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**FIH Mobile Limited**

**富智康集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2038)**

## **CONTINUING CONNECTED TRANSACTIONS**

**Financial Adviser**



The Group and the Hon Hai Technology Group have been carrying out the Continuing Connected Transactions from time to time upon and subject to the terms and conditions set out in the Existing Agreements. The Existing Agreements will expire on 31 December 2022. On the date of this announcement, the Company entered into the Supplemental Agreements with Hon Hai to extend the current term of the Existing Agreements for three years from 1 January 2023 to 31 December 2025 (both dates inclusive). The Company has also set new or proposed (as the case may be) annual caps for each of the Continuing Connected Transactions for the three years ending 31 December 2025.

Based on the maximum amount of the new annual caps for the three years ending 31 December 2025 in respect of each of the Other Exempt Continuing Connected Transactions, at least one of the applicable percentage ratios (other than profits ratio and equity capital ratio which are not applicable in the present context), on an annual basis, is 0.1% or more but all the applicable percentage ratios are less than 5%. In accordance with Rule 14A.76(2) of the Listing Rules, the Other Exempt Continuing Connected Transactions together with their respective annual caps for the three years ending 31 December 2025 and the Other Supplemental Agreements are exempt from the circular (including independent financial advice) and the Independent Shareholders' approval requirements.

Based on the maximum amount of the proposed annual caps for the three years ending 31 December 2025 in respect of each of the Non-exempt Continuing Connected Transactions, at least one of the applicable percentage ratios (other than profits ratio and equity capital ratio which are not applicable in the present context) is more than 5% and each of the proposed annual caps, on an annual basis, is more than HK\$10 million. Accordingly, each of the Non-exempt Continuing Connected Transactions constitutes a non-exempt continuing connected transaction for the Company under the Listing Rules. It follows that the Non-exempt Continuing Connected Transactions, the proposed annual caps in respect of each of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2025 and the EGM Supplemental Agreements are subject to the approval of the Independent Shareholders at the EGM. The EGM Supplemental Agreements will become effective only after the passing of the resolutions in respect of the EGM Supplemental Agreements by the Independent Shareholders at the EGM.

The Company will convene the EGM to seek the Independent Shareholders' approval for the Non-exempt Continuing Connected Transactions, the proposed annual caps in respect of each of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2025 and the EGM Supplemental Agreements. The Company has established the Independent Board Committee and has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. A circular is expected to be despatched to the Shareholders on or before 1 December 2022.

## **BACKGROUND**

Reference is made to the announcements of the Company relating to continuing connected transactions dated 9 October 2019 and 7 August 2020, and the circulars of the Company dated 14 November 2019 and 28 August 2020, and also the announcements of the Company relating to poll results of extraordinary general meetings dated 6 December 2019 and 18 September 2020, in respect of (among other things) the Continuing Connected Transactions and their respective annual cap amounts for the three years ending 31 December 2022.

The Group is a vertically integrated manufacturing services provider with business models offering a comprehensive range of end-to-end manufacturing and engineering services to its customers tailored to meet specific market and customer product lifecycle requirements in respect of handsets and other wireless communication devices and consumer electronic products and this full range and wide array of capabilities provide the Group's customers with expertise across the entire value chain. The products and services include 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, supply chain services and solutions, and repair and refurbishment 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 eReaders, tablets and voice interaction products like smart speakers.

The Hon Hai Technology Group is the leading global manufacturing service provider in the 3C industries. Hon Hai is the ultimate controlling shareholder of the Company holding approximately 64.00% of the total number of issued shares of the Company.

The Group and the Hon Hai Technology Group have been carrying out the Continuing Connected Transactions from time to time upon and subject to the terms and conditions set out in the Existing Agreements. The Existing Agreements will expire on 31 December 2022. To renew the Existing Agreements, on the date of this announcement, the Company entered into the Supplemental Agreements with Hon Hai to extend the current term of the Existing Agreements for three years commencing from 1 January 2023. Save for the aforesaid extension of the current term of each of the Existing Agreements, the other principal terms and conditions of each of the Existing Agreements shall remain unchanged and in full force and effect.

The Existing Agreements (as amended and supplemented from time to time) are framework agreements which set out the general/basic principles governing the transactions between the Group and the Hon Hai Technology Group in respect of the Continuing Connected Transactions. According to the Existing Agreements, the Company (or any other member of the Group) and Hon Hai (or any other member of the Hon Hai Technology Group) may enter into a separate lease agreement, purchase order and/or other

forms of agreement setting out the detailed terms and conditions (including but not limited to the transaction amount, payment terms and delivery date) in consistent with those of the relevant Existing Agreements in all material respects based on arm's length negotiations between the contracting parties to such separate agreements.

## **NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

Set out below are the principal terms and conditions governing the Non-exempt Continuing Connected Transactions together with the Existing Agreements in respect thereof and the EGM Supplemental Agreements:

### **1. Purchase Transaction**

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

On the date of this announcement, the Company and Hon Hai entered into the Supplemental Purchase Agreement, which will become effective only after the passing of the resolutions in respect of the Supplemental Purchase Agreement by the Independent Shareholders at the EGM, to extend the current term of the Purchase Agreement for three years from 1 January 2023 to 31 December 2025 (both dates inclusive).

#### *Pricing Terms for the Purchase Transaction*

Under the Purchase Transaction, the applicable price of the materials, components and other products to be purchased from the Hon Hai Technology Group will be determined based on the following:

- (a) in respect of purchases from an Approved Vendor, at the price agreed between the supplier and the Group's customer; if not, at a price to be determined by reference to the average market price; or
- (b) where (a) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Technology Group upon the basis of the principle of "cost plus"; or
- (c) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Technology Group based on reasonable commercial principles.

Under the Purchase Transaction, the Group purchases from the Hon Hai Technology Group materials, components and other products used mainly in handset manufacturing (including but not limited to camera modules and display/touch modules used in handset manufacturing and other handset components). Due to changes in product specifications and technological changes, the specifications of such materials, components and other products will change from time to time as they need to be tailored for the specific final product being manufactured and/or having regard to the changing market conditions (which may affect the prices of materials, components and other products), the Group is not able to fix the prices of such materials, components and other products sourced from the Hon Hai Technology Group but has instead agreed to the pricing terms set out above.

Payment for the Purchase Transaction is usually made by the Group within 90 days after the date of the relevant invoice or the Group's accounting record posting date for the transaction (as the case may be). These payment terms were usually adopted by the Group in its transactions with independent third parties or the Hon Hai Technology Group. Such terms are on normal commercial terms and not more favourable than those offered by the Group to independent third parties.

## **2. Consolidated Services and Sub-contracting Expense Transaction**

Upon and subject to the terms and conditions of the Consolidated Services and Sub-contracting Expense Agreement, from time to time for a term up to 31 December 2022, the Hon Hai Technology Group has agreed to provide to the Group services including, but not limited to, research and development services, design services, repair services and sub-contracting services.

On the date of this announcement, the Company and Hon Hai entered into the Supplemental Consolidated Services and Sub-contracting Expense Agreement, which will become effective only after the passing of the resolutions in respect of the Supplemental Consolidated Services and Sub-contracting Expense Agreement by the Independent Shareholders at the EGM, to extend the current term of the Consolidated Services and Sub-contracting Expense Agreement for three years from 1 January 2023 to 31 December 2025 (both dates inclusive).

### *Pricing Terms for the Consolidated Services and Sub-contracting Expense Transaction*

Under the Consolidated Services and Sub-contracting Expense Transaction, the applicable price of the services to be provided by the Hon Hai Technology Group will be determined based on the following:

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

Under the Consolidated Services and Sub-contracting Expense Transaction, the Hon Hai Technology Group provides to the Group services including, but not limited to, handset research and development services, handset design services and handset and mould repair services. As the specifications of such services are agreed between the parties each time a transaction is entered into and/or having regard to the changing market conditions (which may affect the prices of such services), the Group is not able to fix the prices for the Consolidated Services and Sub-contracting Expense Transaction but has instead agreed to the pricing terms set out above.

Payment for the Consolidated Services and Sub-contracting Expense Transaction is usually made by the Group within 90 days after the date of the relevant invoice or the Group's accounting record posting date for the transaction (as the case may be). These payment terms were usually adopted by the Group in its transactions with independent third parties or the Hon Hai Technology Group. Such terms are on normal commercial terms and not more favourable than those offered by the Group to independent third parties.

### **3. Product Sales Transaction**

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

On the date of this announcement, the Company and Hon Hai entered into the Supplemental Product Sales Agreement, which will become effective only after the passing of the resolutions in respect of the Supplemental Product Sales Agreement by the Independent Shareholders at the EGM, to extend the current term of the Framework Product Sales Agreement for three years from 1 January 2023 to 31 December 2025 (both dates inclusive).

#### *Pricing Terms for the Product Sales Transaction*

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

- (a) where the Group has been approved or otherwise designated by the relevant customers of the Hon Hai Technology Group, at the price agreed between the Group and such customers; if not, at a price to be determined by reference to the average market price; or
- (b) where (a) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Technology Group upon the basis of the principle of "cost plus"; or

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

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

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

#### **4. Sub-contracting Income Transaction**

Upon and subject to the terms and conditions of the Sub-contracting Income Agreement, from time to time for a term up to 31 December 2022, the Hon Hai Technology Group has agreed to engage the Group to provide services including, but not limited to, handset and in-mould labelling research and development and other research and development services; handset and other design services; handset and mould and other repair services; molding, electroplating, metal stamping for handsets and desktop computers and other services that may form part of or be provided as part of the businesses of the Hon Hai Technology Group from time to time; the use of technical equipment and facilities owned or leased by the Group to support the foregoing; the provision of personnel and other resources as may be required to support the foregoing; and such other services and/or sub-contracting as may be agreed between the Hon Hai Technology Group and the Group from time to time.

On the date of this announcement, the Company and Hon Hai entered into the Supplemental Sub-contracting Income Agreement, which will become effective only after the passing of the resolutions in respect of the Supplemental Sub-contracting Income Agreement by the Independent Shareholders at the EGM, to extend the current term of the Sub-contracting Income Agreement for three years from 1 January 2023 to 31 December 2025 (both dates inclusive).

##### *Pricing Terms for the Sub-contracting Income Transaction*

Under the Sub-contracting Income Transaction, the applicable price of the services to be provided to the Hon Hai Technology Group will be determined based on the following:

- (a) where the Group has been approved or otherwise designated by the relevant customers of the Hon Hai Technology Group, at the price agreed between the Group and such customers; if not, at a price to be determined by reference to the average market price; or
- (b) where (a) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Technology Group upon the basis of the principle of “cost plus”; or

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

Under the Sub-contracting Income Transaction, the Group provides to the Hon Hai Technology Group sub-contracting services (including but not limited to handset research and development services, handset design services, and handset and mould repair services). As the specifications of such services are agreed between the parties each time a transaction is entered into and/or having regard to the changing market conditions (which may affect the prices of such services), the Group is not able to fix the prices for the Sub-contracting Income Transaction but has instead agreed to the pricing terms set out above.

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

## **5. Equipment Sale Transaction**

Upon and subject to the terms and conditions of the Framework Equipment Sale Agreement, from time to time for a term up to 31 December 2022, the Group has agreed to sell to the Hon Hai Technology Group molding equipment, baking and coating lines and other used equipment that may be manufactured, owned or held (coupled with interest) by the Group and which may be used in connection with or for the purposes of the Hon Hai Technology Group's businesses from time to time.

On the date of this announcement, the Company and Hon Hai entered into the Supplemental Equipment Sale Agreement, which will become effective only after the passing of the resolutions in respect of the Supplemental Equipment Sale Agreement by the Independent Shareholders at the EGM, to extend the current term of the Framework Equipment Sale Agreement for three years from 1 January 2023 to 31 December 2025 (both dates inclusive).

### *Pricing Terms for the Equipment Sale Transaction*

Under the Equipment Sale Transaction, the applicable price of the equipment to be sold to the Hon Hai Technology Group will be determined based on the following:

- (a) at the book value of the relevant equipment as recorded in the accounts of the relevant member of the Group; or
- (b) if (a) above is not appropriate or applicable, at a price to be determined by reference to the average market price; or
- (c) where (a) and (b) above are not appropriate or applicable, at a price to be agreed between the relevant parties on the basis of the principle of "cost plus"; or
- (d) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the parties based on reasonable commercial principles.

Under the Equipment Sale Transaction, the Group sells to the Hon Hai Technology Group mostly used equipment mainly for handset manufacturing (including but not limited to sputtering machines, molding machines and inkjet printers) that is no longer required by the Group due to customers' orders changing over time and its continuous equipment utilisation management leading to recurring Equipment Sale Transaction. The equipment purchased from and sold to the Hon Hai Technology Group is mostly different equipment where the same equipment will not be purchased from and sold back to the Hon Hai Technology Group in a short timeframe. As each used equipment will have different specifications and conditions (including but not limited to different remaining useful life), the Group is not able to fix the prices for the equipment to be sold to the Hon Hai Technology Group but has instead agreed to the pricing terms set out above.

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

## **OTHER EXEMPT CONTINUING CONNECTED TRANSACTIONS**

Set out below are the principal terms and conditions governing the Other Exempt Continuing Connected Transactions together with the Existing Agreements in respect thereof and the Other Supplemental Agreements:

### **6. Non-real Property Lease Expense Transaction**

Upon and subject to the terms and conditions of the Framework Non-real Property Lease Expense Agreement, from time to time for a term up to 31 December 2022, the Group has agreed to lease the Non-real Properties from the Hon Hai Technology Group as agreed between the parties from time to time.

On the date of this announcement, the Company and Hon Hai entered into the Supplemental Non-real Property Lease Expense Agreement to extend the current term of the Framework Non-real Property Lease Expense Agreement for three years from 1 January 2023 to 31 December 2025 (both dates inclusive), which Supplemental Non-real Property Lease Expense Agreement will become effective from (and inclusive of) 1 January 2023.

#### *Pricing Terms for the Non-real Property Lease Expense Transaction*

Under the Non-real Property Lease Expense Transaction, the rental will be determined based on the following:

- (a) the rental payable by the Group under the Non-real Property Lease Expense Transaction shall be determined on a fair and reasonable basis with reference to the average market rental of other similar properties in the market; or
- (b) if the average market rental is not available, the rental payable under the Non-real Property Lease Expense Transaction shall be determined on a "cost plus" basis; or



- (c) if both the average market rental basis and the “cost plus” basis are not appropriate or applicable, the rental payable under the Non-real Property Lease Expense Transaction shall be agreed between the relevant parties based on reasonable commercial principles.

Under the Non-real Property Lease Expense Transaction, the Group leases from the Hon Hai Technology Group the Non-real Properties (including but not limited to equipment, machines and other movable assets used in the Group’s handset manufacturing). Such equipment and machines comprise primarily CNC (computer numeric control) machining centers and laser marking machines. Due to technological changes and advancement, the specifications of the equipment and machines (including but not limited to their speed and accuracy) will change over time and the rental payable will need to take such changes into account. Accordingly, the Group is not able to fix the rentals for the Non-real Property Lease Expense Transaction but has instead agreed to the pricing terms set out above.

The relevant parties may enter into a separate specific lease agreement for the relevant Non-real Property to be leased by the Group from the Hon Hai Technology Group under the Non-real Property Lease Expense Transaction. Such specific lease agreement (containing terms and conditions consistent with the terms and conditions of the Framework Non-real Property Lease Expense Agreement) specifies in detail the term, rental and other terms and conditions governing the lease of such Non-real Property.

The rental under the Non-real Property Lease Expense Transaction will be payable by the Group to the Hon Hai Technology Group within such period(s) agreed by the relevant parties from time to time on a case-by-case basis and is expected to be usually payable within 90 days after the date of the relevant invoice or the Group’s accounting record posting date for the Non-real Property Lease Expense Transaction (as the case may be). These payment terms were usually adopted by the Group in its transactions with independent third parties or the Hon Hai Technology Group. Such terms are on normal commercial terms and not more favourable than those offered by the Group to independent third parties.

## **7. Equipment Purchase Transaction**

Upon and subject to the terms and conditions of the Framework Equipment Purchase Agreement, from time to time for a term up to 31 December 2022, the Group has agreed to purchase from the Hon Hai Technology Group baking and coating lines and other equipment that is manufactured, owned or held (coupled with interest) by the Hon Hai Technology Group which may be used in connection with or for the purposes of the Group’s businesses from time to time (including but not limited to new equipment that is manufactured or purchased or procured from third parties by the Hon Hai Technology Group, and used equipment that has previously been used by the Hon Hai Technology Group) as well as such other equipment as may be agreed between the Hon Hai Technology Group and the Group from time to time.

On the date of this announcement, the Company and Hon Hai entered into the Supplemental Equipment Purchase Agreement to extend the current term of the Framework Equipment Purchase Agreement for three years from 1 January 2023 to 31 December 2025 (both dates inclusive), which Supplemental Equipment Purchase Agreement will become effective from (and inclusive of) 1 January 2023.

### *Pricing Terms for the Equipment Purchase Transaction*

Under the Equipment Purchase Transaction, the applicable price of the equipment to be purchased from the Hon Hai Technology Group will be determined based on the following:

- (a) at the book value of the relevant equipment as recorded in the accounts of the relevant member of the Hon Hai Technology Group; or
- (b) if (a) above is not appropriate or applicable, at a price to be determined by reference to the average market price; or
- (c) where (a) and (b) above are not appropriate or applicable, at a price to be agreed between the relevant parties on the basis of the principle of “cost plus”; or
- (d) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the parties based on reasonable commercial principles.

Under the Equipment Purchase Transaction, the Group purchases from the Hon Hai Technology Group used or new equipment mainly for handset manufacturing (including but not limited to CNC (computer numeric control) machining centers and mechanical hands and laser cutting machines) in response to customers’ orders and manufacturing needs which change over time leading to recurring purchases of equipment from the Hon Hai Technology Group. As the specifications of the new equipment are tailor-made for the Group’s needs while the used equipment has various specifications and conditions, the Group does not have fixed prices for the equipment purchased from the Hon Hai Technology Group but has instead agreed to the pricing terms set out above.

Payment for the Equipment Purchase Transaction is usually made by the Group within 120 days after the date of the relevant invoice. These payment terms were usually adopted by the Group in its transactions with independent third parties or the Hon Hai Technology Group. Such terms are on normal commercial terms and not more favourable than those offered by the Group to independent third parties.

### **8. General Services Expense Transaction**

Upon and subject to the terms and conditions of the General Services Expense Agreement, from time to time for a term up to 31 December 2022, the Hon Hai Technology Group has agreed to provide general administrative, support, utility and other related services to the Group.

On the date of this announcement, the Company entered into the Supplemental General Services Expense Agreement with Hon Hai to extend the current term of the General Services Expense Agreement for three years from 1 January 2023 to 31 December 2025 (both dates inclusive), which Supplemental General Services Expense Agreement will become effective from (and inclusive of) 1 January 2023.

### *Pricing Terms for the General Services Expense Transaction*

Under the General Services Expense Transaction, the applicable price of the services to be provided by the Hon Hai Technology Group will be determined based on the following:

- (a) where there is a price determined by the relevant state, at such state-determined price; or
- (b) where there is no state-determined price, at the market price; or
- (c) where there is no state-determined price or market price, on the principle of “cost plus”; or
- (d) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the relevant parties.

Under the General Services Expense Transaction, the utility charges (including but not limited to water and electricity charges) are mainly based on state-determined prices while the general administrative and support services (including but not limited to legal services and IT services) are mainly based on the costs as incurred by the Hon Hai Technology Group.

At present, the Hon Hai Technology Group mainly charges the Group for the cost of the General Services Expense Transaction based on the actual costs incurred by the Hon Hai Technology Group (including but not limited to utility charges in accordance with any state-determined prices) and certain allocation bases as agreed between the parties from time to time depending on the nature of the General Services Expense Transaction. The Company considers that the historic and present allocation bases and ratios are fair and reasonable. The Company will endeavour to agree with Hon Hai on any future allocation bases and ratios on a fair and equitable basis.

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

## **9. Lease Expense Transaction**

Upon and subject to the terms and conditions of the Framework Lease Expense Agreement, from time to time for a term up to 31 December 2022, the Hon Hai Technology Group has agreed to lease premises owned by it and located worldwide to the Group from time to time as requested by the Group.

On the date of this announcement, the Company entered into the Supplemental Lease Expense Agreement with Hon Hai to extend the current term of the Framework Lease Expense Agreement for three years from 1 January 2023 to 31 December 2025 (both dates inclusive), which Supplemental Lease Expense Agreement will become effective from (and inclusive of) 1 January 2023.

### *Pricing Terms for the Lease Expense Transaction*

Under the Lease Expense Transaction, the rental will be determined based on the following:

- (a) the rental payable by the Group under the Lease Expense Transaction shall be determined on a fair and reasonable basis with reference to the average market rental of other similar local properties in the market; or
- (b) if the average market rental is not available, the rental payable under the Lease Expense Transaction shall be determined on a “cost plus” basis; or
- (c) if both the average market rental basis and the “cost plus” basis are not appropriate or applicable, the rental payable under the Lease Expense Transaction shall be agreed between the relevant parties based on reasonable commercial principles.

Under the Lease Expense Transaction, the Group leases real properties from the Hon Hai Technology Group mostly manufacturing premises for handset manufacturing. As the locations and the conditions of the properties vary, the Group is not able to fix the rentals but has instead agreed to the pricing terms set out above. The relevant parties may enter into a separate specific lease agreement for the relevant premises leased by the Group under the Framework Lease Expense Agreement.

The rentals for the Lease Expense Transaction are usually payable either on a monthly or quarterly basis. These payment terms were usually adopted by the Group in its transactions with independent third parties or the Hon Hai Technology Group. Such terms are on normal commercial terms and not more favourable than those offered by the Group to independent third parties.

## **10. Lease Income Transaction**

Upon and subject to the terms and conditions of the Framework Lease Income Agreement, from time to time for a term up to 31 December 2022, the Group has agreed to lease to the Hon Hai Technology Group premises owned by it or any part thereof located worldwide as agreed between the Group and the Hon Hai Technology Group from time to time.

On the date of this announcement, the Company entered into the Supplemental Lease Income Agreement with Hon Hai to extend the current term of the Framework Lease Income Agreement for three years from 1 January 2023 to 31 December 2025 (both dates inclusive), which Supplemental Lease Income Agreement will become effective from (and inclusive of) 1 January 2023.

### *Pricing Terms for the Lease Income Transaction*

Under the Lease Income Transaction, the rental will be determined based on the following:

- (a) The rental payable by the Hon Hai Technology Group under the Lease Income Transaction shall be determined on a fair and reasonable basis with reference to the average market rental of other similar local properties in the market; or
- (b) If the average market rental is not available, the rental payable shall be determined on a “cost plus” basis; or

- (c) If both the average market rental basis and the “cost plus” basis are not appropriate or applicable, the rental payable under the Lease Income Transaction shall be agreed between the relevant parties based on reasonable commercial principles.

Under the Lease Income Transaction, as the locations and the conditions of the properties vary, the Group is not able to fix the rentals but has instead agreed to the pricing terms set out above. The relevant parties will enter into a specific lease agreement for each of the premises leased by the relevant member company of the Group to the relevant member company of the Hon Hai Technology Group pursuant to the Framework Lease Income Agreement.

The rental payable under the Framework Lease Income Agreement will be paid within such period agreed by the parties from time to time. Under the current specific lease agreements, the rentals are payable by the relevant member company of the Hon Hai Technology Group to the relevant member company of the Group either on a monthly or quarterly basis. These payment terms were usually adopted by the Group in its transactions with independent third parties or the Hon Hai Technology Group. Such terms are on normal commercial terms and not more favourable than those offered by the Group to independent third parties.

## **11. General Services Income Transaction**

Upon and subject to the terms and conditions of the General Services Income Agreement, from time to time for a term up to 31 December 2022, the Group has agreed to provide, or procure third parties to provide, to the Hon Hai Technology Group general administrative, support, utility and other services as the Group and the Hon Hai Technology Group may agree from time to time.

On the date of this announcement, the Company entered into the Supplemental General Services Income Agreement with Hon Hai to extend the current term of the General Services Income Agreement for three years from 1 January 2023 to 31 December 2025 (both dates inclusive), which Supplemental General Services Income Agreement will become effective from (and inclusive of) 1 January 2023.

### *Pricing Terms for the General Services Income Transaction*

Under the General Services Income Transaction, the applicable price of the services to be provided by the Group will be determined based on the following:

- (a) where there is a price determined by the relevant government authority, at such government-determined price; or
- (b) where there is no government-determined price, at the market price; or
- (c) where there is no government-determined price or market price, at a price to be agreed between the parties on the basis of the principle of “cost plus”; or
- (d) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the relevant parties based upon reasonable commercial principles.

Under the General Services Income Transaction, the utility charges (including but not limited to water and electricity charges) are mainly based on government-determined prices while the general administrative and support services (including but not limited to legal services and IT services) are mainly based on the costs as incurred by the Group.

At present, the Group mainly charges the Hon Hai Technology Group for the cost of the General Services Income Transaction based on the actual costs incurred by the Group (including but not limited to utility charges in accordance with any government-determined prices) and certain allocation bases as agreed between the parties from time to time depending on the nature of the General Services Income Transaction. The Company considers that the historic and present allocation bases and ratios are fair and reasonable. The Company will endeavour to agree with Hon Hai on any future allocation bases and ratios on a fair and equitable basis.

Payment for the General Services Income Transaction is usually made by the Hon Hai Technology Group within 45 days after the date of the relevant invoice. These payment terms were usually adopted by the Group in its transactions with independent third parties or the Hon Hai Technology Group. Such terms are on normal commercial terms and not more favourable than those offered by the Group to independent third parties.

## PRICING DETAILS

Below are details regarding the application of the pricing terms of the Continuing Connected Transactions. Such pricing details are equally applicable to transactions with independent third parties.

### Pricing terms

### Pricing details

#### NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Purchase Transaction	(a) in respect of purchases from an Approved Vendor, at the price agreed between the supplier and the Group's customer; if not, at a price to be determined by reference to the average market price; or	<p>Where the Group's customer approves or otherwise designates the Hon Hai Technology Group as an Approved Vendor in respect of the supply of certain materials, components and other products to be used in the Group's manufacturing of the final products for the Group's customer and the Group purchases such materials, components and other products from the Hon Hai Technology Group, such materials, components and other products are purchased at prices agreed between the Group's customer and the Hon Hai Technology Group (without the Group's direct involvement). In respect of the materials, components and other products designated to be purchased from Approved Vendor(s), the Group is not allowed to source them from other suppliers. The Group will agree to purchase such materials, components and other products from the Hon Hai Technology Group at the price agreed between the Group's customer and the Hon Hai Technology Group if the Group considers that it is profitable to do so, taking into account factors including the selling price of the relevant final product to the Group's customer as agreed between the Group and its customer (without the Hon Hai Technology Group's direct involvement) and the relative costs of manufacturing such product, including the cost of materials, components and other products purchased from the Hon Hai Technology Group. Given that such pricing mechanism is in line with market practice and the Group will only agree to purchase materials, components and other products from the Hon Hai Technology Group if it is profitable to do so, the Group considers that such pricing basis is on normal commercial terms or better.</p> <p>Where the Hon Hai Technology Group is not approved or otherwise designated as an Approved Vendor, the price will be determined by reference to the average market price or the market price (if there is only one independent transaction available). These materials, components and other products mainly include camera modules and processors with specifications which are common and/or readily available in the market. For the purpose of obtaining market prices, the Group refers to recent purchase transaction(s) of the Group of the same materials, components and other products from independent suppliers or quotations from independent suppliers, if available. In general, the Group will select at least one independent transaction (which is concluded after considering at least two quotations from independent suppliers) or (if independent transactions are not available) two quotations from independent suppliers within six months of the proposed transaction with the Hon Hai Technology Group in order to determine the average market price or the market price (if there is only one independent transaction available). The Group will review and check to ensure that the transaction price as agreed between the Group and the Hon Hai Technology Group is not less favourable than the average market price or the market price (if there is only one independent transaction available).</p>
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## Pricing terms

## Pricing details

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

Cost plus is determined based on the Hon Hai Technology Group’s cost of the materials, components and other products to be purchased by the Group plus a margin as agreed between the Group and the Hon Hai Technology Group. The materials, components and other products mainly include casing modules and camera modules which are tailor-made by the Hon Hai Technology Group according to the Group’s or its customers’ unique specifications. In determining the margin, the Group takes into account the margin for the materials, components and other products of similar nature in the market by way of referring to margins for sales of materials, components and other products of similar nature by the Group to independent customers, or (if the Group has no recent sale transaction of similar materials, components and other products or if the Group has not sold similar materials, components and other products before) by the Hon Hai Technology Group to independent customers. In general, the Group will select one independent transaction (most related to the subject materials, components and other products in nature) within six months of the proposed transaction with the Hon Hai Technology Group to determine the margin. In case there is no recent sale of materials, components and/or other products of similar nature by the Group or the Hon Hai Technology Group (as the case may be) to independent customers, the Group will make reference to the historical margin for sales of materials, components and/or other products of similar nature by the Group to independent customers. The Group will review and check to ensure that the Hon Hai Technology Group’s cost of the materials, components and other products to be purchased by the Group and the margin as agreed between the Group and the Hon Hai Technology Group adhere to the pricing terms and details. The Group will review and check the cost analysis (including cost breakdown and margin) of similar materials, components and other products sold by the Group to independent customers, or collect the cost analysis of similar materials, components and other products sold by the Hon Hai Technology Group to independent customers (if the Group has no recent sales transaction of similar materials, components and/or other products or if the Group has not sold similar materials, components and/or other products before) to review and check, to ensure that the margin as agreed between the Group and the Hon Hai Technology Group is not less favourable than the margin of similar materials, components and other products sold to independent customers by the Group or the Hon Hai Technology Group.

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

In consideration of its inventory optimisation management, the Hon Hai Technology Group may agree to prices lower than costs and market prices. In such cases, the Group would make the purchases at such lower prices as agreed by the Hon Hai Technology Group. The Group shall review and ensure that such prices are lower than costs and market prices.

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



**Pricing terms****Pricing details**

2. Consolidated Services and Sub-contracting Expense Transaction

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

Where the Hon Hai Technology Group is approved or otherwise designated by the customers of the Group to provide sub-contracting services to the Group to be used in the Group's manufacturing of final products to the Group's customers and the Group requires such services from the Hon Hai Technology Group, the services are charged at prices agreed between the Hon Hai Technology Group and the Group's customers (without the Group's direct involvement). In respect of the sub-contracting services designated to be provided by specific service provider(s), the Group is not allowed to source them from other service providers. The Group will agree to require such sub-contracting services from the Hon Hai Technology Group at the price agreed between the Group's customer and the Hon Hai Technology Group if the Group considers that it is profitable to do so, taking into account factors including the selling price of the relevant final product to the Group's customer as agreed between the Group and its customer (without the Hon Hai Technology Group's direct involvement) and the relative costs of manufacturing such product, including the sub-contracting cost charged by the Hon Hai Technology Group. Given that such pricing mechanism is in line with market practice and the Group will only agree to require such sub-contracting service from the Hon Hai Technology Group if it is profitable to do so, the Group considers that such pricing basis is on normal commercial terms or better.

Where the Hon Hai Technology Group is not approved or otherwise designated by the Group's customers, the price is determined by reference to the average market price or the market price (if there is only one independent transaction available). For the purpose of obtaining market prices, the Group refers to recent transaction(s) of the Group involving the purchase of sub-contracting services from independent service providers or quotations from independent service providers, if available. In general, the Group will select at least one independent transaction (which is concluded after considering at least two quotations from independent service providers) or (if independent transactions are not available) two quotations from independent service providers within six months of the proposed transaction with the Hon Hai Technology Group in order to determine the average market price or the market price (if there is only one independent transaction available). The Group will review and check to ensure that the transaction price as agreed between the Group and the Hon Hai Technology Group is not less favourable than the average market price or the market price (if there is only one independent transaction available).

**Pricing terms****Pricing details**

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

Cost plus is determined based on the Hon Hai Technology Group’s cost of the sub-contracting services provided to the Group plus a margin as agreed between the Group and the Hon Hai Technology Group. In determining the margin, the Group takes into account the margin for sub-contracting services of similar nature in the market by way of referring to margins for the Group’s provision of sub-contracting services of similar nature to independent customers. In general, the Group will select one independent transaction (most related to the subject sub-contracting service in nature) within six months of the proposed transaction with the Hon Hai Technology Group to determine the margin. In case there is no recent provision of sub-contracting services of similar nature by the Group to independent customers, the Group will make reference to the margins of the historical transactions involving the Group’s provision of sub-contracting services of similar nature to independent customers. The Group will review and check to ensure that the Hon Hai Technology Group’s cost of the sub-contracting services provided to the Group and the margin as agreed between the Group and the Hon Hai Technology Group adhere to the pricing terms and details and the margin as agreed between the Group and the Hon Hai Technology Group is fair and reasonable and not less favourable than the margin for the Group’s provision of sub-contracting services of similar nature to independent customers.

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

In consideration of its capacity utilisation management, the Hon Hai Technology Group may agree to prices lower than costs and market prices. In such cases, the Group would acquire the sub-contracting services from the Hon Hai Technology Group at such lower prices as agreed by the Hon Hai Technology Group. The Group shall review and ensure that such prices are lower than costs and market prices.

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

**3. Product Sales Transaction**

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

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

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

## Pricing terms

## Pricing details

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

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

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

**Pricing terms****Pricing details**

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

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

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

4. Sub-contracting  
Income  
Transaction

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

Where the Group is approved or otherwise designated by the customers of the Hon Hai Technology Group to provide sub-contracting services to the Hon Hai Technology Group, the sub-contracting services are provided at prices agreed between the Group and the Hon Hai Technology Group's customers (without the Hon Hai Technology Group's direct involvement).

Where the Group is not approved or otherwise designated by the customers of the Hon Hai Technology Group, the price is determined by reference to the average market price or the market price (if there is only one independent transaction available). For the purpose of obtaining market prices, the Group refers to recent transaction(s) of the Group and/or the Hon Hai Technology Group (as the case may be) involving the provision of similar sub-contracting services to independent customers, if available. In general, the Group will select at least one independent transaction (which is concluded after considering at least two quotations from independent customers) or (if independent transactions are not available) two quotations from independent customers, and/or (as appropriate) at least one transaction of the provision of the same sub-contracting services by the Hon Hai Technology Group to independent customers, in each case within six months of the proposed transaction with the Hon Hai Technology Group in order to determine the average market price or the market price (if there is only one independent transaction available). The Group will review and check to ensure that the transaction price as agreed between the Group and the Hon Hai Technology Group is not less favourable than the average market price or the market price (if there is only one independent transaction available).

**Pricing terms****Pricing details**

- (b) where (a) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Technology Group upon the basis of the principle of “cost plus”; or
- Cost plus is determined based on the cost of the sub-contracting services provided by the Group to the Hon Hai Technology Group plus a margin as agreed between the Group and the Hon Hai Technology Group. In determining the margin, the Group takes into account the margin for the provision of sub-contracting services of similar nature in the market by way of referring to margins for the Group’s provision of sub-contracting services of similar nature to independent customers. In general, the Group will select one independent transaction (most related to the subject sub-contracting services in nature) within six months of the proposed transaction with the Hon Hai Technology Group to determine the margin. In case there is no recent provision of sub-contracting services of similar nature to independent customers by the Group, the Group will make reference to the margins of the historical transactions involving the provision of sub-contracting services of similar nature to independent customers by the Group. The Group will review and check to ensure that the margin as agreed between the Group and the Hon Hai Technology Group is fair and reasonable adhering to the pricing terms and details and not less favourable than the margin for the Group’s provision of sub-contracting services of similar nature to independent customers.
- (c) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Technology Group based on reasonable commercial principles.
- In consideration of its capacity utilisation management, the Group may agree to prices lower than costs or prices under the Group’s recent independent transactions. In such cases, the Group would only accept such lower prices if a contribution margin (i.e. surplus of transaction prices over variable costs) is available to cover any fixed costs. The Group will solicit independent customers to use its sub-contracting services and will ensure that the price of the sub-contracting services charged to the Hon Hai Technology Group will not be lower than prices offered to interested independent customers.
- This pricing term has not been applied since 2015 but remains to be relevant to cater to such circumstances in the future.

**5. Equipment Sale Transaction**

- (a) at the book value of the relevant equipment as recorded in the accounts of the relevant member of the Group; or
- The book value of the equipment is based on the accounting records of the relevant member of the Group. This pricing is applied for used equipment. Given that the equipment sold to the Hon Hai Technology Group is used equipment and its specifications and conditions vary, market prices may not be available. As such, the Group considers that it is fair and reasonable to set a price based on the book value of the equipment as recorded in the relevant accounting records of the relevant member of the Group.
- (b) if (a) above is not appropriate or applicable, at a price to be determined by reference to the average market price; or
- The average market price is based on sales/purchase of equipment of similar nature to/from independent customers/suppliers. In general, the Group will select at least one independent transaction (which is concluded after considering at least two quotations from independent customers/suppliers) or (if independent transactions are not available) two quotations from independent customers/suppliers within six months of the proposed transaction with the Hon Hai Technology Group in order to determine the average market price or the market price (if there is only one independent transaction available).

This pricing is applied for used equipment.

**Pricing terms****Pricing details**

- (c) where (a) and (b) above are not appropriate or applicable, at a price to be agreed between the relevant parties on the basis of the principle of “cost plus”; or
- (d) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the parties based on reasonable commercial principles.
- Cost plus is determined based on the Group’s cost of the equipment sold to the Hon Hai Technology Group plus a margin as agreed between the Group and the Hon Hai Technology Group. In determining the margin, the Group takes into account the margin for sale of equipment of similar nature in the market by way of referring to margins for the Group’s sales of equipment of similar nature to independent customers. In general, the Group will select one independent transaction (most related to the subject equipment in nature) within six months of the proposed transaction with the Hon Hai Technology Group to determine the margin. In case there is no recent sale of equipment of similar nature to independent customers by the Group, the Group will make reference to the margins of the historical transactions involving the sales of equipment of similar nature to independent customers by the Group.
- In consideration of its equipment utilisation management, the Group may agree to prices lower than book value, costs or prices under the Group’s recent independent transactions. In such cases, the Group would only accept such lower prices if the equipment could not be sold at higher prices to independent customers and the Group does not consider it to be in its interests to keep such equipment having regard to factors such as equipment obsolescence. The Group will solicit purchases from independent parties and will ensure that the price of the equipment sold to the Hon Hai Technology Group will not be lower than prices offered by interested independent buyers.
- This pricing term has not been applied since 2015 but remains to be relevant to cater to such circumstances in the future.

**OTHER EXEMPT CONTINUING CONNECTED TRANSACTIONS**

6. Non-real Property Lease Expense Transaction
- (a) the rental payable by the Group under the Non-real Property Lease Expense Transaction shall be determined on a fair and reasonable basis with reference to the average market rental of other similar properties in the market; or
- For the purpose of obtaining market rentals, the Group refers to recent lease transaction(s) of the Group of similar Non-real Properties from independent third parties, if available. In general, the Group will select at least one independent transaction (which is concluded after considering at least two quotations from independent lessors) or (if independent transactions are not available) two quotations from independent lessors within six months of the proposed transaction with the Hon Hai Technology Group in order to determine the average market rental or the market rental (if there is only one independent transaction available). The Group will review and check to ensure that the transaction rental as agreed between the Group and the Hon Hai Technology Group is not less favourable than the average market rental or the market rental (if there is only one independent transaction available).

**Pricing terms****Pricing details**

- (b) if the average market rental is not available, the rental payable under the Non-real Property Lease Expense Transaction shall be determined on a “cost plus” basis; or
- Cost plus is determined based on the Hon Hai Technology Group’s relevant cost of the transaction plus a margin as agreed between the Group and the Hon Hai Technology Group. In determining the margin, the Group takes into account the margin for lease of Non-real Properties of similar nature in the market by way of referring to margins for the Group’s lease of Non-real Properties of similar nature from/to independent parties. In general, the Group will select one independent transaction (most related to the subject Non-real Property in nature) within six months of the proposed transaction with the Hon Hai Technology Group to determine the margin. In case there is no recent lease of Non-real Properties of similar nature by the Group from/to independent parties, the Group will make reference to the historical margins for the Group’s lease of Non-real Properties of similar nature from/to independent parties. The cost is usually determined on the basis of the depreciation charge and the related costs of the Non-real Property such as interests and insurance costs. The Group will review and check to ensure that the cost of the transaction incurred by the Hon Hai Technology Group and the margin as agreed between the Group and the Hon Hai Technology Group adhere to the pricing terms and details and the margin as agreed between the Group and the Hon Hai Technology Group is fair and reasonable and not less favourable than the margin for the Group’s lease of Non-real Properties of similar nature from independent parties.
- (c) if both the average market rental basis and the “cost plus” basis are not appropriate or applicable, the rental payable under the Non-real Property Lease Expense Transaction shall be agreed between the relevant parties based on reasonable commercial principles.
- In consideration of its Non-real Properties utilisation management, the Hon Hai Technology Group may agree to prices lower than costs and market prices. In such cases, the Group would lease such Non-real Properties from the Hon Hai Technology Group at such lower prices as agreed by the Hon Hai Technology Group. The Group shall review and ensure that such prices are lower than costs and market prices.
- This pricing term has not been applied since 2015 but remains to be relevant to cater to such circumstances in the future.
7. Equipment Purchase Transaction
- (a) at the book value of the relevant equipment as recorded in the accounts of the relevant member of the Hon Hai Technology Group; or
- The book value of the equipment is based on the accounting records of the relevant member of the Hon Hai Technology Group. This pricing is applied mainly for used equipment. Given that the specifications and conditions of the used equipment purchased from the Hon Hai Technology Group vary, market prices may not be available. As such, the Group considers that it is fair and reasonable to set a price based on the book value of the equipment as reported in the relevant accounting records in accordance with the International Financial Reporting Standards.



**Pricing terms****Pricing details**

(b) if (a) above is not appropriate or applicable, at a price to be determined by reference to the average market price; or

The average market price is based on quotations provided by independent suppliers, if available. In general, the Group will select at least one independent transaction (which is concluded after considering at least two quotations from independent suppliers) or (if independent transactions are not available) two quotations from independent suppliers within six months of the proposed transaction with the Hon Hai Technology Group in order to determine the average market price or the market price (if there is only one independent transaction available). The Group will review and check to ensure that the transaction price as agreed between the Group and the Hon Hai Technology Group is not less favourable than the average market price or the market price (if there is only one independent transaction available).

This pricing is applied mainly for new equipment manufactured or procured or purchased from third parties by the Hon Hai Technology Group.

(c) where (a) and (b) above are not appropriate or applicable, at a price to be agreed between the relevant parties on the basis of the principle of “cost plus”; or

Cost plus is determined based on the cost of the equipment purchased from the Hon Hai Technology Group plus a margin as agreed between the Group and the Hon Hai Technology Group. In determining the margin, the Group takes into account the margin for equipment of similar nature in the market by way of referring to margins for the Hon Hai Technology Group’s sales, or (if the Hon Hai Technology Group has no recent sales transaction of similar equipment or if the Hon Hai Technology Group has not sold such similar equipment before) the Group’s sales (if available) of equipment of similar nature to independent customers. In general, the Group will select one independent transaction (most related to the subject equipment in nature) within six months of the proposed transaction with the Hon Hai Technology Group to determine the margin. In case there is no recent sale of equipment of similar nature to independent customers by the Group or the Hon Hai Technology Group, the Group will make reference to the margins of the historical transactions involving the sales of equipment of similar nature to independent customers by the Group or the Hon Hai Technology Group. The Group will review and check to ensure that the cost of the equipment purchased from the Hon Hai Technology Group and the margin as agreed between the Group and the Hon Hai Technology Group adhere to the pricing terms and details. The Group will collect the cost analysis of similar equipment (including cost breakdown and margin) sold by the Hon Hai Technology Group to independent customers (if the Hon Hai Technology Group has such recent sales transaction available) to review and check, or (if the Hon Hai Technology Group has no recent sales transaction of similar equipment or if the Hon Hai Technology Group has not sold similar equipment before) review and check the cost analysis of the Group’s sales (if available) of equipment of similar nature to independent customers, to ensure that the margin as agreed between the Group and the Hon Hai Technology Group is fair and reasonable and is not less favourable than the margin of the transactions involving the sales of equipment of similar nature to independent customers by the Group or the Hon Hai Technology Group.



**Pricing terms****Pricing details**

(d) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the parties based on reasonable commercial principles.

In consideration of its equipment utilisation management, the Hon Hai Technology Group may agree to prices lower than book value, costs and market prices. In such cases, the Group would purchase the equipment from the Hon Hai Technology Group at such lower prices as agreed by the Hon Hai Technology Group. The Group shall review and ensure that such prices are lower than book value, costs and market prices.

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

8. General Services Expense Transaction

(a) where there is a price determined by the relevant state, at such state-determined price; or

The price is based on state-determined prices as published by the relevant government authority, such as electricity charges in Shenzhen in accordance with prices published by 廣東電網公司深圳供電局 (Guangdong Power Grid Corporation Shenzhen Power Supply Bureau, for identification purposes only) and water charges in Shenzhen in accordance with prices published by 深圳市深水龍華水務有限公司 (Shenzhen City Shenshui Longhua Water Services Limited, for identification purposes only).

(b) where there is no state-determined price, at the market price; or

The price is determined by reference to the average market price or the market price (if there is only one independent transaction available). For the purpose of obtaining market prices, the Group refers to recent transaction(s) of the Group involving the purchase of similar general services from independent service providers or quotations from independent service providers, if available. In general, the Group will select at least one independent transaction (which is concluded after considering at least two quotations from independent service providers) or (if independent transactions are not available) two quotations from independent service providers within six months of the proposed transaction with the Hon Hai Technology Group in order to determine the average market price or the market price (if there is only one independent transaction available).

(c) where there is no state-determined price or market price, on the principle of “cost plus”; or

The general services are mainly charged at cost as incurred by the Hon Hai Technology Group without markup.

In future, the Group and the Hon Hai Technology Group may agree to a margin. In determining the margin, the Group will take into account the margin for general services of similar nature in the market by way of referring to margins for the Group’s provision of general services of similar nature to independent customers. In general, the Group will select one independent transaction (most related to the subject general services in nature) within six months of the proposed transaction with the Hon Hai Technology Group to determine the margin. In case there is no recent provision of general services of similar nature to independent customers by the Group, the Group will make reference to the margins of the historical transactions involving the provision of general services of similar nature to independent customers by the Group.

**Pricing terms****Pricing details**

(d) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the relevant parties.

In consideration of its capacity utilisation management, the Hon Hai Technology Group may agree to prices lower than state-determined prices, costs and market prices. In such cases, the Group would acquire the general services from the Hon Hai Technology Group at such lower prices as agreed by the Hon Hai Technology Group. The Group shall review and ensure that such prices are lower than state-determined prices, costs and market prices.

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

9. Lease Expense Transaction (a) the rental payable by the Group under the Lease Expense Transaction shall be determined on a fair and reasonable basis with reference to the average market rental of other similar local properties in the market; or

For the purpose of obtaining market rentals, the Group refers to recent lease transaction(s) of the Group of similar local properties from independent third parties, if available. In general, the Group will select at least one independent transaction (which is concluded after considering at least two quotations from independent lessors) or (if independent transactions are not available) two quotations from independent lessors within six months of the proposed transaction with the Hon Hai Technology Group in order to determine the average market rental or the market rental (if there is only one independent transaction available).

(b) if the average market rental is not available, the rental payable under the Lease Expense Transaction shall be determined on a “cost plus” basis; or

Cost plus is determined based on the relevant cost of the transaction incurred by the Hon Hai Technology Group plus a margin as agreed between the Group and the Hon Hai Technology Group. In determining the margin, the Group takes into account the margin for lease of properties of similar nature in the market by way of referring to margins for the Group’s lease of properties of similar nature from/to independent parties. In general, the Group will select one independent transaction (most related to the subject property in nature) within six months of the proposed transaction with the Hon Hai Technology Group to determine the margin. The cost is usually determined on the basis of the depreciation charge and the related costs of the properties such as interests and insurance costs. In case there is no recent lease of properties of similar nature from/to independent parties, the Group will make reference to the margins of the historical transactions involving the lease of properties of similar nature from/to independent parties.

**Pricing terms****Pricing details**

(c) if both the average market rental basis and the “cost plus” basis are not appropriate or applicable, the rental payable under the Lease Expense Transaction shall be agreed between the relevant parties based on reasonable commercial principles.

In consideration of its properties utilisation management, the Hon Hai Technology Group may agree to prices lower than costs and market rentals. In such cases, the Group would lease the properties from the Hon Hai Technology Group at such lower prices as agreed by the Hon Hai Technology Group. The Group shall review and ensure that such prices are lower than costs and market rentals.

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

10. Lease Income Transaction (a) the rental payable by the Hon Hai Technology Group under the Lease Income Transaction shall be determined on a fair and reasonable basis with reference to the average market rental of other similar local properties in the market; or

For the purpose of obtaining market rentals, the Group refers to recent lease transaction(s) of the Group of similar local properties to independent third parties, if available. In general, the Group will select at least one independent transaction (which is concluded after considering at least two quotations from independent lessees) or (if independent transactions are not available) two quotations from independent lessees within six months of the proposed transaction with the Hon Hai Technology Group in order to determine the average market rental or the market rental (if there is only one independent transaction available). If the above is not available, the Group will refer to a market rental provided by an independent professional valuer engaged by the Group.

(b) if the average market rental is not available, the rental payable shall be determined on a “cost plus” basis; or

Cost plus is determined based on the relevant cost of the transaction incurred by the Group plus a margin as agreed between the Group and the Hon Hai Technology Group. In determining the margin, the Group takes into account the margin for lease of properties of similar nature in the market by way of referring to margins for the Group’s lease of properties of similar nature to/from independent parties. In general, the Group will select one independent transaction (most related to the subject property in nature) within six months of the proposed transaction with the Hon Hai Technology Group to determine the margin. The cost usually includes the depreciation/amortisation costs relating to construction and land use rights, property tax, capital costs and other direct costs attributable to the subject property. In case there is no recent lease of properties of similar nature to/from independent parties, the Group will make reference to the margins of the historical transactions involving the lease of properties of similar nature to/from independent parties.

Although none of the current rentals under the Lease Income Transaction is determined based on the “cost plus” basis, this pricing term remains to be relevant to cater to such circumstances in the future.

**Pricing terms****Pricing details**

(c) if both the average market rental basis and the “cost plus” basis are not appropriate or applicable, the rental payable under the Lease Income Transaction shall be agreed between the relevant parties based on reasonable commercial principles.

In consideration of its properties utilisation management, the Group may agree to prices lower than costs and market rentals only if the Group is not able to lease any unutilised properties to independent parties at higher rentals. In such cases, the Group will attempt to solicit interests from independent parties to rent such properties and will ensure that the rentals offered to the Hon Hai Technology Group will not be lower than any rentals offered by interested independent parties. The operation departments of the Group carry out the asset utilisation and optimisation management and will solicit interests from potential tenants including the Hon Hai Technology Group. The accounting departments of the Group will review any proposed rentals of properties under this pricing term.

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

**11. General Services Income Transaction**

(a) where there is a price determined by the relevant government authority, at such government-determined price; or

The price is based on government-determined prices as published by the relevant government authority.

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

(b) where there is no government-determined price, at the market price; or

The price is determined by reference to the average market price or the market price (if there is only one independent transaction available). For the purpose of obtaining market prices, the Group refers to recent transaction(s) of the Group involving the provision of similar general services to independent customers or quotations from independent service providers, if available. In general, the Group will select at least one independent transaction (which is concluded after considering at least two quotations from independent service providers/customers) or (if independent transactions are not available) two quotations from independent service providers/customers within six months of the proposed transaction with the Hon Hai Technology Group in order to determine the average market price or the market price (if there is only one independent transaction available).

<b>Pricing terms</b>	<b>Pricing details</b>
(c) where there is no government-determined price or market price, at a price to be agreed between the parties on the basis of the principle of “cost plus”; or	<p>The general services are mainly charged at cost as incurred by the Group without markup.</p> <p>In future, the Group and the Hon Hai Technology Group may agree to a margin. In determining the margin, the Group will take into account the margin for general services of similar nature in the market by way of referring to margins for the Group’s provision of general services of similar nature to independent customers. In general, the Group will select one independent transaction (most related to the subject general services in nature) within six months of the proposed transaction with the Hon Hai Technology Group to determine the margin. In case there is no recent provision of general services of similar nature to independent customers by the Group, the Group will make reference to the margins of the historical transactions involving the provision of general services of similar nature to independent customers by the Group.</p>
(d) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the relevant parties upon reasonable commercial principles.	<p>In consideration of its capacity utilisation management, the Group may agree to prices lower than government-determined prices, costs and market prices. In such cases, the Group would only accept such lower prices if a contribution margin (i.e. surplus of transaction prices over variable costs) is available to cover any fixed costs. The Group will solicit independent customers to use its general services and will ensure that the price of the general services charged to the Hon Hai Technology Group will not be lower than prices offered to interested independent customers.</p> <p>This pricing term has not been applied since 2015 but remains to be relevant to cater to such circumstances in the future.</p>

## **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

The Group and the Hon Hai Technology Group have been carrying out the Continuing Connected Transactions to facilitate their respective businesses and operations from time to time. The long-established relationship and connections between the Group and the Hon Hai Technology Group and the global geographical convenience and proximity between the Group and the Hon Hai Technology Group offer (among other things) efficient, convenient and timely communication and coordination between the parties.

The Hon Hai Technology Group is the leading global manufacturing service provider in the 3C industries. The Continuing Connected Transactions provide a reliable, timely and efficient supply of materials, components and other products and provision of services in support of the Group’s daily business operations, which are favourable to the Group’s effective control and management over the product procurement, performance and quality, timeliness, production, facilities, capacities, expenditures, supply chain and after-sales services on one hand and generate more income for the Group and enhance the utilisation and management of the Group’s assets and services on the other hand. Overall, the continuance of the Continuing Connected Transactions between the Group and the Hon Hai Technology Group from time to time effectively lowers the operation risks of both the Group and the Hon Hai Technology Group and contributes to the Group’s daily business operations on an on-going basis.

The Existing Agreements will expire on 31 December 2022. To renew the Existing Agreements, on the date of this announcement, the Company entered into the Supplemental Agreements with Hon Hai to extend the current term of the Existing Agreements for a term of three years commencing from (and inclusive of) 1 January 2023.

In addition and without prejudice to the generality of the foregoing, the reasons for and benefits of entering into and carrying out each of the Continuing Connected Transactions are set out below:

### **1. Purchase Transaction**

Hon Hai is the leading player in the 3C manufacturing services industry. Under the convergence trend of the 3C industries, an increasing number of types of materials and components manufactured by the Hon Hai Technology Group are used for the manufacture of consumer electronic products, in particular handsets. The Company believes that it is an important competitive advantage of the Group that the Group together with the members of the Hon Hai Technology Group can provide a wide range of vertically integrated manufacturing services to the customers.

### **2. Consolidated Services and Sub-contracting Expense Transaction**

The Company considers that the services provided by the Hon Hai Technology Group under the Consolidated Services and Sub-contracting Expense Transaction as requested by the Group can enhance the Group's handset manufacturing capabilities and related capacity in its handset manufacturing business, provide the Group with greater flexibility in capacity planning and allow the Group to carry on its business more efficiently.

### **3. Product Sales Transaction**

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

### **4. Sub-contracting Income Transaction**

The Company considers it in its best interests to generate more income as well as enhance utilisation of its assets by carrying out the Sub-contracting Income Transaction as long as the services are provided at prices that are fair and reasonable pursuant to the Sub-contracting Income Agreement.

### **5. Equipment Sale Transaction**

From time to time certain equipment of the Group no longer meets the production needs of the Group which may be as a result of a number of factors, such as new product specifications required by customers, capacity planning and new production arrangements. However, such equipment may be useful to the Hon Hai Technology Group for its businesses. The Group may sell such equipment to the Hon Hai Technology Group at prices the Company considers to be fair and reasonable generating more income for the Group.

## **6. Non-real Property Lease Expense Transaction**

In carrying out the Group's manufacturing operations, the Group may require the use of the Non-real Properties (including but not limited to specialised equipment and machines). By leasing such Non-real Properties from the Hon Hai Technology Group, the Group may gain access to the use of such Non-real Properties at rental rates agreeable to the Company saving capital expenditures.

## **7. Equipment Purchase Transaction**

The Hon Hai Technology Group is able to customise standard industry equipment to varying degrees to better suit the production needs of the Group. Purchasing equipment from the Hon Hai Technology Group helps shorten the lead time to deliver the equipment to the Group. The Group in the past also purchased used equipment that was in good condition from the Hon Hai Technology Group at the book value of the equipment in the Hon Hai Technology Group's accounts. It is also more convenient for the Group to obtain the required maintenance services for the customised equipment from the Hon Hai Technology Group.

## **8. General Services Expense Transaction**

Certain production facilities of the Group are located at premises owned and managed by the Hon Hai Technology Group and leased to the Group under the Lease Expense Transaction. Within such premises, the Hon Hai Technology Group provides a number of general administrative, support, utility and other related services to all tenants, including the Group, which are necessary for the tenants to carry out their operations in such locations. The Company considers it more cost effective for the Group to share some other services provided by the Hon Hai Technology Group, such as product testing, specialist inspection and information technology and communication services.

## **9. Lease Expense Transaction**

A part of the Group's operations in certain jurisdictions is located in the Hon Hai Technology Group's industrial parks in such jurisdictions in view of the benefits of locating close to the members of the Hon Hai Technology Group which possess leading capabilities and expertise amid the convergence trend within the 3C industries. In particular, the physical proximity can lead to additional savings and efficiency to the Group if the Group's customers select these members of the Hon Hai Technology Group as the Approved Vendors.

## **10. Lease Income Transaction**

The Group has its own premises (including but not limited to vacant land, bare sites, manufacturing plants, offices, buildings, structures and dormitories, and the related or ancillary facilities), and may have surplus space from time to time. The Company considers it in its best interests to lease out such surplus space and generate additional income for the Group at prices comparable to the market and/or above the costs attributable to the leased premises pursuant to the relevant agreement in respect of the Lease Income Transaction.

## 11. General Services Income Transaction

Certain production facilities of the Hon Hai Technology Group are located at premises owned and managed by the Group and leased to the Hon Hai Technology Group under the Lease Income Transaction. Within such premises, the Group provides a number of general administrative, support, utility and other related services to all tenants, including the Hon Hai Technology Group, which are necessary for the tenants to carry out their operations in such locations. The Hon Hai Technology Group also utilises some other services provided by the Group, such as product testing, specialist inspection and information technology and communication services. The Company considers it in its best interests to generate more income as well as enhance utilisation of its resources as long as the services are provided at prices that are considered to be fair and reasonable to the Company.

### HISTORICAL VALUES AND ANNUAL CAPS

The table below sets out (1) the historical actual amounts of each of the Continuing Connected Transactions for each of the three years ended 31 December 2021 and for the six months ended 30 June 2022; and (2) the proposed or new (as the case may be) annual caps for each of the Continuing Connected Transactions for the three years ending 31 December 2025:

US\$ '000	Actual transaction amounts				Proposed/new annual caps		
	For the year ended 31 December			For the six months ended 30 June 2022	For the year ending 31 December		
	2019	2020	2021		2023	2024	2025
	(audited)	(audited)	(audited)	(unaudited)			
<b>NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS</b>							
1. Purchase Transaction (Note 1)	1,027,007	807,983	985,096	391,257	<b>1,611,000</b>	<b>1,964,000</b>	<b>2,395,000</b>
2. Consolidated Services and Sub-contracting Expense Transaction (Note 1)	258,863	186,935	110,414	46,602	<b>204,000</b>	<b>204,000</b>	<b>204,000</b>
3. Product Sales Transaction (Note 1)	997,226	2,284,721	2,625,154	1,268,811	<b>3,813,000</b>	<b>4,381,000</b>	<b>5,034,000</b>
4. Sub-contracting Income Transaction (Note 1)	41,293	64,530	38,182	35,929	<b>110,000</b>	<b>137,000</b>	<b>170,000</b>
5. Equipment Sale Transaction (Note 1)	5,772	9,416	15,641	475	<b>34,000</b>	<b>48,000</b>	<b>67,000</b>



US\$'000		Actual transaction amounts				Proposed/new annual caps		
		For the year ended 31 December			For the six months ended 30 June 2022 (unaudited)	For the year ending 31 December		
		2019 (audited)	2020 (audited)	2021 (audited)		2023	2024	2025
<b>OTHER EXEMPT CONTINUING CONNECTED TRANSACTIONS</b>								
6.	Non-real Property Lease Expense Transaction (Note 2)	10,733	15,730	5,137	190	12,000	12,000	12,000
7.	Equipment Purchase Transaction (Note 2)	43,056	18,829	2,413	613	24,000	24,000	24,000
8.	General Services Expense Transaction (Note 2)	16,180	17,675	22,031	8,385	31,000	34,000	38,000
9.	Lease Expense Transaction (Note 2)	8,096	9,758	6,755	2,679	10,000	10,000	10,000
10.	Lease Income Transaction (Note 2)	4,775	4,594	5,863	2,808	11,000	14,000	18,000
11.	General Services Income Transaction (Note 2)	402	525	983	505	3,000	5,000	7,000

The Company confirms that the total year-to-date actual transaction amount for each of the Continuing Connected Transactions has not exceeded the corresponding existing annual cap amount for the year ending 31 December 2022, and will continue to monitor jointly with the Company's external auditor to ensure that the total transaction amount for each of the Continuing Connected Transactions for the year ending 31 December 2022 will not exceed such corresponding existing annual cap amount for the year ending 31 December 2022. For more details, please see the section headed "Internal Control Measures" below.

*Notes:*

1. Based on the maximum amount of the proposed annual caps for the three years ending 31 December 2025 in respect of each of the Non-exempt Continuing Connected Transactions, at least one of the applicable percentage ratios (other than profits ratio and equity capital ratio which are not applicable in the present context) is more than 5% and each of the proposed annual caps, on an annual basis, is more than HK\$10 million. Accordingly, each of the Non-exempt Continuing Connected Transactions constitutes a non-exempt continuing connected transaction for the Company under the Listing Rules. It follows that the Non-exempt Continuing Connected Transactions, the proposed annual caps in respect of each of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2025 and the EGM Supplemental Agreements are subject to the approval of the Independent Shareholders at the EGM.

2. Based on the maximum amount of the new annual caps for the three years ending 31 December 2025 in respect of each of the Other Exempt Continuing Connected Transactions, at least one of the applicable percentage ratios (other than profits ratio and equity capital ratio which are not applicable in the present context), on an annual basis, is 0.1% or more but all the applicable percentage ratios are less than 5%. In accordance with Rule 14A.76(2) of the Listing Rules, the Other Exempt Continuing Connected Transactions together with their respective annual caps for the three years ending 31 December 2025 and the Other Supplemental Agreements are exempt from the circular (including independent financial advice) and the Independent Shareholders' approval requirements.

## **BASIS OF THE PROPOSED/NEW ANNUAL CAP AMOUNTS**

The proposed/new annual cap amounts for the Continuing Connected Transactions for each of the three years ending 31 December 2025 are basically determined with regard to the following:

### **1. Purchase Transaction**

- (a) the historical transaction amount of the Purchase Transaction for the year ended 31 December 2021;
- (b) the historical annual growth rate of the Purchase Transaction for the year ended 31 December 2021; and
- (c) a buffer of approximately 10% to cater for any unforeseen changes in market conditions (including but not limited to an unexpected increase in consumer demand and/or unexpected increase in the cost of supply affecting the transaction, where applicable).

### **2. Consolidated Services and Sub-contracting Expense Transaction**

- (a) the average annual historical transaction amount of the Consolidated Services and Sub-contracting Expense Transaction during the three years ended 31 December 2021; and
- (b) a buffer of approximately 10% to cater for any unforeseen changes in market conditions (including but not limited to an unexpected increase in consumer demand and/or unexpected increase in the cost of supply affecting the transaction, where applicable).

### **3. Product Sales Transaction**

- (a) the historical transaction amount of the Product Sales Transaction for the year ended 31 December 2021;
- (b) the historical annual growth rate of the Product Sales Transaction for the year ended 31 December 2021; and
- (c) a buffer of approximately 10% to cater for any unforeseen changes in market conditions (including but not limited to an unexpected increase in consumer demand and/or unexpected increase in the cost of supply affecting the transaction, where applicable).

#### **4. Sub-contracting Income Transaction**

- (a) the historical transaction amount of the Sub-contracting Income Transaction for the year ended 31 December 2021;
- (b) the historical year-on-year growth rate of the Sub-contracting Income Transaction for the six months ended 30 June 2022 for estimating the transaction amount for the year ending 31 December 2022;
- (c) the compound annual growth rate of the Sub-contracting Income Transaction during the years of 2019-2022 for estimating the annual transaction amount for each of the three years ending 31 December 2025; and
- (d) a buffer of approximately 10% to cater for any unforeseen changes in market conditions (including but not limited to an unexpected increase in consumer demand and/or unexpected increase in the cost of supply affecting the transaction, where applicable).

#### **5. Equipment Sale Transaction**

- (a) the historical transaction amount of the Equipment Sale Transaction for the six months ended 30 June 2022;
- (b) the estimated transaction amount for the six months ending 31 December 2022 based on the historical transaction amount of the Equipment Sale Transaction for the six months ended 31 December 2021 and the historical year-on-year growth rate of the transaction for the six months ended 31 December 2021;
- (c) the transaction amounts of the Equipment Sale Transaction for each of the three years ending 31 December 2025 are estimated based on the annual growth rate of the Equipment Sale Transaction for the year ending 31 December 2022; and
- (d) a buffer of approximately 10% to cater for any unforeseen changes in market conditions (including but not limited to an unexpected increase in consumer demand and/or unexpected increase in the cost of supply affecting the transaction, where applicable).

#### **6. Non-real Property Lease Expense Transaction**

- (a) the average annual historical transaction amount of the Non-real Property Lease Expense Transaction during the three years ended 31 December 2021; and
- (b) a buffer of approximately 10% to cater for any unforeseen changes in market conditions (including but not limited to an unexpected increase in consumer demand and/or unexpected increase in the cost of supply affecting the transaction, where applicable).

## **7. Equipment Purchase Transaction**

- (a) the average annual historical transaction amount of the Equipment Purchase Transaction during the three years ended 31 December 2021; and
- (b) a buffer of approximately 10% to cater for any unforeseen changes in market conditions (including but not limited to an unexpected increase in consumer demand and/or unexpected increase in the cost of supply affecting the transaction, where applicable).

## **8. General Services Expense Transaction**

- (a) the historical transaction amount of the General Services Expense Transaction for the year ended 31 December 2021;
- (b) the historical year-on-year growth rate of the General Services Expense Transaction for the six months ended 30 June 2022 for estimating the annual transaction amount for each of the four years ending 31 December 2025; and
- (c) a buffer of approximately 10% to cater for any unforeseen changes in market conditions (including but not limited to an unexpected increase in consumer demand and/or unexpected increase in the cost of supply affecting the transaction, where applicable).

## **9. Lease Expense Transaction**

- (a) the average annual historical transaction amount of the Lease Expense Transaction during the three years ended 31 December 2021; and
- (b) a buffer of approximately 10% to cater for any unforeseen changes in market conditions (including but not limited to an unexpected increase in consumer demand and/or unexpected increase in the cost of supply affecting the transaction, where applicable).

## **10. Lease Income Transaction**

- (a) the historical transaction amount of the Lease Income Transaction for the year ended 31 December 2021;
- (b) the historical annual growth rate of the Lease Income Transaction for the year ended 31 December 2021; and
- (c) a buffer of approximately 10% to cater for any unforeseen changes in market conditions (including but not limited to an unexpected increase in consumer demand and/or unexpected increase in the cost of supply affecting the transaction, where applicable).

## **11. General Services Income Transaction**

- (a) the historical transaction amount of the General Services Income Transaction for the year ended 31 December 2021;
- (b) the historical compound annual growth rate of the General Services Income Transaction during the years of 2019-2021 for estimating the annual transaction amount for each of the four years ending 31 December 2025; and
- (c) a buffer of approximately 10% to cater for any unforeseen changes in market conditions (including but not limited to an unexpected increase in consumer demand and/or unexpected increase in the cost of supply affecting the transaction, where applicable).

The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the Independent Financial Adviser) consider that the respective proposed annual caps for the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2025 are fair and reasonable, the entering into of the Non-exempt Continuing Connected Transactions is in the Group's ordinary and usual course of business and the respective terms of the Non-exempt Continuing Connected Transactions (to be amended by the EGM Supplemental Agreements) are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole. The Directors (including the independent non-executive Directors) consider that the respective new annual caps for the Other Exempt Continuing Connected Transactions for the three years ending 31 December 2025 are fair and reasonable, the entering into of the Other Exempt Continuing Connected Transactions is in the Group's ordinary and usual course of business and the respective terms of the Other Exempt Continuing Connected Transactions (as amended by the Other Supplemental Agreements) are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole. Mr. CHIH Yu Yang, an executive Director, is a director of a subsidiary and an associate of Hon Hai and, in view of his relationship with the Hon Hai Technology Group, has abstained from voting on the Board's resolutions in relation to the Continuing Connected Transactions. In addition, Dr. KUO Wen-Yi, an executive Director, has been discussing some proposed arrangements with the Hon Hai Technology Group and, as a matter of good corporate governance, has abstained from voting on the Board's resolutions in relation to the Continuing Connected Transactions. Save as disclosed, no other Directors have to abstain from voting on the Board's resolutions in relation to the Continuing Connected Transactions.

### **FULLY EXEMPT CONTINUING CONNECTED TRANSACTION**

On the date of this announcement, the Company and Hon Hai entered into the Supplemental Non-real Property Lease Income Agreement. Based on the Company's estimation of the annual amounts for the Non-real Property Lease Income Transaction for the three years ending 31 December 2025, pursuant to Rule 14A.76(1) of the Listing Rules, the Non-real Property Lease Income Transaction has remained a de minimis continuing connected transaction of the Company exempt from the Independent Shareholders' approval, annual review and all disclosure requirements under the Listing Rules.

The Company will continue to monitor the respective amounts derived from the Non-real Property Lease Income Transaction, and if required, will set annual cap(s) for any subsequent financial year(s) in respect of the Non-real Property Lease Income Transaction and comply with the Listing Rules as and when required.

## INTERNAL CONTROL MEASURES

The Group has adopted the following internal control procedures over the continuing connected transactions of the Company including the Continuing Connected Transactions:

- Before entering into a transaction under the continuing connected transactions of the Company, the purchase departments and/or the operation departments (as the case may be) of the Group will review and check whether the pricing is fair and reasonable adhering to the pricing terms and details. In addition to reviewing the pricing before entering into a transaction under the continuing connected transactions of the Company where the pricing terms under the relevant agreements are applied for the first time or the pricing terms are different from those used previously, the accounting departments of the relevant member companies of the Group will review the aforesaid works carried out by the purchase departments and/or the operation departments (as the case may be) on a quarterly basis.
- The Company has formulated and maintained a list of connected persons of the Company for the purpose of monitoring the connected transactions (including the Continuing Connected Transactions) and a copy of such list, together with a copy of each of the framework agreements and subsequent supplemental agreements for the continuing connected transactions, have been kept at the Group's headquarters accounting department, which is the department primarily responsible to review and monitor the continuing connected transactions ensuring that the annual caps of the relevant continuing connected transactions are not exceeded and the continuing connected transactions have been conducted in accordance with the pricing policies or mechanisms under the framework agreements relating to such continuing connected transactions. The headquarters accounting department of the Group collects the updated annual rolling forecast for each category of the continuing connected transactions (the "**CCT Rolling Forecast**") from the relevant operation departments of the Group every month and uses the CCT Rolling Forecast to calculate and monitor the estimated full-year transaction amount of each category of the continuing connected transactions at the Group's level. In relation to each category of the continuing connected transactions, the headquarters accounting department of the Group also compares the CCT Rolling Forecast with the pre-approved annual cap amount or de minimis thresholds to check and see if there is any potential risk of the then estimated full-year transaction amount exceeding the corresponding annual cap amounts or de minimis thresholds. When there is potentially a new transaction under the relevant category of the continuing connected transactions to be transacted between the Group and the Hon Hai Technology Group, the chief financial officer of the Group (the "**Group CFO**") will inform the headquarters accounting department of the Group to ensure that such potential new transaction has been included in the relevant CCT Rolling Forecast and, if necessary, update such CCT Rolling Forecast based on the information regarding such potential new transaction then available for review by the Group CFO. When the relevant CCT Rolling Forecast indicates that the pre-approved annual cap amounts or de minimis thresholds relating to the relevant category of the continuing connected transactions may be exceeded, the headquarters accounting department of the Group will check the reasons and/or assumptions underlying the relevant CCT Rolling Forecast again, in consultation with the operation departments of the Group, and then report the same to the Group CFO. The Group CFO will then internally review and assess if the then existing pre-approved annual cap amounts or de minimis thresholds will likely be exceeded, and if so, will initiate re-compliance with all the applicable requirements under the Listing Rules in respect of any revision of the then existing pre-approved annual cap amounts or setting of annual cap amounts for the de minimis continuing connected transaction that may potentially exceed the de minimis thresholds.

- The headquarters accounting department of the Group will consult with the Group's internal audit function in respect of continuing connected transaction compliance issues and report semi-annually to the Group CFO, normally before the Company's publication of the interim results and final results of the Group respectively in every financial year, and the Group CFO (in his own capacity and on behalf of the Group's management designated for the purposes of assisting the Board with the Group's enterprise risk management and internal controls) will semi-annually report to the audit committee of the Company (currently comprising all the independent non-executive Directors) and simultaneously, provide a confirmation to the audit committee that the continuing connected transactions of the Company which are subject to the annual review and disclosure requirements under the Listing Rules have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and that the Group's internal control procedures applicable to continuing connected transactions are properly implemented and operated and are adequate and effective to ensure that such transactions were so conducted. The audit committee will consider this accordingly.
- The Company's external auditor will review the continuing connected transactions (which are subject to the annual review and disclosure requirements under the Listing Rules) annually to check and confirm (among others) whether the pricing terms have been adhered to and whether the relevant caps have been exceeded. According to Rule 14A.56 of the Listing Rules, the Company's external auditor will report its findings and conclusions (in the form of an independent assurance report) to the Board, whereas a copy thereof will be provided by the Company to the Stock Exchange.
- The independent non-executive Directors will review the continuing connected transactions of the Company (which are subject to the annual review and disclosure requirements under the Listing Rules) semi-annually to check and confirm whether such continuing connected transactions are conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and whether the internal control procedures put in place by the Company are properly implemented and operated and are adequate and effective to ensure that such continuing connected transactions were so conducted and also conducted in accordance with the pricing policies set out in such relevant agreements.
- Please also refer to pages 223 and 224 of the Company's 2021 annual report (incorporating its 2021 corporate governance report) as issued and published on 13 April 2022.

## **LISTING RULES IMPLICATIONS**

As mentioned above, Hon Hai is the ultimate controlling shareholder of the Company as at the date of this announcement. Therefore, Hon Hai is a connected person of the Company. Accordingly, the transactions contemplated under the Continuing Connected Transactions entered into between the Group and the Hon Hai Technology Group from time to time constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.



## **Non-exempt Continuing Connected Transactions**

As at least one of the applicable percentage ratios (other than profits ratio and equity capital ratio which are not applicable in the present context) in respect of the maximum amount of the proposed annual caps for the three years ending 31 December 2025 under each of the Non-exempt Continuing Connected Transactions is more than 5% and each of the proposed annual caps, on an annual basis, is more than HK\$10 million, each of the Non-exempt Continuing Connected Transactions constitutes a non-exempt continuing connected transaction for the Company under the Listing Rules. Accordingly, the Non-exempt Continuing Connected Transactions, the proposed annual caps in respect of each of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2025 and the EGM Supplemental Agreements are subject to the reporting, announcement, annual review and the approval of the Independent Shareholders requirements under Chapter 14A of the Listing Rules.

## **Other Exempt Continuing Connected Transactions**

As at least one of the applicable percentage ratios (other than profits ratio and equity capital ratio which are not applicable in the present context) in respect of the maximum amount of the new annual caps for the three years ending 31 December 2025 under each of the Other Exempt Continuing Connected Transactions, on an annual basis, is 0.1% or more but all the applicable percentage ratios are less than 5%, the Other Exempt Continuing Connected Transactions, the new annual caps in respect of each of the Other Exempt Continuing Connected Transactions for the three years ending 31 December 2025 and the Other Supplemental Agreements are subject to the reporting, annual review and announcement requirements but exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **EGM**

The Company will convene the EGM to seek the Independent Shareholders' approval for the Non-exempt Continuing Connected Transactions, the proposed annual caps in respect of each of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2025 and the EGM Supplemental Agreements. At the EGM, votes will be taken by way of poll. As Hon Hai is a party to each of the EGM Supplemental Agreements, Hon Hai and its associates are required to and will abstain from voting on the resolutions to be proposed at the EGM for approving the above matters. As at the date of this announcement, Hon Hai and its associates in aggregate are interested in 5,081,034,525 Shares, representing approximately 64.00% of the total number of issued shares of the Company. Mr. CHIH Yu Yang, an executive Director, is a director of a subsidiary and an associate of Hon Hai and, in view of his relationship with the Hon Hai Technology Group, will also abstain from voting on the above matters at the EGM. In addition, Dr. KUO Wen-Yi, an executive Director, has been discussing some proposed arrangements with the Hon Hai Technology Group and, as a matter of good corporate governance, will also abstain from voting on the above matters at the EGM. As at the date of this announcement, Mr. Chih (as beneficial owner) holds or is deemed to hold 34,334,018 Shares, representing approximately 0.43% of the total number of issued Shares, of which 7,448,142 Shares were granted to Mr. Chih on 3 November 2022 pursuant to the share scheme of the Company adopted on 26 November 2013 resulting in him being interested in the 7,448,142 Shares as a beneficiary of a trust interested in the Shares. These Shares will be vested on 1 December 2022. As at the date of this announcement, Dr. Kuo (through interest of spouse) holds 700,000 Shares, representing approximately 0.009% of the total number of issued Shares.



## GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to consider the Non-exempt Continuing Connected Transactions, the respective proposed annual caps in respect of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2025 and the EGM Supplemental Agreements and to advise the Independent Shareholders as to whether the Non-exempt Continuing Connected Transactions, the respective proposed annual caps in respect of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2025 and the EGM Supplemental Agreements are on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular setting out, among other things, (i) details of the Non-exempt Continuing Connected Transactions, the respective proposed annual caps in respect of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2025 and the EGM Supplemental Agreements; (ii) the letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before 1 December 2022.

The Continuing Connected Transactions are also subject to the annual review requirements under Rules 14A.55 to 14A.59 of the Listing Rules.

## DEFINITIONS

“Approved Vendor(s)”	supplier(s) of materials, components and other products that may be used in the businesses of the Group from time to time as approved by the customer(s) of the Group
“associate(s)”	having the meaning as defined in the Listing Rules
“Board”	the board of Directors
“Company”	FIH Mobile Limited, a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“connected person(s)”	having the meaning as defined in the Listing Rules
“Consolidated Services and Sub-contracting Expense Agreement”	the framework consolidated services and sub-contracting agreement entered into among the Company, Hon Hai, PCE Industry Inc. (a former subsidiary of Hon Hai which had been dissolved) and Sutech Industry Inc. (a former subsidiary of the Company which had been dissolved) on 24 October 2007, pursuant to which (among other things) all the respective rights, obligations and liabilities of PCE Industry Inc. and Sutech Industry Inc. thereunder were assumed and taken up by Hon Hai and the Company respectively (as amended by the respective supplemental agreements between the Company and Hon Hai dated 19 November 2010, 17 October 2013, 11 August 2016 and 9 October 2019)

“Consolidated Services and Sub-contracting Expense Transaction”	the transactions contemplated under the Consolidated Services and Sub-contracting Expense Agreement which will (subject to obtaining the Independent Shareholders’ approval) be amended by the Supplemental Consolidated Services and Sub-contracting Expense Agreement
“continuing connected transaction(s)”	having the meaning as defined in the Listing Rules
“Continuing Connected Transactions”	collectively, the Non-exempt Continuing Connected Transactions and the Other Exempt Continuing Connected Transactions
“controlling shareholder”	having the meaning as defined in the Listing Rules
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the resolutions in respect of the Non-exempt Continuing Connected Transactions, the respective proposed annual caps in respect of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2025 and the EGM Supplemental Agreements
“EGM Supplemental Agreements”	collectively, (1) the Supplemental Purchase Agreement; (2) the Supplemental Consolidated Services and Sub-contracting Expense Agreement; (3) the Supplemental Product Sales Agreement; (4) the Supplemental Sub-contracting Income Agreement; and (5) the Supplemental Equipment Sale Agreement
“Equipment Purchase Transaction”	purchase of equipment by the Group from the Hon Hai Technology Group contemplated under the Framework Equipment Purchase Agreement as amended by the Supplemental Equipment Purchase Agreement
“Equipment Sale Transaction”	sale of equipment by the Group to the Hon Hai Technology Group contemplated under the Framework Equipment Sale Agreement which will (subject to obtaining the Independent Shareholders’ approval) be amended by the Supplemental Equipment Sale Agreement
“Existing Agreements”	collectively, (1) the Purchase Agreement; (2) the Consolidated Services and Sub-contracting Expense Agreement; (3) the Framework Product Sales Agreement; (4) the Sub-contracting Income Agreement; (5) the Framework Equipment Sale Agreement; (6) the Framework Non-real Property Lease Expense Agreement; (7) the Framework Equipment Purchase Agreement; (8) the General Services Expense Agreement; (9) the Framework Lease Expense Agreement; (10) the Framework Lease Income Agreement; and (11) the General Services Income Agreement

“Financial Adviser”	First Prosperous Capital Company Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, which has been appointed by the Company to be the financial adviser to advise the Company in respect of the Continuing Connected Transactions, the respective proposed/new annual caps in respect of the Continuing Connected Transactions for the three years ending 31 December 2025 and the Supplemental Agreements
“Framework Equipment Purchase Agreement”	the framework equipment purchase agreement entered into between the Company and Hon Hai on 18 January 2005 (as amended by the respective supplemental agreements dated 12 January 2006, 24 October 2007, 19 November 2010, 17 October 2013, 11 August 2016 and 9 October 2019)
“Framework Equipment Sale Agreement”	the framework equipment sale agreement entered into between the Company and Hon Hai on 18 January 2005 (as amended by the respective supplemental agreements dated 12 January 2006, 24 October 2007, 19 November 2010, 17 October 2013, 11 August 2016 and 9 October 2019)
“Framework Lease Expense Agreement”	the framework lease agreement entered into between 深圳富泰宏精密工業有限公司 (Shenzhen Futaihong Precision Industrial Co., Ltd., for identification purposes only) (a wholly-owned subsidiary of the Company) (“FTH”), which was subsequently replaced by the Company as the party thereto, and Hon Hai dated 18 January 2005 (as amended by the supplemental agreement between FTH and Hon Hai dated 12 January 2006, and the respective supplemental agreements among the Company, FTH and Hon Hai dated 20 September 2006, 24 October 2007 and 19 November 2010, and the respective supplemental agreements between the Company and Hon Hai dated 17 October 2013, 11 August 2016 and 9 October 2019)
“Framework Lease Income Agreement”	the framework lease agreement entered into between the Company and Hon Hai on 24 October 2007 (as amended by the respective supplemental agreements dated 19 November 2010, 17 October 2013, 11 August 2016 and 9 October 2019)
“Framework Non-real Property Lease Expense Agreement”	the framework lease agreement relating to movable non-real properties entered into between the Company and Hon Hai on 13 June 2013 (as amended by the respective supplemental agreements dated 17 October 2013, 11 August 2016 and 9 October 2019)
“Framework Non-real Property Lease Income Agreement”	the framework lease agreement relating to movable non-real properties entered into between the Company and Hon Hai on 15 January 2014 (as amended by the respective supplemental agreements dated 11 August 2016 and 9 October 2019)

“Framework Product Sales Agreement”	the framework product sales agreement entered into among the Company, Hon Hai and Innolux Corporation (an associate of Hon Hai formerly known as Innolux Display Corporation and then Chimei Innolux Corporation, whose rights, obligations and liabilities thereunder were subsequently assumed and taken up by Hon Hai) on 18 January 2005 (as amended by the respective supplemental agreements among the above parties dated 28 February 2006, 24 October 2007 and 19 November 2010, and the respective supplemental agreements between the Company and Hon Hai dated 17 October 2013, 11 August 2016 and 9 October 2019)
“General Services Expense Agreement”	the general services agreement entered into between the Company and Hon Hai on 18 January 2005 (as amended by the respective supplemental agreements dated 12 January 2006, 24 October 2007, 19 November 2010, 17 October 2013, 11 August 2016 and 9 October 2019)
“General Services Expense Transaction”	the general services provided by the Hon Hai Technology Group to the Group under the General Services Expense Agreement as amended by the Supplemental General Services Expense Agreement
“General Services Income Agreement”	the framework general services agreement entered into between the Company and Hon Hai on 24 October 2007 (as amended by the respective supplemental agreements dated 19 November 2010, 17 October 2013, 11 August 2016 and 9 October 2019)
“General Services Income Transaction”	the general services provided by the Group to the Hon Hai Technology Group under the General Services Income Agreement as amended by the Supplemental General Services Income Agreement
“Group”	the Company and/or its subsidiaries (as the case may be)
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Hon Hai”	鴻海精密工業股份有限公司 (Hon Hai Precision Industry Co. Ltd., for identification purposes only), a company incorporated in Taiwan whose shares are listed on the Taiwan Stock Exchange Corporation and the ultimate controlling shareholder of the Company
“Hon Hai Technology Group”	Hon Hai, its subsidiaries and/or associates (as the case may be), other than the Group
“Independent Board Committee”	the independent board committee established by the Board comprising all the independent non-executive Directors, namely Mr. LAU Siu Ki, Dr. Daniel Joseph MEHAN and Mr. TAO Yun Chih, to consider the Non-exempt Continuing Connected Transactions, the respective proposed annual caps in respect of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2025 and the EGM Supplemental Agreements

“Independent Financial Adviser”	Halcyon Capital Limited, a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activities, appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions, the respective proposed annual caps in respect of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2025 and the EGM Supplemental Agreements
“Independent Shareholders”	Shareholders other than Hon Hai and its associates
“Lease Expense Transaction”	the lease of premises by the Group from the Hon Hai Technology Group contemplated under the Framework Lease Expense Agreement as amended by the Supplemental Lease Expense Agreement
“Lease Income Transaction”	the lease of premises by the Group to the Hon Hai Technology Group contemplated under the Framework Lease Income Agreement as amended by the Supplemental Lease Income Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“Non-exempt Continuing Connected Transactions”	collectively, (1) the Purchase Transaction; (2) the Consolidated Services and Sub-contracting Expense Transaction; (3) the Product Sales Transaction; (4) the Sub-contracting Income Transaction; and (5) the Equipment Sale Transaction
“Non-real Property(ies)”	movable non-real property(ies) (which include(s) but not limited to equipment, machines, materials, gears, kits, apparatus and other movable assets) or any part thereof located in different parts of the world as agreed between the Company and Hon Hai from time to time
“Non-real Property Lease Expense Transaction”	the lease of Non-real Properties by the Hon Hai Technology Group to the Group contemplated under the Framework Non-real Property Lease Expense Agreement as amended by the Supplemental Non-real Property Lease Expense Agreement
“Non-real Property Lease Income Transaction”	the lease of Non-real Properties by the Group to the Hon Hai Technology Group contemplated under the Framework Non-real Property Lease Income Agreement as amended by the Supplemental Non-real Property Lease Income Agreement
“Other Exempt Continuing Connected Transactions”	collectively, (1) the Non-real Property Lease Expense Transaction; (2) the Equipment Purchase Transaction; (3) the General Services Expense Transaction; (4) the Lease Expense Transaction; (5) the Lease Income Transaction; and (6) the General Services Income Transaction

“Other Supplemental Agreements”	collectively, (1) the Supplemental Non-real Property Lease Expense Agreement; (2) the Supplemental Equipment Purchase Agreement; (3) the Supplemental General Services Expense Agreement; (4) the Supplemental Lease Expense Agreement; (5) the Supplemental Lease Income Agreement; and (6) the Supplemental General Services Income Agreement
“percentage ratios”	the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China
“Product Sales Transaction”	sale of parts or other products manufactured or owned by the Group to the Hon Hai Technology Group as contemplated under the Framework Product Sales Agreement which will (subject to obtaining the Independent Shareholders’ approval) be amended by the Supplemental Product Sales Agreement
“Purchase Agreement”	the framework product supply agreement entered into among the Company, Hon Hai, Innolux Corporation (formerly known as Innolux Display Corporation and then Chimei Innolux Corporation, whose rights, obligations and liabilities thereunder were subsequently assumed and taken up by Hon Hai) and 鴻準精密工業股份有限公司 (Foxconn Technology Co. Ltd., for identification purposes only, whose rights, obligations and liabilities thereunder were subsequently assumed and taken up by Hon Hai) (both being associates of Hon Hai) on 19 January 2005 (as amended by the respective supplemental agreements among the above parties dated 28 February 2006, 24 October 2007 and 19 November 2010, and the respective supplemental agreements between Hon Hai and the Company dated 17 October 2013, 11 August 2016, 31 July 2017 and 9 October 2019)
“Purchase Transaction”	purchase of materials, components and other products by the Group from the Hon Hai Technology Group contemplated under the Purchase Agreement which will (subject to obtaining the Independent Shareholders’ approval) be amended by the Supplemental Purchase Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Shareholders”	the holders of the Shares
“Shares”	the ordinary shares of US\$0.04 each of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-contracting Income Agreement”	the framework sub-contracting agreement entered into between the Company and Hon Hai on 18 January 2005 (as amended by the respective supplemental agreements dated 12 January 2006, 24 October 2007, 19 November 2010, 26 July 2012, 17 October 2013, 11 August 2016 and 9 October 2019)



“Sub-contracting Income Transaction”	the transactions contemplated under the Sub-contracting Income Agreement which will (subject to obtaining the Independent Shareholders’ approval) be amended by the Supplemental Sub-contracting Income Agreement
“subsidiary(ies)”	having the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Supplemental Agreements”	collectively, the EGM Supplemental Agreements and the Other Supplemental Agreements
“Supplemental Consolidated Services and Sub-contracting Expense Agreement”	the supplemental agreement of the date of this announcement entered into between the Company and Hon Hai, conditional upon obtaining the Independent Shareholders’ approval, to extend the current term of the Consolidated Services and Sub-contracting Expense Agreement for three years from 1 January 2023 to 31 December 2025 (both dates inclusive)
“Supplemental Equipment Purchase Agreement”	the supplemental agreement of the date of this announcement entered into between the Company and Hon Hai to extend the current term of the Framework Equipment Purchase Agreement for three years from 1 January 2023 to 31 December 2025 (both dates inclusive)
“Supplemental Equipment Sale Agreement”	the supplemental agreement of the date of this announcement entered into between the Company and Hon Hai, conditional upon obtaining the Independent Shareholders’ approval, to extend the current term of the Framework Equipment Sale Agreement for three years from 1 January 2023 to 31 December 2025 (both dates inclusive)
“Supplemental General Services Expense Agreement”	the supplemental agreement of the date of this announcement entered into between the Company and Hon Hai to extend the current term of the General Services Expense Agreement for three years from 1 January 2023 to 31 December 2025 (both dates inclusive)
“Supplemental General Services Income Agreement”	the supplemental agreement of the date of this announcement entered into between the Company and Hon Hai to extend the current term of the General Services Income Agreement for three years from 1 January 2023 to 31 December 2025 (both dates inclusive)
“Supplemental Lease Expense Agreement”	the supplemental agreement of the date of this announcement entered into between the Company and Hon Hai to extend the current term of the Framework Lease Expense Agreement for three years from 1 January 2023 to 31 December 2025 (both dates inclusive)
“Supplemental Lease Income Agreement”	the supplemental agreement of the date of this announcement entered into between the Company and Hon Hai to extend the current term of the Framework Lease Income Agreement for three years from 1 January 2023 to 31 December 2025 (both dates inclusive)

“Supplemental Non-real Property Lease Expense Agreement”	the supplemental agreement of the date of this announcement entered into between the Company and Hon Hai to extend the current term of the Framework Non-real Property Lease Expense Agreement for three years from 1 January 2023 to 31 December 2025 (both dates inclusive)
“Supplemental Non-real Property Lease Income Agreement”	the supplemental agreement of the date of this announcement entered into between the Company and Hon Hai to extend the current term of the Framework Non-real Property Lease Income Agreement for three years from 1 January 2023 to 31 December 2025 (both dates inclusive)
“Supplemental Product Sales Agreement”	the supplemental agreement of the date of this announcement entered into between the Company and Hon Hai, conditional upon obtaining the Independent Shareholders’ approval, to extend the current term of the Framework Product Sales Agreement for three years from 1 January 2023 to 31 December 2025 (both dates inclusive)
“Supplemental Purchase Agreement”	the supplemental agreement of the date of this announcement entered into between the Company and Hon Hai, conditional upon obtaining the Independent Shareholders’ approval, to extend the current term of the Purchase Agreement for three years from 1 January 2023 to 31 December 2025 (both dates inclusive)
“Supplemental Sub-contracting Income Agreement”	the supplemental agreement of the date of this announcement entered into between the Company and Hon Hai, conditional upon obtaining the Independent Shareholders’ approval, to extend the current term of the Sub-contracting Income Agreement for three years from 1 January 2023 to 31 December 2025 (both dates inclusive)
“US\$”	United States dollars, the lawful currency of the United States of America
“3C”	computer, communication and consumer electronics

By Order of the Board  
**CHIH Yu Yang**  
*Acting Chairman*

Hong Kong, 10 November 2022

*As at the date of this announcement, the Board comprises three executive directors, namely Mr. CHIH Yu Yang, Dr. KUO Wen-Yi and Mr. MENG Hsiao-Yi; and three independent non-executive directors, namely Mr. LAU Siu Ki, Dr. Daniel Joseph MEHAN and Mr. TAO Yun Chih.*