mix, technological change and OEM/ODM (Original Design Manufacturing) industry and competition landscape, need to be considered. Since 2017, global smartphone shipments have already declined for four consecutive years, with -3.4% CAGR (Compound Annual Growth Rate) from 2016 to 2020, especially with the widespread of COVID-19 pandemic which offsets the anticipated growth from 5G adoption and causes both supply chain disruptions and demand slump in 2020. However, according to IDC (International Data Corporation, a research company) data, the smartphone market will see an impressive rebound in 2021. Following the recovery in consumer demand and the ramp-up of applying 5G, smartphone shipments are forecasted to reach 1.38 billion units in 2021, an increase of 7.7% over 2020. This trend is expected to continue into 2022, when year-over-year growth will be 3.8% with shipments totaling 1.43 billion. Though the semiconductor shortage remains a concern, the impact on smartphones has been less than in other consumer electronics like automotive, personal computers, etc. Looking ahead to the later years, IDC expects low single-digit growth to continue through 2025 with a five-year CAGR of 3.7% . Especially 5G smartphones, there is a strong supply-side push toward 5G devices, driving the price to drop. It is a motivation to urge

consumers to change their phones due to such affordable prices. IDC also expects application service providers for 5G Android devices to drop 12% year-over-year in 2021 and then below US\$400 in 2022. Regarding OEM/ODM industry situations, due to the saturated smartphone market, restricted demand caused by the severe COVID-19 pandemic, restrictions imposed on one of the major mobile phone brand companies, price increase of components and labour cost competition among Chinese vendors will become fiercer. The oversupply in Chinese OEMs may impact future demands of the products and services to be provided by the Group. Moreover, because a major Chinese giant has been forced to withdraw from the market resulting from the unrelieved sanction imposed by the government of the United States of America (“U.S.”), the OEMs who used to provide services to this brand company are fighting head to head to other OEMs trying to maximize the use of already surplus manufacturing capacity. At the same time, the Group’s customers are striving for greater market share from the above-mentioned brand company in the saturated market and hence the pricing of their products in the end market must be very competitive. In order to get adequate allocations from the customers and compete against players in the market, the Group has to accept the low gross margins of system assembly business with major customers. Similarly, as mentioned above, the profit margin of the casing business is also under extreme pressure. As explained in the “Financial Performance” section in the IR2021 Report, due to excessive investments in mechanical capacities in the past, our peers faced similar aforementioned risks and have chosen to diversify their product mix.

According to the report published by World Bank on 8 June 2021, the global economy is set to uplift by 5.6% in 2021 after the greatest economic depression caused by COVID-19. The gradual recovery of global economic driven by increasing vaccination rates, allowing businesses to gradually restore operation and return to pre-pandemic level, while many countries were being hampered by slow vaccination deployment and the sustained outbreak of COVID-19 pandemic. Due to continued spike in COVID-19 cases and vaccine supply constraint, Asia GDP (Gross Domestic Product) growth (excluding China) has been adjusted to 4% from 4.4% forecast in March, according to the recent data released by World Bank on 15 July 2021. COVID-19 continues to have a profound impact on the local smartphone production volume and sales in Asia regions. However, as many nations continued to fight against the pandemic, vaccination rate surged subsequently, which ignites a strong economic resurgence in some nations, U.S. and China particularly. With the speedy rollout of coronavirus vaccines in the United States, more than a third of the total U.S. population is now fully vaccinated against COVID-19, according to data collected by the U.S. Centers for Disease Control and Prevention on 7 June 2021. The robust revival of U.S. economy was bolstered by the rapid rollout of vaccines and substantial fiscal stimulus package of US\$1.9 trillion, GDP in the U.S. is expected to experience a strong upswing of 6.8% in 2021 after profound pandemic-induced economic downturn, according to data collected by World Bank on 8 June 2021. In contrast, China’s economy is forecasted to record a robust momentum growth of 8.5%, according to World Bank on 8 June 2021. China is estimated 80% out of its 1.4 billion population will get vaccinated in 2021, said by Chinese National Health Commission on 3 June 2021. The strong economic upturn of U.S. and China will notably contribute to the growth in global economic and propel consumer spending as business resumed operations and people gradually returned to normal life.

The prolonged supply crunch has been a hindrance on the growth of electronics marketplace, trickling down across the supply chain from the consumer electronic segment including smartphones, personal computers and even home appliances to the automotive segment, leading to price surges in every segment. In addition, escalating prices for copper and other manufacturing metals have spurred the bump in pricing for electromechanical devices and passive components. Some common electronic components such as ICs (Integrated Circuits), filters, LCDs (Liquid-Crystal Displays), sensors, etc. continue to be subject to compressed supplies, with rising prices and extended order lead times persist into 2022. Furthermore, a report released by Techspot on 24 May 2021 revealed that more than 30 global chip manufacturers have announced a 10% to 30% price bump in their products from the beginning of second quarter of 2021, and those chipmakers are projected to continue raising quotes in the third quarter of 2021 due to tightened manufacturing capacity. As price of electronics components continue to climb, downstream markets such as personal computers and smartphones have witnessed higher costs, which will inevitably be passed on to customers. According to a recent report published by the Wall Street Journal on 19 July 2021, smartphone saw a spike of 5% in the average wholesale price from April to June 2021. Moreover, one of the Group's major customers has raised prices on specific smartphone models to reflect higher component costs driven by supply shortages and increasing raw material costs. However, the crunch in chipset supply is expected to "see a material improvement by the end of 2021 due to planned capacity builds and multi-sourcing initiatives." said by Cristiano Amon, President and Chief Executive Officer-Elect during Qualcomm quarterly earnings call on 28 April 2021. While several industries have taken proactive steps to mitigate ongoing supply strain, and global semiconductors manufactures have actively invested in new foundries and factories expansion to ramp up production capacities, however, the dearth of supply will not be alleviated in the short term. "It could take years to address shortfalls in foundry capacity, substrates, and components", said Intel's CEO on 31 May 2021.

According to the analysis published by IDC, mobile phone brand companies have already moved more aggressively with their 5G portfolios both in terms of production and price points. IDC forecasts the total number of 5G mobile phones will grow from approximately 587 million in 2021 to 1,123 million in 2025 at a CAGR of 17.64%. On the other hand, according to a report of "Five Ways to a Better 5G" published by Ericsson in May 2021, highlighted consumer intention to upgrade to 5G smartphone escalating during COVID-19 pandemic, the statistics indicated that at least 300 million smartphone users are set to upgrade to 5G phones by 2021. The report also pointed out that 22% of global 5G smartphone owners are still on a 4G service, while other 4% of respondents claimed they use a 5G subscription on a 4G smartphone. As the ongoing COVID-19 outbreak, consumers moved their daily activities indoors such as work from home and remote learning, 5G indoor coverage became more important than other 5G feature in driving overall consumer satisfaction. However, as opposed to 5G network, consumers inclined to use 4G networks as 5G networks have relatively poor indoor coverage. It is certain that customer demand for 5G smartphones will accelerate once the quality of indoor coverage is improved. According to IDC statistics, among the total global 5G shipments shipped since the first 5G model released in 2019 to the first quarter of 2021, 62% of 5G mobile phones were shipped into China. As of June 2021, data from China's three major carriers unveiled that the number of 5G subscribers in China reached 493 million, with the highest 5G penetration rate at 30.46% and the largest number of 5G users in the world. Nevertheless, according to CAICT (the China Academy of Information and Communications

Technology) data released in July 2021, the cumulative number of 5G phone shipments was 304 million, which means that nearly 189 million users who have subscribed 5G plans still use 4G handsets. According to Ericsson's research in May 2021, 8% of Chinese respondents have 5G plans but use 4G phones, and the other 33% use a 5G phone but have 4G subscriptions, suggesting that most consumers have a poor experience with 5G due to inadequate 5G base stations in China. Yet, 600,000 new 5G base stations are expected to be built in China by 2021, reaching a cumulative total of 1.31 million, which is projected to largely improve 5G coverage and further stimulate demand for 5G handsets. Based on a research report by Goldman Sachs released on 7 June 2021, in spite of the slowdown in China's smartphone shipments in April 2021, the shipments of 5G smartphones are expected to generate momentum in the second half of 2021 given the continuing release of more cost-effective 5G mobile phones and flagship models with the latest features. In addition, from the IDC perspective, the mid-tier market will become a crucial battle ground to win over consumers looking to grab a 5G device as the specifications and price point cross over current 4G. Overall, a study conducted by Qualcomm on 2 November 2020 unveiled that the full economic effects of 5G are likely to be achieved by 2035 on a global scale, bolstering a breadth of industries and potentially driving up to US\$3.8 trillion in economic output and supporting 22.8 million jobs.

Echoing the IDC's report, the leading chipmaker — Qualcomm's financial results, showed its chips sales still achieved double-digit growth, propelled by 57% and 114% year-over-year growth in handset chips and RF (Radio Frequency) front-end chips in the second quarter of 2021 respectively. In spite of the supply constraints, the sales still recorded a strong growth rate, especially RF front-end chips which are an essential part of 5G, seeing 5G devices demands went up as new handsets released and consumer purchasing power increased. According to CNBC (Consumer News and Business Channel), Qualcomm CEO Cristiano Amon indicated that the company has prioritized the growth of the company's RF front-end business, which gives the company an important component to sell to handset makers who may want to develop their own 5G modems. Besides, according to Qualcomm's relevant earnings call, the management team mentioned a supply shortage across a broad set of business continually as well as the reduction in orders from the large handset OEM restricted by the sanctions, however, they took it as an opportunity to optimize their product mix and redirect the capacity to the strong margin profiles. Its non-GAAP (Generally Accepted Accounting Principles) net income in the second quarter of 2021 grew up by 124% year-over-year. Qualcomm predicts the supply environment would be more favourable at the end of 2021 and even toward 2022. The company made the same handset shipments forecast, expecting high-single-digit growth in phones shipped and 450 million to 550 million 5G handsets in 2021.

In addition to supply constraints, the impact of COVID-19, 5G development, rapid technological advancements, and shifts in customer preference and consumption patterns in the mobile phone industry, recent geo-economic risks will also have a significant influence on this market. Geo-economic tensions have escalated over the last couple of years since U.S. ex-President Trump introduced tariffs on Chinese goods and listed several Chinese companies into the blacklist to block their resources and supports. Since the elected U.S. President Joe Biden took office, the attitude toward China has changed but remained tough. On 21 May 2021, the U.S. Commerce Department officially announced that the government will keep Chinese telecommunications giant Huawei on a trade blacklist. "Huawei remains on the entities list, and there's no reason to think that they'll be coming off." Commerce Secretary Gina

Raimondo said. All the restrictions proposed and carried out by Biden administration indicates the tense relationship between two giant entities, U.S. and China would not relieve soon. However, the Biden's attitude and policies are different partly with ex-President Trump. Biden tends to announce sanctions against Chinese companies based on sufficient evidence, while Trump government imposed strict restrictions even if they could not find solid evidence that the companies undermine the security or democratic values of the United States. Although Huawei has not been removed from the entity list, it kept putting efforts on developing new handsets and operating systems. On 3 June 2021, Huawei launched its Harmony operating system for smartphone, meaning the company will no longer rely on Android platform. On the other side, in the product event, the CEO of Huawei's Consumer Business Group only released a teaser for the flagship P50 phone and delayed its spring launch "for reasons that everyone is aware of," he said. It obviously indicates the customer still suffered from certain obstructions on the way to develop new phones. However, the company has took advantage of its software, hardware and integration abilities to expand into automotive industries for making up the decline in revenue. Recently Huawei launched cutting-edge automated driving system, vehicle sensors, automotive operating system and other related applications, attracted lots of attentions from consumers. We anticipate the revenue contribution from automotive would grow fast in the near future. As for the spin-off brand, Honor, it has yet to regain the substantial market shares hampered by the supply chain deals, according to an analyst report. However, the sub-brand has got rid of the U.S. restriction. On 16 June 2021, Honor officially announced its Honor 50 series with Google services and powered by a Qualcomm Snapdragon 778G processor. "Consumers will be able to experience Honor smartphones and tablets equipped with GMS." the company said. The CEO also confirmed the devices, Magic 3, will debut in the third quarter of 2021 and be embedded the top-end Snapdragon 888 processor. That is a huge progress for Honor that could access the components and software system to make the way to develop new devices smoother.

Growing tensions between the U.S. and China and the COVID-19 pandemic, coupled with the resulting restrictions, have renewed and intensified calls in the U.S. and other countries for reducing dependence on China. While these sentiment and action are not expected to lead to decoupling or a major immediate shift, the pandemic is expected to increase the speed of relocation of lower-value manufacturing. According to Anwita Basu, head of Asia country risk research at Fitch Solutions published in Bloomberg, "Many companies have already begun adopting a 'China plus one' manufacturing hub strategy since the U.S.-China trade war began in 2018, with Vietnam having been a clear beneficiary". This trend may persist due to the currently observed bipartisan support in the U.S. for a tougher approach to China, increasing the possibility of the trade war intensifying in the future. Amid further escalation of the trade war, many companies have increasingly hedged against risks of tariffs by establishing operations and markets outside of China for their overseas business. Indeed, one of the Group's main competitors has embarked on overseas expansions in India and Vietnam, and seized the opportunities to enlarge its manufacturing capacities in India in the third quarter of 2020, securing bulk orders from the Group's major customers accordingly. Another key competitor has aggressively expanded in the deployment of overseas factories, especially in Vietnam and Europe. The company has jointly established an assembly factory in Turkey with one of our major Chinese customers at the beginning of 2021. The key markets for Chinese brands expansion so far are India, Southeast Asia, Europe, Middle East and Africa. On the other hand, the Group has helped these Chinese brands to expand and internationalise rapidly in overseas

markets, and these customers want to further leverage on the Group to expand their footprints in India and other emerging markets. Since 2015, given the Group's leading industry experiences in managing Indian operations and providing a wide range of services in most parts of the value chain, the Group has been expanding its local manufacturing service and component supply chain support in India to benefit from the Indian government's "Make-in-India" initiatives, which can address both the domestic Indian market and export demands. In addition, as the Group acquired a manufacturing facility in Vietnam in late 2016, various customers have undertaken the necessary steps to move their manufacturing to Vietnam during 2019 as a precaution, and the Group has continued to expand its capacity and capability there to meet its customers' needs. Through the localisation of raw materials, the Group is further reducing the cost and improving the quality and capacity of its Vietnam facility to better serve its customers in the future.

However, with the onset of the second wave of COVID-19, several regions around the globe were hit severely, especially in India and Southeast Asia, where the coronavirus cases rose rapidly, causing factories to run below capacity or even forcing temporary closures. The second COVID-19 outbreak largely derailed the supply chain in India and Vietnam, which China saw it as a great opportunity for the manufacturing supply chain return to China, according to Zhang Zhiwei, chief economist at Pinpoint Asset Management, who said on 24 May 2021. China is forecasted to benefit from the ongoing supply chain disruptions in those two countries as companies are more likely to shift their production back to China, with foreseeable export growth of 20% to 30% in China continuing into 2022, Zhang Zhiwei said.

In parallel with the above market perspective, it is important to view the product perspective. From product perspective, with the popularity of innovations and technologies, the smartphone industry has become commoditised and highly homogenised with standardised specifications leading to increased market competition as the industry became more fragmented with the modular industry structure reducing entry barriers. The smartphone has matured as an application, driving innovation in design and features and appearances. IDC announced a feature prediction towards China's smartphone products in the next few years, including a larger RAM capacity, higher penetration of OLED screens, under screen fingerprint, artificial intelligence (AI), facial recognition, AR/VR/3D modeling and 5G functionalities. According to a statement on Samsung's official website, 5G devices tend to consume more battery than 4G phones because of the current limitation of 5G signal coverage. Therefore, 5G phones have to constantly search for a strong signal, switch between 4G and 5G networks and spend much time hunting for a good connection, which result in a faster battery consumption. As a consequence, battery life of 5G phone is considered one of the most common pain points for consumers. To address 5G battery life issue, many smartphone manufactures have begun to optimise phone specifications and largely improved battery to a high capacity of 5,000 mAh with upgraded fast charging feature to attract customers. With enhanced specifications and differentiating features, higher display refresh rates, larger memory capacity and faster processors speed will be on the radar. In addition, recent innovations similar to the foldable phones might grab more consumers' attention despite only a handful of brands having entered this field. The second-generation foldable devices have given an optimistic outlook to the industry with improvements shown over the first-generation models, including quality improvements, increased performance, and a slimmer footprint. Bigger screens and multi-cameras will also continue to be popular across all the regions. Furthermore, the average unit

price of the overall smartphone is expected to reach US\$376 in 2021 and US\$326 in 2025, with a significant decrease at a CAGR of 3.5% for 2021 to 2025, according to data collected by IDC on 26 May 2021.

Apart from product features, online privacy issues including personal data leakage or improper exploitation by third parties have been a major concern for the majorities, with 57% of users expressing their concerns about privacy online, based on a survey conducted by Ericsson on 6 May 2021. With increasing privacy awareness, technological giants such as Apple and Google have taken multiple initiatives to cope with privacy concerns while protecting user data from being unwittingly collected by third parties. Apple has made a huge step forward in privacy protection by turning off IDFA, the so-called Identifier for advertisers, by default in IOS version 14.5, which was released on 26 April 2021. Under this version, advertisers will not have access to user data unless the users give them permission to track them. On top of that, Apple highlighted its upgrades to privacy protection at Worldwide Developers Conference on 7 June 2021. One major privacy upgrade that has drawn attention was the new Privacy Relay feature, an internet privacy service embedded in iCloud designed to secure that all traffic and route leaving a user's device are fully encrypted. On the other hand, Google also announced a host of privacy-focused features across its diverse products at its I/O conference on 18 May 2021 and introduced a major software update to Android 12 that offers brand-new privacy features, including a new privacy dashboard. It is no doubt that privacy and online security are of paramount importance these days as consumers increasingly shift their daily activities to online platform and spend more than 50% of their time on the smartphones during the COVID-19 pandemic, according to a study conducted by Ericsson on 6 May 2021.

As the smartphone industry is dynamic and competitive, a slowdown in growth leads to industry consolidation, which results in larger and more geographically diverse competitors having significant combined resources to compete against the Group and may put pressure on the supply chain. As competition remains fierce, competition from EMS (Electronics Manufacturing Services)/ODM/OEM peers is deemed to intensify to create pressure on the Group's business and there may be a slowdown in new customer acquisition with rapidly growing smartphone vendors. The Group also faces competition from the manufacturing operations of its current and potential customers (including the Group's strategic partner, HMD), which are constantly evaluating the advantages of manufacturing products in-house against outsourcing, OEM against ODM. All of these developments could potentially cause pressure on the Group's sales, and the sales mix and customer mix, potentially leading to margin pressure, loss of market acceptance of its services, compression of its profits or losses, and loss of its market share. To address the above challenges and uncertainties and to alleviate the impact of price erosion on gross margins, the Group must remain lean and agile by making quick business and operational decisions. The cycle time of new product development must be shortened to align with the product launch schedule of customers and shorten the time to market. Besides, the Group will keep developing higher margin businesses inclusive of IoT (Internet of Things) devices, 5G applications and automotive software and hardware. Following the Hon Hai Technology Group's objective, the Group's future business plan would focus on margin escalation instead of revenue growth and continually monitor the market competition conditions to respond accordingly.

To meet its customers' increasingly sophisticated needs, the Group has kept investing in R&D (Research and Development) which is core competence of the Group, and cultivates global research talents (like in India) to secure the competency and is continuously engaged in product research and design activities to manufacture its customers' products in the most cost-effective and consistent manner, with a focus on assisting its customers with product creation, development and manufacturing solutions thereby further strengthening competences. Due to the ever-intensifying competition in the smartphone industry, companies are spending more on R&D. For smartphone makers, the scope of differentiation has been reduced due to each company aggressively investing in R&D. While on the one hand, this helps the companies grow the popularity of their smartphone models, on the other, it has become essential due to rapidly evolving customer needs and preferences. The Group has dedicated PD (Product Development)/PM (Product Manufacturing) and R&D teams that are composed of experienced talents with superior industrial design capabilities and solid experiences in mass production, which gives the Group its own capabilities of creation, and ability of continuously improving qualities, yield rate, mass production, and customised design. To keep maintaining competitive edge against industry rivals, the Group's design centers are undergoing the optimisation practices on product development process to achieve increased agility and also to meet the tremendous pace of technological changes and customers' needs. The design centers are proactively establishing product portfolio and use it as a marketing tool to approach potential clients; this approach can increase the product development efficiency. The product development cost can be shared by various clients; hence, the implementation for this approach can enhance the competency. To aggressively keep abreast on the latest industry trend, employees are encouraged to keep up with new mobile device industry's technological knowledge (e.g. 5G) and to embrace new technological requirements for stepping into the Internet of Vehicle (IoV) and medical devices industries. Seminars and technology roadmap sharing meetings are hosted with clients and key component suppliers and targeted vendors who are defining or leading in particular technological categories to keep employees connected with innovation trend. Internally, design centers are striving to promote an atmosphere for keeping abreast of new technologies by granting rewards to encourage R&D staff for submitting patents applications and hosting inter department technology sharing sessions, and attending trade shows.

The Group's design centers are in close proximity to worldwide leading clients and new technology zone. They are also located in those highly competitive markets in the mobile devices industry. They are able to provide services from product innovation concepts to final product productions, in whole or in part. Their full R&D function resources, global manufacturing supports, extensive experienced teams in serving worldwide clients' requirements for large demand and complex product projects become fundamental for tightening business relationships with customers. Their proven record of serving worldwide clients demonstrates the ability and adaptability to serve not only brand customers but also leading telecommunications operators. The one stop R&D services model along with experienced program/engineering service and in-house manufacturing capability can significantly decrease customers' program management efforts; hence, the customers can then focus on their core in promoting their brand products. These value added services uphold the customer-centric service mindset. As a whole, the R&D team helps to deliver corporate strategies, so that it highlights promising ways to reposition the business through new platforms. The R&D team is serving as the Group's innovation engine. Offensively, the R&D

team's role is the leading vanguard for the Group's transformation in outreach in different fields; defensively, its full service function differentiates the Group's R&D team from pure manufacturing service factories and/or R&D service companies. The R&D team stands in solid position to promote the Group's manufacturing resource advantage to customers in product designs. The R&D team also contributes to the manufacturing upgrades and assist factories for the digitalised manufacturing process. All these have allowed the Group to develop a full range of smartphones and feature phone products with innovations in industrial design, camera and audio applications to differentiate the Group's products from market competition and enable the Group to penetrate global mobile market share. The Group has fully utilised the strength of the Hon Hai Technology Group in vertical integration for product creation. The one-stop shopping service and abundant resource of the Group (with support from the Hon Hai Technology Group, providing scale, solid experience and control in key components) are especially attractive for Chinese brands. The Group's ability to continuously upgrade its technologies and stay ahead of its competitors will be a big determinant in the Group being able to maintain competitive advantage and secure margins. The R&D team will continue to innovate on technologies such as industrial design, image and audio quality, user experience, AI technology, etc. which will be adopted by various products that the Group will offer, including not only mobile phones, but also data modules, network products, IoT devices and automotive products. The R&D team leverages on the entire product portfolio of mobile and wearable devices to address the opportunity for consumer IoT market and differentiate the IoT products with advanced voice user interfaces and better audio and video features. With over 15 years' experience in consumer products development and over 10 years' experience in Android software development, the Group will contribute its great capabilities in software and hardware integration and optimisation to roll out disruptive products for automobiles (telematics box, in-vehicle infotainment system, smart cockpit, etc.), taking advantage of the Group's extensive knowledge of user experience and software development in mobile ecosystems to seamlessly integrate the automobile into the driver's mobile-centric lifestyle. The Group had made further investment in R&D of new technologies to ensure future business momentum and identify and address the changing demands of customers, industry trends and competitiveness. In India, the Group has been building up its R&D capability and capacity.

In addition, as mentioned in the "Investments" section in the IR2021 Report, the Group has taken necessary actions to control future impact from the change in the total fair value of the Group's investments and has always evaluated the possible alternatives to maximise the benefits (financial, operational and otherwise) from the Group's investments.

Looking ahead, the Group understands the tremendous challenges that have occurred previously and will continue to anticipate new factors that might emerge in 2021. In 2020, the Group has carried out the rightsizing and restructuring to eliminate redundant assets and become leaner. The Group has implemented and maintained sound and effective systems of internal control and enterprise risk management to cope with all these challenges and uncertainties from time to time as well as to maintain and enhance its performance. For details, please refer to the "Accountability and Audit" section of the Company's 2020 corporate governance report, which forms part of the 2020 annual report of the Company as issued and published on 20 April 2021.

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) 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 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 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	Beneficial owner	20,731,661	0.2588%
	Hon Hai	Beneficial owner	8,075	0.00006%
	Chiun Mai Communication Systems, Inc. (“CMCS”) (Note 1)	Beneficial owner	1,000	0.0007%
KUO Wen-Yi	The Company	Interest of spouse	700,000	0.0087%
	Hon Hai	Beneficial owner	1,848	0.00001%
	Hon Hai	Interest of spouse	13	0.0000001%
MENG Hsiao-Yi	The Company	Beneficial owner	1,718,938	0.0215%

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 or an entity connected with a Director (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 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	Beneficial owner	5,081,034,525	63.43%
Hon Hai (Notes 1 & 2)	Interest of a controlled corporation	5,081,034,525	63.43%

Notes:

1. Foxconn Far East 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 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.

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. 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 (excluding contracts expiring or determinable by any member of the Group within one year without payment of compensation other than statutory compensation).

4. 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 2020, being the date to which the latest published audited financial statements of the Group were made up.

5. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective close associates (such term as defined under the Listing Rules) 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.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in the IR2021 Report in respect of the interim results of the Group for the six months ended 30 June 2021, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up.

7. MATERIAL LITIGATION

On 5 October 2007, Shenzhen Futaihong Precision Industry Co., Ltd. ("**Futaihong**"), an indirect subsidiary of the Company which is incorporated in the PRC and engaged in the manufacture of handset modules and components and the provision of assembly services, and Hong Fu Jin Precision Industry (Shen Zhen) Co., Ltd. ("**Hong Fu Jin**"), an indirect subsidiary of Hon Hai which is incorporated in the PRC, jointly commenced proceedings in the High Court of Hong Kong against BYD Company Limited and a number of its subsidiaries (collectively, the "**Defendants**"). FIH Precision Component (Beijing) Co., Ltd. ("**FIH BJ**"), an indirect subsidiary of the Company which is incorporated in the PRC, subsequently joined as the 3rd Plaintiff in the proceedings. Futaihong, Hong Fu Jin and FIH BJ are collectively referred to as the "**Plaintiffs**" below.

The proceedings consist of (a) the original action which involves a claim by the Plaintiffs against the Defendants for, *inter alia*, breach of confidence, procuring and inducing breach of contractual and fiduciary duties, conspiracy and constructive trust; and (b) the counterclaim brought by the Defendants against Hon Hai, the Company, Futaihong and Hong Fu Jin for, *inter alia*, unlawful interference with business and economic interest, defamation and conspiracy to injure by unlawful means.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Group.

8. GENERAL

- (a) The registered office of the Company is located at P. O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands, and the head office of the Company is at No. 4 Minsheng Street, Tucheng District, New Taipei City 236, Taiwan.
- (b) The principal share registrar and transfer office of the Company is Suntera (Cayman) Limited, Suite 3204, Unit 2A, Block 3, Building D, P. O. Box 1586, Gardenia Court, Camana Bay, Grand Cayman, KY1-1100, Cayman Islands.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (d) The company secretary of the Company is Ms. WONG Kin Yan, Vanessa, who is a fellow member of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators).

9. MATERIAL CONTRACT

The following contract (not being a contract that was entered into in the ordinary course of business of the Group) was entered into by members of the Group in the two years immediately preceding the date of this circular, and which is material:

- the JV Agreement.

10. SPECIFIC DISCLOSURE RELIEF IN RELATION TO CERTAIN INFORMATION IN THE MATERIAL CONTRACT

Pursuant to paragraph 43(2)(c) of Appendix 1B of the Listing Rules, in the case of a notifiable transaction circular, any contract pertaining to such transaction is required to be published on the websites of the Stock Exchange and the Company for a period of not less

than 14 days from the date of the circular. Pursuant to FAQ 075–2021, if issuers do not wish certain information contained in documents on display to be disclosed, they may apply to the Stock Exchange for specific disclosure relief.

As noted below, the JV Agreement is the material contract which is required to be made available on display on the websites of the Stock Exchange and the Company.

The Company has made an application for, and the Stock Exchange has granted, specific disclosure relief so that certain provisions of the JV Agreement can be redacted from the version of the JV Agreement which is made available on display. The provisions of the JV Agreement which have been redacted include (1) full copies of the Commercial Agreements; (2) the contact details of the parties; (3) the names of the Company's employees who will be transferred to the JV Co; (4) the financial projections of the JV Group; and (5) an index of data room documents.

The grounds for such disclosure relief are as follows:

- (a) the JV Group will operate in a highly competitive industry and it will face intense competition against a number of well-established market players which have entered the industry earlier than the JV Co and have significant market share;
- (b) disclosure of specific, highly confidential and trade secret information relating to the operation of the JV Group would give the JV Group's competitors an unfair advantage since similar information has not been publicly disclosed by its competitors and this would cause competitive harm and would be detrimental to the JV Group, Stellantis and the Company and the Shareholders as a whole;
- (c) certain specific disclosures relate to the personal data of certain employees of the Company and Stellantis and in addition, the disclosure of employee information would give the JV Group's competitors an unfair advantage in terms of the recruitment of qualified personnel in a very competitive market for talent; and
- (d) this Circular already contains all material information relating to the JV Agreement and the provisions of the JV Agreement which have been redacted are not material to the Shareholders' assessment of the JV Agreement.

11. DOCUMENT ON DISPLAY

A copy of the following document is published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.fihmb.com>) for a period of 14 days from the date of this circular up to and including 18 November 2021 (both dates inclusive):

- the material contract referred to in the paragraph headed "Material Contract" in this Appendix.