

# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any 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 FIT Hon Teng 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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



## FIT Hon Teng Limited

鴻騰六零八八精密科技股份有限公司

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

**(Stock Code: 6088)**

### CONTINUING CONNECTED TRANSACTIONS (I) FRAMEWORK SALES AGREEMENT (II) FRAMEWORK PURCHASE AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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



**Alliance Capital Partners Limited**  
同人融資有限公司

A letter from the board of directors of FIT Hon Teng Limited is set out on pages 7 to 21 of this circular. A letter from the Independent Board Committee (as defined herein) containing its advice to the Independent Shareholders (as defined herein) is set out on page 22 of this circular. A letter from Alliance Capital Partners Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 41 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at 66-1, Chungshan Road, Tucheng District, New Taipei City 23680, Taiwan on Friday, January 6, 2023 at 9:30 a.m., is set out on pages 48 to 50 of this circular. Whether or not you are able to attend the extraordinary general meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time of the extraordinary general meeting (i.e. not later than 9:30 a.m. on Wednesday, January 4, 2023) or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the extraordinary general meeting in person should you so wish.

#### PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

Please see page 1 of this document for measures being taken to try to prevent and control the spread of the COVID-19 virus at the EGM, including:

- **compulsory temperature checks and wearing of surgical face masks**
- **requirement of a negative COVID-19 rapid test result**
- **filling in of health declaration forms**

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. The Company reminds the Shareholders that they may appoint the Chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

December 19, 2022

---

## CONTENTS

---

	<i>Page</i>
<b>PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING. . . . .</b>	1
<b>DEFINITIONS . . . . .</b>	2
<b>LETTER FROM THE BOARD . . . . .</b>	7
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE. . . . .</b>	22
<b>LETTER FROM ALLIANCE CAPITAL PARTNERS LIMITED. . . . .</b>	23
<b>APPENDIX - GENERAL INFORMATION . . . . .</b>	42
<b>NOTICE OF EGM. . . . .</b>	48

---

## PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

---

In view of the ongoing COVID-19 virus, the Company will implement the following preventive measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted on every attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.5 degrees Celsius or who is under quarantine and self-health management ordered by the Taiwan government for epidemic prevention may be denied entry into the EGM venue or be required to leave the EGM venue.
- (ii) Every attendee is required to wear a surgical face mask inside the EGM venue at all times and provide proof of a negative rapid test result for COVID-19 taken on the date of the EGM.
- (iii) Every attendee is required to fill in a health declaration form with information including travelling record and health condition.

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 safety of the attendees at the EGM.

In the interest of all stakeholders' health and safety, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the Chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

The proxy form is attached to the EGM circular for the Shareholders who opt to receive physical circulars. Alternatively, the proxy form can be downloaded from the "News" section of the Company's website at <https://www.fit-foxconn.com/mainssl/modules/MySpace/BlogList.php?sn=fit&cn=ZC40771&lang=en>. 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, brokers or custodians (as the case may be) to assist you in the appointment of proxy.

Subject to the development of the COVID-19 pandemic, the Company may announce further updates on the EGM arrangement as and when appropriate. If the Shareholders have any questions relating to the EGM, please contact Computershare Hong Kong Investor Services Limited, the Company's Share Registrar as follows:

Computershare Hong Kong Investor Services Limited  
17M Floor, Hopewell Centre  
183 Queen's Road East  
Wan Chai, Hong Kong  
Website: [www.computershare.com/hk/contact](http://www.computershare.com/hk/contact)  
Tel: 852 2862 8555  
Fax: 852 2865 0990

---

## DEFINITIONS

---

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

“2019 Announcement”	the Announcement of the Company dated November 25, 2019 regarding, among others, the Existing Framework Sales Agreement and the Existing Framework Purchase Agreement and the setting of the annual caps for the Existing Product Sales Transaction and the Existing Product Purchase Transaction for the years ending December 31, 2020, 2021 and 2022;
“2019 Circular”	the Circular of the Company dated December 4, 2019 regarding, among others, the Existing Framework Sales Agreement and the Existing Framework Purchase Agreement and the setting of the annual caps for the Existing Product Sales Transaction and the Existing Product Purchase Transaction for the years ending December 31, 2020, 2021 and 2022;
“affiliated company(ies)”	having the meaning as defined in the Listing Rules;
“Announcement”	the announcement of the Company dated November 18, 2022 regarding, among others, the proposed renewal of the Framework Sales Agreement and the Framework Purchase Agreement and the proposed setting of the annual caps for the Product Sales Transaction and the Product Purchase Transaction for the years ending December 31, 2023, 2024 and 2025;
“associate(s)”	having the meaning as defined in the Listing Rules;
“Board”	the board of Directors;
“Company”	FIT Hon Teng Limited (鴻騰六零八八精密科技股份有限公司), a company incorporated in the Cayman Islands with limited liability under the name Foxconn Interconnect Technology Limited and carrying on business in Hong Kong as FIT Hon Teng Limited, the Shares of which are listed on the Main Board of the Stock Exchange;

---

## DEFINITIONS

---

“Comparable Profit Interval”	the interval between the 25th percentile and the 75th percentile of the profit level indicators of comparable companies;
“connected person(s)”	having the meaning as defined in the Listing Rules;
“(continuing) connected transaction(s)”	having the meaning as defined in the Listing Rules;
“Database”	OSIRIS database, a well-known database maintained by Moody’s Analytics group, covering financial information of approaching 80,000 listed and unlisted companies around the world, the information of which includes historical financial data, company ratings, stock information, earnings estimates, analytical reports and data, owners’ information, related news and other comprehensive analytical information;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be held at 66-1, Chungshan Road, Tucheng District, New Taipei City 23680, Taiwan on Friday, January 6, 2023 at 9:30 a.m. to approve the Framework Sales Agreement, the Framework Purchase Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Proposed Product Sales Annual Caps and the Proposed Product Purchase Annual Caps, or where the context so admits, any adjournment thereof;
“Existing Framework Purchase Agreement”	the framework purchase agreement entered into between the Company and Hon Hai on November 25, 2019 (including any amendment thereto from time to time);
“Existing Framework Sales Agreement”	the framework sales agreement entered into between the Company and Hon Hai on November 25, 2019 (including any amendment thereto from time to time);
“Existing Product Purchase Transaction”	purchase of various raw materials, ancillary materials and semi-finished components and assembled products by the Group from Hon Hai Group as contemplated under the Existing Framework Purchase Agreement;

---

## DEFINITIONS

---

“Existing Product Sales Transaction”	sale of various interconnect solutions and other related products manufactured or owned by the Group to Hon Hai Group as contemplated under the Existing Framework Sales Agreement;
“First Restricted Share Award Scheme”	the restricted share award scheme approved and adopted by the Company on January 31, 2018 and amended on May 15, 2018 (as restated, supplemented and amended from time to time);
“Foxconn Far East Cayman”	Foxconn (Far East) Limited, an exempted company incorporated in the Cayman Islands with limited liability which owns 100% issued shares of Foxconn Far East Hong Kong;
“Foxconn Far East Hong Kong”	Foxconn (Far East) Limited, a limited liability company incorporated in Hong Kong;
“Framework Purchase Agreement”	the framework purchase agreement entered into between the Company and Hon Hai on November 18, 2022 in relation to the Product Purchase Transaction;
“Framework Sales Agreement”	the framework sales agreement entered into between the Company and Hon Hai on November 18, 2022 in relation to the Product Sales Transaction;
“Group”, “we” or “us”	the Company and its subsidiaries;
“Hon Hai”	Hon Hai Precision Industry Co., Ltd. (鴻海精密工業股份有限公司), a limited liability company established in Taiwan and listed on the Taiwan Stock Exchange (Stock Code: 2317), the controlling shareholder of the Company;
“Hon Hai Group”	Hon Hai and its subsidiaries and (where relevant) 30%-controlled entities and, for the purpose of this circular, excluding the Group;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;

---

## DEFINITIONS

---

“Independent Board Committee”	the independent board committee established by the Board to consider the Framework Sales Agreement, the Framework Purchase Agreement, the Product Sales Transaction and the Product Purchase Transaction, the Proposed Product Sales Annual Caps and the Proposed Product Purchase Annual Caps and to advise the Independent Shareholders in respect thereof;
“Independent Shareholders”	Shareholders other than Hon Hai and its associates;
“Latest Practicable Date”	December 12, 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular;
“Listing”	the listing of the Company on the Stock Exchange on July 13, 2017;
“Listing Date”	July 13, 2017;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and/or supplemented from time to time;
“percentage ratios”	the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules;
“Product Purchase Transaction”	purchase of various raw materials, ancillary materials and semi-finished components and assembled products by the Group from Hon Hai Group as contemplated under the Framework Purchase Agreement;
“Product Sales Transaction”	sale of various interconnect solutions and other related products manufactured or owned by the Group to Hon Hai Group as contemplated under the Framework Sales Agreement;
“Proposed Product Purchase Annual Caps”	the proposed annual caps for the Product Purchase Transaction for the years ending December 31, 2023, 2024 and 2025;
“Proposed Product Sales Annual Caps”	the proposed annual caps for the Product Sales Transaction for the years ending December 31, 2023, 2024 and 2025;

---

## DEFINITIONS

---

“Restricted Share Award Schemes”	the First Restricted Share Award Scheme and the Second Restricted Share Award Scheme;
“Second Restricted Share Award Scheme”	the restricted share award scheme approved and adopted by the Company on February 11, 2019 (as restated, supplemented and amended from time to time);
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and/or supplemented from time to time;
“Share(s)”	the ordinary share(s) with nominal value of US\$0.01953125 each of the Company;
“Shareholder(s)”	the holder(s) of the Share(s);
“Share Grant”	a share grant awarded to a participant under the Share Grant Scheme;
“Share Grant Scheme”	the share grant scheme approved and adopted by the Company on January 5, 2015, and the rules and interpretations thereof further adopted by the Board on November 4, 2016;
“Share Option Scheme”	the share option scheme approved and adopted by the Company on December 19, 2017;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	having the meaning ascribed to it Listing Rules;
“US\$”	United States dollars, the lawful currency of the United States of America;
“Vietnam”	the Socialist Republic of Vietnam; and
“%”	percent.

---

## LETTER FROM THE BOARD

---



### **FIT Hon Teng Limited** **鴻騰六零八八精密科技股份有限公司**

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

**(Stock Code: 6088)**

*Executive Directors:*

LU Sung-Ching (*Chairman*)  
LU Pochin Christopher  
PIPKIN Chester John

*Non-Executive Director:*

TRAINOR-DEGIROLAMO Sheldon

*Independent Non-Executive Directors:*

CURWEN Peter D  
TANG Kwai Chang  
CHAN Wing Yuen Hubert

*Registered Office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Headquarters in Taiwan:*

66-1, Chungshan Road  
Tucheng District  
New Taipei City 23680  
Taiwan

*Principal Place of Business in Hong Kong:*

31/F, Tower Two  
Times Square  
1 Matheson Street  
Causeway Bay  
Hong Kong

December 19, 2022

Dear Shareholders,

**CONTINUING CONNECTED TRANSACTIONS**  
**(I) FRAMEWORK SALES AGREEMENT**  
**(II) FRAMEWORK PURCHASE AGREEMENT**  
**AND**  
**NOTICE OF EXTRAORDINARY GENERAL MEETING**

### **INTRODUCTIONS**

The purpose of this circular is to provide the Shareholders with information regarding the Framework Sales Agreement, the Framework Purchase Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Proposed Product Sales Annual Caps and the Proposed Product Purchase Annual Caps and to seek approval of the Independent Shareholders in respect of the ordinary resolutions set out in the notice of the EGM on pages 48 to 50 of this circular.

---

## LETTER FROM THE BOARD

---

In respect of the Framework Sales Agreement, the Framework Purchase Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Proposed Product Sales Annual Caps and the Proposed Product Purchase Annual Caps, the recommendation of the Independent Board Committee to the Independent Shareholders is set out on page 22 of this circular and the letter from Alliance Capital Partners Limited to the Independent Board Committee and the Independent Shareholders containing its advice is set out on pages 23 to 41 of this circular.

### **(I) Framework Sales Agreement**

References are made to the 2019 Announcement and the 2019 Circular.

The Company's products are sold to, among others, contract manufacturers and brand company customers. Contract manufacturers incorporate the Company's interconnect solutions with a vast number of other components and modules and assemble them into finished products at the specification of their customers, generally brand companies. Brand companies generally market and sell their finished products to end users. Hon Hai Group is a leading contract manufacturer which is involved in, among others, assembling the finished products for brand companies and many brand companies often require Hon Hai Group to purchase the relevant parts and components, including the Company's interconnect solutions, from specific approved suppliers like the Company, as part of the assembly process for better quality control and overall supply chain management.

As disclosed in the 2019 Announcement and the 2019 Circular, the Existing Framework Sales Agreement will expire on December 31, 2022.

On November 18, 2022, the Company and Hon Hai agreed upon the terms and conditions of the Framework Sales Agreement, pursuant to which the Group has agreed to sell various interconnect solutions and other related products to Hon Hai Group from time to time during the three years of 2023 to 2025, which terms and conditions are substantially the same as the Existing Framework Sales Agreement.

The principal terms of the Framework Sales Agreement are set out as follows:

#### ***Parties***

- (i) The Company
- (ii) Hon Hai

---

## LETTER FROM THE BOARD

---

### *Term*

The Framework Sales Agreement is effective during the period of January 1, 2023 to December 31, 2025. The parties may renew the Framework Sales Agreement through friendly negotiations, subject to compliance with the relevant requirements of the Listing Rules and all other applicable laws and regulations.

### *Subject matter*

The Group has agreed to sell various interconnect solutions and other related products to Hon Hai Group from time to time. Please also refer to the section headed “Reasons for and Benefits in relation to the Transactions” of this circular for more details.

The parties and/or their respective subsidiaries may enter into an individual sales agreement and/or other transaction documents (“**Sales Documents**”) in respect of each actual transaction based on the terms of the Framework Sales Agreement. The Sales Documents shall contain the specific details of the terms of the transaction and must comply with the agreed terms of the Framework Sales Agreement in all material respects. In case of any conflict between the Framework Sales Agreement and the Sales Documents, the Framework Sales Agreement shall prevail.

### *Condition*

The Framework Sales Agreement is conditional upon the approval by the Independent Shareholders at the EGM.

### *Pricing policy*

The sales price for the products under the Framework Sales Agreement shall be determined as follows:

- for the sales to Hon Hai Group that are designated by the Group’s brand company customers, at the price negotiated and determined between the Group’s brand company customers and the Group; or
- for other sales to Hon Hai Group where selling prices were not designated by the Group’s customers (“**Connected Sales**”), at a price that is determined by referencing the blended profit margin, which is the difference between revenue generated from such sales and historical cost allocated thereto for the preceding month, divided by the corresponding revenue, to that of sales to independent third parties (“**Third Party Sales**”), on a rolling basis, such that the differences in the blended profit margins between Connected Sales and Third Party Sales in each fiscal year shall not be more than 6.5% having considered the long-term business relationship, large sales volume to Hon Hai Group, and the strategic partnership with Hon Hai Group.

---

## LETTER FROM THE BOARD

---

In respect of the 6.5% blended profit margin which is not subject to change during the three-year agreement period, the Company believes it is industry practice to (1) grant large customers volume discounts; (2) give long-term customers with repeated sales and sustainable businesses price discounts as this arrangement would incur lower negotiation, coordination and logistics costs and subject the Company to lower exposure to credit risks, as compared to dealing with new customers; and (3) offer better pricing terms to customers with long-term strategic value to the Company. Having considered that (a) Hon Hai Group accounted for 16.1%, 11.4% and 11.6% of the Group's revenue in 2019, 2020 and 2021 respectively, (b) the Company's long-term business cooperation with Hon Hai Group since the Company's inception which the Company believes subjects it to minimal credit risk as compared to other third party customers, and (c) being part of the supply chain of Hon Hai Group brings the Company significant strategic value, the Directors are of the view that the 6.5% capped difference in the blended profit margin is under normal commercial terms, fair and reasonable, and in the interests of the Shareholders as a whole.

The "blended profit margin" is calculated by dividing blended gross profit by revenue from customers during a specific period. Blended gross profit is calculated by aggregating the revenue generated from specific customers less the historical unit cost allocated to such sales for the preceding month multiplied by number of units sold. The Company will calculate the blended gross margin for Connected Sales and for Third Party Sales, respectively, and compare the two to determine whether the difference exceeds 6.5%.

As an internal control measure for compliance with the 6.5% threshold, the management of the Company reviews and monitors whether the difference exceeds the 6.5% threshold, at least on a quarterly basis, and takes appropriate measures to ensure compliance from time to time based on the review results. If the management of the Company determines that there is a risk for exceeding the 6.5% threshold on an annual basis, it will increase the frequency of review as appropriate and take further measures to ensure compliance.

### *Historical Transaction Amounts*

The table below sets out the historical transaction amounts of the Product Sales Transaction for the three years ended December 31, 2019, 2020, 2021 and nine months ended September 30, 2022.

<i>(in US\$ millions)</i>	<b>Historical transaction amounts</b>			
	<b>Year ended December 31,</b>			<b>Nine months ended</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>September 30, 2022</b>
Product Sales Transaction	704.1	493.8	523.0	383.6

---

## LETTER FROM THE BOARD

---

The actual transaction amount of the Existing Product Sales Transaction for the nine months ended September 30, 2022 does not exceed the existing annual cap of the Existing Product Sales Transaction for the year ending December 31, 2022, being US\$1,400.0 millions. In view of the internal control measures set out under the section headed “Internal Control”, the Company is of the view that such annual cap will not be exceeded.

### *Proposed Product Sales Annual Caps*

The Proposed Product Sales Annual Caps for each of the three years ending December 31, 2023, 2024 and 2025 are set forth below, which was determined primarily with reference to projections of the Company which in turn are prepared by the Company mainly with reference to the following major factors:

- the latest available actual amounts of the transactions under the Product Purchase Transaction and the Product Sales Transaction during the period from January 1, 2019 to September 30, 2022 (both dates inclusive);
- the expected 5% annual growth of the Group’s products in 2023 compared to the average historical transaction amount from 2019 to 2021, and 7% annual growth for each of 2024 and 2025 based on (i) the expected increase in number of orders to a level comparable to the orders prior to the outbreak of COVID-19 pandemic due to a relaxation of lockdown measures in the PRC and globally; and (ii) brand customers’ global expansion plan which drives up demand for the Group’s products;
- the expected growth of the Group’s existing businesses between 2023 and 2025 in view of (i) the Company’s investment and acquisition activities from time to time, such as the Group’s strategic expansion of its manufacturing facilities to Vietnam; (ii) the 4% growth of the Group’s business in 2021 due to the then temporary slowdown of the COVID-19 pandemic which may be indicative of a similar performance in 2023 due to a gradual relief of the COVID-19 pandemic; and (iii) an estimated compound annual growth rate (“**CAGR**”) of 7.2% for markets of smartphones, networking, computing, EV mobility, system products and other products (the “**Six Major End Markets**”) for the years 2023 to 2025 which is calculated with reference to industry forecasts;
- the production strategy as a result of the Group’s production costs control measures resulting in a closer collaboration between the Group and Hon Hai Group in order to benefit from Hon Hai Group’s economies of scale in procurement and sales, taking into account the abovementioned expected growth rate of the Group’s products; and

---

## LETTER FROM THE BOARD

---

- a buffer of 10% due to uncertainties in the external environment, such as (i) any unexpected change in customer demand or cost of supply; (ii) the market fluctuations in raw material prices and labour costs in recent years; and (iii) the fluctuations in foreign exchange rate, in particular, there has been an over 10% depreciation of New Taiwan Dollars and Renminbi to US\$ in 2022.

<i>(in US\$ millions)</i>	<b>Proposed Annual Caps</b>		
	<b>Year ending December 31,</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
Proposed Product Sales Annual Caps	660.0	706.0	756.0

### **(II) Framework Purchase Agreement**

References are made to the 2019 Announcement and the 2019 Circular.

The Product Purchase Transactions can generally be classified into three models:

- *Model One:* Gold salts, one of the major raw materials, is a hazardous material allowed to be sold only by licensed suppliers in the PRC. Hon Hai Group is one of the licensed suppliers and has been a supplier of the Group. In addition, due to Hon Hai Group's economies of scale, the processing fees are generally competitive when compared with other suppliers.
- *Model Two:* The Group purchases certain ancillary materials from Hon Hai Group, either as an approved supplier designated by the Group's customers or due to its competitive prices compared to other suppliers.
- *Model Three:* In order to enhance the Group's production efficiency and manage its production cost, the Group from time to time engages Hon Hai Group, for certain labor-intensive production processing of its interconnect solutions and certain other products. Hon Hai Group has been a long-term supplier of manufacturing vendor services of the Group with the expertise to manage a large workforce.

As disclosed in the 2019 Announcement and the 2019 Circular, the Existing Framework Purchase Agreement will expire on December 31, 2022.

On November 18, 2022, the Company and Hon Hai agreed upon the terms and conditions of the Framework Purchase Agreement pursuant to which the Company has agreed to purchase from Hon Hai Group gold salts as raw materials, ancillary materials and semi-finished components and assembled products from time to time during the three years of 2023 to 2025, which terms and conditions are substantially the same as the Existing Framework Purchase Agreement.

---

## LETTER FROM THE BOARD

---

The principal terms of the Framework Purchase Agreement are set out as follows:

### *Parties*

- (i) The Company
- (ii) Hon Hai

### *Term*

The Framework Purchase Agreement is effective during the period of January 1, 2023 to December 31, 2025. The parties may renew the Framework Purchase Agreement through friendly negotiations, subject to compliance with the relevant requirements of the Listing Rules and all other applicable laws and regulations.

### *Subject matter*

The Company has agreed to purchase from Hon Hai Group gold salts as raw materials, ancillary materials and semi-finished components and assembled products from time to time. Please also refer to the section headed “Reasons for and Benefits in relation to the Transactions” of this circular for more details.

The parties and/or their respective subsidiaries may enter into an individual purchase agreement and/or other transaction documents (“**Procurement Documents**”) in respect of each actual transaction based on the terms of the Framework Purchase Agreement. The Procurement Documents shall contain the specific details of the terms of the transaction and must comply with the agreed terms of the Framework Purchase Agreement in all material respects. In case of any conflict between the Framework Purchase Agreement and the Procurement Documents, the Framework Purchase Agreement shall prevail.

### *Condition*

The Framework Purchase Agreement is conditional upon the approval by the Independent Shareholders at the EGM.

### *Pricing policy*

The price of the products are determined as follows:

- *Model One*: for the procurement of gold salts, at the price determined with reference to comparable third-party prices. Where such third-party prices are not readily available, at the price equivalent to the sum of the purchase prices of the Group and the processing fees. As a risk control measure, the Group will procure gold salts from at least two suppliers, but will allocate at least 70% of the annual purchase from the supplier with the lowest fee quote; or

---

## LETTER FROM THE BOARD

---

- *Model Two*: for the procurement of ancillary raw materials from Hon Hai Group that is designated by the *Group's customers*, at the price agreed between Hon Hai Group and the Group's customers, or determined with reference to comparable third-party prices to the extent independent third-party suppliers are available; or
- *Model Three*: for the procurement of semi-finished components and assembled products, at the price determined with reference to comparable third-party prices to the extent independent third-party suppliers are available. Where such third-party prices are not readily available, at the price determined based on (a) Hon Hai Group's purchase prices of raw materials supplied by the Group, (b) their purchase prices of other raw materials, (c) their labor costs and overheads, (d) the relevant operating expenses estimated to be allocated to such transactions and (e) the Comparable Profit Interval provided by a professional independent third party and in accordance with reasonable business principles.

In respect of the pricing policy of the above three models where comparable third-party prices are available, the pricing terms from Hon Hai Group are no less favourable to the Company than those available from independent third-party prices.

The Comparable Profit Interval is established by using the Database and based on "return on cost and operating expenses" as the profit level indicator, and can be used to evaluate whether the pricing of the transaction is reasonable or not. In the Database, quantitative and qualitative conditions are used to identify comparable companies with similar financial data characteristics, principal business and functional risk characteristics. The Comparable Profit Interval is then established based on the financial information of comparable companies. During the period covered by the agreement, the financial information of comparable companies and the Comparable Profit Interval are updated annually based on the Database. The Company considers that the financial information provided by the Database is reliable and independent because the Database is maintained by a reputable service provider and contains a significant amount of financial information of approaching 80,000 companies around the world.

Hon Hai Group uses the sum of the costs in (a) to (d) above multiplied by (1 + "return on cost and operating expenses") as the basis of pricing, and ensures that the "return on cost and operating expenses" used falls within the Comparable Profit Interval issued by the professional independent third party. The costs in (a) to (d) above are determined based on the accounting records of Hon Hai Group prepared in accordance with the International Financial Reporting Standards. The Group will verify whether the relevant cost and operating expenses are consistent with the accounting records of Hon Hai Group.

---

## LETTER FROM THE BOARD

---

As to the 70% threshold set out in Model One above, the procurement department of the Company ensures the compliance of the 70% threshold by placing orders for the first three weeks of each month with its gold salts supplier with the lowest quote. It also prepares a monthly report of actual purchase amounts for management's review as to the compliance of the 70% threshold.

### *Historical Transaction Amounts*

The table below sets out the historical transaction amounts of the Product Purchase Transaction for the three years ended December 31, 2019, 2020, 2021 and nine months ended September 30, 2022.

<i>(in US\$ millions)</i>	<b>Actual transaction amounts</b>			
	<b>Year ended December 31,</b>			<b>Nine months ended</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>September 30, 2022</b>
Product Purchase Transaction	471.8	331.1	245.4	206.5

The actual transaction amount of the Existing Product Purchase Transaction for the nine months ended September 30, 2022 does not exceed the existing annual cap of the Existing Product Purchase Transaction for the year ending December 31, 2022, being US\$500.0 millions. In view of the internal control measures set out under the section "Internal Control", the Company is of the view that such annual cap will not be exceeded.

### *Proposed Product Purchase Annual Caps*

The Proposed Product Purchase Annual Caps for each of the three years ending December 31, 2023, 2024 and 2025 are set forth below, which was determined primarily with reference to projections of the Company which in turn are prepared by the Company mainly with reference to the following major factors:

- the latest available actual amounts of the transactions under the Product Purchase Transaction and the Product Sales Transaction during the period from January 1, 2019 to September 30, 2022 (both dates inclusive);
- the expected growth of the Group's products where it is estimated that the product purchase transactions for 2023 is the same as the average historical transaction amount from 2019 to 2021, and will increase by 7% annually in each of 2024 and 2025 based on (i) the expected increase in number of orders to a level comparable to the orders prior to the outbreak of COVID-19 pandemic due to a relaxation of lockdown measures in the PRC and globally; and (ii) brand customers' global expansion plan which drives up demand for the Group's products;

---

## LETTER FROM THE BOARD

---

- the expected rebound in the prices of precious metals, in view of (i) a 10% drop in the prices of precious metals used by the Group in 2022 following the increase in the U.S. interest rate; and (ii) the expected moderation of U.S. interest rate hikes;
- the expected growth of the Group's existing businesses between 2023 and 2025 in view of (i) the Company's investment and acquisition activities from time to time, such as the Group's strategic expansion of its manufacturing facilities to Vietnam; (ii) the 4% growth of the Group's business in 2021 due to the then temporary slowdown of the COVID-19 pandemic which may be indicative of a similar performance in 2023 due to a gradual relief of the COVID-19 pandemic; and (iii) an estimated CAGR of 7.2% for the Six Major End Markets for the years 2023 to 2025 which is calculated with reference to industry forecasts;
- the production strategy as a result of the Group's production costs control measures, under which the Group is able to procure raw materials at a more favourable price by leveraging on Hon Hai Group's bargaining power with the suppliers, taking into account the abovementioned expected growth rate of the Group's products; and
- a buffer of 10% due to uncertainties in the external environment, such as (i) any unexpected change in customer demand or cost of supply; (ii) the market fluctuations in raw material prices and labour costs in recent years; and (iii) the fluctuations in foreign exchange rate, in particular, there has been an over 10% depreciation of New Taiwan Dollars and Renminbi to US\$ in 2022.

<i>(in US\$ millions)</i>	<b>Proposed Annual Caps</b>		
	<b>Year ending December 31,</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
Proposed Product Purchase Annual Caps	375.0	401.0	429.0

### **REASONS FOR AND BENEFITS IN RELATION TO THE TRANSACTIONS**

In respect of the Product Sales Transaction and the Product Purchase Transaction, the Company strategically focuses on automotive and other emerging applications of the Group's interconnect solutions and related products, part of the sales and procurement of which are carried out with associates of Hon Hai and connected persons of the Company to reduce production costs and increase profits. The Company therefore considers it in the best interests to generate more income and save cost by carrying out the Product Sales Transaction and the Product Purchase Transaction in response to the latest development of the Company's business plans, provided that the Group purchases from and sells to Hon Hai Group at prices pursuant to the pricing policies set forth in the Framework Sales Agreement and the Framework Purchase Agreement.

---

## LETTER FROM THE BOARD

---

In view of the above, the Directors (including the independent non-executive Directors whose view is set out in the Letter from the Independent Board Committee) consider that (i) the Proposed Product Sales Annual Caps and the Proposed Product Purchase Annual Caps are fair and reasonable, and (ii) the Framework Sales Agreement and the Framework Purchase Agreement, and the terms of each of the Product Sales Transaction and the Product Purchase Transaction are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

### INTERNAL CONTROL

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

- Before entering into a transaction under the continuing connected transactions of the Company, the purchase, operation and/or other functional 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 and, in respect of the procurement of ancillary raw materials from Hon Hai Group that is designated by the Group's customers, the Group's purchase prices are the prices agreed between Hon Hai Group and the Group's customers. 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 department of the Group will review the aforesaid work carried out by the purchase, operation and/or other functional departments (as the case may be) on a quarterly basis. Where the price is to be determined with reference to the market price, the Group will obtain quotations from at least two independent third parties. The Group will then compare the quotations offered by such independent third parties and make sure that the price to be determined under the continuing connected transactions would be no less favorable to the Group.
- The accounting department of the Company is 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 continuing connected transaction management committee (members of which consist of the head of the accounting department, functional supervisors and officers) under the accounting department directly reports to the Board on continuing connected transaction-related matters. The accounting department has a budget management system which creates a rolling forecast on the monthly transaction amount of the continuing connected transactions. Based on the above, the continuing connected transaction management

---

## LETTER FROM THE BOARD

---

committee evaluates and reports to the executive Directors on the actual monthly transaction amount and the predicted future transaction amount of the continuing connected transactions. There is also an early warning mechanism in which executive Directors will be immediately informed and an agenda for revision of annual cap(s) will be proposed to the Board for the Directors' review and approval when the utilization rate (inclusive of both actual and predicted transaction amounts) exceeds the threshold of 95%. The Company's internal audit function will also inspect the execution of the continuing connected transactions. The accounting department of the Company will consult with the Group's internal audit function and external lawyers in respect of continuing connected transaction compliance issues and annually report to the head of the accounting department of the Company, who (in her own capacity and on behalf of the Group's management designated for the purposes of the Group's enterprise risk management and internal controls) will report to the audit committee of the Company and also 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 adequate and effective to ensure that such transactions were so conducted. The audit committee will consider this accordingly.

- The Company's external auditors 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.
- 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) 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 adequate and effective to ensure that such continuing connected transactions were conducted in accordance with the pricing policies set out in such relevant agreements.

---

## LETTER FROM THE BOARD

---

### GENERAL INFORMATION

#### The Group

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

#### Hon Hai Group

Hon Hai Group is primarily engaged in the manufacture, sales and service of connectors, cases, thermal module, wired/wireless communication products, optical products, power supply modules, and assemblies for use in the IT, communications, automotive equipment, precision molding, automobile, and consumer electronics industries.

### LISTING RULES IMPLICATIONS

As of the Latest Practicable Date, the Company is indirectly owned as to 71.16% by Hon Hai, the controlling shareholder of the Company. Accordingly, Hon Hai is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

Based on the Proposed Product Sales Annual Caps and the Proposed Product Purchase Annual Caps, one or more of the applicable percentage ratios are more than 5% and the Product Sales Transaction and the Product Purchase Transaction constitute non-exempt continuing connected transactions for the Company under the Listing Rules and therefore the Framework Sales Agreement, the Framework Purchase Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Proposed Product Sales Annual Caps and the Proposed Product Purchase Annual Caps are subject to the approval of the Independent Shareholders.

Hon Hai and its associates will abstain from voting on the resolutions to be proposed at the extraordinary general meeting for approving the above matters. The Product Sales Transaction and the Product Purchase Transaction are also subject to the annual review requirements under Rules 14A.55 to 14A.59 of the Listing Rules.

The Board has established the Independent Board Committee to review, consider and recommend the Framework Sales Agreement, the Framework Purchase Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Proposed Product Sales Annual Caps and the Proposed Product Purchase Annual Caps and to advise the Independent Shareholders in respect thereof, and has appointed Alliance Capital Partners Limited as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

---

## LETTER FROM THE BOARD

---

None of the Directors has any material personal interest in the Product Sales Transaction and the Product Purchase Transaction and none of the Directors has abstained from voting on the board resolutions to approve the Framework Sales Agreement, the Framework Purchase Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Proposed Product Sales Annual Caps and the Proposed Product Purchase Annual Caps.

### RECOMMENDATION

After taking into account the view of the Independent Board Committee as set out in this circular and the reasons for and benefits of the Product Sales Transaction and the Product Purchase Transaction, the Directors are of the view that the terms of the Framework Sales Agreement, the Framework Purchase Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Proposed Product Sales Annual Caps and the Proposed Product Purchase Annual Caps are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend to the Independent Shareholders that they vote in favor of the ordinary resolutions to approve the Framework Sales Agreement, the Framework Purchase Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Proposed Product Sales Annual Caps and the Proposed Product Purchase Annual Caps at the EGM.

### EGM

A notice convening the EGM to be held at 66-1, Chungshan Road, Tucheng District, New Taipei City 23680, Taiwan on Friday, January 6, 2023 at 9:30 a.m., is set out on pages 48 to 50 of this circular. At the EGM, ordinary resolutions will be proposed for the Independent Shareholders to consider and, if thought fit, to approve the Framework Sales Agreement, the Framework Purchase Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Proposed Product Sales Annual Caps and the Proposed Product Purchase Annual Caps.

The ordinary resolutions proposed at the EGM will be determined by way of poll by the Independent Shareholders relating to the Framework Sales Agreement, the Framework Purchase Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Proposed Product Sales Annual Caps and the Proposed Product Purchase Annual Caps.

Pursuant to Rule 14A.36 of the Listing Rules, any connected person and any Shareholder and their respective associates with a material interest (other than by virtue of being a Shareholder) in the transactions contemplated under the Framework Agreements are required to abstain from voting at the EGM. Hon Hai and its associates who in aggregate were interested in 5,179,557,888 Shares (representing approximately 71.16% the total number of Shares in issue) as of the Latest Practicable Date are required to and will abstain from voting at the EGM

---

## LETTER FROM THE BOARD

---

in respect of the ordinary resolution approving the Framework Sales Agreement, the Framework Purchase Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Proposed Product Sales Annual Caps and the Proposed Product Purchase Annual Caps.

A form of proxy for use in connection with the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the EGM (i.e. not later than 9:30 a.m. on Wednesday, January 4, 2023) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

### CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, January 3, 2023 to Friday, January 6, 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all transfers accompanied by the relevant share certificates 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, December 30, 2022.

### GENERAL

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

Yours faithfully,  
For and on behalf of the Board  
**FIT Hon Teng Limited\***  
**LU Sung-Ching**  
*Chairman of the Board*

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

---

# LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---



## **FIT Hon Teng Limited** **鴻騰六零八八精密科技股份有限公司**

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

**(Stock Code: 6088)**

December 19, 2022

Dear Independent Shareholders,

### **CONTINUING CONNECTED TRANSACTIONS** **(I) FRAMEWORK SALES AGREEMENT** **(II) FRAMEWORK PURCHASE AGREEMENT**

We refer to the circular dated December 19, 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 Framework Sales Agreement, the Framework Purchase Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Proposed Product Sales Annual Caps and the Proposed Product Purchase Annual Caps. Alliance Capital Partners Limited has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this regard.

Having considered the Framework Sales Agreement, the Framework Purchase Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Proposed Product Sales Annual Caps and the Proposed Product Purchase Annual Caps, and having taken into account the principal factors and reasons considered by, and the opinion of, Alliance Capital Partners Limited as stated in its letter dated December 19, 2022, we consider that the Framework Sales Agreement, the Framework Purchase Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Proposed Product Sales Annual Caps and the Proposed Product Purchase Annual Caps are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders vote in favor of the ordinary resolutions proposed at the EGM approving the Framework Sales Agreement, the Framework Purchase Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Proposed Product Sales Annual Caps and the Proposed Product Purchase Annual Caps.

We draw the attention of the Independent Shareholders to (i) the letter from the Board; (ii) the letter from Alliance Capital Partners Limited; and (iii) the appendix to the Circular.

Yours faithfully

Independent Board Committee

**CURWEN Peter D**

**TANG Kwai Chang**

**CHAN Wing Yuen Hubert**

*Independent Non-executive Directors*

---

## LETTER FROM ALLIANCE CAPITAL PARTNERS LIMITED

---

*The following is the text of Letter from Alliance Capital Partners Limited to the Independent Board Committee and the Independent Shareholders, prepared for the purpose of inclusion in this circular.*



**Alliance Capital Partners Limited**  
**同人融資有限公司**

Unit 06, 7/F, Beautiful Group Tower  
74-77 Connaught Road Central  
Hong Kong

December 19, 2022

*To: The Independent Board Committee and  
the Independent Shareholders of FIT Hon Teng Limited*

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS** **(I) FRAMEWORK SALES AGREEMENT** **(II) FRAMEWORK PURCHASE AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Framework Sales Agreement, the Framework Purchase Agreement (collectively, the “**Framework Agreements**”), the Product Sales Transaction, the Product Purchase Transaction (collectively, the “**Transactions**”), the Proposed Product Sales Annual Caps and the Proposed Product Purchase Annual Caps (collectively, the “**Proposed Annual Caps**”), details of which are set out in letter from the board (the “**Letter from the Board**”) contained in the circular dated December 19, 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms a part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

Reference is made to the announcement of the Company dated November 18, 2022 (the “**Announcement**”), in respect of, amongst other things, the continuing connected transactions of the Company. As set out in the Announcement, in light of the coming expiry of the existing framework sales agreement, and the existing framework purchase agreement (collectively, the “**Existing Framework Agreements**”) entered into between the Company and Hon Hai for a period of three years ending December 31, 2022, the Company has entered into the Framework Agreements for a period of another three years commencing on January 1, 2023 and ending on December 31, 2025.

As at the Latest Practicable Date, the Company is indirectly owned as to approximately 71.16% by Hon Hai, the controlling shareholder of the Company, and its associates. Accordingly, Hon Hai is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

---

## LETTER FROM ALLIANCE CAPITAL PARTNERS LIMITED

---

Based on the Proposed Annual Caps, as one or more of the relevant percentage ratios are more than 5%, and the Transactions constitute non-exempt continuing connected transactions for the Company under the Listing Rules, the Transactions and the Proposed Annual Caps are subject to reporting, announcement, annual review and the approval of the Independent Shareholders.

The Company expects to convene an extraordinary general meeting (“EGM”) to seek the Independent Shareholders’ approval for the Framework Agreements, the Transactions and the Proposed Annual Caps. Hon Hai and its associates will abstain from voting on the resolution(s) to be proposed at the EGM for approving the above matters.

### THE INDEPENDENT BOARD COMMITTEE

As at the Latest Practicable Date, the Independent Board Committee, comprising all of the independent non-executive Directors of the Company (namely Mr. CURWEN Peter D, Mr. TANG Kwai Chang and Mr. CHAN Wing Yuen Hubert) who have no direct or indirect interest in the Transactions, has been established to advise the Independent Shareholders as to whether the Framework Sales Agreement, the Framework Purchase Agreement, the Product Sales Transaction, the Product Purchase Transaction, the Proposed Product Sales Annual Caps and the Proposed Product Purchase Annual Caps, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In this regard, we, Alliance Capital Partners Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on this matter.

In the past two years, we were appointed as independent financial adviser to the Company in May 2022 for the disclosable transaction and connected transaction in relation to certain land development and lease entered into by the Company. Apart from the normal advisory fee paid to us in connection with these transactions, we do not have any business dealings with the Company.

Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, there is no relationship or interests with the Company, the Group, the Hon Hai Group, or any of their respective associates, or any other parties that could reasonably be regarded as relevant to our independence, and we are not involved in any discussion pertaining to the Transactions. We consider that we are independent under Rule 13.84 of the Listing Rules.

### BASIS OF OUR ADVICE

In formulating our recommendations, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Directors and senior management (collectively, the “**Management**”) of the Company. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Management of the Company are true and accurate at the time they were made and will continue to be true and accurate as at the date of the despatch of the Circular.

---

## LETTER FROM ALLIANCE CAPITAL PARTNERS LIMITED

---

The Management collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, information contained in the 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 contained in the Circular misleading. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Management of the Company. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided to us so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Management of the Company, nor have we conducted an independent investigation into the business and affairs or the prospects of the Company, the Group, the Hon Hai Group, or any of their respective associates. As set out in the Letter from the Board, we understand that the Management shall ensure the information referred to in the Circular continues to be true, accurate and complete as at the date of the EGM. The Company will notify the Shareholders of any material changes as soon as practicable, if any.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources which are the latest information publicly available to the best of our knowledge, the sole responsibility of Alliance Capital Partners Limited is to ensure that such information has been correctly extracted from the relevant sources.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion on the Framework Agreements, the Transactions, and the Proposed Annual Caps, we have taken into consideration the following principal factors and reasons:

#### **1. Background of the Group**

The Group focuses on the development, manufacturing and marketing of electronic and optoelectronic connectors, antennas, acoustic components, cables and modules for applications in computers, communication equipment, consumer electronics, automobiles, industrial and green energy field products.

## LETTER FROM ALLIANCE CAPITAL PARTNERS LIMITED

### 1.1 Financial information

Set out below are certain key consolidated financial information of the Group, as extracted from the annual reports of the Group for the years ended December 31, 2020 and 2021 (“**2020 Annual Report**” and “**2021 Annual Report**” respectively) and the interim reports for the six months ended June 30, 2021 and 2022 (“**2021 Interim Report**” and “**2022 Interim Report**” respectively):

	Year ended		Six months ended	
	December 31,		June 30,	
	2020	2021	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	4,314,661	4,490,215	1,982,056	2,101,326
Gross profit	579,772	673,006	267,776	350,839
<i>Gross profit margin</i>	13.4%	15.0%	13.5%	16.7%
Operating profit	124,757	176,668	15,929	119,936
<i>Operating profit margin</i>	2.9%	3.9%	0.8%	5.7%
Profit for the year	42,509	137,625	9,264	85,117
<i>Net profit margin</i>	1.0%	3.1%	0.5%	4.1%

The table below sets forth the revenue by end markets in absolute amounts and as percentages of revenue for the years/periods indicated:

Revenue	For the year ended December 31,			
	2020		2021	
	US\$'000	%	US\$'000	%
Mobile devices	1,653,425	38.3%	1,391,797	31.0%
Communication infrastructure	801,600	18.6%	887,375	19.8%
Computer and consumer electronics	874,893	20.3%	975,928	21.7%
Automotive, industrial and medical	144,591	3.3%	176,272	3.9%
Connected home	298,450	6.9%	195,625	4.4%
Smart accessories	541,702	12.6%	863,218	19.2%
<b>Total</b>	<b>4,314,661</b>	<b>100%</b>	<b>4,490,215</b>	<b>100%</b>

---

## LETTER FROM ALLIANCE CAPITAL PARTNERS LIMITED

---

Revenue	For the six months ending June 30,			
	2021		2022	
	US\$'000	%	US\$'000	%
Smartphones	485,027	24.5%	613,811	29.2%
Networking	447,588	22.6%	361,929	17.2%
Computing	421,321	21.3%	411,833	19.6%
EV Mobility	64,141	3.2%	72,040	3.4%
System products	474,057	23.9%	552,224	26.3%
Others	89,922	4.5%	89,489	4.3%
<b>Total</b>	<b>1,982,056</b>	<b>100%</b>	<b>2,101,326</b>	<b>100%</b>

*For the year ended December 31, 2020 and 2021*

The Group achieved an increase in revenue of approximately US\$175 million, or 4.1%, from approximately US\$4,315 million for the year ended December 31, 2020 to approximately US\$4,490 million for the year ended December 31, 2021. As disclosed in the 2021 Annual Report, the Group recorded a sales growth in the communications infrastructure end market by 10.7%, the computer and consumer electronics end market by 11.5%, the automotive, industrial and medical end market by 21.9% and the smart accessories end market by 59.4% when compared to that of 2020. Yet, the revenue of the Group decreased in the following end markets, including the mobile devices end market by 15.8% and the connected home end market by 34.5% when compared to that of 2020.

For the year ended December 31, 2021, the revenue of the Group was mainly generated from the (i) mobile devices, 31.0%, (ii) computer and consumer electronics, 21.7%, (iii) communications infrastructure, 19.8% and (iv) smart accessories, 19.2%, contributing over 90% of the Group's revenue in total. Throughout the year, the Group has been more focused on smart accessories, whose contribution increased by 6.6% when compared to that of 2020.

Gross profit increased by 16% from US\$580 million in 2020 to US\$673 million in 2021. Operating profit increased by 41.6% from US\$125 million in 2020 to US\$177 million in 2021, primarily due to increase in gross profit, the recognition of impairment loss on investing in unlisted convertible preferred shares in 2020 and gain on disposal of unlisted convertible preferred shares in 2021. Profit for the year increased by 224% from US\$43 million to US\$138 million in 2021, which was primarily due to the increase in revenue and net profit margin. The increase in gross profit, operating profit and profit for the year were primarily due to the revenue increase and increase in gross profit margin, operating profit margin and net profit margin. The increases in these margins were primarily due to change in product mix.

---

## LETTER FROM ALLIANCE CAPITAL PARTNERS LIMITED

---

*For the six months ended June 30, 2021 and 2022*

The Group recorded an increase in revenue of approximately US\$119 million, or 6.0%, from approximately US\$1,982 million for the six months ended June 30, 2021 to approximately US\$2,101 million for the six months ended June 30, 2022. As disclosed in the 2022 Interim Report, such an increase was mainly attributable to a growth in revenue generated from (1) the smartphones end market which increased by 26.6%, (2) the EV mobility end market which increased by 12.3% and (3) the system products end market which increased by 16.5%, being offset by the decrease in (a) the networking end market by 19.1%, and (b) the computing end market by 2.3% for the six months ended June 30, 2022 as compared to the corresponding figures for the six months ended June 30, 2021.

For the six months ended June 30, 2022, gross profit increased by 31.0% from US\$268 million for the six months ended June 30, 2021 to US\$351 million. The increase was primarily driven by the increased shipments of products with high gross profit caused by the growth in income and the change in product mix. Operating profit increased by 650% from US\$16 million for the six months ended June 30, 2021 to US\$120 million for the same period in 2022. Profit for the period increased by 819% from US\$9 million for the six months ended June 30, 2021 to US\$85 million for the same period in 2022. The increase in operating profit and profit for the period were primarily due to the increased shipment of products and increase in operating profit margin and net profit margin. The increase in gross profit margin, operating profit margin and net profit margin were primarily due to the increased shipments of products with high gross profit as a result of the change in product mix.

### ***1.2 Industry outlook***

The Group focuses on the development, manufacturing and marketing of electronic and optoelectronic connectors, antennas, acoustic components, cables and modules as mentioned above, which are principally applied to the following five sectors, namely (a) smartphones, (b) networking, which mainly focuses on cloud server, (c) computing which mainly focuses on tablets and laptops, (d) Electric Vehicles (“EV”) and (e) system products, which mainly focuses on earphone and wireless charger.

---

## LETTER FROM ALLIANCE CAPITAL PARTNERS LIMITED

---

The expected growth rate of the above end-product markets are as follows:

Market segment	Major application	CAGR	Forecast period	Source
Smartphones	Smart phones	7.3%	2022 to 2029	Fortune Business Insights
Networking	Cloud server	19.9%	2022 to 2029	Fortune Business Insights
	Optical transceiver	27.2%	2021 to 2028	Fortune Business Insights
Computing	IC socket	9.1%	2021 to 2026	Mordor Intelligence
	Tablets	16.7%	2022 to 2031	Allied Market Research
EV Mobility	Laptops	2.6%	2022 to 2027	Statista
	Electronic vehicles	27.2%	2021 to 2028	Fortune Business Insights
System products	Wireless audio device	17.1%	2022 to 2029	Fortune Business Insights
	Wireless charger	22.7%	2020 to 2030	Strategic Market Research

## 2. Background of the Hon Hai Group

Hon Hai is a limited liability company established in Taiwan, the shares of which are listed on the Taiwan Stock Exchange (Stock code: 2317). Hon Hai is a controlling shareholder of the Company and is primarily engaged in the manufacture, sales and service of connectors, cases, thermal modules, wired/wireless communication products, optical products, power supply modules, and assemblies for use in the IT, communications, automotive equipment, precision moulding, automobile, and consumer electronics industries.

## 3. Principal terms of the Framework Agreements

### (a) Framework Sales Agreement

Pursuant to the Framework Sales Agreement, the Group has agreed to sell to the Hon Hai Group various interconnect solutions and other related products during the period of January 1, 2023 to December 31, 2025, at a price to be determined as follows:

- (1) for the sales to the Hon Hai Group that are designated by the Group's brand company customers (the "**Designated Product Sales**"), at the price negotiated and determined between the Group's brand company customers and the Group; or

---

## LETTER FROM ALLIANCE CAPITAL PARTNERS LIMITED

---

- (2) for other sales to the Hon Hai Group where selling prices were not designated by the Group's customers (the "**Connected Sales**"), at a price that is determined by referencing the blended profit margin, which is the difference between revenue generated from such sales and historical cost allocated thereto for the preceding month, divided by the corresponding revenue, to that of sales to independent third parties (the "**Third Party Sales**"), on a rolling basis, such that the differences in the blended profit margins between the Connected Sales and the Third Party Sales in each fiscal year shall not be more than 6.5% having considered the long-term business relationship, large sales volume to the Hon Hai Group, and the strategic partnership with the Hon Hai Group.

In respect of the Designated Product Sales, we understand from the Management that it is indeed an industry practice that the brand companies (i.e. the ultimate customers) often require contract manufacturers (i.e. the Group's direct customers) to purchase the relevant parts and components, including the Group's interconnect solutions, from specific approved suppliers like the Group, for purpose of better quality control and overall supply chain management. In this regard, we have obtained and reviewed 12 sales samples from the Company covering the period from October 2021 to September 2022. Based on the documents and information received, we noted that the brand companies did require the Hon Hai Group to source certain parts and components from the Group, and that the selling prices of the Designated Product Sales were negotiated and determined between the Group's brand company customers and the Group. Based on the information received, we are of the view that Group has complied with the pricing mechanism for the Designated Product Sales.

In respect of the Connected Sales where the prices are determined with reference to the blended profit margins, the Management of the Company advised that the Group would regularly calculate the gross margin for the Connected Sales and for the Third Party Sales, respectively, and monitor that the difference would not exceed 6.5%, which is because the Company believes it is an industry practice to (1) grant large customers volume discounts; (2) give long-term customers with repeated sales and sustainable businesses price discounts as this would incur lower negotiation, coordination and logistics costs and subject the Company to lower exposure to credit risks, as compared to dealing with new customers; and (3) offer better pricing terms to customers with long-term strategic value to the Company. The Management advised that (a) Hon Hai accounted for 13.8%, 14.1% and 14.1% of the Group's revenue in 2020, 2021 and for the nine months ended September 30, 2022 respectively and the relative magnitude of such amounts vis-à-vis revenue contribution from the other customers, (b) the Company's long-term business cooperation with Hon Hai Group since the Company's inception which the Company believes subject it to minimal credit risk as compared to the other third party customers, and (c) being part of the ecosystem of Hon Hai group brings the Company significant strategic value, the Directors are of the view that the 6.5% capped difference in the blended profit margin is under normal commercial terms, fair and reasonable, and in the interests of the Shareholders as a whole. Furthermore, we have obtained and reviewed a transfer pricing report provided by the Company, which was prepared by professional independent third party in May 2022. According to the said report, the three-year weighted average profit margins of 31 independent comparable companies in Taiwan range

---

## LETTER FROM ALLIANCE CAPITAL PARTNERS LIMITED

---

from approximately 3.6% to approximately 11.1%. The difference of the high and low end margin is 7.5%. Therefore, we are of the view that the 6.5% capped difference in the blended profit margin is fair and reasonable.

We have obtained and reviewed the gross profit margin analysis table of the Connected Sales and the Third Party Sales prepared by the Group, covering the period from October 2021 to September 2022, and noted that the differences did not exceed 6.5%, which were reviewed and endorsed by the Head of Accountant of the Group quarterly. Based on the information received, we are of the view that Group has complied with the pricing mechanism for the Connected Sales.

***(b) Framework Purchase Agreement***

Pursuant to the Framework Purchase Agreement, the Group has agreed to purchase various raw materials, ancillary materials and semi-finished components and assembled products from the Hon Hai Group during the period of January 1, 2023 to December 31, 2025 under three procurement models as follows:

<b>Model</b>	<b>Pricing Policy</b>
Model One	Purchase price is to be set at the price determined with reference to comparable third-party prices. Where such third-party prices are not readily available, purchase price is to be set at the price equivalent to the sum of the purchase prices of the Group and the processing fees.
Purchase of gold salts from the Hon Hai Group as the Group's raw materials	<p>As a risk control measure, the Group will procure gold salts from more than two suppliers, but will allocate at least 70% of the annual purchase from the supplier with the lowest fee quote.</p> <p>As set out in the Letter from the Board, the Group procures gold salts from the Hon Hai Group in order to take advantage of the Hon Hai Group's economies of scale. In particular, gold salts, one of the major raw materials, is a hazardous material and generally allowed to be sold only by licensed suppliers.</p> <p>We have enquired with the Management and noted that a subsidiary of the Hon Hai Group is a licensed supplier with the relevant business license and safety production permit issued by Shenzhen Administration of Work Safety in the PRC and Taiwan respectively.</p>

---

## LETTER FROM ALLIANCE CAPITAL PARTNERS LIMITED

---

### Model

### Pricing Policy

To assess the implementation of the pricing mechanism of Model One, we have obtained and reviewed 12 samples of the fee quotations, provided by the Hon Hai Group and independent third-party suppliers respectively, covering the period from November 2021 to October 2022, which were determined by the sum of the commodity spot prices and the processing fees provided by the Hon Hai Group and independent third-party suppliers. We have also obtained and reviewed 12 samples of purchase orders, covering the period from November 2021 to October 2022 respectively.

We noted that the Group has selected gold salts suppliers with the lowest quote basis.

The Management also confirmed that they have complied with the 70% threshold in 2020 and 2021, and the nine months ended September 30, 2022.

Based on the information reviewed as described above, we are of the view that the Group has complied with the pricing mechanism of Model One.

### Model Two

Purchase of ancillary raw materials from the Hon Hai Group

Brand companies may require the Group to purchase certain ancillary materials from a designated supplier, for example, the Hon Hai Group (the “**Designated Supplier Transactions**”). In this case, purchase prices are the prices agreed between the Hon Hai Group and the Group’s customers; in other cases where the Hon Hai Group is not designated as supplier (the “**Non-designated Supplier Transactions**”), purchase prices are determined with reference to comparable independent third party prices to the extent that independent third party suppliers are available.

---

## LETTER FROM ALLIANCE CAPITAL PARTNERS LIMITED

---

### Model

### Pricing Policy

Based on our discussion with the Management and our review of the relevant correspondences between the Group and a brand company, we understand that the brand company requires the Group to purchase certain ancillary materials from their designated supplier, such as the Hon Hai Group, and it is likely for the Group to purchase ancillary raw materials from the Hon Hai Group as Non-designated Supplier Transactions, due to the competitive prices of the Hon Hai Group could offer resulting probably from economies of scale.

To assess the implementation of the pricing mechanism of Model Two, we have obtained and reviewed 12 samples of Designated Supplier Transactions and Non-designated Supplier Transactions respectively, covering the period from November 2021 to October 2022. For the Designated Supplier Transactions, we noted that the prices were negotiated between the Hon Hai Group and the Group's customers. For the Non-designated Supplier Transactions, we noted from the purchase order samples and other corresponding documents that the Group has compared the price quotations from the Hon Hai Group with those from independent third party suppliers. Based on the information reviewed as described above, we are of the view that the Group has complied with the pricing mechanism of Model Two.

### Model Three

Purchase of semi-finished components and assembled products from the Hon Hai Group to whom the Group provides certain raw materials and components for their production of semi-finished components and assembled products

Purchase prices are determined with reference to comparable third-party prices to the extent independent-third-party suppliers are available. Where such third-party prices are not readily available, purchase prices are determined based on (a) the Hon Hai Group's purchase prices of raw materials supplied by the Group, (b) the Hon Hai Group's purchase prices of other raw materials, (c) the Hon Hai Group's labor costs and overheads, (d) the relevant operating expenses estimated to be allocated to such transactions, and (e) the Comparable Profit Interval provided by a professional independent third party and in accordance with reasonable business principles.

**Model**

**Pricing Policy**

As mentioned in the Letter from the Board, the Comparable Profit Interval is established by using a well-known Database, which contains the information on listed, and major unlisted/delisted companies across the globe and is mainly used in transfer pricing, corporate finance and credit risk etc. and based on “return on cost and operating expenses” as the profit level indicator, and can be used to evaluate whether the pricing of the transaction i.e. the mark-up percentage on the cost and operating expenses (“**Mark-up Percentage**”) is reasonable or not. In the Database, quantitative and qualitative conditions are used to identify comparable companies with similar financial data characteristics, principal business and functional risk characteristics. The Comparable Profit Interval is then established based on the financial information of comparable companies. During the period covered by the agreement, the financial information of comparable companies and the Comparable Profit Interval will be updated annually based on the Database.

In order to enhance the Group’s production efficiency and manage its production cost, the Group from time to time engages the Hon Hai Group for certain labour-intensive production processing of its interconnect solutions and certain other products.

The Hon Hai Group has been a long-term supplier of manufacturing services of the Group with the expertise to manage a large workforce. Furthermore, as advised by the Management, given the unique nature of the semi-finished goods and assembled products, there were no third party transactions for comparable products. As such, conducting the Product Purchase Transaction with the Hon Hai Group is essential and mutually complementary.

**Model**

**Pricing Policy**

To assess the implementation of the pricing mechanism of Model Three, we have obtained and reviewed a summary of 12 purchase transaction samples and the underlying documents from the Group covering the period from November 2021 to October 2022, which sets out the breakdown of raw material costs, labor costs and overheads, the relevant operating expenses allocated, and the then Mark-up Percentage. We noted that the relevant mark-up percentage on the relevant costs and operating expenses did not exceed the then Comparable Profit Interval. Based on the information reviewed as described above, we are of the view that the Group has complied with the pricing mechanism of Model Three.

We are also advised by the Management that the professional independent third party to provide the Comparable Profit Interval is a group member of a reputable international accounting firm with expertise in international taxation and transfer pricing issues, which will analyse the fairness and reasonableness of the profit margin in the industry. We also noted that the Management considers that the financial information provided by the Database is reliable and independent because the Database is maintained by a reputable service provider and contains a significant amount of financial information of approaching 80,000 companies around the world.

In addition, the Comparable Profit Interval is principally based on annual results. Based on our discussion with the Management, we understand that the Group encounters a seasonality effect in its business operation. Therefore, we are of the view that using the profit margins based on full year results of the comparable companies can eliminate the issue of seasonality effect, hence the Comparable Profit Interval can provide the most accurate and comparable information for the Group to evaluate the reasonableness of the Mark-up Percentage, and is in the interest of the Company.

---

**LETTER FROM ALLIANCE CAPITAL PARTNERS LIMITED**

---

**Model**

**Pricing Policy**

Given the credential and qualifications of the reputable international accounting firm, the experience of such professional independent third party, the database that they adopt, and the Comparable Profit Interval is principally based on annual results of the relevant comparable companies, we are of the view that it is fair and reasonable to determine the cost-plus mark-up percentage with reference to the Comparable Profit Interval provided by a professional independent third party on an annual basis.

**4. Reasons for and benefits in relation to the continuing connected transactions**

In respect of the Product Sales Transaction and the Product Purchase Transaction, the Group strategically focuses on automotive and other emerging applications of the Group's interconnect solutions and related products, parts of the procurement and sales of which are carried out with associates of Hon Hai and connected persons of the Company to reduce production costs and increase profits. The Group therefore considers it in the best interests to generate more income and save cost by carrying out the Product Purchase Transaction and the Product Sales Transaction in response to the latest development of the Group's business plans, provided that the Group purchases from and sells to the Hon Hai Group at prices pursuant to the pricing policies set forth in the Framework Sales Agreement and the Framework Purchase Agreement.

**5. Basis for determining the Proposed Annual Caps**

Set out below are the historical transaction amounts of the continuing connected transactions:

	<b>Year ended December 31,</b>			<b>For the nine months ended September 30,</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>
Product Sales Transaction	704.1	493.8	523.0	383.6
Product Purchase Transaction	471.8	331.1	245.4	206.5

## LETTER FROM ALLIANCE CAPITAL PARTNERS LIMITED

Set out below are the Proposed Annual Caps and the utilisation of historical annual caps:

	<b>For the year ending December 31,</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>
Proposed Product Sales Annual Cap	660.0	706.0	756.0
Proposed Product Purchase Annual Cap	375.0	401.0	429.0

	<b>Approved annual caps</b>			<b>Actual transaction amount</b>			<b>Utilisation rate</b>		
	<b>For the year ended</b>			<b>For the</b>		<b>For the nine</b>	<b>For the</b>		<b>For the nine</b>
	<b>December 31,</b>			<b>year ended</b>		<b>months ended</b>	<b>year ended</b>		<b>months ended</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>December 31,</b>	<b>December 31,</b>	<b>September 30,</b>	<b>December 31,</b>	<b>2021</b>	<b>September 30,</b>
<i>US\$ Million</i>			<i>US\$ Million</i>			<i>US\$ Million</i>			
Product Sales									
Transaction	1,250.0	1,350.0	1400.0	493.8	523.0	383.6	39.5%	38.7%	27.4%
Product Purchase									
Transaction	550.0	520.0	500.0	331.1	245.4	206.5	60.2%	47.2%	41.3%

### ***5.1 The Proposed Product Sales Annual Cap***

We understand from the Management that the Proposed Product Sales Annual Cap is determined based on the following:

- Historical transaction amount

We noted that the average product sales transaction amount under the existing framework product sales agreement was approximately US\$574 million for the three years ended December 31, 2021;

- The expected growth of the Group's product sales

Based on our discussion with the Management, we note that the product sales are expected to grow at approximately 5% in 2023 when comparing to the average historical transaction amount from 2019 to 2021, and approximately 7% annual growth for each of 2024 and 2025 based on (i) the expected increase in number of orders to a level comparable to the orders prior to the outbreak of COVID-19 pandemic due to a relaxation of lockdown measures in the PRC and globally; and (ii) brand customers' global expansion plan which drives up demand for the Group's products. We have conducted research from public domain, and noted there is an expected growing market demand for the smartphones, networking, computing, EV mobility and system product market. According to the independent market research institutions mentioned above, the compound annual growth rates ("CAGR") for the

---

## LETTER FROM ALLIANCE CAPITAL PARTNERS LIMITED

---

next few years of smartphone, cloud server (which is one of the major end product markets in the Group's networking segment), tablet computer (which is one of the major end product markets of the Group's computing segment), EV mobility, wireless charger and wireless audio device (which are some of the major end product markets in the Group's system product segment) are 7.3%, 19.9%, 16.7%, 27.2%, 22.7% and 17.1%, respectively;

- The expected growth of the Group's existing businesses between 2023 and 2025, such as the Group's strategic expansion of its manufacturing facilities to Vietnam;
- The production strategy as a result of the Group's production cost control measures, resulting in a closer collaboration between the Group and Hon Hai Group in order to benefit from Hon Hai Group's economies of scale in procurement and sales; and
- A buffer of 10% due to uncertainties in the external environment, such as (i) any unexpected change in customer demand or cost of supply; (ii) the market fluctuations in raw material prices in recent years; and (iii) the fluctuations in foreign exchange rate, in particular, there has been an over 10% depreciation of New Taiwan Dollars and Renminbi to US\$ in 2022.

We also noted the low utilisation of annual caps for 2020, 2021 and for the nine months ended September 30, 2022, which were only approximately 39.5%, 38.7% and 27.4% respectively during the period. We have enquired with the Management and are given to understand that the low utilisation was mainly due to the change in production strategy caused by cost control measures and the disposal of certain business units and investment.

Having considered that the Proposed Product Sales Annual Cap is determined based on the expected transaction amount and budget of Product Sales Transaction for the three years ending December 31, 2025 and the historical transaction amounts, taking into account (a) an expected growing market demand for the smartphones, networking, computing, EV mobility and system product market based on independent market research institutions' forecast CAGRs ranging from 7.3% to 27.2% as mentioned above, with which the Management believes that it is appropriate and prudent to estimate an annual growth rate of 5% in 2023 when comparing to the average historical transaction amount from 2019 to 2021, and 7% annual growth rate for each of 2024 and 2025; and (b) a general buffer of around 10% in case of any uncertainties in the external environment. According to our research conducted mentioned above, we are of the view that the Proposed Product Sales Annual Caps are justifiable.

---

## LETTER FROM ALLIANCE CAPITAL PARTNERS LIMITED

---

### 5.2 *Proposed Product Purchase Annual Caps*

We understand from the Management that the Proposed Product Purchase Annual Cap is determined based on the following:

- Historical transaction amount

We noted that the average product purchase transaction amount under the existing framework product purchase agreement was approximately US\$349.0 million for the three years ended December 31, 2021;

- The projected growth of the Group's products and growth in product purchase transaction

Based on our discussion with the Management and with reference to existing production schedule based on current and future market demand, we noted there is an expected growing market demand for the smartphones, networking, computing, EV mobility and system products market based on independent market research institutions' forecast CAGRs ranging from 7.3% to 27.2% as mentioned above. In line with the expected increase in the Group's products, it is estimated that the amount of product purchase transactions for 2023 is the same as the average historical transaction amount from 2019 to 2021, and will increase by approximately 7% annually in each of 2024 and 2025 based on (i) the expected increase in number of orders to a level comparable to the orders prior to the outbreak of COVID-19 pandemic due to a relaxation of lockdown measures in the PRC and globally; and (ii) brand customers' global expansion plan which drives up demand for the Group's products;

- The increase in the prices of precious metals by approximately 39.7% from January 1, 2019 to December 12, 2022, coupled with the expected moderation of U.S. interest rate hikes;
- The expected growth of the Group's existing businesses between 2023 and 2025, such as the Group's strategic expansion of its manufacturing facilities to Vietnam;
- The production strategy as a result of the Group's production cost control measures, under which the Group is able to procure raw materials at a more favourable price by leveraging on Hon Hai Group's bargaining power with the suppliers;
- The increase in the procurement of finished components in Vietnam as a result of the Group's strategic expansion of manufacturing facilities to Vietnam; and

---

## LETTER FROM ALLIANCE CAPITAL PARTNERS LIMITED

---

- A buffer of 10% due to uncertainties in the external environment, such as (i) any unexpected change in customer demand or cost of supply; (ii) the market fluctuations in raw material prices in recent years; and (iii) the fluctuations in foreign exchange rate, in particular, there has been an over 10% depreciation of New Taiwan Dollars and Renminbi to US\$ in 2022.

We also noted the low utilisation of annual caps for the nine months ended September 30, 2022, which were only approximately 24.6%. We have enquired with the Management and are given to understand that the low utilisation was mainly due to (i) the change in production strategy caused by cost control measures, (ii) the increase in procurement of raw materials and semi-finished components from brand customers directly, and (iii) the disposal of certain business units and investment.

Having considered that the Proposed Product Purchase Annual Cap is determined based on the expected transaction amount and budget of Product Purchase Transaction for the three years ending December 31, 2025 and the historical transaction amounts, taking into account (a) an expected growing market demand for the smartphones, networking, computing, EV mobility and system products market based on independent market research institutions' forecast CAGRs ranging from 7.3% to 27.2% as mentioned above, with which the Management believes that it is appropriate and prudent to estimate a growth for 2023 to reach the same level as the average historical transaction amount from 2019 to 2021, and 7% annual growth rate for each of 2024 and 2025; and (b) a general buffer of around 10% in case of any uncertainties in the external environment. According to our research conducted as mentioned above, we are of the view that the Proposed Product Purchase Annual Caps is justifiable.

### **6. Internal control procedures and pricing policies**

As disclosed in the Letter from the Board, the Group has adopted internal control procedures on the continuing connected transactions of the Company including the Product Sales Transaction and the Product Purchase Transaction, pursuant to which the Management will monitor and review the continuing connected transactions on a monthly basis (including, among others, the transaction amount of the continuing connected transactions during the month). We have obtained and reviewed the set of the internal control procedures on connected transactions and are of the view that the internal control procedures adopted by the Group are in place to ensure the continuing connected transactions are conducted on normal commercial terms and not prejudicial to the interests of the Company and the minority Shareholders.

The Company has engaged the Company's auditor to review and report to the Board on the continuing connected transactions every year in accordance with Rule 14A.56 of the Listing Rules. The independent non-executive Directors will also review the Transactions under the Framework Agreements on an annual basis. Accordingly, the Directors determined that the internal control system of the Group is effective to ensure that the transactions contemplated under the Framework Agreements will be conducted on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

---

## LETTER FROM ALLIANCE CAPITAL PARTNERS LIMITED

---

We have reviewed the 2020 Annual Report and 2021 Annual Report of the Company and noted that both the independent non-executive Directors and auditors of the Company have confirmed that the continuing connected transactions under the Existing Framework Agreements were conducted in accordance with the requirements following the internal control procedures during the years ended December 31, 2020 and 2021.

Based on the above procedures, we are of the view that there are sufficient internal control procedures in place to ensure the continuing connected transactions are conducted on normal commercial terms and not prejudicial to the interests of the Company and the minority Shareholders.

### RECOMMENDATIONS

Having considered the principal factors and reasons above, we are of the view that (i) the Transactions will be conducted in the ordinary and usual course of business; (ii) the terms of the Framework Agreements are on normal commercial terms; (iii) the Proposed Annual Caps are fair and reasonable; and (iv) the Framework Agreements are in the interest of the Group and the Shareholders as a whole so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Framework Agreements, and the Proposed Annual Caps at the EGM.

Yours faithfully,  
For and on behalf of  
**Alliance Capital Partners Limited**  
**Alyssa Ng**  
*Managing Director*

*Ms. Alyssa Ng is licensed person under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities and has more than 10 years' experience in participation of and advising in various initial public offerings and transactions involving companies listed in Hong Kong, including but not limited to the provision of independent financial advisory services regarding connected transactions.*

## 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) Interests of Directors and chief executive of the Company

As of the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under the provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which had otherwise been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”), were as follows:

#### (i) Long positions in the Shares of the Company as of the Latest Practicable Date

Name of Director	Capacity and nature of interest	Number of Shares held	Approximate percentage of shareholding
LU Sung-Ching <sup>1</sup>	Beneficial owner	429,303,200	5.90%
LU Pochin Christopher	Beneficial owner	30,512,000	0.42%
PIPKIN Chester John <sup>2</sup>	Beneficial owner	1,790,000	0.02%

*Notes:*

- Mr. LU Sung-Ching is also interested in 11,356,800 Shares under the Share Grant Scheme.
- Mr. PIPKIN Chester John is also interested in 200,000 share options granted by the Company under the Share Option Scheme.

(ii) *Long position in the share capital or debentures of the associated corporations of the Company as of the Latest practicable Date*

Name of Director	Name of associated corporation of the Company	Capacity and nature of interest	Number of Shares in the corporation	Approximate percentage of shareholding
TRAINOR–DEGIROLAMO Sheldon <sup>1</sup>	Linksys Holdings, Inc.	Beneficial owner	5,506.416	0.06%

Note:

- The 5,506.416 series A preferred shares of Linksys Holdings, Inc. granted to Mr. TRAINOR–DEGIROLAMO Sheldon have vested as to one-third on March 19, 2022, and will vest as to one-third on March 19, 2023 and one-third on March 19, 2024.

(iii) *Long position in share options granted by the Company*

The Share Option Scheme was conditionally approved and adopted by the Shareholders on December 19, 2017. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to enable the Group to offer valuable incentive to attract and retain quality personnel to work towards enhancing the value and attaining the long-term objectives of the Group. As of the Latest Practicable Date, the long position of the Directors in the share options granted by the Company was as follows:

Name of Director	As of January 1, 2022	Granted during the year 2022 and up to the Latest practicable Date	Exercised during the year 2022 and up to the Latest practicable Date	Lapsed during the year 2022 and up to the Latest practicable Date	Cancelled during the year 2022 and up to the Latest practicable Date	As of the Latest Practicable Date	Date of grant of share options	Exercise period of share options (both dates inclusive)	Closing price of the Shares immediately before the date on which the share options were granted	Exercise price of share options
									HK\$	HK\$
PIPKIN Chester John	200,000	-	-	-	-	200,000	December 28, 2018	December 28, 2019 to December 28, 2022	3.380	3.422

Save as disclosed above, as of the Latest Practicable Date, none of the Directors or chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the

meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which had otherwise been notified to the Company and the Stock Exchange pursuant to the Model Code.

**(b) Interests of substantial Shareholders**

As of the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as was known to the Directors or chief executive of the Company, the persons or entities, other than a Director or chief executive of the Company, who had an interest or a short position in the shares or the 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 directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other company which is a subsidiary of the Company, or in any options in respect of such share capital were as follows:

*Long positions in the Shares as of the Latest Practicable Date*

<b>Name of Shareholders</b>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of shareholding</b>
Hon Hai	Interest in controlled corporation <sup>1</sup>	5,179,557,888	71.16%
Foxconn Far East Cayman	Interest in controlled corporation <sup>2</sup>	5,179,557,888	71.16%
Foxconn Far East Hong Kong	Beneficial owner	5,179,557,888	71.16%

*Notes:*

1. Hon Hai holds the entire issued share capital of Foxconn Far East Cayman, which in turn holds the entire issued share capital of Foxconn Far East Hong Kong.
2. Foxconn Far East Cayman holds the entire issued share capital of Foxconn Far East Hong Kong, which in turn holds 5,179,557,888 Shares of the Company.

Save as disclosed above, as of 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.

As of the Latest Practicable Date, none of the Directors is a director or employee in Hon Hai, Foxconn Far East Cayman or Foxconn Far East Hong Kong which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**(c) Directors' or chief executive's rights to acquire interests or short positions in Shares and debentures**

The Share Grant Scheme was approved and adopted by the Board on January 5, 2015, and the Board further adopted the rules and interpretations thereof on November 4, 2016.

Details of the interests of the Directors in the Share Grant are set out below.

<b>Name of Director</b>	<b>Date of grant</b>	<b>Number of Share Grant</b>
LU Sung-Ching	January 5, 2015	11,356,800

Save as disclosed above, as of the Latest Practicable Date, none of the Directors or chief executive of the Company or their respective spouse or minor children were granted any rights to acquire benefits by means of acquisition of the Shares in or debentures of the Company or any other body corporate; nor was the Company, its subsidiaries or holding company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company to acquire such rights in the Company or any other body corporate.

**3. DISCLOSURE OF OTHER INTERESTS**

**(a) Interests in contract or arrangement**

As of the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement which is significant to the business of the Group.

**(b) Interests in assets**

As of the Latest Practicable Date, none of the Directors had any 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 December 31, 2021, being the date to which the latest published audited accounts of the Group were made up.

**(c) Interests in competing business**

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

#### 4. QUALIFICATION OF EXPERT

The following is the qualification of the expert who has given an opinion or advice on the information contained in this circular:

<b>Name</b>	<b>Qualification</b>
Alliance Capital Partners Limited	a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities

#### 5. CONSENT

Alliance Capital Partners Limited has 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 in the form and context in which they respectively appear herein.

#### 6. MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, save as disclosed in the interim results announcement of the Company for the six months ended June 30, 2022 published on August 9, 2022, there has not been any material adverse change in the financial or trading position of the Group since December 31, 2021, being the date to which the latest published audited financial statements of the Group were made up.

#### 7. MISCELLANEOUS

- (a) None of the Directors has entered into a service contract with the Company which does not expire or which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.
- (b) As of the Latest Practicable Date, Alliance Capital Partners Limited was not beneficially interested in the share capital of any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. As of the Latest Practicable Date, none of the Directors or Alliance Capital Partners Limited had any interest, either directly or indirectly, in any assets which have been, since December 31, 2021 being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited.

- (d) The principal share registrar of the Company is Conyers Trust Company (Cayman) Limited.
- (e) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

**8. DOCUMENTS ON DISPLAY**

Copies of the Framework Sales Agreement and the Framework Purchase Agreement will be published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.fit-foxconn.com/>) for 14 days from the date of this circular.

---

## NOTICE OF EGM

---



### **FIT Hon Teng Limited** **鴻騰六零八八精密科技股份有限公司**

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

**(Stock Code: 6088)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of the shareholders of FIT Hon Teng Limited (the “**Company**”) will be held at 66-1, Chungshan Road, Tucheng District, New Taipei City 23680, Taiwan on Friday, January 6, 2023 at 9:30 a.m., for the following purposes:

To consider and, if thought fit, passing (with or without modifications) the following ordinary resolutions:

1. “THAT the terms of the framework sales agreement entered into between the Company and Hon Hai Precision Industry Co. Ltd. (“**Hon Hai**”) on November 18, 2022 (the “**Framework Sales Agreement**”), the transactions contemplated under the Framework Sales Agreement (the “**Product Sales Transaction**”) and the proposed annual caps for the Product Sales Transaction for the years ending December 31, 2023, 2024 and 2025 (the “**Proposed Product Sales Annual Caps**”) as described in the circular of the Company dated December 19, 2022 be and are hereby approved, confirmed and ratified in all respects; and

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 authorized for and on behalf of the Company to execute and deliver (and affix the Company’s common seal to, if necessary) all such 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 Framework Sales Agreement, the Product Sales Transaction and/or the Proposed Product Sales Annual Caps.”

2. “THAT the terms of the framework purchase agreement entered into between the Company and Hon Hai on November 18, 2022 (the “**Framework Purchase Agreement**”), the transactions contemplated under the Framework Purchase Agreement (the “**Product Purchase Transaction**”) and the proposed annual caps for the Product Purchase Transaction for the years ending December 31, 2023, 2024 and 2025 (the “**Proposed Product Purchase Annual Caps**”) as described in the circular of the Company dated December 19, 2022 be and are hereby approved, confirmed and ratified in all respects; and

---

## NOTICE OF EGM

---

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 authorized for and on behalf of the Company to execute and deliver (and affix the Company's common seal to, if necessary) all such 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 Framework Purchase Agreement, the Product Purchase Transaction and/or the Proposed Product Purchase Annual Caps."

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

Hong Kong, December 19, 2022

*Registered Office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Headquarters in Taiwan:*

66-1, Chungshan Road  
Tucheng District  
New Taipei City 23680  
Taiwan

*Principal Place of Business in Hong Kong:*

31/F, Tower Two  
Times Square  
1 Matheson Street  
Causeway Bay  
Hong Kong

---

## NOTICE OF EGM

---

*Notes:*

- (a) As set out in the circular of the Company dated December 19, 2022, the register of members of the Company will be closed from Tuesday, January 3, 2023 to Friday, January 6, 2023, both dates inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the extraordinary general meeting, 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, December 30, 2022.
  - (b) Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote in his stead. 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.
  - (c) 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 branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, not less than 48 hours before the time appointed for holding of the extraordinary general meeting (i.e. not later than 9:30 a.m. on Wednesday, January 4, 2023) or any adjourned meeting.
  - (d) 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 Precision Industry Co., Ltd., the controlling shareholder of the Company, and its associates (as defined in the Listing Rules) are required to abstain from voting on the ordinary resolutions.
  - (e) The ordinary resolutions set out above will be determined by way of poll.
- \* *Incorporated in the Cayman Islands with limited liability under the name Foxconn Interconnect Technology Limited and carrying on business in Hong Kong as FIT Hon Teng Limited*