

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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FIH[®] 富智康[®]

FIH Mobile Limited

富智康集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2038)

**(1) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS
(2) PROPOSED AMENDMENTS TO THE BHARAT FIH LIMITED
SHARE OPTION SCHEME
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser



瀚盛資本有限公司

First Prosperous Capital Company Limited

**Independent financial adviser to the Independent Board Committee and
the Independent Shareholders**

HALCYON 鎧盛

A letter from the board of directors of FIH Mobile Limited is set out on pages 10 to 33 of this circular. A letter from the Independent Board Committee (as defined herein), containing its advice to the Independent Shareholders (as defined herein) in relation to the Non-exempt Continuing Connected Transactions, is set out on page 34 of this circular. A letter from Halcyon Capital Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions is set out on pages 35 to 65 of this circular.

A notice for convening the extraordinary general meeting of the Company to be held at Kowloon Room I, Mezzanine Level, Kowloon Shangri-La Hotel, 64 Mody Road, Tsimshatsui East, Hong Kong on Friday, 23 December 2022 at 10:00 a.m. is set out on pages 80 to 85 of this circular.

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

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

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

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

Any person who does not comply with the precautionary measures may not be given access to the EGM venue. It is possible that Shareholders and/or their representatives may not be able to attend in person at the EGM venue depending on prevailing Hong Kong Government regulations. The Company strongly recommends the Shareholders to consider appointing the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM according to their respective voting instructions, instead of attending the EGM in person.

Subject to the development of the COVID-19 pandemic and the requirements or guidelines of the Hong Kong Government and/or regulatory authorities, the Company may announce further updates on the EGM arrangement on the Company's website (<https://www.fihmobile.com>) and the website of the Stock Exchange (<https://www.hkexnews.hk>) as and when appropriate.

Hong Kong, 1 December 2022

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PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

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

- (i) Limiting the number of the EGM attendees.
- (ii) Compulsory body temperature checks and health declarations will be conducted on every Shareholder, proxy and attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius or any symptoms of COVID-19 may not be given access to the EGM venue or may be required to leave the EGM venue at the absolute discretion of the Company.
- (iii) All attendees are required to bring their own respective surgical face masks and wear their masks inside the EGM venue at all times (the Company will not be providing any mask).
- (iv) To reduce close contacts, no refreshments will be served, and there will be no corporate gifts.
- (v) Seating at the EGM venue will be arranged so as to allow for appropriate social distancing.
- (vi) Any other additional precautionary measures in accordance with the prevailing requirements or guidelines of the Hong Kong Government and/or regulatory authorities, or as considered appropriate in light of the development of the COVID-19 pandemic.

To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the health and safety of the attendees at the EGM.

The Company will limit attendance in person at the EGM venue in accordance with prevailing requirements or guidelines published by the Hong Kong Government and/or regulatory authorities at or about the time of the EGM. The Company will continue to closely monitor the development of the pandemic situation in Hong Kong and the latest announcement published by the Hong Kong Government in respect of the latest social distancing measures and further update on the EGM arrangements.

It is possible that Shareholders and/or their representatives may not be able to attend in person at the EGM venue depending on prevailing Hong Kong Government regulations. In the interest of all stakeholders' health and safety, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. **The Company strongly recommends the Shareholders to consider appointing the chairman of the EGM as their proxy to vote on the relevant resolutions according to their respective voting instructions stated in proxy forms at the EGM, instead of attending the EGM in person.**

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

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

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

Subject to the development of the COVID-19 pandemic and the requirements or guidelines of the Hong Kong Government and/or regulatory authorities, the Company may announce further updates on the EGM arrangement on the Company's website (<https://www.fihmobile.com>) and the website of the Stock Exchange (<https://www.hkexnews.hk>) as and when appropriate.

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

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

DEFINITIONS

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

“Announcements”	(1) the CCT Announcement; and (2) the announcement of the Company dated 24 November 2022 regarding the Proposed BFIH ESOP Amendments
“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
“BFIH”	Bharat FIH Limited (formerly known as Bharat FIH Private Limited and Rising Stars Mobile India Private Limited), a company incorporated in India and an indirect wholly-owned subsidiary of the Company
“BFIH Group”	BFIH and its subsidiaries
“BFIH Share Option Scheme”	the share option scheme of BFIH which was adopted by the shareholders of BFIH on 25 March 2021 and approved by the Shareholders on 28 May 2021
“Board”	the board of Directors
“BSE”	BSE Limited, an Indian stock exchange located in Mumbai, India
“CCT Announcement”	the announcement of the Company dated 10 November 2022 regarding, among other things, the Non-exempt Continuing Connected Transactions, the Proposed Annual Caps and the EGM Supplemental Agreements
“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

DEFINITIONS

“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 held at Kowloon Room I, Mezzanine Level, Kowloon Shangri-La Hotel, 64 Mody Road, Tsimshatsui East, Hong Kong on Friday, 23 December 2022 at 10:00 a.m., to consider and, if thought fit, approve the resolutions in respect of the Non-exempt Continuing Connected Transactions, the Proposed Annual Caps, the EGM Supplemental Agreements and the Proposed BFIH ESOP Amendments
“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

DEFINITIONS

“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)

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“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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“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 Proposed Annual Caps and the EGM Supplemental Agreements
“Independent Financial Adviser” or “Halcyon”	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 Proposed Annual Caps and the EGM Supplemental Agreements
“Independent Shareholders”	Shareholders other than Hon Hai and its associates
“Latest Practicable Date”	25 November 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“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
“NSE”	National Stock Exchange of India Limited, an Indian stock exchange located in Mumbai, India

DEFINITIONS

“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
“Proposed Annual Caps”	the proposed annual caps for each of the Non-exempt Continuing Connected Transactions for each of the three years ending 31 December 2025
“Proposed BFIH ESOP Amendments”	the proposed amendments to the BFIH Share Option Scheme, details of which are set out in Appendix I to this circular
“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

DEFINITIONS

“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 dated of the date of the CCT 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 dated of the date of the CCT 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 dated of the date of the CCT 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 dated of the date of the CCT 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)

DEFINITIONS

“Supplemental General Services Income Agreement”	the supplemental agreement dated of the date of the CCT 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 dated of the date of the CCT 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 dated of the date of the CCT 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 dated of the date of the CCT 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 Product Sales Agreement”	the supplemental agreement dated of the date of the CCT 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 dated of the date of the CCT 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 dated of the date of the CCT 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

LETTER FROM THE BOARD

FIH[®] 富智康[®]

FIH Mobile Limited

富智康集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2038)

Executive Directors:

CHIH Yu Yang (*Acting Chairman and
Chief Executive Officer*)
KUO Wen-Yi
MENG Hsiao-Yi (*Chief Operating Officer*)

Registered Office:

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

Independent Non-executive Directors:

LAU Siu Ki
Daniel Joseph MEHAN
TAO Yun Chih

Head Office:

No. 4 Minsheng Street
Tucheng District
New Taipei City 236
Taiwan

Principal Place of Business in Hong Kong:

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

1 December 2022

Dear Shareholders,

**(1) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS
AND
(2) PROPOSED AMENDMENTS TO THE BHARAT FIH LIMITED
SHARE OPTION SCHEME**

I. INTRODUCTION

Reference is made to the Announcements.

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

LETTER FROM THE BOARD

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.

Continuing Connected Transactions

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 the CCT 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.

As mentioned above, Hon Hai is the ultimate controlling shareholder of the Company and, therefore, is a connected person of the Company. Accordingly, the transactions contemplated under the 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.

As at least one of the applicable percentage ratios (other than the 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 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. It follows that the Non-exempt Continuing Connected Transactions, the Proposed Annual Caps 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.

LETTER FROM THE BOARD

BFIH Share Option Scheme

BFIH, the Company's subsidiary in India, is the largest Electronics Manufacturing Services (EMS) provider in India by share of EMS market revenue. As disclosed in the Company's announcements dated 22 December 2021 and 20 October 2022 respectively and circular to Shareholders dated 24 December 2021, the Company has proposed the spin-off and separate listing of BFIH (the "**Proposed Spin-off**") on BSE and NSE, which are the two main stock exchanges in India. In view of the current market conditions, the Company has decided to delay the timetable for the Proposed Spin-off and intends to continue to pursue the Proposed Spin-off when market conditions improve. Further announcements will be made by the Company in respect of the Proposed Spin-off as and when appropriate.

BFIH has proposed that certain amendments be made to the BFIH Share Option Scheme to take into account certain Indian regulatory requirements which would be applicable to BFIH upon the completion of the Proposed Spin-off and the amendments to Chapter 17 of the Listing Rules relating to share schemes which will come into effect on 1 January 2023.

General

The purpose of this circular is to provide you with (i) details of the Non-exempt Continuing Connected Transactions, the Proposed Annual Caps and the EGM Supplemental Agreements; (ii) details of the Proposed BFIH ESOP Amendments; (iii) the letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions; (iv) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions; and (v) a notice of the EGM.

II. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

A. PRINCIPAL TERMS AND CONDITIONS

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

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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 the CCT 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.

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On the date of the CCT 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

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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 the CCT 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 the CCT 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.

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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 the CCT 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.

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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.

B. PRICING DETAILS

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

	Pricing terms	Pricing details
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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- (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.

Pricing details

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.

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.

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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

Pricing details

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).

- (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.

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- (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.

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

- (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

Pricing details

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.

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.

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).

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.

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- (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.

Pricing details

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 at least two independent parties from past and other potential buyers who may be interested in the purchase of such products 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).

- (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.

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- (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 attempt to solicit at least two independent customers from past and other potential users who may be interested in using 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.
- (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 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.
- (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 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 attempt to solicit purchases from at least two independent parties from past and other potential buyers who may be interested in the purchase of such equipment 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.

LETTER FROM THE BOARD

C. REASONS FOR AND BENEFITS OF THE NON-EXEMPT 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 the CCT 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 Non-exempt 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.

LETTER FROM THE BOARD

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.

D. HISTORICAL VALUES AND PROPOSED ANNUAL CAPS

The table below sets out (1) the historical actual amounts of each of the Non-Exempt 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 Annual Caps for each of the Non-Exempt Continuing Connected Transactions for the three years ending 31 December 2025:

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

The Company confirms that the total year-to-date actual transaction amount for each of the Non-exempt 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 Non-exempt 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.

LETTER FROM THE BOARD

Basis for determining the Proposed Annual Caps

The Proposed Annual Caps for the Non-exempt 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;
- (c) the anticipated increase in the amount of the Purchase Transaction to continue with reference to the growth in the amount of the Purchase Transaction for the year ended 31 December 2021, having regard to the continuous opening up and emergence from the COVID-19 pandemic in the PRC and the rest of the world; 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).

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;
- (b) the anticipated recovery of the amount of the Consolidated Services and Sub-contracting Expense Transaction to the level comparable to the average amount of the Consolidated Services and Sub-contracting Expense Transaction before the COVID-19 pandemic in 2019 and during the COVID-19 pandemic in 2020 and 2021, having regard to the continuous opening up and emergence from the COVID-19 pandemic in the PRC and the rest of the world; 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).

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;

LETTER FROM THE BOARD

- (c) the anticipated increase in the amount of the Product Sales Transaction to continue with reference to the growth in the amount of the Product Sales Transaction for the year ended 31 December 2021, having regard to the continuous opening up and emergence from the COVID-19 pandemic in the PRC and the rest of the world; 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).

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;
- (d) the anticipated increase in the amount of the Sub-contracting Income Transaction to continue with reference to the increase in the amount of the Sub-contracting Income Transaction for the six months ended 30 June 2022, as a result of the Group's continuous efforts to enhance utilisation of its production facilities generating income from the Sub-contracting Income Transaction; and
- (e) 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 month period from 1 July 2022 to 31 December 2022 based on the historical transaction amount of the Equipment Sale Transaction for the six month period from 1 July 2021 to 31 December 2021 and the historical year-on-year growth rate of the transaction for the six months ended 31 December 2021;

LETTER FROM THE BOARD

- (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;
- (d) the anticipated increase in the amount of the Equipment Sale Transaction with reference to the increase in the amounts of the Equipment Sale Transaction during the three years ended 31 December 2021, as a result of the Group's business strategy to be asset light and continuous efforts to dispose of obsolete and under-utilised equipment; and
- (e) 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 (including the independent non-executive Directors whose opinion has been set out in the letter from the Independent Board Committee of this circular) consider that the Proposed Annual Caps 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 (subject to obtaining the Independent Shareholders' approval, 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. Mr. CHIH Yu Yang ("**Mr. Chih**"), 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 Non-exempt Continuing Connected Transactions. In addition, Dr. KUO Wen-Yi ("**Dr. Kuo**"), 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 Non-exempt Continuing Connected Transactions. Save as disclosed, no other Directors have to abstain from voting on the Board's resolutions in relation to the Non-exempt Continuing Connected Transactions.

LETTER FROM THE BOARD

E. INTERNAL CONTROL MEASURES

The Group has adopted the following internal control procedures over the continuing connected transactions of the Company including the Non-exempt 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 Non-exempt 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

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

F. LISTING RULES IMPLICATIONS

As mentioned above, Hon Hai is the ultimate controlling shareholder of the Company and, therefore, is a connected person of the Company. Accordingly, the transactions contemplated under the Non-exempt 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.

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 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 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.

III. PROPOSED BFIH ESOP AMENDMENTS

The BFIH Share Option Scheme was adopted by the shareholders of BFIH on 25 March 2021 and approved by the Shareholders on 28 May 2021. The purpose of the BFIH Share Option Scheme is to attract and retain capable and skilled and experienced personnel, to incentivize them to remain with the BFIH Group and to give effect to the BFIH Group's customer-focused and performance-driven corporate culture, and to motivate them to strive for the future development and expansion and long-term success of the BFIH Group, by providing them with the opportunity to acquire equity interests in BFIH.

The BFIH Share Option Scheme complies with the applicable requirements of the existing Chapter 17 of the Listing Rules (the “**Existing Chapter 17**”) relating to share option schemes adopted by a listed issuer or its subsidiaries and also with the applicable Indian regulatory requirements at the time of its adoption in May 2021.

Since the adoption of the BFIH Share Option Scheme in May 2021, certain amendments have been made to the applicable Indian regulatory requirements relating to share option schemes which would be applicable to BFIH upon the completion of the Proposed Spin-off.

Further in July 2022, the Stock Exchange announced amendments to the Existing Chapter 17, which will become effective on 1 January 2023 (the “**New Chapter 17**”). Under the New Chapter 17, the new rules relating to share schemes will only apply to principal subsidiaries of a listed issuer. As currently BFIH does not fall within the definition of “principal subsidiary” of the Company under the New Chapter 17, the BFIH Share Option Scheme does not need to comply with the New Chapter 17.

In view of the above, BFIH has proposed that certain amendments be made to the BFIH Share Option Scheme to comply with the applicable Indian regulatory requirements and to remove certain provisions in the BFIH Share Option Scheme which are required under the Existing Chapter 17 but which would no longer be applicable to BFIH under the New Chapter 17 (including the provision requiring amendments to the terms of the BFIH Share Option Scheme which are of a material nature to be subject to the approval of the Shareholders). No amendment will be made to the number of new BFIH shares which may be issued upon the

LETTER FROM THE BOARD

exercise of all options which may be granted under the BFIH Share Option Scheme, which remains at 10% of the total number of BFIH shares in issue as at the date of adoption of the BFIH Share Option Scheme on 28 May 2021 (i.e. 238,094,498 BFIH shares). Details of the Proposed BFIH ESOP Amendments are set out in Appendix I to this circular.

Under the terms of the BFIH Share Option Scheme, (a) any alterations to its terms are subject to a special resolution of the shareholders of BFIH and (b) any alterations to its terms which are of a material nature are subject to the approval of the Shareholders (for so long as BFIH remains a subsidiary of the Company). In addition, note (2) to Rule 17.03 of the Existing Chapter 17 provides that any alterations to the terms of the BFIH Share Option Scheme which are of a material nature must be approved by the Shareholders.

The approval of the shareholders of BFIH for the Proposed BFIH ESOP Amendments was obtained on 21 October 2022. As the Company considers the Proposed BFIH ESOP Amendments to be material in nature, the approval of the Shareholders for the Proposed BFIH ESOP Amendments will be sought at the EGM and if approved, such amendments will take immediate effect from the close of the EGM.

Since the adoption of the BFIH Share Option Scheme, BFIH had granted options in respect of a total of 83,110,000 BFIH shares on 23 December 2021. Pursuant to approvals from the board of directors and the shareholders of BFIH and with the consent of the grantees, all of such options were cancelled by BFIH with effect from 12 June 2022.

As at the Latest Practicable Date, (a) there were no outstanding options under the BFIH Share Option Scheme and (b) options in respect of a total of 154,984,498 new BFIH shares may be granted by BFIH under the BFIH Share Option Scheme. As all of the applicable percentage ratios calculated under Chapter 14 of the Listing Rules are below 5%, the deemed disposal of the Company's interests in BFIH arising from the grant and exercise of all of such options under the BFIH Share Option Scheme will not constitute a notifiable transaction for the Company under the Listing Rules.

As stated in the Company's announcement dated 13 June 2022, BFIH intends to grant options to eligible participants under the BFIH Share Option Scheme following the completion of the Proposed Spin-off and subject to compliance with the rules of the BFIH Share Option Scheme and applicable laws and regulations. As at the Latest Practicable Date, no grants to any eligible participants under the BFIH Share Option Scheme had been proposed.

IV. EGM

The Company will convene the EGM to seek (a) the Independent Shareholders' approval for the Non-exempt Continuing Connected Transactions, the Proposed Annual Caps and the EGM Supplemental Agreements and (b) the Shareholders' approval for the Proposed BFIH ESOP Amendments. 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 Latest Practicable Date, 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

LETTER FROM THE BOARD

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 Latest Practicable Date, Mr. Chih (as beneficial owner) held or was 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 Latest Practicable Date, Dr. Kuo (through interest of spouse) held 700,000 Shares, representing approximately 0.009% of the total number of issued Shares.

As no grants to any eligible participants under the BFIH Share Option Scheme had been proposed as at the Latest Practicable Date, the Company is not aware of any Shareholder being required to abstain from voting at the EGM on the resolution to approve the Proposed BFIH ESOP Amendments.

V. RECOMMENDATIONS

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser in relation to the Non-exempt Continuing Connected Transactions, is of the view that (a) the Proposed Annual Caps are fair and reasonable; (b) the entering into of the Non-exempt Continuing Connected Transactions and the EGM Supplemental Agreements is in the Group's ordinary and usual course of business and, together with the Proposed Annual Caps, is in the interests of the Company and the Shareholders as a whole; and (c) the respective terms of the Non-exempt Continuing Connected Transactions are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole and, together with the bases of determining the Proposed Annual Caps, are fair and reasonable. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Non-exempt Continuing Connected Transactions, the EGM Supplemental Agreements and the Proposed Annual Caps at the EGM.

The Board is of the view that the Proposed BFIH ESOP Amendments are in the interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution to approve the Proposed BFIH ESOP Amendments at the EGM.

VI. GENERAL

Your attention is drawn to the letter from the Independent Board Committee in relation to the Non-exempt Continuing Connected Transactions, the letter from the Independent Financial Adviser in relation to the Non-exempt Continuing Connected Transactions, the additional information set out in the Appendices to this circular and the notice of the EGM.

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



FIH Mobile Limited

富智康集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2038)

1 December 2022

Dear Independent Shareholders,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 1 December 2022 of the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise you regarding the fairness and reasonableness of the Non-exempt Continuing Connected Transactions, the EGM Supplemental Agreements and the Proposed Annual Caps. Halcyon Capital Limited has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this regard.

Having considered the respective terms of the Non-exempt Continuing Connected Transactions, the EGM Supplemental Agreements as well as the Proposed Annual Caps, and having taken into account the principal factors and reasons considered by, and the opinion of, the Independent Financial Adviser as stated in its letter dated 1 December 2022, we consider that (a) the Proposed Annual Caps are fair and reasonable; (b) the entering into of the Non-exempt Continuing Connected Transactions and the EGM Supplemental Agreements is in the Group’s ordinary and usual course of business and, together with the Proposed Annual Caps, is in the interests of the Company and the Shareholders as a whole; and (c) the respective terms of the Non-exempt Continuing Connected Transactions are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole and, together with the bases of determining the Proposed Annual Caps, are fair and reasonable. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions proposed at the EGM approving the Non-exempt Continuing Connected Transactions, the EGM Supplemental Agreements and the Proposed Annual Caps.

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

Yours faithfully,

Independent Board Committee

LAU Siu Ki

Daniel Joseph MEHAN

TAO Yun Chih

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Halcyon Capital Limited to the Independent Board Committee and the independent Shareholders, which has been prepared for the purpose of the inclusion in this circular.



Halcyon Capital Limited
11/F, 8 Wyndham Street
Central, Hong Kong

1 December 2022

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of certain non-exempt continuing connected transactions namely (i) the Purchase Transaction; (ii) the Product Sales Transaction; (iii) the Consolidated Services and Sub-contracting Expense Transaction; (iv) the Sub-contracting Income Transaction; and (v) Equipment Sale Transaction as stipulated in the EGM Supplemental Agreements and the respective proposed annual caps for the three years ending 31 December 2025 (the “**Proposed Annual Caps**”). Details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 1 December 2022 (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As at the Latest Practicable Date, Hon Hai is the ultimate controlling Shareholder holding approximately 64.00% of the total number of issued shares of the Company and therefore is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the EGM Supplemental Agreements entered into between the Group of the one part and Hon Hai and its subsidiaries and/or associates, as the case may be (collectively as the Hon Hai Technology Group other than the Group) of the other part from time to time constitute continuing connected transactions of the Company. As at least one of the applicable percentage ratios (other than the profits ratio and equity capital ratio which are not applicable in the present context) in respect of the Proposed Annual Caps for the three years ending 31 December 2025 under each of the EGM Supplemental Agreements is more than 5% and each of the Proposed Annual Caps (on an annual basis) is more than HK\$10 million, the Non-exempt Continuing Connected Transactions (including the Proposed Annual Caps) 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.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. LAU Siu Ki, Dr. Daniel Joseph MEHAN and Mr. TAO Yun Chih, has been established to advise the Independent Shareholders as to whether the Non-exempt Continuing Connected Transactions (including the Proposed Annual Caps) and the EGM

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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. In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to provide the Independent Board Committee and the Independent Shareholders with an independent opinion and recommendation in this regard.

Except for being appointed as the independent financial adviser to the then independent board committees and Independent Shareholders of the Company (details of which have been set out in the letter from the independent financial adviser contained in the circular of the Company dated 24 December 2021) and this appointment as the Independent Financial Adviser and the normal professional fees paid or payable to us in connection therewith, we had no relationships with or interests in the Company and any other parties and no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. We are hence independent from the Company pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information, financial information and facts included in the Circular and supplied to us, and the representations expressed by the Directors and/or management of the Group (the “**Management**”), and have assumed that all such information, financial information, facts and any representations made to us, or referred to in the Circular, in all material aspects, were true, accurate and complete as at the time they were made and as at the Latest Practicable Date, have been properly extracted from the relevant underlying accounting records (in the case of financial information) and made after due and careful inquiry by the Directors and/or the Management. The Directors and/or the Management have confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and representations provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

Our review and analyses were based upon, among others, the information provided by the Group including the announcements, financial reports of the Company and the Circular. We have also discussed with the Directors and/or the Management with respect to the terms of and reasons for the Non-exempt Continuing Connected Transactions contemplated under EGM Supplemental Agreements and the Proposed Annual Caps and considered that we have reviewed sufficient information to reach an informed view and to justify reliance on the information provided and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and supplied to us by the Directors and/or the Management nor have we conducted any form of in-depth investigation into the businesses, affairs, financial position, profitability or prospects of the Group, Hon Hai, Hon Hai Technology Group and each of their respective associates, and the parties involved in the Non-exempt Continuing Connected Transactions contemplated under the EGM Supplemental Agreements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Non-exempt Continuing Connected Transactions (including the Proposed Annual Caps) and the EGM Supplemental Agreements, we have considered the following principal factors and reasons:

1. Background of the Group

As stated in the Letter from the Board, 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 in respect of handsets and other wireless communication devices and consumer electronic products, including unique and innovative product development and design, casings (including casings sold to customers and casings used to manufacture complete handsets for delivery to customers), components, PCBA (Printed Circuit Board Assembly), full-system assembly, and 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 following table sets out the financial performance of the Group for the six months ended 30 June 2022 and 2021 and for the two years ended 31 December 2021 and 2020 as extracted from the Company's interim report for the six months ended 30 June 2022 (the "2022 Interim Report") and annual report for the year ended 31 December 2021 (the "2021 Annual Report") respectively:

	Period ended 30 June		Year ended 31 December	
	2022	2021	2021	2020
	(unaudited)	(unaudited)	(audited)	(audited)
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Revenue by geographic location				
— Asia	2,867,476	3,451,984	6,576,070	7,890,795
— Europe	491,862	280,360	794,437	537,306
— America	765,926	205,523	1,212,052	506,645
	4,125,264	3,937,867	8,582,559	8,934,746
Revenue				
Gross profit	81,679	62,317	224,405	95,205
Profit/(loss) attributable to owners of the Company	(23,780)	(28,184)	56,328	(173,939)

As set out in the 2021 Annual Report, the Group's revenue amounted to approximately US\$8.583 billion for the year ended 31 December 2021, representing a decrease of approximately 3.9% from approximately US\$8.935 billion for the year ended 31 December 2020, primarily due to: (a) continuous negative impact of a key Chinese customer whose business is hit by U.S. sanctions; (b) the pandemic has continued to affect the recovery of the Group; and (c) chip supply shortage has further escalated globally in 2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 31 December 2021, the Group's gross profit amounted to approximately US\$224.4 million with a gross profit margin of 2.6%, representing an increase of US\$129.2 million gross profit and an increase of 1.53 percentage points for the gross profit margin as compared to 1.07% for the year ended 31 December 2020. For the year ended 31 December 2021, the Group has made a turnaround with profits attributable to owners of the Company reaching approximately US\$56.3 million. The improvement of gross profit, gross profit margin and net profit mainly due to: (a) better yield and operational efficiency from the reduced COVID-19 pandemic related production interruptions; and (b) generally reduced cost of sales and operating expenses as a result of continuing tighter control over costs and overheads and ongoing asset lighting activities including rightsizing and restructuring relating to assets and workforce.

As stated in the 2022 Interim Report, the Group recorded revenue of approximately US\$4.125 billion for the six months ended 30 June 2022, representing a year-on-year increase of approximately 4.7% over its revenue of approximately US\$3.938 billion for the six months ended 30 June 2021, which was mainly due to: (i) an increase of revenue of US\$212 million in Europe segment as one major customer belonging to both Europe and America segment exhibited strong and encouraging growth this year; (ii) an increase of revenue of US\$560 million in American segment which came from the strong growth of sales to a U.S. based internet customer ; and (iii) significant increase of the revenue of the Group's India operation.

For the six months ended 30 June 2022, the Group recorded gross profit of US\$81.7 million, representing an increase of US\$19.4 million comparing with the gross profit of US\$62.3 million recorded for the six months ended 30 June 2021. The gross profit margin for the six months ended 30 June 2022 was 1.98%, representing an increase of 0.4 percentage points as compared to the six months ended 30 June 2021. The increase of gross profit and increase in gross profit margin were mainly attributable to the cost saving effort of the Group, and proactive measures adopted by the leadership of operations and the effort of all supporting staff to prevent/curb the outbreak of the COVID-19 pandemic in the factories and avoid/minimise related production interruptions during factory shutdowns, and minimise the impacts of the COVID-19 pandemic or relevant governmental measures to operation and yield and operational efficiency and productivity, and control costs of all kinds tightly.

2. Background of the Hon Hai Technology Group

Pursuant to the annual report of Hon Hai in 2021, Hon Hai Technology Group is a leading global manufacturing service provider in computer, communication and consumer electronics industries. Major products include but not limited to ICT, communications, automation devices, photo-electricity, precise machinery, auto, production, sales and service related with connectors, casings, radiators, optics, assembled parts of consumer electronics as well as assembly of network cables. As of 2021, 98% of the products of Hon Hai Technology Group are 3C electronics (computer, communication and consumer electronics).

3. Background to and reasons for the entering into of the Non-exempt Continuing Connected Transactions

Taking into consideration the principal business of the Group and Hon Hai Technology Group as stated above, the Group and Hon Hai Technology Group have been carrying out, among other things, the Non-exempt 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.

Given Hon Hai Technology Group is a leading global manufacturing service provider in the 3C Industries, the Directors considered that and we concur the Non-exempt Continuing Connected Transactions will provide a reliable, timely and efficient supply of materials, components and other products and provision of services in supporting 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 Non-exempt 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 positively to the Group's daily business operations on an on-going basis.

In addition, without prejudice to the generality of the foregoing, the reasons for and benefits of entering into and carrying out each of the Non-exempt 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 for generating more income for the Group.

Having considered (i) carrying out of the Non-exempt Continuing Connected Transactions will facilitate the respective businesses and operations of the Group and Hon Hai Technology Group from time to time as the Hon Hai Technology Group is the leading global manufacturing service provider in the 3C industries while the Group's principal business activities in the provision of a wide range of manufacturing services for handset industry worldwide by which both parties may require products, services and equipment from each other; (ii) the long term relationship between the Group and Hon Hai Technology Group; (iii) both the Group and Hon Hai Technology Group had been able to obtain products and services from each other at terms no less favourable to the Group; and (iv) to govern the on-going transactions between the Group and Hon Hai Technology Group, as the Existing Agreements will expire on 31 December 2022, we concur with the Management that the entering into of the relevant Non-exempt Continuing Connected Transactions which will renew the Existing Agreements would provide flexibility to the Group to consider Hon Hai Technology Group as one of the counterparties for operation and, thereby, is beneficial to the Company and its Shareholders as a whole.

4. Principal terms and conditions governing the Non-exempt Continuing Connected Transactions

Set out below are the principal terms and conditions governing the Non-exempt Continuing Connected Transactions. For details of their respective pricing terms, please refer to the sub-heading "Pricing Terms" referred to in the Letter from the Board and also the section headed "5. Pricing terms for the Non-exempt Continuing Connected Transactions" below.

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(1) Purchase Transaction

Upon and subject to the terms and conditions of the Purchase Agreement, from time to time for the remaining 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 the CCT 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).

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 the remaining 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 the CCT 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).

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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 the remaining 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 the CCT 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).

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 the remaining term up to 31 December 2022, the Hon Hai Technology Group has agreed to engage the Group to provide services including 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 the CCT 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).

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 the remaining 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 the CCT 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).

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.

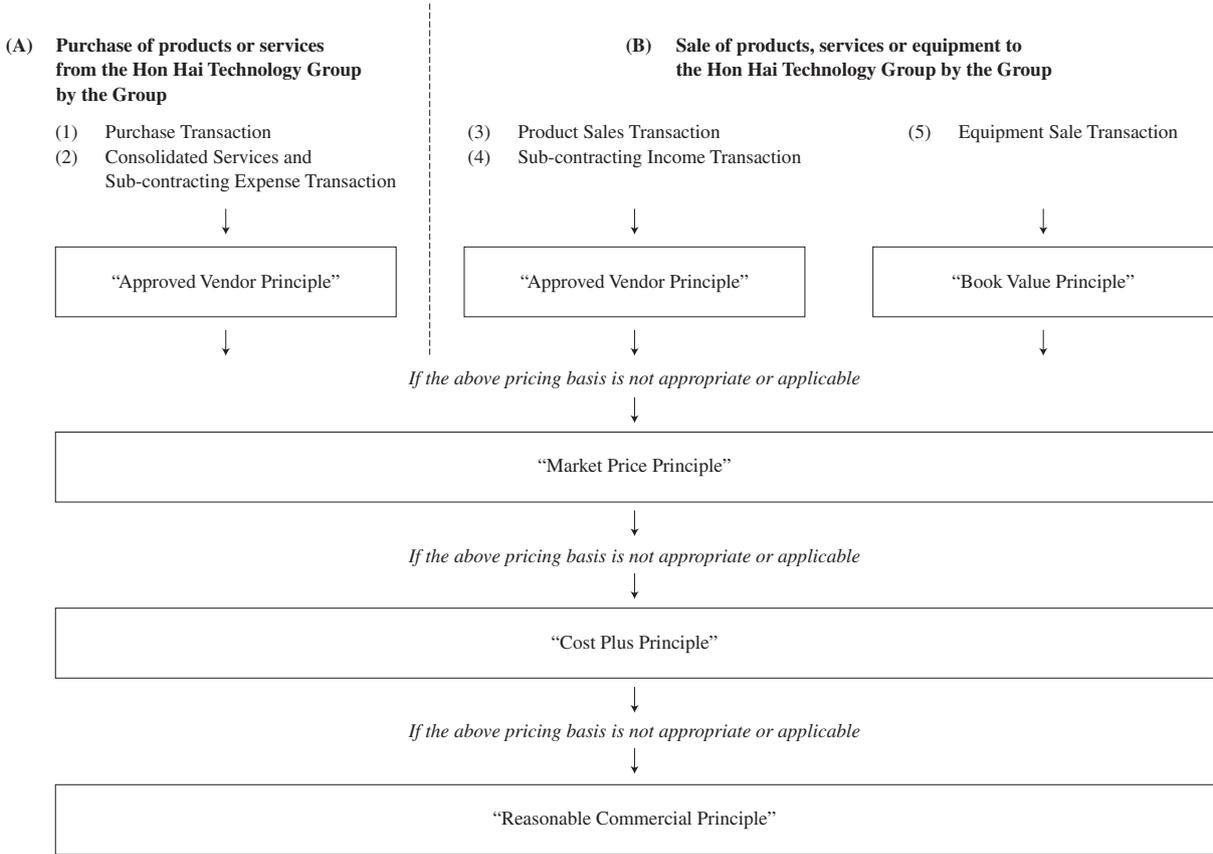
5. Pricing terms for the Non-exempt Continuing Connected Transactions

The EGM Supplemental Agreements are meant to extend the current term and the expiry of each of the Existing Agreements up to 31 December 2025, subject to the approval of the Independent Shareholders at the EGM. In summary, we noted that there are five categories of principles applicable to the determination of the pricing of the Non-exempt Continuing Connected Transactions. In respect of the pricing bases set out in the below chart, we are advised by the Management that the pricing bases adopted under the Non-exempt Continuing Connected Transactions may vary from case to case given the difference in the nature of the individual transactions.

- (a) Where the Hon Hai Technology Group is approved or otherwise designated by the customers of the Group to provide materials/components, other products or services, such materials/components and other products or services are purchased or charged at prices agreed between the Group's customer and the Hon Hai Technology Group (without the Group's direct involvement) ("**Approved Vendor Principle**"). In respect of the materials/components and other products or services designated to be purchased from or provided by Approved Vendor(s), the Group is not allowed to source them from other vendors. The Group will only agree to purchase materials/components and other products or require such services from the Hon Hai Technology Group at the price agreed between the Group's independent customer and the Hon Hai Technology Group if the Group considers that it is profitable to do so.
- (b) Similar to (a) above, where the Group is approved or otherwise designated by the customers of the Hon Hai Technology Group to supply products or provide services to the Hon Hai Technology Group, the products or 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).
- (c) For the Equipment Sale Transaction, the price shall make reference to the book value of the equipment according to the accounting records of the relevant member of the Group (the "**Book Value Principle**").
- (d) For the market price principle, the average market price shall make reference to the price of recent transaction(s) of the Group or quotations with independent third parties (the "**Market Price Principle**").
- (e) For the cost plus principle, the price shall make reference to the percentage margin of comparable transactions with independent third parties (the "**Cost Plus Principle**").
- (f) For the reasonable commercial principle, the price shall take into account factors applicable to the special circumstances on a case by case basis (the "**Reasonable Commercial Principle**"), such as inventory optimisation management, capacity utilisation management and equipment utilisation management.

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The diagram below illustrates how various principles apply in summary:



6. Comparison of terms with independent third parties

We have obtained sample documents from the past three full financial years (the “**Review Period**”) to compare terms of transactions with the Group and Hon Hai Technology Group against terms offered to/by independent third parties (as the case may be) of each of the Non-exempt Continuing Connected Transactions as elaborated below:

(1) Purchase Transaction; and (2) Consolidated Services and Sub-contracting Expense Transaction

We have discussed with the Management and reviewed sample documents with respect to the transactions contemplated by the Purchase Transaction and Consolidated Services and Sub-contracting Expense Transaction conducted with Hon Hai Technology Group during the Review Period and compared such transactions with transactions conducted with independent third parties during the comparable period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In respect of pricing terms adopted, we understand from the Management that during the Review Period, only the Approved Vendor Principle, the Market Price Principle and the Cost Plus Principle have been applied for the Purchase Transaction and Consolidated Services and Sub-contracting Expense Transaction.

For the Approved Vendor Principle, we understand from the Management that before confirming whether to procure materials or require services from Hon Hai Technology Group or independent third parties (as designated by the customer) under such principle, the Group would consider if 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 Hon Hai Technology Group's direct involvement) and the relative costs of manufacturing such product, including the cost of materials purchased or the expenses required from the Approved Vendors (including Hon Hai Technology Group and independent third parties). The Group has no influence on the price of the material purchased from or the service provided by the Approved Vendor as the pricing terms are directly negotiated and agreed between the Approved Vendor and the Group's customer.

From our understanding with the Management, when a customer considers adopting an Approved Vendor, the Group had no choice to select alternative supplier for procurement of such item and when the Approved Vendor Principle applies (no matter the Approved Vendor is a connected person or an independent third party), the Group does not participate in the pricing negotiation of the relevant raw materials to be purchased for production of the final product. The customer will designate a vendor for the Group to procure the specific raw material at a designated price. As such, we are unable to compare if purchase price in procuring such item from Hon Hai Technology Group is no less favourable than procuring from independent third parties.

Nevertheless, if the Approved Vendor from whom the designated raw materials are procured is negotiated between the Group's customer and Hon Hai Technology Group with no involvement of the Group, the price agreed in such negotiation could also be considered as a market price from arm's length negotiation. Furthermore, the sales of final products to the Group's customer would be marked up by the Group. We also noted from relevant summary of the sample transaction from the Management that the Group's sales of such final product (including the designated raw materials from the Approved Vendor) have resulted in a mark-up.

We reviewed the relevant samples which adopted the Approved Vendor Principle for transactions with both connected parties and independent customers. We noted that in all the samples (both connected parties and independent customers), the purchase order issued to the Group had stated the information of the designated vendor to procure relevant materials or require services as well as the agreed purchase price. We also noted from the actual material purchase document that, such price had been adopted in the relevant material procurement or services required. In view of such, the pricing terms are equally applicable to transactions with independent third parties as well as with the connected parties.

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For the Market Price Principle, the Group selects at least one independent transaction or two quotations from independent third parties within six months from the date of the proposed transaction with the Hon Hai Technology Group to determine the market price. From the purchase orders of independent transactions and quotations from independent third parties obtained, we noted that the prices of the Purchase Transaction and Consolidated Services and Sub-contracting Expense Transaction with Hon Hai Technology Group were at least no less favourable than those of the transactions with independent third parties or quotations from independent third parties.

For the Cost Plus Principle, we understand that the Group selects one independent transaction (most related to the subject product/service in nature) within six months of the proposed transaction contemplated by the Purchase Transaction or Consolidated Services and Sub-contracting Expense Transaction with the Hon Hai Technology Group to determine the margin. In case there is no recent purchase of products of similar nature from independent customers by the Group or recent services provided by independent customers to the Group, the Group would make reference to the margins of the historical transactions involving the purchase of products of similar nature from independent customers by the Group or the services of similar nature provided by independent customers to the Group. We noted from the purchase orders and cost-to-price calculation sheets for transactions with Hon Hai Technology Group that the cost margins of such sample transactions were no less favourable than those of the transactions with independent third parties and the prices were in accordance with the pricing policies of the Group for Purchase Transaction and Consolidated Services and Sub-contracting Expense Transaction with Hon Hai Technology Group.

(3) Product Sales Transaction

We have discussed with the Management and reviewed sample documents with respect to the transactions contemplated by the Product Sales Transaction conducted with Hon Hai Technology Group during the Review Period and compared such transactions with transactions conducted with independent third parties during the comparable period.

In respect of pricing terms adopted, we understand from the Management that the Approved Vendor Principle and the Reasonable Commercial Principle have not been adopted during the Review Period, therefore we have reviewed samples which adopted the Market Price Principle and the Cost Plus Principle of the transactions contemplated by the Product Sales Transaction as carried out during the Review Period.

For the Market Price Principle, the Group selects at least one transaction of the Group and/or the Hon Hai Technology Group (as the case may be) to/from independent third parties, or two quotations from independent third parties within six months from the date of the proposed transaction with the Hon Hai Technology Group to determine the market price. From the sales invoices and purchase orders obtained, we noted that the prices of the sample transactions with Hon Hai Technology Group were no less favourable than those of the transactions with independent third parties.

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For the Cost Plus Principle, we understand that the Group selects one independent transaction (most related to the subject product in nature) within six months of the proposed Product Sales 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. We noted from the purchase order and cost margin calculation sheets for transactions with Hon Hai Technology Group that the cost margins of such sample transactions were no less favourable than those of the transactions with independent third parties and the prices were in accordance with the pricing policies of the Group for Product Sales Transaction with Hon Hai Technology Group.

(4) Sub-contracting Income Transaction

We have discussed with the Management and reviewed sample documents with respect to the transactions contemplated by the Sub-contracting Income Transaction conducted with Hon Hai Technology Group during the Review Period and compared such transactions with transactions conducted with independent third parties during the comparable period.

In respect of pricing terms adopted, we understand from the Management that only Market Price Principle and Cost Plus Principle have been applied for the transactions contemplated by the Sub-contracting Income Transaction as carried out during the Review Period.

For Market Price Principle, the Group selects at least one transaction of the Group and/or the Hon Hai Technology Group (as the case may be) to/from independent third parties or two quotations from independent third parties within six months from the date of the proposed transaction with the Hon Hai Technology Group to determine the market price.

From the sales invoices and purchase orders obtained, we noted that the prices of the sample transactions with Hon Hai Technology Group were no less favourable than those of the transactions with independent third parties. We also noted the above-mentioned selection process from the sample transactions.

With respect to the Cost Plus Principle, we understand that the Group selects one independent transaction (most related to the sub-contracting services in nature) within six months of the proposed Sub-contracting Income 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. We noted from the sales orders, sales invoices and cost margin calculation sheets for transactions with Hon Hai Technology Group that the cost margins of such sample transactions were no less favourable than those of the transactions with independent third parties and the prices were in accordance with the pricing policies of the Group for Sub-contracting Income Transaction with Hon Hai Technology Group.

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In view of the above, we concur with the Management that, the prices offered to/by Hon Hai Technology Group were no less favourable than those offered to/by independent third parties.

(5) Equipment Sale Transaction

We have discussed with the Management and obtained random sample documents from the Group with respect to the transactions contemplated by the Equipment Sale Transaction conducted with the Hon Hai Technology Group during the Review Period and comparable transactions conducted with independent third parties during the same period. We understand from the Management that out of all pricing terms, the Cost-Plus Principle and the Reasonable Commercial Principle have not been adopted under the Equipment Sale Transaction during the Review Period, therefore we have only reviewed samples which adopted the Book Value Principle and the Market Price Principle under the Equipment Sale Transaction.

For the Book Value Principle, we understand that the book value of the equipment is based on the accounting records of the relevant member of the Group. These pricing terms will apply on sales of used equipment. Given that the equipment sold to the Hon Hai Technology Group were used equipment and their 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. We understand from the Management that the Group will also price the sales of used equipment to independent third parties based on negotiation with the buyers with reference to net book value. Based on our review of the invoices, sales order and accounting records, we noted that for sales of used equipment with net book value to connected persons, the net book value has been applied as the selling price in the sales. For sales of used equipment with net book value to independent third parties, we noted that the selling prices were generally lower than the net book value. From the samples we did not notice any irregularities in the pricing of used equipment under the Book Value Principle sold to the Hon Hai Technology Group.

For used equipment that did not carry any book value pursuant to the accounting records, we noticed that Market Price Principle has been applied with two quotations obtained from independent third parties and from the Hon Hai Technology Group to determine the market price. We also noted that the relevant used equipment was sold to the party which offered the highest price. Based on our review of the relevant sales invoices, accounting records and quotations from independent third parties of sample transactions adopting the Market Price Principle, we note that the prices of the sample transactions were in accordance with the pricing policies of the Group and when such used equipment was sold to Hon Hai Technology Group, the terms were no less favourable than those of the quotations obtained from independent third parties.

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(6) Reasonable Commercial Principle

As noted from the “Letter from the Board” forming part of the Circular, since the Reasonable Commercial Principle has not been applied since 2015, we were unable to review documents regarding the implementation of such pricing term in recent transactions. We noted from the Management that, such pricing term would only apply when other pricing terms mentioned or adopted above are not appropriate or applicable.

For the Purchase Transaction and the Consolidated Services and Sub-contracting Expense Transaction, we understand from the Management that under certain rare circumstances, Hon Hai Technology Group may agree to prices lower than costs and market prices. In such cases, the Group would make the purchases or obtain sub-contracting services at such lower prices as agreed by the Hon Hai Technology Group after review and ensure that such prices are lower than costs and market prices.

For the Product Sales Transaction, we understand from the Management that 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 at least two independent parties from past and other potential buyers who may be interested in the purchase of such products 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 optimization 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.

For the Sub-contracting Income Transaction, we understand from the Management that 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 attempt to solicit at least two independent customers from past and other potential users who may be interested in using 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.

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For the Equipment Sales Transaction, we understand from the Management that 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 attempt to solicit purchases from at least two independent parties from past and other potential buyers who may be interested in the purchase of such equipment 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.

In view of the above-mentioned measures in place and given that such pricing term would only be applied when other pricing terms mentioned or adopted above are not appropriate or applicable, we concur with the Management that such pricing term should be acceptable.

7. Internal control measures

Set out below are internal control procedures over the continuing connected transactions of the Company, including the Non-exempt 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 Non-exempt 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

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Forecast to calculate and monitor the estimated full-year transaction amount of each category of the continuing connected transactions at the Group's level. In relation to each category of the continuing connected transactions, the headquarters accounting department of the Group also compares the CCT Rolling Forecast with the pre-approved annual cap amounts or de minimis thresholds to check and see if there is any potential risk of the then estimated full-year transaction amount exceeding the corresponding annual cap amounts or de minimis thresholds. When there is potentially a new transaction under the relevant category of the continuing connected transactions to be transacted between the Group and the Hon Hai Technology Group, the chief financial officer of the Group (the "Group CFO") will inform the headquarters accounting department of the Group to ensure that such potential new transaction has been included in the relevant CCT Rolling Forecast and, if necessary, update such CCT Rolling Forecast based on the information regarding such potential new transaction then available for review by the Group CFO. When the relevant CCT Rolling Forecast indicates that the pre-approved annual cap amounts or de minimis thresholds relating to the relevant category of the continuing connected transactions may be exceeded, the 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.

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- 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.

We noted that the Company compiles an internal report with the latest version issued in August 2022 which sets out, amongst others, the internal control policies and measures implemented by the Company to provide an effective framework for better corporate governance and enterprise risk management and monitor the continuing connected transactions between the Group and the Hon Hai Technology Group. The Group's internal audit department is also responsible to review the internal control functions of the Group relating to its continuing connected transactions from time to time. The Group's accounting department is primarily responsible to review and monitor transactions between the Group and the Hon Hai Technology Group as to whether such transactions fall within the scope of the relevant agreements and that the annual caps are not exceeded.

As stated in the 2021 Annual Report, the independent non-executive Directors have reviewed the continuing connected transactions for the year ended 31 December 2021 and have confirmed that the continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) 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. Furthermore, Deloitte Touche Tohmatsu, the Company's auditor (the "**Auditor**") was engaged to report on such continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has issued its unqualified letter containing its findings and conclusions in respect of such continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has also been provided by the Company to the Stock Exchange.

In light of the above, we are of the view that appropriate measures, including the pricing mechanism, are in place to ensure that the Non-exempt Continuing Connected Transactions will be conducted on normal commercial terms and to safeguard the interests of the Independent Shareholders.

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8. Basis of the Proposed Annual Caps

The Non-exempt Continuing Connected Transactions are subject to the Listing Rules' requirements and conditions as further discussed under the section headed "9. Reporting requirements and conditions of the Non-exempt Continuing Connected Transactions" below. In particular, the Non-exempt Continuing Connected Transactions are also subject to the Proposed Annual Caps as discussed below.

In assessing the reasonableness of the Proposed Annual Caps under the EGM Supplemental Agreements, we have discussed with the Management the basis and assumptions underlying the projections pursuant to the EGM Supplemental Agreements for the purpose of determining the Proposed Annual Caps.

i. Review of the historical figures

The following table sets out the historical actual amounts of each of the Non-exempt Continuing Connected Transactions during the Review Period and for the six months ended 30 June 2022 ("2022H1") and the respective historical annual caps:

<i>US\$'000</i>	Actual transaction amounts			For the six months ended
	For the year ended 31 December			30 June 2022
	2019	2020	2021	30 June 2022
	(audited)	(audited)	(audited)	(unaudited)
(A) Purchase of products or services from the Hon Hai Technology Group by the Group				
1. Purchase Transaction				
Historical annual caps	2,725,000	1,889,106	2,334,761	1,442,775 (half year prorated of the annual cap of 2022)
Actual amount	1,027,007	807,983	985,096	391,257
Utilisation rate (approximately)	38%	43%	42%	27%
2. Consolidated Services and Sub-contracting Expense Transaction				
Historical annual caps	381,000	335,326	414,432	256,100 (half year prorated of the annual cap of 2022)
Actual amount	258,863	186,935	110,414	46,602
Utilisation rate (approximately)	68%	56%	27%	18%

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<i>US\$'000</i>	Actual transaction amounts			For the six months ended
	For the year ended 31 December			30 June 2022
	2019	2020	2021	(unaudited)
	(audited)	(audited)	(audited)	
(B) Sale of products, services or equipment to the Hon Hai Technology Group by the Group				
3. Product Sales Transaction				
Historical annual caps	2,588,000	3,370,641	4,159,639	2,566,663 (half year prorated of the annual cap of 2022)
Actual amount	997,226	2,284,721	2,625,154	1,268,811
Utilisation rate (approximately)	39%	68%	63%	49%
4. Sub-contracting Income Transaction				
Historical annual caps	130,000	142,342	175,921	108,711 (half year prorated of the annual cap of 2022)
Actual amount	41,293	64,530	38,182	35,929
Utilisation rate (approximately)	32%	45%	22%	33%
5. Equipment Sale Transaction				
Historical annual caps	24,000	14,729	18,203	Approximately 11,249 (half year prorated of the annual cap of 2022)
Actual amount	5,772	9,416	15,641	475
Utilisation rate (approximately)	24%	64%	86%	4%

(A) Purchase of products or services from the Hon Hai Technology Group by the Group

Actual transaction amounts during 2019, 2020, 2021 and 2022H1 for the Purchase Transaction were approximately US\$1,027 million, US\$808 million, US\$985 million and US\$391 million respectively. Utilisation rates of the annual caps for the Purchase Transaction during 2019, 2020, 2021 and 2022H1 were approximately 38%, 43%, 42% and 27% respectively.

Actual transaction amounts during 2019, 2020, 2021 and 2022H1 for the Consolidated Services and Sub-contracting Expense Transaction were approximately US\$259 million, US\$187 million, US\$110 million and US\$47 million respectively. Utilisation rates of the annual caps for the Consolidated Services and Sub-contracting Expense Transaction during 2019, 2020, 2021 and 2022H1 were approximately 68%, 56%, 27% and 18% respectively.

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The average utilisation rate of the Purchase Transaction annual caps during the Review Period was 41%. Utilisation rate for the six months pro-rata annual cap of 2022 amounted to 27% for 2022H1, which was less than the previous periods. Utilisation rates of the Consolidated Services and Sub-contracting Expense Transaction decrease substantially over the Review Period and 2022H1, from the highest of 68% to 18%.

According to the Management, due to the outbreak of the US-China trade war which began in mid-2018 and the outbreak of the COVID-19 pandemic in late 2019 which also resulted in chip shortage globally, the operation of the Group has been interrupted which resulted in a low utilisation rate for the annual caps in the past two and a half years for the Purchase Transaction and Consolidated Services and Sub-contracting Expense Transaction.

(B) Sale of products, services and equipment to the Hon Hai Technology Group by the Group

Product Sales Transaction

Actual transaction amounts during 2019, 2020, 2021 and 2022H1 for the Product Sales Transaction were approximately US\$997 million, US\$2,285 million, US\$2,625 million and US\$1,269 million respectively. Utilisation rates of the annual caps for the Product Sales Transaction during 2019, 2020, 2021 and 2022H1 were approximately 39%, 68%, 63% and 49% respectively.

According to the Management, the Group proposed the annual caps for Product Sales Transaction for the period from 1 January 2020 to 31 December 2022 by using the year-on-year growth rate of revenue for 2018 comparing with 2017 as the basis in 2019. In 2020, one of the major customers of the Group (the “**Customer**”) was acquired by Hon Hai and became a connected person of the Company. The Group’s sales of products to the Customer have become part of the Company’s continuing connected transactions falling under the Product Sales Transactions since then. The Company had therefore revised the annual caps for the Product Sales Transaction which were approved at the Company’s extraordinary general meeting on 18 September 2020.

The increase of the transaction amount and utilisation rate in 2020 was mainly due to the sales to the Customer which have become part of the Product Sales Transaction since the beginning of 2020. However, due to the outbreak of the COVID-19 pandemic starting from late 2019, the operation of the Group has been adversely impacted by pandemic related production interruptions and factory shutdowns, as a result of which the Group was not required to fully utilise the annual caps in the past two and a half years for Product Sales Transaction.

Sub-contracting Income Transaction

Actual transaction amounts during 2019, 2020, 2021 and 2022H1 for the Sub-contracting Income Transaction were approximately US\$41 million, US\$65 million, US\$38 million and US\$36 million respectively. Utilisation rates of the annual caps for the Sub-contracting Income Transaction during 2019, 2020, 2021 and 2022H1 were approximately 32%, 45%, 22% and 33% respectively.

According to the Management, the Group proposed the annual caps for Sub-contracting Income Transaction for the period from 1 January 2020 to 31 December 2022 by using the year-on-year growth rate of revenue for 2018 comparing with 2017 as the basis in 2019. However, due to the outbreak of the COVID-19 pandemic starting from late 2019, the operation of the Group has been adversely impacted by pandemic related production interruptions and factory shutdowns, which resulted in low utilisation rates of the annual caps relating to the Sub-contracting Income Transaction.

Equipment Sale Transaction

Actual transaction amounts during 2019, 2020, 2021 and 2022H1 for the Equipment Sale Transaction were approximately US\$5.77 million, US\$9.42 million, US\$15.64 million and US\$0.48 million respectively. Utilisation rates of the annual caps of the Equipment Sale Transaction during 2019, 2020, 2021 and 2022H1 were approximately 24%, 64%, 86% and 4% respectively.

According to the Management, as a result of the outbreak of the COVID-19 pandemic starting from late 2019, the operation of the Group has been interrupted, which led to a significant increase of equipment idling rate of the Group. The increase in utilisation rates of the annual caps for Equipment Sale Transaction in 2020 and 2021 was mainly due to the increase in disposal of idle equipment by the Group for its rightsizing and restructuring purposes. As the Group would normally carry out equipment evaluation in the second half of the year, the utilisation rate of the pro-rata annual cap for the Equipment Sale Transaction for the six months ended 30 June 2022 was relatively low.

ii. Assessment of the Proposed Annual Caps

When assessing the reasonableness of the Proposed Annual Caps, we have discussed with the Management the basis and assumptions underlying the projection of the Proposed Annual Caps. Set out below is the Proposed Annual Caps being proposed for the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2025:

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<i>US\$'000</i>	Proposed Annual Caps For the year ending 31 December		
	2023	2024	2025
1. Purchase Transaction (the “ Purchase Caps ”)	1,611,000	1,964,000	2,395,000
2. Consolidated Services and Sub-contracting Expense Transaction (the “ Consolidated Services and Sub-contracting Expense Caps ”)	204,000	204,000	204,000
3. Product Sales Transaction (the “ Product Sales Caps ”)	3,813,000	4,381,000	5,034,000
4. Sub-contracting Income Transaction (the “ Sub-contracting Income Caps ”)	110,000	137,000	170,000
5. Equipment Sale Transaction (the “ Equipment Sale Caps ”)	34,000	48,000	67,000

(1) Purchase Transaction

As stated in the Letter from the Board, the Purchase Caps are determined with regard to the following:

- (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;
- (c) the anticipated increase in the amount of the Purchase Transaction to continue with reference to the growth in the amount of the Purchase Transaction for the year ended 31 December 2021, having regard to the continuous opening up and emergence from the COVID-19 pandemic in the PRC and the rest of the world; 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).

The proposed Purchase Cap for the year ending 31 December 2023 represented an increase of approximately 63.6% as compared to the actual transaction amount in 2021. According to the Management, the estimation of such increment in 2023 was mainly attributable to the global recovery of the COVID-19 pandemic condition where preventive social distancing measures have been easing gradually in the second half of 2022 in which the Management considers that operation of the Group will be on track to recovery to the pre-COVID-19 pandemic days.

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The Management has factored in a year-on-year growth of approximately 21.9% for the proposed Purchase Caps for the year ending 31 December 2024 and 2025 as compared to that for the year ending 31 December 2023. Such estimated growth was based on a year-on-year growth rate of 21.9% for the Purchase Transaction amount for the year ended 31 December 2021, in respect of which the Management estimated that the Group's Purchase Transaction may continue to grow at a comparable pace of 2021.

As noted from the 2021 Annual Report and the 2022 Interim Report, the Group recorded a year-on-year growth rate of 21.9% for the Purchase Transaction amount for the year ended 31 December 2021. The Group recorded a revenue growth of 4.5% for the first half of 2022 as compared to the corresponding period in 2021, including a year-on-year revenue growth of 75.4% in Europe segment and a year-on-year revenue growth of 273.7% in America segment, while in 2021, the Group recorded a year-on-year revenue growth of 47.9% in Europe segment and a year-on-year revenue growth of 139.2% in America segment. Given the strong continuing growth rate in two out of a total of three operating segments of the Group, it is reasonable to estimate an increase in demand of products and therefore estimate an increase in procurement of materials, components and other products from the Hon Hai Technology Group.

To cater for any unexpected increase in consumer demand hence demand for products from Hon Hai Technology Group and/or unexpected increase in the cost of supply affecting the transaction, where applicable, the Management factored in a 10% buffer when estimating the Purchase Caps.

With the growth rate noted in Purchase Transaction for the financial year ended 31 December 2021 of 21.9%, the revenue growth in Europe segment and America Segment and given raw material prices and labour cost have also been fluctuating in recent years, we concur with the Management that, the estimation of a growing trend for the Purchase Caps and factoring in a 10% buffer in the coming three years to be appropriate.

(2) Consolidated Services and Sub-contracting Expense Transaction

As stated in the Letter from the Board, the Consolidated Services and Sub-contracting Expense Caps are determined with regard to the following:

- (a) the average annual historical transaction amount of the Consolidated Services and Sub-contracting Expense Transaction during the three years ended 31 December 2021;
- (b) the anticipated recovery of the amount of the Consolidated Services and Sub-contracting Expense Transaction to the level comparable to the average amount of the Consolidated Services and Sub-contracting Expense Transaction before the COVID-19 pandemic in 2019 and during the COVID-19 pandemic in 2020 and 2021, having regard to the continuous opening up and emergence from the COVID-19 pandemic in the PRC and the rest of the world; 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).

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We understand from the Management that, the Consolidated Services and Sub-contracting Expense Caps' calculations for each year of 2023, 2024 and 2025 are based on the average annual historical transaction amount in from 2019 to 2021 plus a 10% buffer. The historical transaction amount in from 2019 to 2021 represents performance of the Group during the pre-COVID-19 pandemic time as well as during the COVID-19 pandemic of which the Management considered to be a more relevant reference. Despite part of the global COVID-19 pandemic situation continues to improve, certain regions continue to experience city lockdowns and factory lockdowns which slower industrial activity and might hinder the expected growth. In addition, as noted from the 2021 Annual Report, as a result of the scarcity of the labour and higher cost due to lack of availability of the manpower, the average cost of manufacturing labour in China is on an increasing trend. Therefore, taking into consideration the improving global COVID-19 pandemic situation and the increasing trend of manufacturing cost in China, we concur with the Management that, the using of the average historical annual transaction amount during the Review Period with a 10% buffer to estimate the Consolidated Services and Sub-contracting Expense Caps for the coming three years to be appropriate.

(3) Product Sales Transaction

As stated in the Letter from the Board, Product Sales Caps are determined with regard to the following:

- (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;
- (c) the anticipated increase in the amount of the Product Sales Transaction to continue with reference to the growth in the amount of the Product Sales Transaction for the year ended 31 December 2021, having regard to the continuous opening-up and emergence from the COVID-19 pandemic in the PRC and the rest of the world; 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).

Sales of products to Hon Hai Technology Group depend on among other things, the demand from Hon Hai Technology Group. The proposed annual cap of the Product Sales Transaction for the year ending 31 December 2023 represents a growth of 45.3% as compared to the actual transaction amount in 2021. As informed by the Management, pursuant to their discussion with Hon Hai Technology Group, it is anticipated that the market will be picking up

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strongly in 2023 as 3C product model will need to be replaced every few years. With the slowing of purchase sentiment as a result of the COVID-19 pandemic in the past few years, pursuant to the discussion with Hon Hai Technology Group by the Management, market demand is expected to substantially improve from 2023 onwards. In view of such discussion with Hon Hai Technology Group, the Management estimated a 45.3% growth on top of the 2021 actual figure (including 10% buffer catering for any unexpected increase in consumer demand and/or unexpected increase in the cost of supply affecting the transaction, where applicable) for the Product Sales Cap for 2023.

We were also informed by the Management that the proposed 2023 Product Sales Cap also represents an estimated growth of 14.9% as compared to the projected 2022 total actual Product Sales Transaction amount and the Product Sales Caps for the year ending 31 December 2024 and 2025 also estimated a year-on-year growth rate of 14.9% on top of the Product Sales Cap for 2023. We noted that the actual transaction amount in 2021 recorded a growth of 14.9% which the Management considers, and we concur applying such historical growth for estimation to be appropriate.

Furthermore, we have noted from the 2021 annual report of Hon Hai that Hon Hai Technology Group also recorded a growing trend for revenue and profit before tax of 11.9% and 33.1% respectively and as the business of Hon Hai Technology Group was growing, we concur with the Management that the estimated increments reflected in the Product Sales Caps to be acceptable.

(4) Sub-contracting Income Transaction

As stated in the Letter from the Board, the Sub-contracting Income Caps are determined with regard to the following:

- (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;
- (d) the anticipated increase in the amount of the Sub-contracting Income Transaction to continue with reference to the increase in the amount of the Sub-contracting Income Transaction for the six months ended 30 June 2022, as a result of the Group's continuous efforts to enhance utilisation of its production facilities generating income from the Sub-contracting Income Transaction; and

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- (e) 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).

According to the Management, Hon Hai Technology Group will from time to time engage the Group to carry out certain sub-contracting work. The amount of sub-contracting work to be provided to Hon Hai Technology Group will depend on, among other things, the customer demand of Hon Hai Technology Group, the utilisation rate of Hon Hai Technology Group's production facilities and the Group's production line's utilisation rate.

According to the Management, the Group recorded a growth rate of 109.0% for the Sub-contracting Income Transaction amount in 2022H1 as compared to the first half of 2021 ("2021H1"). The Management estimated similar growth rate will continue in the second half of 2022. The Management, after discussing with Hon Hai Technology Group on the latter's demand trend and considering the Group's available production capacities, estimated that the Sub-contracting Income Transaction will be on an increasing trend in the coming three years.

We have also noted that Hon Hai Technology Group also recorded a growing trend in revenue and profit before tax of 11.9% and 33.1% respectively in 2021 which also supports an estimated growth in Proposed Annual Cap for the coming three years.

Given the Sub-contracting demand of Hon Hai Technology Group varies during the period from 2019 to 2022H1, for better estimation, the Management estimated the growth in the coming three years by applying a year-on-year growth rate of 24.6%, which was comparable to the compound annual growth rate of 24.6% as calculated based on the actual annual growth rate of 2020 and 2021 and the estimated annual growth rate of 2022.

Having considered (i) the strong growth in sub-contracting demand of Hon Hai Technology Group in the 2022H1; (ii) the increasing trend of Hon Hai Technology Group's revenue as noted in its 2021 annual report; and (iii) the fluctuating demand of sub-contracting work from Hon Hai Technology Group in the past three and a half years, we consider applying a 24.6% growth rate with a long term view in the growth in demand of Hon Hai Technology Group in estimating the Sub-contracting Income Caps to be appropriate.

(5) *Equipment Sale Transaction*

As stated in the Letter from the Board, the Equipment Sale Caps are determined with regard to the following:

- (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 month period from 1 July 2022 to 31 December 2022 based on the historical transaction amount of the Equipment Sale Transaction for the six month period from 1 July 2021 to 31 December 2021 and the historical year-on-year growth rate of the transaction for the six months ended 31 December 2021;

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- (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;
- (d) the anticipated increase in the amount of the Equipment Sale Transaction with reference to the increase in the amounts of the Equipment Sale Transaction during the three years ended 31 December 2021, as a result of the Group's business strategy to be asset light and continuous efforts to dispose of obsolete and under-utilised equipment; and
- (e) 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).

Due to capacity planning, change in production specifications requirements by customers or new production arrangements relating to equipment of the Group from time to time, noting from the actual transaction amounts, Equipment Sale Transaction amount varies owing to the number of equipment which the Group no longer requires and is subject to disposal.

As discussed with the Management, when estimating the Equipment Sale Caps, the Group firstly estimated the annual amount of Equipment Sale Transaction by applying a growth rate of 40.3% on the 2021 actual transaction amount. The 40.3% growth was based on the historical growth rate of the Group by considering the actual growth rate for the second half of 2020 and 2021, as most of the equipment sales normally take place in the second half of the year. Such growth rate was also applied on a year-on-year basis for the Equipment Sale Caps. Proposed Annual Caps from 2023 to 2025 have also estimated a year-on-year growth of 40.3%.

We noted that according to the 2021 Annual Report and the 2022 Interim Report, it is the Group's business strategy to become more asset-light and lean, and accordingly, the Group has continued its exercise of rightsizing/restructuring of the underperforming parts of its manufacturing operations and has also got rid of its obsolete, depreciated and under-utilised assets. The Company has continued to closely monitor the situation, and where it considers necessary, will implement further appropriate measures like carrying out further rightsizing and restructuring activities. Furthermore, we noted that when comparing the actual Equipment Sale Transaction amounts for the second half of 2021 and 2020, a growth rate of approximately 96.9% was noted. In view of the Group's business strategy to become more asset-light and lean and the recording of 96% growth rate for actual Equipment Sale Transaction amounts in recent years, we consider the growth rate of 40.3% for the Equipment Sale Caps to be acceptable.

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- (6) *The buffer of approximately 10% to cater for any unforeseen changes in market conditions*

We noted that a buffer of approximately 10% was factored into each of the Proposed Annual Caps to cater for any unforeseen changes in market conditions. We have reviewed the historical actual transaction amount of each of the Non-exempt Continuing Connected Transactions from 2019 to 2021. We noted that the historical actual transaction amount fluctuated from time to time by around 14% to 129% from 2019 to 2020. With such fluctuation from 2019 to 2020, we are of the view that a 10% buffer would be reasonable.

9. Reporting requirements and conditions of the Non-exempt Continuing Connected Transactions

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Non-exempt Continuing Connected Transactions are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the continuing connected transactions and confirm in the annual report that the continuing connected transactions have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) on normal commercial terms or better; and
 - (iii) in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least ten business days prior to the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:
 - (i) have not been approved by the Board;
 - (ii) were not, in all material respects, in accordance with the pricing policies of the Group (if applicable);
 - (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the continuing connected transactions; and
 - (iv) have exceeded the annual cap;
- (c) the Company shall allow, and shall ensure that the counterparties to the continuing connected transactions shall allow, the Company's auditors sufficient access to their records for the purpose of reporting on the continuing connected transactions as set out in paragraph (b); and
- (d) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (a) and/or (b) respectively.

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In light of the reporting requirements applicable to the Non-exempt Continuing Connected Transactions and the Group's internal control policies and practices as detailed in the section headed "Internal control measures" above, which include but not limited to (i) the internal control measures with appropriate segregation of duties for the Group to monitor the Non-exempt Continuing Connected Transactions; (ii) the limitation on the total annual transaction amount of each of the Non-exempt Continuing Connected Transactions by way of the Proposed Annual Caps; and (iii) the on-going review by the independent non-executive Directors and auditors of the Company of the Non-exempt Continuing Connected Transactions in compliance with the Listing Rules, we are of the view that appropriate measures will be in place to effectively monitor the conduct of the Non-exempt Continuing Connected Transactions and assist to safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that: (a) the Proposed Annual Caps are fair and reasonable; (b) the entering into of the Non-exempt Continuing Connected Transactions and the EGM Supplemental Agreements is in the ordinary and usual course of business of the Group and, together with the Proposed Annual Caps, is in the interests of the Company and the Shareholders as a whole; and (c) the respective terms of the Non-exempt Continuing Connected Transactions (subject to obtaining the Independent Shareholders' approval, to be amended by the EGM Supplemental Agreements) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole and together with the bases of determining the Proposed Annual Caps are fair and reasonable.

Accordingly, we would recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM in respect of the Non-exempt Continuing Connected Transactions, the EGM Supplemental Agreements and the Proposed Annual Caps.

Yours faithfully,
For and on behalf of
Halcyon Capital Limited
Terry Chu **Denise Law**
Managing Director *Director*

Mr. Terry Chu is a person licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and regarded as a responsible officer of Halcyon Capital Limited and has over 22 years of experience in corporate finance industry.

Ms. Denise Law is a person licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activities under the SFO and regarded as a responsible officer of Halcyon Capital Limited and has over 12 years of experience in corporate finance industry.

The following are the Proposed BFIH ESOP Amendments. Unless otherwise specified, clauses referred to below are clauses of the amended BFIH Share Option Scheme. If the numbering of the clauses of the BFIH Share Option Scheme is changed due to addition, deletion or re-arrangement of certain clauses made in the Proposed BFIH ESOP Amendments, the numbering of the clauses of the BFIH Share Option Scheme as amended shall be changed accordingly.

Note: The BFIH Share Option Scheme is prepared in English with no official Chinese version. The Chinese translation is for reference only. In the event of any inconsistency, the English version shall prevail.

Clause no. Clauses in the amended BFIH Share Option Scheme (showing changes to the existing BFIH Share Option Scheme and the parts without changes in the following provisions are shown in "...")

1.1

...

associate has the meaning ascribed to it in the Listing Rules;

...

BFIH Group means, collectively, the Company and its direct or indirect subsidiary(ies) from time to time;

...

Company means Bharat FIH Limited (formerly known as Bharat FIH Private Limited and Rising Stars Mobile India Private Limited), a company incorporated in India under the Act, having its registered office currently at M-2B, DTA Area, SIPCOT Industrial Park, Phase II, Chennai Bangalore NH-4, Sunguvarchatram, Sriperumbudur, Kancheepuram, Tamil Nadu 602 106, India ~~Rising Stars Mobile India Private Limited, a company incorporated in India with limited liability;~~

connected persons has the meaning ascribed to it in the Listing Rules;

Effective Date means the date on which the Scheme was first ~~has been~~ approved by FIH's shareholders in a general meeting;

Employee means any employee as designated by the Company (including any director (other than an independent director as defined under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time) or member of senior management) ~~of the Rising Stars Group~~, but excluding: (i) an employee who is a promoter or a person belonging to the promoter group; or (ii) a director who either himself or through his relative or through any body corporate, directly or indirectly, holds more than 10% of the outstanding equity shares of the Company;

<i>FIH</i>	means FIH Mobile Limited, a limited liability company incorporated in the Cayman Islands, the shares of which are listed on T the Stock Exchange of Hong Kong Limited;
<i>FIH Group</i>	means, collectively, FIH and its subsidiaries, other than the BFIH Rising Stars Group;
<i>Grantee</i>	means any Employee or third party service provider who accepts the Offer of grant of any Option in accordance with the terms of the Scheme <u>having a right but not an obligation to exercise an Option in pursuance of the Scheme</u> and, where the context so permits, a person or persons who is or are entitled to exercise any such Option in consequence of the death <u>or permanent incapacity (as the case may be)</u> of the original Grantee pursuant to applicable laws;
<i>Hong Kong</i>	means the Hong Kong Special Administrative Region of the People's Republic of China;
<i>HK\$</i>	means Hong Kong dollars, the lawful currency of Hong Kong;
...	
<i>Listing Rules</i>	means the r Rules and regulations g Governing the l isting of s Securities on the Stock Exchange(s) (as amended from time to time) <u>in India</u> ;
...	
<i>Rising Stars Group</i>	means, collectively, the Company and its direct or indirect subsidiary(ies) from time to time;
...	
<i>Stock Exchange(s)</i>	means <u>BSE Limited and National Stock Exchange of India Limited upon the listing of the Shares in India</u> The Stock Exchange of Hong Kong Limited ;
...	
<i>substantial shareholder</i>	has the meaning ascribed to it in the Listing Rules; and
<i>third party service provider</i>	means any employee (including any director (other than an independent director or the foreign equivalent) or member of senior management) of a direct or indirect holding company (as such term is defined under the Act) of the Company (including, for the avoidance of doubt, FIH and 鴻海精密工業股份有限公司 (Hon Hai Precision Industry Company Limited for identification purposes only)), but excluding: (i) an employee who is a promoter or a person belonging to the promoter group; or (ii) a director who either himself or through his relative or through any body corporate, directly or indirectly, holds more than 10% of the outstanding/issued equity shares of such holding company the Company.

- 1.5 ~~References to FIIH's shareholders in general meeting are references to FIIH's shareholders in general meeting (for so long as the Company remains a subsidiary of FIIH).~~
- 2.1 The purpose of the Scheme is to attract and retain capable and skilled and experienced personnel, to incentivize them to remain with the BFIH Rising Stars Group and to give effect to the BFIH Rising Stars Group's customer-focused and performance-driven corporate culture, and to motivate them to strive for the future development and expansion and long-term success of the BFIH Rising Stars Group, by providing them with the opportunity to acquire equity interests in the Company.
- 5.1 On and subject to the terms of the Scheme, the Board shall be entitled at any time and from time to time within 10 years after the Effective Date (subject to any earlier termination) to offer to grant to any Employee or third party service provider (*Proposed Grantee*) as the Board may in its absolute discretion select an Option to subscribe for such number of Shares as the Board may determine at the Subscription Price. The Board may in its absolute discretion specify such conditions (if any) as it thinks fit when making such offer to the Proposed Grantee, including, without limitation and notwithstanding Clause 7.1, as to performance criteria to be satisfied by the Proposed Grantee and/or the BFIH Rising Stars Group before an Option can be exercised and the Option Period. For the purposes of this Clause 5.1, the references to "the Board" shall include references to "the Board or its duly authorised committee, officer(s) or delegate(s)".
- 5.2 (a) ~~The Company shall not make any Offer to any Proposed Grantee after any unpublished price sensitive~~inside information has come to its knowledge until such time as ~~that inside~~such information has been announced thereby ceasing to constitute ~~an inside unpublished price sensitive~~ information. ~~In particular, the Company shall not make any Offer to any Proposed Grantee during the period commencing one month immediately preceding the earlier of: (i) the date of the meeting of FIIH's board of directors (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of FIIH's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for FIIH to publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement.~~

~~(b) Where an Offer is proposed to a director of the Company or a director of FII or any Proposed Grantee who (because of his office or employment in the Company or any of its subsidiaries) is likely to be in possession of unpublished inside information in relation to the Shares or the shares of FII, no Offer shall be made on any day on which the results of FII are published and during the period of: (i) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and (ii) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.~~

5.4 The grant date of an Option is the date on which the Board approves the grant. For accounting purpose, the grant date of an Option will be determined in accordance with applicable accounting standards. An Option shall be deemed to have been granted and accepted and to have taken effect when the duplicate of the Offer duly signed by the Proposed Grantee (the *Grantee*) is received by the Company within the time period specified in the Offer.

7.1 Subject to Clause 5.1, no performance criteria are to be satisfied by a Grantee and/or the BFIH Rising Stars Group before the exercise of an Option.

7.4 Subject to any early vesting of Options pursuant to Clause 7.5(e), 7.5(f) or 7.5(g), all Options granted under the Scheme will be subject to a vesting period of a minimum of one year and up to six years (or such other period which must not be less than one year nor more than 10 years from the date of grant of the relevant Options) as determined by the Board (or its duly authorised committee, officer(s) or delegate(s)) at the time of granting the relevant Option. The minimum vesting period of one year shall not apply in case of early vesting of Options owing to (i) the Grantee's death or permanent incapacity or (ii) ill-health, injury or disability not attributable to the Grantee's own misconduct.

7.5 Subject as hereinafter provided in the Scheme, the vesting period specified in Clause 7.4 and any conditions specified by the Board pursuant to Clause 5.1, the Grantee (or, where permitted under Clause 7.5(d), his legal personal representative(s)) may exercise his vested Option at any time or times during the Option Period, provided that:

(a) where the Grantee is an Employee, in the event of the Grantee ceasing to be an Employee for any reason other than his death, permanent incapacity or the termination of his employment on one or more of the grounds specified in Clause 7.5(b) or Clause 8.1(d), the unvested Options shall continue to vest in accordance with the vesting schedule pursuant to Clause 7.4~~Grantee may exercise the Option up to his entitlement at the date of cessation of his employment (to the extent not already exercised) within the period of one month following the date of such cessation, which date shall be his last actual working day with the Company or its relevant subsidiary, whether salary is paid in lieu of notice or not;~~

- (b) where the Grantee is an Employee, in the event of the Grantee ceasing to be an Employee by reason of ill-health, injury or disability not attributable to his own misconduct, ~~or~~ redundancy, retirement, agreement with the Board or transfer of business in relation to which the Employee was engaged to a company outside the ~~BFIH Rising Stars~~ Group and none of the events which would be a ground for termination of his employment under Clause 8.1(d) has occurred, the Grantee may exercise the vested Options up to his entitlement at the date of cessation of his employment (to the extent not already exercised) within the period of three months following the date of such cessation, which date shall be his last actual working day with the Company or its relevant subsidiary, whether salary is paid in lieu of notice or not. In the event of the Grantee ceasing to be an Employee by reason of ill-health, injury or disability not attributable to his own misconduct, all the unvested Options held by the Grantee shall be deemed to immediately vest with him;
- (c) in the case:
- (i) where the Grantee is a third party service provider under a fixed term contract, if the Grantee ceases to be a third party service provider by reason of termination or expiry of the term of the relevant fixed term contract without any extension or renewal by the Company or its relevant subsidiary for reasons other than (1) on one or more of the grounds specified in Clause 8.1(d) or (2) on his death or permanent incapacity; or
- (ii) where the Grantee is a third party service provider not under any fixed term contract, if the Grantee ceases to be a third party service provider by reason of the Grantee ceasing to provide any further services, support, assistance or contribution to the Company or its relevant subsidiary as may be determined by the Board and notified to such third party service provider in writing within three months after the provision of its last services, support, assistance or contribution to the Company or its relevant subsidiary for reasons other than (1) on one or more of the grounds specified in Clause 8.1(d) or (2) on his death or permanent incapacity,

the Grantee may exercise the Option up to his entitlement at the date of cessation (to the extent not already exercised) within the period of nine months (or such other period as the Board may determine) following the date of such cessation, which date shall, in the case of (i) above, be the date of termination or expiry of the relevant fixed term contract or, in the case of (ii) above, be the date of the written notification to the third party service provider;

(d) where the Grantee is an Employee or a third party service provider, in the event of the death or permanent incapacity of the Grantee and none of the events specified in Clause 8.1(d) has occurred, all the unvested Options held by the Grantee shall be deemed to immediately vest with the legal personal representative(s) of the Grantee and the legal personal representative(s) of the Grantee shall be entitled within a period of 12 months from the date of death or permanent incapacity (or such other period as the Board may determine) to exercise the Options up to his entitlement (to the extent not already exercised);

(e) ...

(f) ...

(g) ...

9.1 The total number of Shares which may be issued upon exercise of all Options that may be granted under the Scheme and any other scheme involving the issue or grant of options and/or awards over new Shares or other securities by the Company or any of its subsidiaries shall not in aggregate exceed 10% of the issued share capital of the Company as of the Effective Date, ~~unless the Company obtains the approval of FII's shareholders in accordance with Clause 9.2.~~ Options and/or awards lapsed in accordance with the terms of the Scheme or any other scheme shall not be counted for the purpose of calculating the 10% limit.

9.2 The Company may seek the approval of its FII's shareholders in general meeting to refresh the 10% limit in Clause 9.1 such that the total number of Shares which may be issued and allotted upon exercise of all Options that may be granted under the Scheme and any other scheme involving the issue or grant of options and/or awards over new Shares or other securities by the Company or any of its subsidiaries under the limit as refreshed shall not exceed 10% of the issued share capital of the Company as at the date of approval of the refreshed limit. Options and/or awards previously granted under the Scheme or any other scheme, including options and/or awards outstanding, cancelled or lapsed in accordance with the relevant scheme or exercised options and/or awards, shall not be counted for the purpose of calculating the limit to be refreshed.

9.3 ~~[Deleted]The Company may seek the approval of FII's shareholders in general meeting to grant Options which will result in the number of Shares in respect of all the Options granted under the Scheme and all the options and/or awards over Shares or other securities by the Company or any of its subsidiaries granted under any other scheme exceeding 10% of the issued share capital of the Company, provided that such Options are granted only to Employees and third party service providers specifically identified by the Company before the approval of its shareholders is sought.~~

10. ~~IDELETED~~ GRANT OF OPTIONS TO CONNECTED PERSONS

~~10.1 The independent non-executive directors of FHH (excluding any independent non-executive director of FHH who is the grantee of the Options) will be required to approve each grant of Options (which approval may relate to the exact number of Options to be granted or the maximum number of Options to be granted over a specified period of time) to a director, chief executive or substantial shareholder of FHH or any of their respective associates.~~

~~10.2 If a grant of Options to a substantial shareholder or an independent non-executive director of FHH, or their respective associates, will result in the total number of Shares issued and to be issued upon exercise of Options granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:~~

- ~~(a) representing in aggregate over 0.1% of the issued share capital of the Company from time to time; and~~
- ~~(b) having an aggregate value, based on the then market price of the Shares as reasonably determined by the Board, in excess of HK\$5 million;~~

~~such further grant of Options will be required to be approved by the shareholders of FHH in general meeting. FHH will send a circular to its shareholders containing such information as is required under Rule 17.04 of the Listing Rules. The relevant Grantee, his associates and all core connected persons (as defined in the Listing Rules) of FHH will be required to abstain from voting in favour at such general meeting, and any vote taken at such meeting must be taken on a poll. Any change in the terms of an Option granted to any independent non-executive director of FHH or substantial shareholder of FHH, or any of their respective associates, shall be subject to the prior approval of FHH's shareholders in general meeting by way of poll, and the relevant Grantee, his associates and all core connected persons of FHH shall abstain from voting in favour of the resolution(s) relating to the change in the terms of such Options at such general meeting. FHH shall send a circular to its shareholders in accordance with the requirements of the Listing Rules.~~

11.1 In the event of a capitalisation issue, rights issue or an issue of securities with a price-dilutive element, subdivision or consolidation of Shares or a reduction of the share capital of the Company in accordance with applicable laws and regulatory requirements (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party) while any Option remains exercisable, such corresponding adjustments (if any) shall be made to:

- (a) the number or nominal amount of Shares, the subject matter of the Option (insofar as it is unexercised); and/or
- (b) the aggregate number of Shares subject to outstanding Options; and/or

(c) the Subscription Price,

as the Auditors shall certify in writing to the Board to be in their opinion fair and reasonable ~~and also to satisfy the requirements set out in Rule 17.03(13) of the Listing Rules~~, provided that any adjustment shall be made on the basis that the proportion of the issued share capital of the Company to which a Grantee is entitled after such adjustment shall remain the same, or as nearly as possible the same as that to which he was entitled before such adjustment, but so that no such adjustment shall be made the effect of which would be to enable any Share to be issued at less than its nominal value, or to increase the proportion of the issued share capital of the Company for which any Grantee would have been entitled to subscribe had he exercised all the Options held by him immediately prior to such adjustments. In respect of any such adjustments, the Auditors shall certify in writing to the Board that the adjustments are in their opinion fair and reasonable and satisfy ~~the requirements set out in Rule 17.03(13) of the Listing Rules~~ and any ~~other~~ applicable rules, regulations or guidance issued by the Stock Exchange from time to time. The Auditors shall for the purposes of this Clause 11 act as experts and not as arbitrators, and their certification shall be final and binding on the Company and the Grantees. The costs of the Auditors shall be borne by the Company.

14. ALTERATION OF THE SCHEME AND TERMS OF OPTIONS

14.1 ~~The Company may by special resolution of the shareholders of the Company vary the terms of the Options granted but which have not yet been exercised by the Grantees and without the (collective or individual) consent of the Grantees, if such variation is not prejudicial to the interests of such Grantees. Any alteration to the terms of any Options granted but which have not yet been exercised by the Grantees to comply with (i) changes in legal or regulatory requirements and/or (ii) requirements which would now apply due to the Company no longer being qualified or eligible for certain exemptions shall not require any resolution of the shareholders of the Company or the (collective or individual) consent of the Grantees. In accordance with the Act, the Scheme may at any time be altered in any respect by a special resolution of the Shareholders (including without limitation any alteration in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions imposed by the provisions of the Scheme which are not found in Chapter 17 of the Listing Rules), except that:~~

- ~~(a) the definitions of **Employee**, **Grantee**, **Option Period** and **third party service provider** in Clause 1.1 and any provisions of the Scheme relating to the matters set out in Rule 17.03 of the Listing Rules, including, without limitation, Clauses 2, 4.1, 5.1, 5.3, 5.4, 5.5, 6, 7, 8, 9, 10, 11, 12, 15, 16 and this Clause 14, shall not be altered to the advantage of Grantees or Proposed Grantees; and~~
- ~~(b) any change to the authority of the Board or scheme administrators in relation to any alteration to the terms of the Scheme shall not be made,~~

~~except with the prior sanction of a resolution of FII's shareholders in general meeting (for so long as the Company remains a subsidiary of FII), provided that no such alteration shall operate to affect adversely any rights which may have accrued to any Grantee under the terms of issue of any Option granted or agreed to be granted prior to such alteration.~~

- 14.2 ~~The Scheme may at any time be altered in any respect by a special resolution of the shareholders of the Company, provided that the Board may alter the terms of the Scheme to comply with (i) changes in legal or regulatory requirements and/or (ii) requirements which would now apply due to the Company no longer being qualified or eligible for certain exemptions, without requiring any resolution of the shareholders of the Company. Any alterations to the terms and conditions of the Scheme which are of a material nature, or any change to the terms of the Options granted, shall be subject to the approval of FIH's shareholders (for so long as the Company remains a subsidiary of FIH), save where the alterations take effect automatically under the existing terms of the Scheme. The Scheme so altered must comply with Chapter 17 of the Listing Rules.~~
- 15.1 In accordance with the Act, the Company by a special resolution of the Shareholders ~~and an ordinary resolution of FIH's shareholders (for so long as the Company remains a subsidiary of FIH)~~ may at any time terminate the operation of the Scheme and in such event no further Options will be offered but the provisions of the Scheme shall remain in full force in all other respects. All Options granted prior to such termination shall continue to be valid and exercisable in accordance with the terms of the Scheme.
- 17.1 The Scheme shall not form part of any contract of employment or engagement of services between the Company or any of its subsidiaries and any Employee or third party service provider, and the rights and obligations of any Employee or third party service provider under the terms of his office, employment or engagement shall not be affected by his participation in the Scheme or any right which he may have to participate in it, and such participation or right shall afford such an Employee or third party service provider no additional rights to compensation or damages in consequence of the termination of such office or employment or engagement of services for any reason. Participation in the Scheme shall be at the Board's absolute discretion and neither participation in the Scheme nor the receipt of a grant pursuant to the Scheme shall create any right to or expectation of any future participation or offer under the Scheme or any other equity-based incentive plans of the ~~BFIH Rising Stars~~ Group and/or the FIH Group.
- 17.2 The Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against any one or more members of the ~~BFIH Rising Stars~~ Group and the FIH Group directly or indirectly or give rise to any cause of action at law or in equity against any one or more members of the ~~BFIH Rising Stars~~ Group and the FIH Group.

- 17.5 Any notice or other communication between the Company and a Grantee may be given by sending the same by prepaid post or by personal delivery to, in the case of the Company at its registered address (currently, M-2B, DTA Area, SIPCOT Industrial Park, Phase II, Chennai Bangalore NH-4, Sunguvarchatram, Sriperumbudur, Kancheepuram, Tamil Nadu 602 106, India, No. 380, Belerica Road, Sri City, Siddam Agraharam Village, Varadaiah Palem Mandal, Chittoor, Andhra Pradesh, India, Pin-517541 marked for the attention of Board of Directors) or as notified to the Grantees from time to time and, in the case of the Grantee, his address as notified to the Company from time to time.
- 17.6 Any notice or other communication served by post:
- (a) by the Company shall be deemed to have been served 48 24 hours after the same was posted; and
- (b) ...
- 17.7 All allotments and issues under the Scheme will be subject to all applicable laws, regulations, rules and requirements for the time being in force in any relevant jurisdiction. A Grantee shall be responsible for obtaining any governmental, regulatory or other official consent or approval and going through any other governmental, regulatory or other official procedures that may be required by any country or jurisdiction in respect of the grant or exercise of the Option. The Company shall not be responsible for any failure by a Grantee to obtain any such consent or for any tax or other liability to which a Grantee may become subject as a result of his participation in the Scheme. A Grantee shall pay all tax and discharge all other liabilities to which he may become subject as a result of his participation in the Scheme or the exercise of any Option. A Grantee shall, forthwith on demand, indemnify the Company in full against all claims and demands which may be made against the Company or any member of the ~~BFIH Rising Stars~~ Group and the FIH Group (whether alone or jointly with other party or parties) for or in respect of or in connection with any failure on the part of the Grantee to obtain any necessary consent referred to above or to pay tax or other liabilities referred to above and against all incidental costs and expenses which may be incurred by the Company or any member of the ~~BFIH Rising Stars~~ Group and the FIH Group in connection therewith.
- 17.10 For so long as the Company remains a subsidiary of FIH (a) any grants of Options to Grantees who are connected persons of FIH (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time (the “HK Listing Rules”)) and (b) any material amendments to the Scheme or any increase or refreshment of the scheme mandate referred to in Clause 9 shall be subject to compliance by FIH with the applicable requirements of the HK Listing Rules.
- ~~17.11~~
17.10 The Scheme and all Options granted hereunder shall be governed by and construed in accordance with the laws of India.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' interests

As at the Latest Practicable Date, the interests and/or short positions, if any, of each Director and chief executive of the Company in the shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO), or (ii) which were required to be and were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (iii) which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") adopted by the Company were as follows:

Name of director	Name of corporation	Capacity/ Nature of interest	Total number of ordinary shares	Approximate percentage of interest in the Company/associated corporation
CHIH Yu Yang	The Company	Beneficial owner	34,334,018 ^(Note 2)	0.4325%
	Hon Hai	Beneficial owner	8,075	0.00006%
	Chiun Mai Communication Systems, Inc. ("CMCS") ^(Note 1)	Beneficial owner	1,000	0.0007%
	BFIH	Other	1 ^(Note 3)	0.00000004%
KUO Wen-Yi	The Company	Interest of spouse	700,000	0.0088%
	Hon Hai	Beneficial owner	1,848	0.00001%
	Hon Hai	Interest of spouse	13	0.0000001%
MENG Hsiao-Yi	The Company	Beneficial owner	5,469,146 ^(Note 4)	0.0689%
	BFIH	Other	1 ^(Note 3)	0.00000004%

Notes:

- The Company indirectly, through its wholly-owned subsidiaries, holds approximately 87.06% of the entire number of issued shares of CMCS, a company incorporated in Taiwan.
- As at the Latest Practicable Date, Mr. Chih (as beneficial owner) held or was 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.

3. Each of Mr. Chih and Mr. MENG Hsiao-Yi (“**Mr. Meng**”) holds 1 share of BFIH as a nominee shareholder on behalf of Wonderful Stars Pte. Ltd. (an indirectly wholly-owned subsidiary of the Company) without any beneficial interest.
4. As at the Latest Practicable Date, Mr. Meng (as beneficial owner) held or was deemed to hold 5,469,146 Shares, representing approximately 0.07% of the total number of issued Shares, of which 2,576,062 Shares were granted to Mr. Meng on 3 November 2022 pursuant to the share scheme of the Company adopted on 26 November 2013 resulting in him being interested in the 2,576,062 Shares as a beneficiary of a trust interested in the Shares. These Shares will be vested on 1 December 2022.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO), or (ii) which were required to be and were recorded in the register required to be kept by the Company under Section 352 of the SFO, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

(b) Substantial Shareholders’ interests

So far as is known to any Director, as at the Latest Practicable Date, Shareholders (other than the Directors or chief executive of the Company) who had interests and/or short positions in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be and were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of substantial shareholder	Capacity/ Nature of interest	Total number of ordinary shares	Approximate percentage of interest in the Company
Foxconn (Far East) Limited <i>(Note 1)</i>	Beneficial owner	5,081,034,525	64.00%
Hon Hai <i>(Notes 1 and 2)</i>	Interest of a controlled corporation	5,081,034,525	64.00%

Notes:

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

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

3. EXPERT AND CONSENT

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

Name of expert	Qualification
Halcyon Capital Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

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

Halcyon had given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name and/or logo in the form and context in which they appear.

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

As at the Latest Practicable Date, Halcyon had no direct or indirect interest in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

4. DIRECTORS' SERVICE CONTRACTS

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

5. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. DIRECTORS' INTEREST IN COMPETING BUSINESS

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

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in (i) the announcement of the Company dated 15 March 2022 in respect of the final results of the Group for the year ended 31 December 2021; (ii) the Company's 2021 annual report as issued and published on 13 April 2022; (iii) the announcement of the Company dated 11 May 2022 in respect of certain financial information of the Group for the three months ended 31 March 2022 and update on its expected 2022 interim performance; (iv) the announcement of the Company dated 9 August 2022 in respect of the interim results of the Group for the six months ended 30 June 2022; (v) the Company's 2022 interim report as issued and published on 15 September 2022; and (vi) the announcement of the Company dated 2 November 2022 in respect of certain financial information of the Group for the nine months ended 30 September 2022 and update on its expected 2022 annual performance, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

8. DOCUMENTS ON DISPLAY

Electronic copies of the following documents are published on the website of the Stock Exchange (<https://www.hkexnews.hk>) and the website of the Company (<https://www.fihmobile.com>) for a period of 14 days from the date of this circular up to and including 14 December 2022 (both days inclusive):

- (a) the EGM Supplemental Agreements;
- (b) the Purchase Agreement;
- (c) the Consolidated Services and Sub-contracting Expense Agreement;
- (d) the Framework Product Sales Agreement;
- (e) the Sub-contracting Income Agreement;
- (f) the Framework Equipment Sale Agreement; and
- (g) the BFIH Share Option Scheme (as amended to incorporate the Proposed BFIH ESOP Amendments).

NOTICE OF EXTRAORDINARY GENERAL MEETING

FIH® **富智康**®

FIH Mobile Limited

富智康集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2038)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the “**EGM**”) of the shareholders of FIH MOBILE LIMITED (the “**Company**”) will be held at Kowloon Room I, Mezzanine Level, Kowloon Shangri-La Hotel, 64 Mody Road, Tsimshatsui East, Hong Kong on Friday, 23 December 2022 at 10:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the terms of the eighth supplemental agreement to the framework product supply agreement (the “**Supplemental Purchase Agreement**”) (a copy of which is tabled at the meeting and marked “A” for identification purposes) dated 10 November 2022 entered into between the Company and Hon Hai and the Company’s execution and delivery thereof be and are hereby approved in all respects;
- (b) the transactions contemplated under the framework product supply agreement entered into among the Company, 鴻海精密工業股份有限公司 (Hon Hai Precision Industry Co. Ltd., for identification purposes only) (“**Hon Hai**”, and together with its subsidiaries and associates (other than the Group), the “**Hon Hai Technology Group**”), Innolux Corporation (an associate of Hon Hai formerly known as Innolux Display Corporation and then Chimei Innolux Corporation) (“**Innolux**”) and 鴻準精密工業股份有限公司 (Foxconn Technology Co. Ltd., for identification purposes only) (an associate 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 the Company and Hon Hai dated 17 October 2013, 11 August 2016, 31 July 2017 and 9 October 2019) and further amended by the Supplemental Purchase Agreement (the “**Purchase Transaction**”) for the three years ending 31 December 2025 and the Company’s entering into and implementation thereof from time to time thereunder and the latest terms governing the same be and are hereby approved in all respects;
- (c) the proposed annual caps as set out in the Company’s circular dated 1 December 2022 (the “**Circular**”) in respect of the Purchase Transaction for the three years ending 31 December 2025 be and are hereby approved in all respects; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (d) any one director of the Company, or any two directors of the Company if affixation of the Company's common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute and deliver (and affix the Company's common seal to, if necessary) all such other documents, instruments or agreements and to do all such other acts or things which he/they may in his/their absolute discretion consider necessary or desirable in connection with or incidental to any of the matters contemplated under the Supplemental Purchase Agreement and/or the Purchase Transaction for the three years ending 31 December 2025 and/or the said annual caps."

2. "THAT:

- (a) the terms of the fifth supplemental agreement to the framework consolidated services and sub-contracting agreement (the "**Supplemental Consolidated Services and Sub-contracting Expense Agreement**") (a copy of which is tabled at the meeting and marked "B" for identification purposes) dated 10 November 2022 entered into between the Company and Hon Hai and the Company's execution and delivery thereof be and are hereby approved in all respects;
- (b) the transactions contemplated under 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 (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) and further amended by the Supplemental Consolidated Services and Sub-contracting Expense Agreement (the "**Consolidated Services and Sub-contracting Expense Transaction**") for the three years ending 31 December 2025 and the Company's entering into and implementation thereof from time to time thereunder and the latest terms governing the same be and are hereby approved in all respects;
- (c) the proposed annual caps as set out in the Circular in respect of the Consolidated Services and Sub-contracting Expense Transaction for the three years ending 31 December 2025 be and are hereby approved in all respects; and
- (d) any one director of the Company, or any two directors of the Company if affixation of the Company's common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute and deliver (and affix the Company's common seal to, if necessary) all such other documents, instruments or agreements and to do all such other acts or things which he/they may in his/their absolute discretion consider necessary or desirable in connection with or incidental to any of the matters contemplated under the

NOTICE OF EXTRAORDINARY GENERAL MEETING

Supplemental Consolidated Services and Sub-contracting Expense Agreement and/or the Consolidated Services and Sub-contracting Expense Transaction for the three years ending 31 December 2025 and/or the said annual caps.”

3. **“THAT:**

- (a) the terms of the seventh supplemental agreement to the framework product sales agreement (the **“Supplemental Product Sales Agreement”**) (a copy of which is tabled at the meeting and marked “C” for identification purposes) dated 10 November 2022 entered into between the Company and Hon Hai and the Company’s execution and delivery thereof be and are hereby approved in all respects;
- (b) the transactions contemplated under the framework product sales agreement entered into among the Company, Hon Hai and Innolux 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) and further amended by the Supplemental Product Sales Agreement (the **“Product Sales Transaction”**) for the three years ending 31 December 2025 and the Company’s entering into and implementation thereof from time to time thereunder and the latest terms governing the same be and are hereby approved in all respects;
- (c) the proposed annual caps as set out in the Circular in respect of the Product Sales Transaction for the three years ending 31 December 2025 be and are hereby approved in all respects; and
- (d) any one director of the Company, or any two directors of the Company if affixation of the Company’s common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute and deliver (and affix the Company’s common seal to, if necessary) all such other documents, instruments or agreements and to do all such other acts or things which he/they may in his/their absolute discretion consider necessary or desirable in connection with or incidental to any of the matters contemplated under the Supplemental Product Sales Agreement and/or the Product Sales Transaction for the three years ending 31 December 2025 and/or the said annual caps.”

4. **“THAT:**

- (a) the terms of the eighth supplemental agreement to the framework sub-contracting agreement (the **“Supplemental Sub-contracting Income Agreement”**) (a copy of which is tabled at the meeting and marked “D” for identification purposes) dated 10 November 2022 entered into between the Company and Hon Hai and the Company’s execution and delivery thereof be and are hereby approved in all respects;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the transactions contemplated under 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) and further amended by the Supplemental Sub-contracting Income Agreement (the “**Sub-contracting Income Transaction**”) for the three years ending 31 December 2025 and the Company’s entering into and implementation thereof from time to time thereunder and the latest terms governing the same be and are hereby approved in all respects;
- (c) the proposed annual caps as set out in the Circular in respect of the Sub-contracting Income Transaction for the three years ending 31 December 2025 be and are hereby approved in all respects; and
- (d) any one director of the Company, or any two directors of the Company if affixation of the Company’s common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute and deliver (and affix the Company’s common seal to, if necessary) all such other documents, instruments or agreements and to do all such other acts or things which he/they may in his/their absolute discretion consider necessary or desirable in connection with or incidental to any of the matters contemplated under the Supplemental Sub-contracting Income Agreement and/or the Sub-contracting Income Transaction for the three years ending 31 December 2025 and/or the said annual caps.”

5. “**THAT:**

- (a) the terms of the seventh supplemental agreement to the framework equipment sale agreement (the “**Supplemental Equipment Sale Agreement**”) (a copy of which is tabled at the meeting and marked “E” for identification purposes) dated 10 November 2022 entered into between the Company and Hon Hai and the Company’s execution and delivery thereof be and are hereby approved in all respects;
- (b) the transactions contemplated under 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) and further amended by the Supplemental Equipment Sale Agreement (the “**Equipment Sale Transaction**”) for the three years ending 31 December 2025 and the Company’s entering into and implementation thereof from time to time thereunder and the latest terms governing the same be and are hereby approved in all respects;
- (c) the proposed annual caps as set out in the Circular in respect of the Equipment Sale Transaction for the three years ending 31 December 2025 be and are hereby approved in all respects; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

(d) any one director of the Company, or any two directors of the Company if affixation of the Company's common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute and deliver (and affix the Company's common seal to, if necessary) all such other documents, instruments or agreements and to do all such other acts or things which he/they may in his/their absolute discretion consider necessary or desirable in connection with or incidental to any of the matters contemplated under the Supplemental Equipment Sale Agreement and/or the Equipment Sale Transaction for the three years ending 31 December 2025 and/or the said annual caps."

6. **"THAT:**

- (a) the existing share option scheme of Bharat FIH Limited (the "**BFIH Share Option Scheme**") be hereby amended in the manner set out in the Circular; and
- (b) any one director of the Company be and is hereby authorised for and on behalf of the Company to do all acts or things which he may in his absolute discretion consider necessary or desirable in connection with or incidental to the aforesaid amendments to the BFIH Share Option Scheme."

By Order of the Board
CHIH Yu Yang
Acting Chairman

Hong Kong, 1 December 2022

Registered Office:

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

Head Office:

No. 4 Minsheng Street
Tucheng District
New Taipei City 236
Taiwan

*Principal Place of Business
in Hong Kong:*

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) The register of members of the Company will be closed from Monday, 19 December 2022 to Friday, 23 December 2022, both days inclusive, during which period no transfer of shares of the Company (“**Shares**”) will be registered. In order to be entitled to attend and vote at the EGM, all transfers of Shares accompanied by the relevant share certificates and properly completed and signed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Friday, 16 December 2022.
- (2) Any member entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies to attend and to vote on his/her behalf. A proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number of Shares in respect of which each such proxy is appointed.
- (3) Where there are joint registered holders of any Share(s), any one of such joint registered holders may vote, either in person or by proxy, in respect of such Share(s) as if he/she were solely entitled thereto, but if more than one of such joint registered holders is present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint registered holder(s), and for this purpose, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
- (4) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time scheduled for holding the meeting (or adjourned meeting thereof). Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or any adjournment thereof if the members so desire.
- (5) In accordance with Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), Hon Hai, the ultimate controlling shareholder of the Company, and its associates (such term as defined in the Listing Rules) are required to abstain from voting on the ordinary resolutions (1) to (5) above. Mr. CHIH Yu Yang, an executive director of the Company, 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 ordinary resolutions (1) to (5) above. In addition, Dr. KUO Wen-Yi, an executive director of the Company, 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 ordinary resolutions (1) to (5) above.
- (6) The ordinary resolutions set out above will be determined by way of poll.
- (7) In view of the recent developments and on-going measures relating to the novel coronavirus disease (COVID-19), the Company strongly recommends its shareholders to consider appointing the chairman of the EGM as proxy to vote on the relevant resolutions according to their respective voting instructions at the EGM, instead of attending the EGM in person.
- (8) Subject to the development of the COVID-19 pandemic and the requirements or guidelines of the Hong Kong Government and/or regulatory authorities, the Company may announce further updates on the EGM arrangement on the Company’s website (<https://www.fihmobile.com>) and the website of The Stock Exchange of Hong Kong Limited (<https://www.hkexnews.hk>) as and when appropriate.