

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

2023 Interim Report



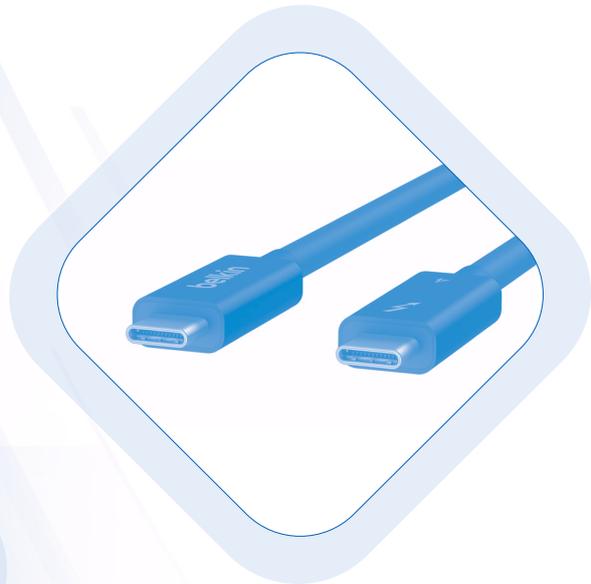
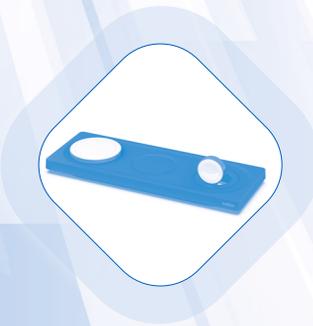
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The English text of this interim report shall prevail over the Chinese text in case of any inconsistency.



Corporate Information

LEGAL NAME OF THE COMPANY

FIT Hon Teng Limited (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)

PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited
Stock code: 6088

DIRECTORS

Executive Directors

LU Sung-Ching (盧松青)
LU Pochin Christopher (盧伯卿)
PIPKIN Chester John

Non-executive Directors

TRAINOR-DEGIROLAMO Sheldon
HUANG Pi-Chun
(appointed with effect from August 7, 2023)

Independent non-executive Directors

CURWEN Peter D
TANG Kwai Chang (鄧貴彰)
CHAN Wing Yuen Hubert (陳永源)

JOINT COMPANY SECRETARIES

WONG Kenneth Tak-Kin (黃德堅)
NG Sau Mei (伍秀薇) (FCG, HKFCG)

AUDIT COMMITTEE

TANG Kwai Chang (鄧貴彰) (Chairman)
CURWEN Peter D
CHAN Wing Yuen Hubert (陳永源)

REMUNERATION COMMITTEE

CHAN Wing Yuen Hubert (陳永源) (Chairman)
TANG Kwai Chang (鄧貴彰)
TRAINOR-DEGIROLAMO Sheldon

NOMINATION COMMITTEE

LU Sung-Ching (盧松青) (Chairman)
CHAN Wing Yuen Hubert (陳永源)
CURWEN Peter D

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

CURWEN Peter D (Chairman)
PIPKIN Chester John
TRAINOR-DEGIROLAMO Sheldon

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor

LEGAL ADVISOR

Sullivan & Cromwell (Hong Kong) LLP

PRINCIPAL BANKS

Citibank, Taiwan Limited
Bank of America, Taipei Branch

AUTHORIZED REPRESENTATIVES

LU Pochin Christopher (盧伯卿)

NG Sau Mei (伍秀薇)

SHARE REGISTRAR AND TRANSFER OFFICE

Principal

Conyers Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111

Cayman Islands

Hong Kong

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East, Wanchai

Hong Kong

REGISTERED OFFICE

Cricket Square

Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND ADDRESS OF HEADQUARTERS

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

WEBSITE

<http://www.fit-foxconn.com>

Financial Highlights

	Six months ended June 30,		Change %
	2023	2022	
	USD'000 Unaudited	USD'000 Unaudited	
Key income statement items			
Revenue	1,784,080	2,101,326	(15.1)
Gross profit	283,154	350,839	(19.4)
Operating profit	47,170	119,936	(60.8)
(Loss)/profit attributable to owners of the Company	(8,952)	85,117	(110.6)

	Six months ended June 30,		Change % point
	2023	2022	
	Unaudited	Unaudited	
Key financial ratios			
Gross profit margin	15.9%	16.7%	(0.8)
Operating profit margin	2.6%	5.7%	(3.1)
Margin of profit attributable to owners of the Company	(0.5%)	4.1%	(4.6)

	Six months	Year ended	Six months
	ended June	December	ended June
	30, 2023	31, 2022	30, 2022
Key operating ratios			
Average inventory turnover days ¹	105	94	110
Average trade receivables turnover days ²	67	71	79
Average trade payables turnover days ¹	73	70	78

(1) Average inventory and trade payables turnover days are based on the average balance of such items divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the year ended December 31, 2022 is 365 days. The number of days for the six months ended June 30, 2023 is 181 days.

(2) Average trade receivables turnover days are based on the average balance of trade receivables, which includes trade receivables due from third parties and trade receivables due from related parties, divided by revenue for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the year ended December 31, 2022 is 365 days. The number of days for the six months ended June 30, 2023 is 181 days.

Management Discussion and Analysis

BUSINESS OVERVIEW AND OUTLOOK

Business Overview

For the six months ended June 30, 2023, faced with the challenges of declining demand in the consumer electronics market, as well as the impact of the decline in shipments of high-end smartphones from branded companies, the decrease in global demand for personal computers and the destocking of midstream and downstream server inventories, our results declined, with a drop in profit performance due to the decrease in revenue. As discussed in more detail below in the section headed “Results of Operations”, our revenue amounted to US\$1,784 million for the six months ended June 30, 2023, representing a decrease of 15.1% as compared to the same period in 2022. The net profit decreased from US\$85 million for the six months ended June 30, 2022 to a net loss of US\$9 million for the same period in 2023.

Smartphone component products continued to be our main source of revenue by end market. For the six months ended June 30, 2023, our component products were impacted by lower shipments of high-end smartphones from branded companies. As a result, revenue generated from the smartphone end market for the six months ended June 30, 2023 decreased by 22.8% as compared to the same period in 2022.

For the networking end market, we strived to improve our product portfolio, and reduce the proportion of low-margin optical module products. On the other hand, the shipments of copper-based components also declined due to the destocking of midstream and downstream server inventories. As a result, revenue generated from the networking end market decreased by 41.3% for the six months ended June 30, 2023 as compared to the same period in 2022.

For the computing end market, although we seized the business opportunities in acoustic components, our overall revenue was still affected by the downturn in the computing market. For the six months ended June 30, 2023, revenue generated from the computing end market decreased by 6.6% as compared to the same period in 2022.

For the EV mobility end market, although our EV component product business was making expected progress, revenue from corresponding auto part products decreased due to product transition. For the six months ended June 30, 2023, revenue generated from the EV mobility end market decreased by 5.9% as compared to the same period in 2022.

For the system products end market, shipments of wireless charging products for new watches increased due to higher market demand for such products, which was offset by the decline in shipments of acoustic products from branded customers. For the six months ended June 30, 2023, revenue generated from the system products end market increased by 1.3% as compared to the same period in 2022.

INDUSTRY OUTLOOK AND BUSINESS PROSPECTS

Industry Outlook

The global connector industry is undergoing rapid technical development with superior product functionality and higher compatibility, which enables connector products to be used in more application scenarios. In the future, for products across various application fields, we believe connectors that have better compatibilities will be more popular in the market. In such an environment, we have seized emerging market opportunities and built brand awareness globally, thereby rapidly expanding our market share.

Smartphones. Although the global demand for smartphone is affected by inflation, with a decline in willingness to consume and potential downward trend in phone shipments, we remain positive on the high-end smartphone market and will continue to seize business opportunities for related components.

Networking. The demand for artificial intelligence and cloud services have led to the creation of greater data center capacity. Data centers require a variety of physical connectors, routers, electricity, signals, and networks, which generate heavy demand for connectors. We will grasp the three major trends of data centers: greater power saving, higher power conversion efficiency, and more open standard platform to meet customers' demand for innovative connectors and create market potential.

Computing. The steady need for various connectors in the computing end market has laid a solid foundation for the demand for connectors. However, corporate and consumer spending becomes more conservative due to the general economic uncertainty and inflation, and market demand is expected to decline in the second half of 2023.

EV Mobility. We expect the market demand for “power management, vehicle-to-everything and human-to-machine interface” products to be boosted by the increasing demand for EV mobility and the gradual increase in the attach rate of in-vehicle infotainment-related products.

System Products. With the continuous pursuit of entertainment experience, and the fact that wireless Bluetooth earphones have become one of the most popular earphones among the consumers, entertainment related system products will have a potential growth trend in the coming year along with the growth in the technological field.

Business Prospects

Affected by the overall industry prospects, we anticipate the connector industry and the end industry of our products may be affected by various uncertainties in the second half of 2023. We plan to continuously focus on the EV mobility end market. The performance in the second half of 2023 is expected to increase as compared to the same period in 2022:

- *Smartphones*. Due to the strong momentum in the shipments of brand companies' smartphone components in 2022, we expect the momentum will slow down due to inflation. However, we anticipate that this end market will continue to be our main revenue contributor.
- *Networking*. Due to the change in the landscape of the optical module business, we believe the demand for the midstream and downstream servers will recover from the fourth quarter of this year, which will affect the overall performance of the networking business in the second half of 2023.
- *Computing*. Industry growth is expected to continue to slow down, so we will focus more on profitability rather than revenue growth.
- *EV mobility*. We believe the demand from our key customers in this end market will continue to be strong, and we expect to benefit from such industry trends. We will continue to strategically pursue opportunities in the emerging application of our interconnect solutions and other products, and expand customer access, technological development and manufacturing base through the newly acquired German automotive wiring harness manufacturer. Furthermore, our strategic partnership with Hon Hai Group places us in a good position to capture the emerging future opportunities in the automotive electronics market.
- *System products*. Despite the general uncertainties affecting the weak consumer electronics market, we will remain competitive with our products and expand global presence to meet customer needs.

RESULTS OF OPERATIONS

Revenue

We derive our revenue mainly from the sale of our connector product solutions and other products and also a small portion from the sale of mold parts and sample products and others. For the six months ended June 30, 2023, our revenue amounted to US\$1,784 million, representing a 15.1% decrease from US\$2,101 million for the same period in 2022. Among the six main end markets, our revenue from (1) the smartphones end market decreased by 22.8%, (2) the networking end market decreased by 41.3%, (3) the computing end market decreased by 6.6%, (4) the EV mobility end market decreased by 5.9%, and (5) the system products end market increased by 1.3%. The following table sets forth our revenue by end markets in absolute amounts and as percentages of revenue for the years indicated:

	For the Six Months Ended June 30,			
	2023		2022	
	US\$	%	US\$	%
(in thousands, except for percentages)				
Smartphones	445,883	25.0	577,628	27.5
Networking	218,936	12.3	373,151	17.8
Computing	377,342	21.2	403,926	19.2
EV mobility	71,644	4.0	76,169	3.6
System products	578,893	32.4	571,558	27.2
Others	91,382	5.1	98,894	4.7
Total	1,784,080	100.0	2,101,326	100.0

Smartphones. The 22.8% decrease in revenue from the smartphones end market was primarily due to the fact that our component products were impacted by lower shipments of high-end smartphones from branded companies.

Networking. The 41.3% decrease in revenue from the networking end market was primarily due to the fact that we strived to improve our product portfolio, and reduce the proportion of low-margin optical module products. On the other hand, the shipments of copper-based components also declined due to the destocking of midstream and downstream server inventories.

Computing. The revenue from the computing end market decreased by 6.6%, which was primarily due to less revenue from laptop and tablet related products as a result of the downturn in the overall computing market.

EV Mobility. The revenue from the EV mobility end market decreased by 5.9%, which was primarily due to the decrease in revenue generated from our auto part products due to product transition.

System products. The revenue from the system products end market increased by 1.3%, which was primarily due to the increase in shipment volume as a result of increased demand for wireless charging products for new watches.

Cost of Sales, Gross Profit and Gross Profit Margin

Our cost of sales decreased by 14.2% from US\$1,750 million for the six months ended June 30, 2022 to US\$1,501 million for the same period in 2023. Our cost of sales primarily includes (1) raw materials and consumables used, (2) consumption of inventories of finished goods and work in progress, (3) employee benefit expenses in connection with our production personnel, (4) depreciation of property, plant and equipment, (5) subcontracting expenses, (6) utilities, molding and consumable expenses, and (7) other costs associated with the production and shipments of our interconnect solutions and other products. For the six months ended June 30, 2023, the decrease was primarily driven by decrease in global demand of consumer electronic devices and lower logistics costs.

As a result of the foregoing, our gross profit decreased by 19.4% from US\$351 million for the six months ended June 30, 2022 to US\$283 million for the same period in 2023, primarily due to the reduction in shipments of products. Our gross profit margin decreased from 16.7% for the six months ended June 30, 2022 to 15.9% for the same period in 2023, primarily due to decreased shipments of products with high gross profit as a result of the change in market.

Distribution Costs and Selling Expenses

Our distribution costs and selling expenses increased by 2.2% from US\$46 million for the six months ended June 30, 2022 to US\$47 million for the same period in 2023, primarily due to expenses for promotions and online channels.

Administrative Expenses

Our administrative expenses decreased by 12.3% from US\$81 million for the six months ended June 30, 2022 to US\$71 million for the same period in 2023, primarily due to the decrease in staffing costs.

Research and Development Expenses

Our research and development expenses primarily consist of (1) employee benefit expenses paid to our research and development personnel, (2) molding and consumables expenses relating to the moldings used in research and development, (3) depreciation of molds and molding equipment and (4) other costs and expenses in connection with our research and development activities. Our research and development expenses increased by 2.2% from US\$136 million for the six months ended June 30, 2022 to US\$139 million for the same period in 2023, mainly due to the increase in molding and consumables expenses.

Operating Profit and Operating Profit Margin

As a result of the foregoing, our operating profit decreased by 60.8% from US\$120 million for the six months ended June 30, 2022 to US\$47 million for the same period in 2023, primarily due to the decreasing demand from brand customers. Our operating profit margin decreased from 5.7% for the six months ended June 30, 2022 to 2.6% for the same period in 2023.

Management Discussion and Analysis

Income Tax Expense

We incur income tax expenses primarily relating to our operations in China, Taiwan, United States, and Vietnam. Our income tax expenses decreased by 27.3% from US\$22 million for the six months ended June 30, 2022 to US\$16 million for the same period in 2023, which was primarily due to the decrease in operating profit in these countries.

Loss/Profit for the period

As a result of the decrease in operating profit, profit for the period decreased from a profit of US\$85 million for the six months ended June 30, 2022 to a loss of US\$9 million for the same period in 2023. Our profit margin decreased from 4.1% for the six months ended June 30, 2022 to -0.5% for the same period in 2023.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity, Working Capital and Borrowings

We finance our operations primarily through cash generated from our operating activities and bank borrowings. As of June 30, 2023, we had cash and cash equivalents of US\$1,384 million, compared to US\$914 million as of December 31, 2022. In addition, as of June 30, 2023, we had short-term bank deposits of US\$26 million, compared to US\$66 million as of December 31, 2022.

As of June 30, 2023, we had total bank borrowings of US\$1,402 million, which are entirely comprised of short-term borrowings, as compared to US\$1,027 million as of December 31, 2022, including short-term borrowings of US\$452 million and long-term borrowings of US\$575 million. We obtained bank borrowings mainly for our working capital purpose and to supplement our capital needs for investment and acquisition activities.

Our current ratio, calculated using current assets divided by current liabilities, was 1.3 times as of June 30, 2023, compared to 1.8 times as of December 31, 2022. Our quick ratio, calculated using current assets less inventories divided by current liabilities, was 0.9 times as of June 30, 2023, compared to 1.2 times as of December 31, 2022. The decrease in our current ratio and quick ratio was primarily due to the syndicated loan maturing within 12 months. Therefore, the syndicated loan has been classified as short-term bank borrowing as of June 30, 2023.

Cash Flow

For the six months ended June 30, 2023, our net cash generated from operating activities was US\$203 million, net cash used in investing activities was US\$50 million, and net cash generated from financing activities was US\$351 million.

Capital Expenditures

Our capital expenditures primarily relate to the purchases of land use rights, property, plant and equipment and intangible assets (exclusive of goodwill). We finance our capital expenditures primarily through cash generated from our operating activities and bank borrowings.

For the six months ended June 30, 2023, our capital expenditures amounted to US\$95 million, as compared to US\$57 million for the same period in 2022. The capital expenditures for the six months ended June 30, 2023 were primarily used for upgrading, maintaining, and converting production facilities, including expanding the sites and adding equipment to the factories.

Significant Investments, Acquisitions and Disposals

On May 3, 2023, the Company entered into a share purchase agreement with, in addition to other selling shareholders, K2 Acquisition Corporation (“K2”), an independent third party of the Company, pursuant to which, among others, the Company conditionally agreed to sell, and K2 conditionally agreed to purchase, 2,270,947 shares of Autotalks Ltd. (“Autotalks”) (as converted upon occurrence of a conversion event as stipulated in the simple agreement for future equity entered into previously, representing 4.39% of the issued share capital of Autotalks) at a consideration of US\$15 million (the “Autotalks Disposal”). The consideration was determined with reference to market conditions. The Company recorded a fair value gain of US\$5 million (before tax and expenses) from the Autotalks Disposal. Following the completion of the Autotalks Disposal, the Company will cease to hold any interests in Autotalks. For more details, please refer to the announcement of the Company dated May 3, 2023.

Save as disclosed above, we did not have any significant investment, material acquisitions or material disposals during the six months ended June 30, 2023.

Inventories

Our inventories consist primarily of raw materials, work in progress and finished goods. We review our inventory levels on a regular basis to manage the risk of excessive inventories. Our average inventory turnover days for the six months ended June 30, 2023 were 105 days as compared to 94 days in 2022. The higher inventory turnover days for the six months ended June 30, 2023 were primarily due to the slow down in the demand for consumer electronic devices.

Our inventories decreased from US\$967 million as of December 31, 2022 to US\$792 million as of June 30, 2023, primarily due to the demand for consumer electronic devices having slowed down and the destocking of inventories activities we have taken.

Provision for inventory impairment decreased from US\$66 million as of December 31, 2022 to US\$60 million as of June 30, 2023, which is in line with the decrease in the inventory balance during the period.

Trade Receivables

Our trade receivables are receivables from our third party and related party customers for the sale of our interconnect solutions and other products.

We typically grant to our third party and related party customers a credit period ranging from 45 days to 90 days. Our average number of trade receivables turnover days decreased from 71 days in 2022, to 67 days for the six months ended June 30, 2023, mainly due to the decrease in quarter-end trade receivables as of June 30, 2023. Our average number of trade receivables turnover days for related parties for the six months ended June 30, 2023 was 106 days as compared to 97 days in 2022.

Our trade receivables decreased from US\$720 million as of December 31, 2022 to US\$615 million as of June 30, 2023, primarily due to the reduction in shipments of products as a result of the decrease in global demand of consumer electronic devices.

Management Discussion and Analysis

Trade Payables

Our trade payables primarily relate to the procurement of raw materials. Our average trade payables turnover days for the six months ended June 30, 2023 were 73 days, remaining stable as compared to 70 days for 2022.

Our trade payables decreased from US\$661 million as of December 31, 2022 to US\$535 million as of June 30, 2023, primarily due to decreased procurement as a result of the decrease in global demand of consumer electronic devices.

Major Capital Commitments

As of June 30, 2023, we had capital commitments of US\$269 million, which were primarily connected to the purchase of property, plant, and equipment related to our production facilities, investments and acquisition of business.

Contingent Liabilities

As of June 30, 2023, we did not have any significant contingent liability, guarantee or any litigation against us that would have a material impact on our financial position or results of operations.

Gearing ratio

Our gearing ratio is calculated as net debts (which are calculated as total borrowings less cash and cash equivalents and short term bank deposits) divided by total capital. As of June 30, 2023, we had net cash position while the gearing ratio as of December 31, 2022 was 2%.

PLEDGE OF ASSETS

As of June 30, 2023, (i) certain bank deposits totaling RMB5.7 million (approximately US\$0.8 million) of Chongqing Hon Teng Technology Co., Ltd. (重慶市鴻騰科技有限公司) and Huaian Fu Li Tong Trading Co., Ltd. (淮安市富利通貿易有限公司) have been pledged as customs guarantee; (ii) certain bank deposits totaling VND8,500 million (approximately US\$0.4 million) of New Wing Interconnect Technology (Bac Giang) Co., Ltd have been pledged as power purchase guarantee; and (iii) certain bank deposits totaling US\$0.8 million of Belkin International Inc. have been pledged as Travel and Entertainment (T&E) corporate card guarantee.

HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES

As of June 30, 2023, we had approximately 52,488 employees, as compared to 53,544 employees as of December 31, 2022. Total employee benefit expenses including Directors' remuneration were US\$358 million, as compared to US\$399 million for the same period in 2022. Remuneration is determined with reference to performance, skills, qualifications, and experience of the staff concerned and in accordance with the prevailing industry practice.

In addition to salaries and wages, other employee benefit expenses include cash bonus, pension, housing fund, medical insurance, and other social insurances, as well as share-based payment expenses and others. We made certain share grants under our Share Grant Scheme prior to our IPO. We also adopted the Share Option Scheme and the Restricted Share Award Schemes to offer valuable incentives to attract and retain quality personnel. We have been evaluating, and may adopt, new share incentive schemes that comply with the requirements of the Listing Rules. The remuneration of the Directors is reviewed by the Remuneration Committee and approved by the Board. The relevant Director's experience, duties and responsibilities, time commitment, the Company's performance, and the prevailing market conditions are taken into consideration in determining the emolument of the Directors.

FOREIGN EXCHANGE RISK

We operate in various locations and most of our sales, purchases and other transactions are denominated in U.S. dollars, New Taiwan dollars and Renminbi. Foreign exchange fluctuations may have a significant positive or negative effect on our results of operations. A majority of our Group's entities are exposed to foreign currency risks related to purchasing, selling, financing and investing in currencies other than the functional currencies in which the entities operate. As we enter into transactions denominated in currencies other than the functional currencies in which we or our subsidiaries operate, we face foreign currency risk to the extent that the amounts and relative proportions of various currencies in which our costs and liabilities are denominated deviate from the amounts and relative proportions of the various currencies in which our sales and assets are denominated.

Our interim condensed consolidated financial information is reported in U.S. dollar. Our PRC and other non-U.S. subsidiaries prepare financial statements in Renminbi or their respective local currencies as their functional currencies, which are then translated into U.S. dollar prior to being consolidated in our financial information. As a result, changes in the value of the U.S. dollar relative to the functional currencies of these subsidiaries create translation gains and losses in other comprehensive income or loss upon consolidation. In addition, as our PRC and other non-U.S. subsidiaries generally have significant U.S. dollar-denominated sales with and accounts receivables due from the Group entities, depreciation of the U.S. dollar would result in foreign exchange losses while appreciation of the U.S. dollar would result in foreign exchange gains.

To further mitigate the foreign exchange risk, we have also adopted a prudent foreign exchange hedging policy. We have implemented internal procedures to monitor our hedging transactions which include limitations on transaction types and transaction value, formulation and review of hedging strategies in light of different market risks involved and other risk management measures. Under such policy, we enter into forward foreign exchange contracts for hedging purposes only but not for speculative purposes. As of June 30, 2023, the nominal principal amount of our forward foreign exchange contracts was US\$610 million.

SUBSEQUENT EVENTS

On December 31, 2022 (German time), Foxconn Interconnect Technology Singapore Pte. Ltd. (“FITS”), a wholly-owned subsidiary of the Company entered into a share purchase agreement with Prettl Produktions Holding GmbH (“Prettl Produktions”) and SWH International Holding GmbH (“SWH International”), pursuant to which FITS conditionally agreed to purchase, and Prettl Produktions and SWH International conditionally agreed to sell, 25,000 shares (or 100%) of Prettl SWH GmbH (“Prettl SWH”) owned by Prettl Produktions as to 51% and SWH International as to 49% as of December 31, 2022, for a consideration of EUR186,600,000 subject to various adjustments (the “Prettl Acquisition”). On July 3, 2023, the Prettl Acquisition closed pursuant to the terms of the share purchase agreement with a total consideration of EUR188,770,000 and as a result, Prettl SWH became a wholly-owned subsidiary of the Company.

For more details, please refer to the announcements of the Company dated January 2, 2023 and July 3, 2023.

INTERIM DIVIDEND

The Board did not declare any interim dividend for the six months ended June 30, 2023.

Report on Review of Interim Financial Information

To the Board of Directors of FIT Hon Teng Limited

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

Introduction

We have reviewed the interim financial information set out on pages 16 to 69, which comprises the interim condensed consolidated balance sheet of FIT Hon Teng Limited (the "Company") and its subsidiaries (together, the "Group") as at June 30, 2023 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising material accounting policy information and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, August 7, 2023

Interim Condensed Consolidated Income Statement

For the six months ended June 30, 2023

	Note	For the six months ended June 30,	
		2023 USD'000 (unaudited)	2022 USD'000 (unaudited)
Revenue	7	1,784,080	2,101,326
Cost of sales	10	(1,500,926)	(1,750,487)
Gross profit		283,154	350,839
Distribution costs and selling expenses	10	(46,596)	(45,882)
Administrative expenses	10	(70,776)	(80,781)
Research and development expenses	10	(139,262)	(135,805)
Impairment loss on financial assets		(1,143)	(273)
Other income	8	10,293	7,390
Other gains – net	9	11,500	24,448
Operating profit		47,170	119,936
Finance income		14,907	6,604
Finance costs		(26,776)	(8,698)
Finance costs – net		(11,869)	(2,094)
Share of results of associates		(11,981)	(10,261)
Impairment loss on interest in an associate		(15,795)	–
Profit before income tax		7,525	107,581
Income tax expense	11	(16,204)	(22,095)
(Loss)/profit for the period		(8,679)	85,486
(Loss)/profit attributable to:			
Owners of the Company		(8,952)	85,117
Non-controlling interests		273	369
		(8,679)	85,486
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company (expressed in US cents per share)			
Basic (loss)/earnings per share	12	(0.13)	1.23
Diluted (loss)/earnings per share	12	(0.13)	1.22

The above interim condensed consolidated income statement should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2023

	For the six months ended June 30,	
	2023	2022
	USD'000	USD'000
	(unaudited)	(unaudited)
(Loss)/profit for the period	(8,679)	85,486
Other comprehensive (loss)/income:		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	(65,973)	(108,436)
<i>Item that will not be reclassified subsequently to profit or loss</i>		
Fair value change in financial assets at fair value through other comprehensive income	22	(100)
Total other comprehensive loss for the period, net of tax	(65,951)	(108,536)
Total comprehensive loss for the period	(74,630)	(23,050)
Total comprehensive (loss)/income for the period attributable to:		
Owners of the Company	(74,862)	(23,374)
Non-controlling interests	232	324
	(74,630)	(23,050)

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Balance Sheet

As at June 30, 2023

	Note	As at June 30, 2023 USD'000 (unaudited)	As at December 31, 2022 USD'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	14	733,868	752,835
Investment property	15	7,357	7,465
Right-of-use assets		57,725	63,431
Intangible assets	16	584,073	601,350
Financial assets at fair value through other comprehensive income	17	26,865	26,873
Financial assets at fair value through profit or loss	18	37,877	46,573
Interests in associates	19	95,545	123,321
Deposits and prepayments	20	14,285	10,431
Finance lease receivables		11,758	19,880
Deferred income tax assets		124,893	131,028
		1,694,246	1,783,187
Current assets			
Inventories		792,037	966,793
Trade receivables	20	614,803	720,004
Deposits, prepayments and other receivables	20	78,404	71,389
Finance lease receivables		15,757	15,438
Financial assets at fair value through profit or loss	18	–	562
Short-term bank deposits		25,901	65,829
Cash and cash equivalents		1,383,557	914,045
		2,910,459	2,754,060
Asset classified as held for sale		15,000	9,936
		2,925,459	2,763,996
		4,619,705	4,547,183
EQUITY			
Equity attributable to owners of the Company			
Share capital	21	142,382	142,160
Treasury shares		(91,865)	(91,759)
Reserves		2,219,862	2,294,946

Interim Condensed Consolidated Balance Sheet

As at June 30, 2023

	Note	As at June 30, 2023 USD'000 (unaudited)	As at December 31, 2022 USD'000 (audited)
		2,270,379	2,345,347
Non-controlling interests		1,824	1,592
Total equity		2,272,203	2,346,939
LIABILITIES			
Non-current liabilities			
Bank borrowings	22	–	574,732
Lease liabilities		38,610	43,450
Deferred income tax liabilities		31,189	34,678
Deposits received and other payables	23	5,464	8,024
		75,263	660,884
Current liabilities			
Trade and other payables	23	793,388	971,006
Contract liabilities		5,460	10,173
Lease liabilities		7,519	7,699
Bank borrowings	22	1,401,812	452,655
Current income tax liabilities		51,740	97,827
Financial liabilities at fair value through profit or loss	18	12,320	–
		2,272,239	1,539,360
Total liabilities		2,347,502	2,200,244
Total equity and liabilities		4,619,705	4,547,183

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2023

(unaudited)	Attributable to owners of the Company							
	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Sub-total	Non-controlling interests	Total equity
			and capital reserve					
USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Balance as at January 1, 2023	142,160	(91,759)	615,637	(54,734)	1,734,043	2,345,347	1,592	2,346,939
Comprehensive (loss)/income								
- (Loss)/profit for the period	-	-	-	-	(8,952)	(8,952)	273	(8,679)
Other comprehensive (loss)/income:								
- Exchange difference arising on the translation of foreign operations	-	-	-	(65,932)	-	(65,932)	(41)	(65,973)
- Fair value change in financial assets at fair value through other comprehensive income	-	-	-	22	-	22	-	22
Total comprehensive (loss)/income	-	-	-	(65,910)	(8,952)	(74,862)	232	(74,630)
Transactions with owners								
- Allotment of shares under share grant plan (Note 24(a))	222	-	2,879	(3,101)	-	-	-	-
- Shares purchased for share award scheme (Note 24(c))	-	(968)	-	-	-	(968)	-	(968)
- Shares vested under share award scheme (Note 24(c))	-	862	-	-	-	862	-	862
- Appropriation of statutory reserves	-	-	-	5,616	(5,616)	-	-	-
Total transactions with owners, recognized directly in equity	222	(106)	2,879	2,515	(5,616)	(106)	-	(106)
Balance at June 30, 2023	142,382	(91,865)	618,516	(118,129)	1,719,475	2,270,379	1,824	2,272,203

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2023

(unaudited)	Attributable to owners of the Company							
	Share capital	Treasury shares	Share premium and capital reserve	Other reserves	Retained earnings	Sub-total	Non-controlling interests	Total equity
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Balance as at January 1, 2022	139,326	(92,512)	599,662	180,722	1,567,372	2,394,570	1,013	2,395,583
Comprehensive income								
- Profit for the period	-	-	-	-	85,117	85,117	369	85,486
Other comprehensive loss:								
- Exchange difference arising on the translation of foreign operations	-	-	-	(108,391)	-	(108,391)	(45)	(108,436)
- Fair value change in financial assets at fair value through other comprehensive income	-	-	-	(100)	-	(100)	-	(100)
Total comprehensive (loss)/income	-	-	-	(108,491)	85,117	(23,374)	324	(23,050)
Transactions with owners								
- Allotment of shares under share grant plan (Note 24(a))	2,390	-	14,956	(17,346)	-	-	-	-
- Shares vested under share award scheme (Note 24(c))	-	956	-	-	-	956	-	956
- Senior management share grant plan and employees' share option scheme (Note 24(a))	-	-	-	472	-	472	-	472
- Share option scheme (Note 24(b))	-	-	-	154	-	154	-	154
- Appropriation of statutory reserves	-	-	-	8,522	(8,522)	-	-	-
Total transactions with owners, recognized directly in equity	2,390	956	14,956	(8,198)	(8,522)	1,582	-	1,582
Balance at June 30, 2022	141,716	(91,556)	614,618	64,033	1,643,967	2,372,778	1,337	2,374,115

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2023

	For the six months ended June 30,	
	2023 USD'000 (unaudited)	2022 USD'000 (unaudited)
Cash flow from operating activities		
Cash generated from operations	261,194	274,257
Income tax paid	(58,451)	(68,428)
Net cash generated from operating activities	202,743	205,829
Cash flow from investing activities		
Payments for the purchase of property, plant and equipment	(93,560)	(51,042)
Payments for the purchase of intangible assets	(1,068)	(3,177)
Payments for investments in financial assets at fair value through other comprehensive income	–	(200)
Payments for investments in financial assets at fair value through profit or loss	(1,872)	(863)
Payments for settlement on loss from forward exchange contracts	(28,742)	–
Payments for acquisition of additional interest in an associate	–	(7,350)
Proceeds from disposal of property, plant and equipment	13,596	6,632
Proceeds from finance lease receivables	7,803	7,868
Decrease/(increase) in short-term bank deposits	38,977	(7,669)
Interest received	14,907	6,604
Net cash used in investing activities	(49,959)	(49,197)
Cash flow from financing activities		
Shares purchased for share award scheme	(968)	–
Proceeds from bank borrowings	694,440	889,609
Repayment of bank borrowings	(311,590)	(895,588)
Principal elements of lease payments	(4,004)	(10,795)
Interest paid	(26,588)	(8,698)
Net cash generated from/(used in) financing activities	351,290	(25,472)
Net increase in cash and cash equivalents	504,074	131,160
Cash and cash equivalents at beginning of the period	914,045	769,447
Exchange difference on cash and cash equivalents	(34,562)	(46,690)
Cash and cash equivalents at end of the period	1,383,557	853,917

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Interim Condensed Consolidated Financial Information

1 General information of the Group

Foxconn Interconnect Technology Limited (the “Company”, carrying on business in Hong Kong as “FIT Hon Teng Limited”) was incorporated in the Cayman Islands as an exempted company with limited liability under the laws of the Cayman Islands.

The Group is principally engaged in the manufacturing and sales of mobile and wireless devices, connectors applied in the communication, computer and automotive markets, and trading and distribution of routers and mobile device related products.

The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The ultimate holding company of the Company is Hon Hai Precision Industry Co., Ltd. (“Hon Hai”) and the immediate holding company of the Company is Foxconn (Far East) Limited (“Foxconn HK”), a wholly owned subsidiary of Hon Hai.

The interim condensed consolidated financial information is presented in United States Dollar (“USD”) unless otherwise stated.

2 Basis of preparation

The unaudited interim condensed consolidated financial information for the six months ended June 30, 2023 is prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” and should be read in conjunction with the annual financial statements for the year ended December 31, 2022 (“Annual Financial Statements”), which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

3 Summary of material accounting policies

The accounting policies applied are consistent with those as described in the Annual Financial Statements, except for the adoption of new and amended standards as set out in note 3(i).

(i) New standards and amendments adopted by the Group

The Group has applied the following new standards and amendments which are mandatory for the financial year beginning January 1, 2023 and are relevant to its operations:

IFRS 17 and Amendments to IFRS 17	Insurance contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies
Amendments to IAS 8	Definition of accounting estimates
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

The new standards and amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

(ii) Amendments to standards which are not yet effective for this financial period and have not been early adopted by the Group

The Group has not early adopted the following amendments to standards that have been issued but are not yet effective for the period:

		Effective for accounting periods beginning on or after
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2024
Amendments to IAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to IFRS 7 and IAS 7	Supplier Finance Arrangements	1 January 2024
Amendments to IAS 16	Lease liability in sale and leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

4 Estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's Annual Financial Statements.

5 Financial risk management and financial instruments

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risks management information and disclosures required in the Annual Financial Statements, and should be read in conjunction with the Annual Financial Statements.

There have been no changes in the risk management policies since the year ended December 31, 2022.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions.

At the balance sheet date, the Group held deposits at banks and cash in hand of USD1,409,458,000 (2022: USD979,874,000).

The Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) in any of its borrowing facilities. The Group expects to fund the future cash flow needs through internally generated cash flows from operations and borrowings from banks.

5 Financial risk management and financial instruments (continued)

(b) Liquidity risk (continued)

(i) Financing arrangements

As at June 30, 2023 and December 31, 2022, the Group had the following bank borrowings:

	As at June 30, 2023 USD'000 (unaudited)	As at December 31, 2022 USD'000 (audited)
Floating rate – unsecured		
Expiring within one year	1,401,812	452,655
Expiring between one to five years	–	574,732
	1,401,812	1,027,387

(ii) Maturities of financial liabilities

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities.

	Less than 1 year USD'000	From 1 year to 2 years USD'000	From 2 years to 5 years USD'000	Over 5 years USD'000	Total contractual cash flows USD'000	Carrying amount USD'000
At June 30, 2023 (unaudited)						
Trade and other payables	699,544	5,464	–	–	705,008	705,008
Lease liabilities	8,587	6,032	20,052	14,447	49,118	46,129
Borrowings	1,407,270	–	–	–	1,407,270	1,401,812
At December 31, 2022 (audited)						
Trade and other payables	868,489	8,024	–	–	876,513	876,513
Lease liabilities	8,416	10,099	23,509	12,046	54,070	51,149
Borrowings	487,701	581,277	–	–	1,068,978	1,027,387

5 Financial risk management and financial instruments (continued)

(b) Liquidity risk (continued)

(ii) Maturities of financial liabilities (continued)

The amounts disclosed in the table are based on the contractual undiscounted cash flows, including interest payments computed using contractual rates. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

(iii) Available banking facilities

As at June 30, 2023, the Group had undrawn banking facilities of approximately USD1,532,200,000 (as at December 2022: USD2,076,702,000). For details, please refer to Note 22.

(c) Fair value estimation

The Group's financial assets at fair value through profit or loss ("FVPL"), financial assets at fair value through other comprehensive income ("FVOCI") and financial liabilities at fair value through profit or loss ("FVPL") carry at fair value while the carrying amounts of the Group's cash and cash equivalents, short-term bank deposits, finance lease receivables, trade receivables, deposits, other receivables, amounts due from related parties (non-trade) and, trade and other payables (excluding employees benefits related payable and other taxes payable), lease liabilities and bank borrowings approximate their fair values due to their short maturities and/or bear interest rate at market. The nominal values less estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

The table below analyzes the Group's financial instruments carried at fair values as at June 30, 2023 and December 31, 2022 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

5 Financial risk management and financial instruments (continued)

(c) Fair value estimation (continued)

	Level 1 USD'000 (unaudited)	Level 2 USD'000 (unaudited)	Level 3 USD'000 (unaudited)	Total USD'000 (unaudited)
As at June 30, 2023				
Financial assets				
Financial assets at fair value through profit or loss	–	–	37,877	37,877
Financial assets at fair value through other comprehensive income	236	–	26,629	26,865
	236	–	64,506	64,742
As at June 30, 2023				
Financial liabilities				
Financial liabilities at fair value through profit or loss	–	12,320	–	12,320

5 Financial risk management and financial instruments (continued)

(c) Fair value estimation (continued)

	Level 1 USD'000 (audited)	Level 2 USD'000 (audited)	Level 3 USD'000 (audited)	Total USD'000 (audited)
As at December 31, 2022				
Financial assets				
Financial assets at fair value through profit or loss	–	562	46,573	47,135
Financial assets at fair value through other comprehensive income	214	–	26,659	26,873
	214	562	73,232	74,008

There were no transfers between levels 1, 2 and 3 during the six months ended June 30, 2023. There were also no changes made to any of the valuation techniques applied as of December 31, 2022.

The changes and movement of financial instruments in level 3 for the six months ended June 30, 2023 and 2022 are as follows:

	For the six months ended June 30,	
	2023 USD'000 (unaudited)	2022 USD'000 (unaudited)
Financial assets		
At beginning of period	73,232	73,247
Addition	1,872	1,063
Transfer	(15,000)	–
Fair value change	5,000	105
Exchange difference	(598)	–
At end of period	64,506	74,415

Notes to the Interim Condensed Consolidated Financial Information

6 Segment information

The operating segment is reported in the manner consistent with internal reporting provided to the Chief Operating Decision Makers (“CODMs”). The CODMs, who are responsible for allocating resources and assessing performance of the operating segment, have been identified as the executive directors that make strategic decisions. CODMs assess the performance of the operating segment based on revenue.

The Group was organized into two main operating segments namely (i) intermediate products and (ii) consumer products. Intermediate products relate to the manufacturing and sales of mobile and wireless devices, and connectors applied in the communication, computer and automotive markets. The Group’s intermediate products are mainly manufactured through its production complexes in the People’s Republic of China (the “PRC”) and Vietnam. Consumer products refer to the trading and distribution of mobile device related products. The Group’s consumer products are mainly manufactured by its production complexes or other third party manufacturers in the PRC and Vietnam and distributed globally.

Accordingly, the Group presents the revenue and corresponding assets and liabilities for the segments, and does not allocate expenses or the other assets to the respective segments.

Segment revenue and results

For the six months ended June 30, 2023, the Group’s revenue by operating segment is as follows:

	Intermediate products USD’000 (unaudited)	Consumer products USD’000 (unaudited)	Total USD’000 (unaudited)
Revenue	1,526,610	318,146	1,844,756
Inter-segment revenue eliminations	(60,676)	–	(60,676)
Revenue from external customers	1,465,934	318,146	1,784,080
Gross profit			283,154
Unallocated:			
Operating expenses			(257,777)
Other income			10,293
Other gains – net			11,500
Finance costs – net			(11,869)
Share of results of associates			(11,981)
Impairment loss on interest in an associate			(15,795)
Profit before income tax			7,525

Notes to the Interim Condensed Consolidated Financial Information

6 Segment information (continued)

Segment revenue and results (continued)

For the six months ended June 30, 2022, the Group's revenue by operating segment is as follows:

	Intermediate products USD'000 (unaudited)	Consumer products USD'000 (unaudited)	Total USD'000 (unaudited)
Revenue	1,915,638	295,010	2,210,648
Inter-segment revenue eliminations	(109,322)	–	(109,322)
Revenue from external customers	1,806,316	295,010	2,101,326
Gross profit			350,839
Unallocated:			
Operating expenses			(262,741)
Other income			7,390
Other gains – net			24,448
Finance costs – net			(2,094)
Share of results of associates			(10,261)
Profit before income tax			107,581

For the six months ended June 30, 2023 and 2022, revenue by product lines is as follows:

	For the six months ended June 30,	
	2023 USD'000 (unaudited)	2022 USD'000 (unaudited)
Smartphones	445,883	577,628
Networking	218,936	373,151
Computing	377,342	403,926
System products	578,893	571,558
EV mobility	71,644	76,169
Others	91,382	98,894
	1,784,080	2,101,326

Notes to the Interim Condensed Consolidated Financial Information

6 Segment information (continued)

Segment revenue and results (continued)

The comparative figures in the above analysis of revenue by product lines have been restated to conform to current period's classification in revenue by products.

For the six months ended June 30, 2023 and 2022, revenue by geographical areas is as follows:

	For the six months ended June 30,	
	2023 USD'000 (unaudited)	2022 USD'000 (unaudited)
United States of America	952,956	969,903
The PRC	284,973	412,372
Taiwan	173,664	269,728
United Kingdom ("UK")	95,361	89,090
Hong Kong	84,783	116,447
Singapore	41,244	35,916
Ireland	32,774	32,898
Malaysia	7,933	38,910
Others	110,392	136,062
	1,784,080	2,101,326

The analysis of revenue by geographical segment is based on the location of major operation of customers.

For the six months ended June 30, 2023, there were two customers (2022: two customers), which individually contributed over 10% of the Group's total revenue. During the period, the revenue contributed from these customers are as follows:

	For the six months ended June 30,	
	2023 USD'000 (unaudited)	2022 USD'000 (unaudited)
Customer A	744,002	773,619
Customer B	230,528	303,203

Customer A refers to a cluster of customers consisting of a brand company and its nominated contract manufacturers; Customer B is a group of related companies.

Notes to the Interim Condensed Consolidated Financial Information

6 Segment information (continued)

Segment revenue and results (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

As at June 30, 2023:

	Intermediate products USD'000 (unaudited)	Consumer products USD'000 (unaudited)	Total USD'000 (unaudited)
Assets			
Segment assets	1,324,322	879,707	2,204,029
Unallocated:			
Property, plant and equipment			733,868
Investment property			7,357
Right-of-use assets			57,725
Intangible assets			4,466
Financial assets at fair value through other comprehensive income			26,865
Financial assets at fair value through profit or loss			37,877
Interests in associates			95,545
Finance lease receivables			27,515
Short-term bank deposits			25,901
Cash and cash equivalents			1,383,557
Asset classified as held for sale			15,000
Total assets			4,619,705
Liabilities			
Segment liabilities	730,704	156,537	887,241
Unallocated:			
Bank borrowings			1,401,812
Lease liabilities			46,129
Financial liabilities at fair value through profit or loss			12,320
Total liabilities			2,347,502

Notes to the Interim Condensed Consolidated Financial Information

6 Segment information (continued)

Segment revenue and results (continued)

Segment assets and liabilities (continued)

As at December 31, 2022:

	Intermediate products USD'000 (audited)	Consumer products USD'000 (audited)	Total USD'000 (audited)
Assets			
Segment assets	1,591,572	903,485	2,495,057
Unallocated:			
Property, plant and equipment			752,835
Investment property			7,465
Right-of-use assets			63,431
Intangible assets			5,938
Financial assets at fair value through other comprehensive income			26,873
Financial assets at fair value through profit or loss			47,135
Interests in associates			123,321
Finance lease receivables			35,318
Short-term bank deposits			65,829
Cash and cash equivalents			914,045
Asset classified as held for sale			9,936
Total assets			4,547,183
Liabilities			
Segment liabilities	950,676	171,032	1,121,708
Unallocated:			
Bank borrowings			1,027,387
Lease liabilities			51,149
Total liabilities			2,200,244

6 Segment information (continued)

Segment revenue and results (continued)

The geographical analysis of the Group's non-current assets (other than intangible assets, financial asset at fair value through other comprehensive income, financial assets at fair value through profit or loss, interests in associates, finance lease receivables and deferred income tax assets) is as follows:

	As at June 30, 2023 USD'000 (unaudited)	As at December 31, 2022 USD'000 (audited)
The PRC	541,038	569,077
Vietnam	209,222	204,612
United States of America	42,277	42,669
Taiwan	15,180	12,787
Singapore	1,242	1,251
Others	4,276	3,766
	813,235	834,162

Notes to the Interim Condensed Consolidated Financial Information

7 Revenue

	For the six months ended June 30,	
	2023	2022
	USD'000	USD'000
	(unaudited)	(unaudited)
Sales of goods	1,753,796	2,050,367
Sales of scrap materials	26,543	47,444
Provisions of services	3,741	3,515
	1,784,080	2,101,326

The Group has recognized following liabilities related to contracts with customers as at June 30, 2023 and December 31, 2022.

	As at	As at
	June 30,	December 31,
	2023	2022
	USD'000	USD'000
	(unaudited)	(audited)
Contract liabilities – sales of goods	5,460	10,173

The following table shows the amount of the revenue recognized for six months ended June 30, 2023 and 2022 related to carried-forward contract liabilities.

	For the six months ended June 30,	
	2023	2022
	USD'000	USD'000
	(unaudited)	(audited)
Contract liabilities – sales of goods	7,669	6,294

Notes to the Interim Condensed Consolidated Financial Information

8 Other income

	For the six months ended June 30,	
	2023	2022
	USD'000	USD'000
	(unaudited)	(unaudited)
Government grants	4,098	2,471
Rental income from properties	2,749	2,196
Others	3,446	2,723
	10,293	7,390

9 Other gains – net

	For the six months ended June 30,	
	2023	2022
	USD'000	USD'000
	(unaudited)	(unaudited)
Net foreign currency exchange gains	45,529	26,200
Fair value (losses)/gains on financial assets at fair value through profit or loss		
– currency forward contracts	(41,624)	(2,806)
– unlisted private fund investments	5,000	145
Gains on disposal of property, plant and equipment	1,330	1,700
Gain on disposal of asset held for sale	4,350	–
Compensation	(1,835)	–
Others	(1,250)	(791)
	11,500	24,448

Notes to the Interim Condensed Consolidated Financial Information

10 Expenses by nature

	For the six months ended June 30,	
	2023	2022
	USD'000	USD'000
	(unaudited)	(unaudited)
Cost of inventories, including reversal/provision for impairment of inventories	1,052,310	1,213,514
Subcontracting expenses	9,918	24,476
Utilities	28,450	28,332
Employee benefit expenses	358,325	399,004
Amortization of intangible assets (Note 16)	17,602	20,847
Depreciation of property, plant and equipment (Note 14)	84,829	95,903
Depreciation of investment property (Note 15)	108	–
Depreciation of right-of-use assets	7,845	9,566
Mouldings and consumables	61,060	82,345
Legal and professional expenses	33,788	21,226
Delivery expenses	31,285	50,451
Other tax and related surcharges	9,577	8,987
Others	62,463	58,304
	1,757,560	2,012,955

Notes to the Interim Condensed Consolidated Financial Information

11 Income tax expense

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rates expected for the full financial year. The amounts of income tax expense charged to the interim condensed consolidated income statement represent:

	For the six months ended June 30,	
	2023	2022
	USD'000	USD'000
	(unaudited)	(unaudited)
Current income tax	13,558	35,330
Deferred income tax	2,646	(13,235)
Income tax expense	16,204	22,095

(a) The PRC corporate income tax

The corporate income tax ("CIT") is calculated based on the statutory profit of the PRC subsidiaries in accordance with the PRC tax laws and regulations. The standard PRC CIT rate is 25% during the six months ended June 30, 2023 (for the six months ended June 30, 2022: 25%).

During the six months ended June 30, 2023, four (for the six months ended June 30, 2022: four) PRC subsidiaries of the Group qualified for new/high-technology enterprises status and enjoyed preferential income tax rate of 15% (for the six months ended June 30, 2022: 15%).

One (for the six months ended June 30, 2022: one) of the PRC subsidiaries of the Group qualified for a preferential income tax rate of 15% (for the six months ended June 30, 2022: 15%) under Notice of the Ministry of Finance, The General Administration of Customs and the State Administration of Taxation on the Taxation Policies for Deepening the Implementation of the Western Development Strategy during the period ended June 30, 2023.

(b) Taiwan profit-seeking enterprise income tax

Taiwan profit-seeking enterprise income tax has been provided for at the rate of 20% on the estimated taxable income during the six months ended June 30, 2023 (for the six months ended June 30, 2022: 20%).

11 Income tax expense (continued)

(c) Vietnam corporate income tax

Vietnam corporate income tax is calculated at the rate of 10% on taxable profits of the subsidiary in accordance with Vietnam Income Tax Act for the six months ended June 30, 2023 (for the six months ended June 30, 2022: 10%).

Pursuant to the initial Investment Registration Certificate dated 19 January 2016, and the Investment Registration Certificate dated 28 January 2019, a subsidiary incorporated in Vietnam is exempted from business income tax for two years from 2017 to 2018 and is entitled to 50% reduction in business income tax for four consecutive years from 2019 to 2022.

In 2022, the subsidiary received tax incentives for supporting industries with certain profit being exempted from business income tax for two years from 2022 to 2024, followed by a 50% reduction in business income tax for nine years from 2024 to 2032.

(d) United States of America (“USA”) corporate income tax

USA corporate income tax has been provided for at the statutory rate of 21% for the six months ended June 30, 2023 (for the six months ended June 30, 2022: 21%) on the estimated taxable profits of the subsidiaries incorporated in the USA.

The Group is entitled to research and development credits for qualified research expenses incurred in the USA which could be used to reduce its tax liabilities.

The corporate income taxes imposed by the United States at the federal level and in foreign countries are generally allowed as a foreign tax credit on the related foreign sourced income under Internal Revenue Code Section 901 of the USA. The foreign tax credit is limited to USA corporate income tax on foreign-sourced income.

(e) Other foreign countries’ income tax

Taxes on profits in other foreign countries, including UK, Hong Kong and Australia have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

12 (Loss)/earnings per share

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue, excluding treasury shares, during the six months ended June 30, 2023 and 2022.

	For the six months ended June 30,	
	2023 (unaudited)	2022 (unaudited)
Net (loss)/profit attributable to the owners of the Company (USD'000)	(8,952)	85,117
Weighted average number of ordinary shares in issue (in thousands)	7,084,811	6,926,858
Basic (loss)/earnings per share in US cents	(0.13)	1.23

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the six months ended June 30, 2023, there were two (for the six months ended June 30, 2022: three) outstanding share-based compensation schemes and no share-based compensation scheme has dilutive effect to the (loss)/earnings per share (for the six months ended June 30, 2022: senior management share grant scheme).

12 (Loss)/earnings per share (continued)

(b) Diluted (loss)/earnings per share (continued)

	For the six months ended June 30,	
	2023 (unaudited)	2022 (unaudited)
Net (loss)/profit attributable to the owners of the Company (USD'000)	(8,952)	85,117
Weighted average number of ordinary shares in issue (in thousand)	7,084,811	6,926,858
Adjustment for: – impact of the senior management and employees' share grant schemes (in thousand)	–	31,137
Weighted average number of ordinary shares for diluted (loss)/ earnings per share (in thousand)	7,084,811	6,957,995
Diluted (loss)/earnings per share in US cents	(0.13)	1.22

Dilutive potential ordinary shares include shares and options granted under senior management and employees' share grant schemes, share award and share option schemes as disclosed in Note 24.

During the six months ended June 30, 2022, the senior management share grant scheme has been included in the determination of diluted (loss)/earnings per share to the extent to which they are dilutive. The number of shares calculated as above is compared with the number of shares that would have been outstanding assuming the completion of the share issue to the grantees.

The employees' share option scheme and share award schemes (treasury shares) are not included in the calculation of diluted (loss)/earnings per share because they are anti-dilutive for the six months ended June 30, 2023 (for the six months ended June 30, 2022: same). These two schemes could potentially dilute basic (loss)/earnings per share in the future (for the six months ended June 30, 2022: same).

Notes to the Interim Condensed Consolidated Financial Information

13 Dividend

No interim dividend in respect of the six months ended June 30, 2023 has been declared as of the date of this report (for the six months ended June 30, 2022: nil).

14 Property, plant and equipment

	Property, plant and equipment USD'000 (unaudited)
For the six months ended June 30, 2023	
Net book value	
At beginning of the period	752,835
Additions	100,342
Disposals	(12,266)
Depreciation (Note 10)	(84,829)
Exchange difference	(22,214)
At end of period	733,868
For the six months ended June 30, 2022	
Net book value	
At beginning of the period	823,250
Additions	51,160
Disposals	(4,932)
Depreciation (Note 10)	(95,903)
Exchange difference	(21,239)
At end of period	752,336

Notes to the Interim Condensed Consolidated Financial Information

15 Investment property

	Investment property USD'000 (unaudited)
For the six months ended June 30, 2023	
Net book value	
At beginning of the period	7,465
Depreciation (Note 10)	(108)
At end of period	7,357
For the six months ended June 30, 2022	
Net book value	
At beginning of the period	–
Transfer from right-of-use assets	7,465
At end of period	7,465

Note:

The carrying amount of the investment property represents land use right of a piece of land in the PRC, which was classified as investment property since the Group will dispose of the asset to a related company, upon fulfilment of certain conditions.

Notes to the Interim Condensed Consolidated Financial Information

16 Intangible assets

	Intangible assets		
	Goodwill	Other intangible assets	Total
	USD'000	USD'000	USD'000
	(unaudited)	(unaudited)	(unaudited)
For the six months ended June 30, 2023			
Net book value			
At beginning of the period	403,258	198,092	601,350
Additions	–	1,068	1,068
Amortization (Note 10)	–	(17,602)	(17,602)
Exchange difference	–	(743)	(743)
At end of period	403,258	180,815	584,073
For the six months ended June 30, 2022			
Net book value			
At beginning of the period	403,258	230,672	633,930
Additions	–	3,177	3,177
Amortization (Note 10)	–	(20,847)	(20,847)
Exchange difference	–	(836)	(836)
At end of period	403,258	212,166	615,424

17 Financial assets at fair value through other comprehensive income

	For the six months ended June 30,	
	2023 USD'000 (unaudited)	2022 USD'000 (unaudited)
At beginning of period	26,873	28,590
Additions	–	200
Fair value change	22	(100)
Exchange difference	(30)	–
At end of period	26,865	28,690

The financial assets at FVOCI represent the Group's investments in listed and private companies.

(i) Classification of financial assets at FVOCI

Financial assets at FVOCI comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognize in this category. These are strategic investments and the Group considers this classification to be more relevant.

The financial assets were presented as non-current assets unless they will mature, or management intended to dispose of them within 12 months from the balance sheet date.

17 Financial assets at fair value through other comprehensive income (continued)

(ii) Analyzed by geographical areas

Analysis of financial assets at FVOCI by geographical areas is as follows:

	As at June 30, 2023 USD'000 (unaudited)	As at December 31, 2022 USD'000 (audited)
Equity investments in a listed company, stated at quoted market price:		
Taiwan	236	214
Equity investments in unlisted private entities:		
United States of America	21,600	21,600
France	2,826	2,826
Taiwan	1,316	1,316
The PRC	687	717
Hong Kong	200	200
	26,629	26,659
	26,865	26,873

(iii) Dividend

During the six months ended June 30, 2023 and 2022, there was no dividend declared or distribution from the investments.

18 Financial assets/liabilities at fair value through profit or loss

(i) Classification of financial assets/liabilities at FVPL

Financial assets designated at FVPL comprise unlisted convertible preferred shares, private fund investments and currency forward contracts.

Financial liabilities designated at FVPL comprise currency forward contracts.

The financial assets were presented as non-current assets unless they will mature, or management intended to dispose of them within 12 months from the balance sheet date.

(ii) Financial assets/(liabilities) at FVPL

	As at June 30, 2023 USD'000 (unaudited)	As at December 31, 2022 USD'000 (audited)
Non-current assets		
Unlisted private fund investments	31,903	30,599
Unlisted convertible instruments	–	10,000
Unlisted private entity shares	3,000	3,000
Derivative agreement	2,974	2,974
	37,877	46,573
Current (liabilities)/assets		
Currencies forward contracts (Note (b))	(12,320)	562

Notes:

(a) During the six months ended June 30, 2023, the Group invested a total of USD1,872,000 in several private funds (during the six months ended June 30, 2022, the Group has no additional investment in private funds).

(b) The aggregate notional principal amount of outstanding currency forward contracts as at June 30, 2023 was USD610,000,000 (as at December 31, 2022: USD350,000,000). The maturity dates of these currency forward contracts were before July 2023 (as at December 31, 2022: before January 2023). They are presented as current assets or liabilities if they are expected to be settled within 12 months after the balance sheet date.

18 Financial assets/liabilities at fair value through profit or loss (continued)

(iii) Movement of financial instruments excluding currency forward contracts

	Non-current financial assets	
	For the six months ended June 30,	
	2023	2022
	USD'000	USD'000
	(unaudited)	(unaudited)
At beginning of period	46,573	44,863
Additions	1,872	863
Fair value change	5,000	145
Transfer	(15,000)	–
Exchange difference	(568)	–
At end of period	37,877	45,871

(iv) Dividend

During the six months ended June 30, 2023 and the year ended December 31, 2022, there were no dividend declared by or distribution from the investments.

Notes to the Interim Condensed Consolidated Financial Information

19 Interests in associates

	As at June 30, 2023 USD'000 (unaudited)	As at December 31, 2022 USD'000 (audited)
Associates (Note i)	95,545	123,321

(i) Movements of interests in associates are analyzed as follows:

	For the six months ended June 30,	
	2023 USD'000 (unaudited)	2022 USD'000 (unaudited)
At beginning of period	123,321	171,657
Addition	–	7,350
Share of losses	(11,981)	(10,261)
Share of other comprehensive income	–	9
Impairment loss	(15,795)	–
At end of period	95,545	168,755

Notes to the Interim Condensed Consolidated Financial Information

20 Trade and other receivables

	As at June 30, 2023 USD'000 (unaudited)	As at December 31, 2022 USD'000 (audited)
Trade receivables due from third parties	500,717	570,383
Trade receivables due from related parties (Note 26)	116,747	151,139
Total trade receivables – gross	617,464	721,522
Less: loss allowances for impairment of trade receivables	(2,661)	(1,518)
Total trade receivables – net	614,803	720,004
Deposits and prepayments	39,644	33,273
Other receivables	20,439	8,659
Amounts due from related parties (Note 26)	7,048	10,343
Value added tax recoverable	25,558	29,545
	92,689	81,820
Less: non-current portion		
Deposits and prepayments	(14,285)	(10,431)
	78,404	71,389
Current portion	693,207	791,393

For trade receivables, the credit period granted to third parties and related parties are ranging from 45 to 90 days.

20 Trade and other receivables (continued)

The aging analysis of trade receivables based on invoice date, before loss allowance, as at June 30, 2023 and December 31, 2022 is as follows:

	As at June 30, 2023 USD'000 (unaudited)	As at December 31, 2022 USD'000 (audited)
Within 3 months	601,565	621,350
3 months to 1 year	14,328	99,355
Over 1 year	1,571	817
	617,464	721,522

Notes to the Interim Condensed Consolidated Financial Information

21 Share capital

	Number of ordinary shares (thousand) (Unaudited)	Amount USD'000 (Unaudited)
Authorized:		
As at January 1, 2023 and June 30, 2023	15,360,000	300,000
As at January 1, 2022 and June 30, 2022	15,360,000	300,000
Issued and fully paid:		
As at January 1, 2023	7,278,592	142,160
Issuance of ordinary shares under share grant plan	11,357	222
As at June 30, 2023	7,289,949	142,382
As at January 1, 2022	7,133,509	139,326
Issuance of ordinary shares upon exercise of share option	122,370	2,390
As at June 30, 2022	7,255,879	141,716

Notes to the Interim Condensed Consolidated Financial Information

22 Bank borrowings

	As at June 30, 2023 USD'000 (unaudited)	As at December 31, 2022 USD'000 (audited)
Non-current		
Bank borrowings, unsecured	–	574,732
Current		
Bank borrowings, unsecured	1,401,812	452,655
	1,401,812	1,027,387

As at June 30, 2023, the maturity date of the bank borrowings of approximately USD1,401,812,000 is less than 12 months and therefore classified as short-term bank borrowings.

As at June 30, 2023, the Group drew down USD1,401,812,000 (as at December 31, 2022: USD1,027,387,000) from the total borrowing and overdraft facilities of approximately USD2,934,012,000 (as at December 31, 2022: USD3,104,089,000) granted by banks.

As at June 30, 2023, the Group's weighted average interest rates for the unsecured bank borrowings were 4.50% (as at December 31, 2022: 3.92%) per annum.

As at June 30, 2023, the carrying amount of bank borrowings approximate their fair value as the interest payable on these borrowings is either close to current market rates or the borrowings are of a short-term nature (as at December 31, 2022: same).

Notes to the Interim Condensed Consolidated Financial Information

23 Trade and other payables

	As at June 30, 2023 USD'000 (unaudited)	As at December 31, 2022 USD'000 (audited)
Trade payables due to third parties	437,710	588,199
Trade payables due to related parties (Note 26)	97,636	72,549
Total trade payables	535,346	660,748
Amounts due to related parties (Note 26)	14,909	17,019
Staff salaries, bonuses and welfare payables	86,376	87,401
Deposits received, other payables and accruals	162,221	213,862
	798,852	979,030
Less: non-current portion	(5,464)	(8,024)
	793,388	971,006

As at June 30, 2023 and December 31, 2022, the aging analysis of the trade payables to third parties and related parties of trading in nature based on invoice date is as follows:

	As at June 30, 2023 USD'000 (unaudited)	As at December 31, 2022 USD'000 (audited)
Within 3 months	497,333	651,752
3 months to 1 year	37,480	8,431
Over 1 year	533	565
	535,346	660,748

Notes to the Interim Condensed Consolidated Financial Information

24 Share-based payments

The table below summarised the share-based payment expenses charged to the condensed consolidated income statement during the six months ended June 30, 2023 and 2022.

	For the six months ended June 30,	
	2023 USD'000 (unaudited)	2022 USD'000 (unaudited)
Senior management share grant scheme (Note (a))	–	472
Share option scheme (Note (b))	–	154
Share award scheme (Note (c))	862	956
Total	862	1,582

(a) Senior management share grant plan

In January 2015, 21,840,000 restricted shares were granted to the Group's senior management, which were subsequently divided into 349,440,000 shares pursuant to a shareholder's resolution for share split passed on 3 November 2016. Such equity instruments were measured at fair value at the grant date and recognized as compensation cost over the vesting period. The weighted average fair value of shares granted under this plan was approximately USD0.25 per share. The restricted shares are vested and issued over the grantees' service periods. The restricted shares were vested on every March 31, June 30, September 30 and December 31 at 12% in each quarter of 2018 and were vested at 3.25% in each quarter from 2019 to 2022.

	For the six months ended June 30,	
	2023 ('000) (unaudited)	2022 ('000) (unaudited)
Number of outstanding restricted shares ('000)		
Balance as at beginning and end of period	11,357	34,070
Number of outstanding vested restricted shares to be issued ('000)	–	11,357

24 Share-based payments (continued)

(a) Senior management share grant plan (continued)

During the six months ended June 30, 2023, 11,357,000 shares were issued to grantees, which were worth USD3,066,000 at the date of the issuance based on the weighted average market price of USD0.27 per share (for the six months ended June 30, 2022, 122,370,000 shares were issued to grantees, which were worth USD17,346,000 at the date of the issuance based on the weighted average market price of USD0.15 per share).

The share-based payment expense incurred for this plan for the six months ended June 30, 2023 was nil (for the six months ended June 30, 2022: USD472,000).

(b) Share options scheme

(i) In May 2018, 24,440,600 new share options were granted to certain eligible employees at an exercise price of HK\$3.69 per share (equivalent to USD0.47 per share) and vested in June 2018 and were exercisable for a period of three years commencing on June 10, 2018. The fair value of the options determined using the Black-Scholes model at the date of the grant was USD5,360,000 (approximately USD0.22 per share).

The share option scheme expired on December 31, 2021.

(ii) In December 2018, the Company granted certain eligible employees an aggregated 41,763,000 share options at an exercise price of HK\$3.422 per share (equivalent to USD0.44 per share) each.

Among the 41,763,000 share options granted, 10,000,000 options vested on December 31, 2019, 183,000 options would vest from December 28, 2019 on every December 28 at 33.33% over a 3-year period, and 31,580,000 options would vest from December 28, 2019 on every December 28 at 25% over a 4-year period. The share options granted are subject to performance related adjustments.

The fair value of the options determined using the Black-Scholes model at the date of the grant was approximately USD6,139,000.

Certain share options were forfeited and lapsed during the vesting period. The share-based payment expenses incurred under this scheme for the six months ended June 30, 2023 were approximately nil (for the six months ended June 30, 2022: USD154,000).

24 Share-based payments (continued)

(b) Share options scheme (continued)

Set out below are the summaries of options granted under the plan:

	For the six months ended June 30,	
	2023	2022
	Number of shares options (‘000) (unaudited)	Number of shares options (‘000) (unaudited)
Balance as at beginning of period	17,223	28,228
Forfeited and lapsed during the period	(1,230)	(4,080)
Balance as at end of period	15,993	24,148
Vested and exercisable at end of period	15,993	20,054

During the six months ended June 30, 2023 and 2022, there was no share option exercised or expired.

Notes to the Interim Condensed Consolidated Financial Information

24 Share-based payments (continued)

(b) Share options scheme (continued)

As at June 30, 2023 and December 31, 2022, the outstanding share options have the following expiry dates:

Grant date	Expiry date	As at	As at
		June 30, 2023	December 31, 2022
		Share options (‘000)	Share options (‘000)
December 28, 2018	December 29, 2022	–	–
	December 29, 2024	–	63
	December 29, 2025	15,993	17,160
		15,993	17,223
Weighted average remaining contractual life of options outstanding at end of period/ year		1.52 years	2.17 years
Weighted average share price at the time of exercise of options during the period/ year		Not applicable	Not applicable

24 Share-based payments (continued)

(c) Share award schemes (Treasury shares)

	As at			
	June 30, 2023 Shares (^{'000}) (unaudited)	December 31, 2022 Shares (^{'000}) (audited)	June 30, 2023 USD ^{'000} (unaudited)	December 31, 2022 USD ^{'000} (audited)
Restricted share award scheme ("2018 scheme")	201,733	203,801	89,923	90,283
Second restricted share award scheme ("2019 scheme")	3,004	556	1,942	1,476
	204,737	204,357	91,865	91,759

	2018 scheme		2019 scheme	
	Number of Shares (^{'000}) (unaudited)	USD ^{'000} (audited)	Number of Shares (^{'000}) (unaudited)	USD ^{'000} (audited)
Balance as at January 1, 2022	207,441	91,236	2,138	1,276
Acquisition of treasury shares during the period	–	–	2,726	367
Shares granted and awarded during the period	(2,757)	(367)	(4,420)	(589)
Balance as at June 30, 2022	204,684	90,869	444	1,054
Balance as at January 1, 2023	203,801	90,283	556	1,476
Acquisition of treasury shares during the period	–	–	4,000	968
Shares granted and awarded during the period	(2,068)	(360)	(1,552)	(502)
Balance as at June 30, 2023	201,733	89,923	3,004	1,942

24 Share-based payments (continued)

(c) Share award schemes (Treasury shares) (continued)

(i) 2018 scheme

On May 21, 2018, the Company adopted the restricted share award scheme to provide incentive to encourage the participants for their contribution to the Group. The restricted share award scheme shall be subject to the terms of the scheme and the listing rules of the Main Board of the Hong Kong Stock Exchange. Existing shares of the Company will be purchased by an independent trustee from the market out of cash contributed by the Group and be held in trust until such shares are awarded and vested in accordance with the provisions of the share award scheme.

No shares shall be purchased pursuant to the share award scheme if as a result of such purchase, the number of shares administered under the share award scheme shall exceed 10% of the issued capital of the Company. The maximum number of shares which may be granted to a participant at any one time or in aggregate may not exceed 1% of the issued capital of the Company at the adoption date.

Subject to any early termination as may be determined by the board, the share award scheme shall be valid and effective for a period of 10 years commencing the adopting date.

During the six months ended June 30, 2023 and 2022, no treasury shares were purchased on the market under this share award scheme. During the six months ended June 30, 2023, the Group awarded 2,068,000 treasury shares to eligible employees (for the six months ended June 30, 2022: the Group awarded 2,757,000 treasury shares to eligible employees) and the share-based payment expense of approximately USD537,000 was recognized for the period (for the six months ended June 30 2022: USD367,000).

During the six months ended June 30, 2023, the weighted average market price at the date of the award was USD0.26 per share (for the six months ended June 30, 2022: the weighted average market price at the date of the award was USD0.13 per share).

24 Share-based payments (continued)

(c) Share award schemes (Treasury shares) (continued)

(ii) 2019 scheme

In March 2019, the Company adopted the second restricted share award scheme (the “Second Scheme”) to provide incentive to encourage the participating employees to contribute to the Group. The Second Scheme shall be subject to the administration by the administration committee and the Trustee in accordance with the scheme rules and the trust deed. The Trustee shall hold the trust fund in accordance with the terms of the Trust Deed.

No shares shall be purchased pursuant to the Second Scheme if as a result of such purchase, the number of Shares administered under the Second Scheme shall exceed 674,353,688 shares, being 10% of the issued share capital of the Company at the date of the adoption of the Second Scheme, or such other limit as determined by the administration committee at its sole discretion. The maximum number of award shares which may be granted to a selected participant at any one time or in aggregate may not exceed 67,435,368 shares, being 1% of the issued share capital of the Company at the same date.

Subject to any early termination as may be determined by the board, the Second Scheme shall remain valid and effective for a period of ten years commencing on March 26, 2019.

During the six months ended June 30, 2023, 4,000,000 treasury shares (for the six months ended June 30, 2022: 2,726,000 treasury shares) were purchased on the market under the Second Scheme at a consideration of approximately USD968,000 (for the six months ended June 30, 2022: USD367,000). During the six months ended June 30, 2023, the Group awarded 1,552,000 treasury shares to eligible employees (for the six months ended June 30, 2022: the Group awarded 4,420,000 treasury shares to eligible employees) and the share-based payment expense of approximately USD750,000 was recognized for the period (for the six months ended June 30 2022: USD589,000).

During the six months ended June 30, 2023, the weighted average market price of the treasury shares granted at the date of grant was USD0.35 per share (for the six months ended June 30, 2022: USD0.13 per share).

Notes to the Interim Condensed Consolidated Financial Information

25 Commitments

(a) Capital commitments

Capital commitments contracted for at each balance sheet date but not yet incurred are as follows:

	As at June 30, 2023 USD'000 (unaudited)	As at December 31, 2022 USD'000 (audited)
Investments in funds	15,698	18,023
Property, plant and equipment	53,772	34,586
Acquisition of business	200,000	200,000
	269,470	252,609

(b) Operating leases rental receivables – the Group as lessor

As at June 30, 2023, minimum lease payments receivable under non-cancellable operating lease of properties not recognized are as follows:

	As at June 30, 2023 USD'000 (unaudited)	As at December 31, 2022 USD'000 (audited)
No later than 1 year	3,399	3,567
Later than 1 year and no later than 2 years	2,381	1,683
Later than 2 years and no later than 5 years	526	471
	6,306	5,721

Notes to the Interim Condensed Consolidated Financial Information

26 Related-party transactions

In addition to the information disclosed elsewhere in the interim condensed consolidated financial information, the following transactions took place between the Group and its related parties, which are mainly Hon Hai, subsidiaries of Hon Hai and associates of Hon Hai, at terms agreed between the parties.

(a) The following transactions were carried out with related parties:

	For the six months ended June 30,	
	2023	2022
	USD'000	USD'000
	(unaudited)	(unaudited)
(i) Sales of goods		
– Subsidiaries of Hon Hai	148,893	183,785
– Associates of Hon Hai	72,910	89,218
– Hon Hai	3,423	23,104
– Associate	–	565
	225,226	296,672
(ii) Sales of services		
– Subsidiaries of Hon Hai	3,505	4,404
– Associates of Hon Hai	1,716	2,138
– Hon Hai	81	554
	5,302	7,096
(iii) Purchase of goods		
– Subsidiaries of Hon Hai	119,973	125,259
– Associates of Hon Hai	28,842	52,239
– Hon Hai	1,466	3,804
– Associate	–	368
	150,281	181,670

26 Related-party transactions (continued)

(a) The following transactions were carried out with related parties: (continued)

	For the six months ended June 30,	
	2023	2022
	USD'000	USD'000
	(unaudited)	(unaudited)
(iv) Purchase of property, plant and equipment and right-of-use assets		
– Subsidiaries of Hon Hai	1,000	5,314
– Associates of Hon Hai	743	1,380
	1,743	6,694
(v) Subcontracting expenses		
– Subsidiaries of Hon Hai	526	299
– Associates of Hon Hai	2	22
	528	321
(vi) Molding costs		
– Subsidiaries of Hon Hai	13,718	16,655
– Associates of Hon Hai	512	247
– Hon Hai	6	–
	14,236	16,902
(vii) Rental income		
– Subsidiaries of Hon Hai	1,088	5
– Associates of Hon Hai	633	674
	1,721	679

26 Related-party transactions (continued)

(a) The following transactions were carried out with related parties: (continued)

	For the six months ended June 30,	
	2023	2022
	USD'000	USD'000
	(unaudited)	(unaudited)
(viii) Rental expenses		
– Subsidiaries of Hon Hai	1,422	2,012
– Hon Hai	518	531
– Associates of Hon Hai	115	123
	2,055	2,666
(ix) Key management compensation		
Salaries, wages and bonuses	3,650	3,359
Pension, housing fund, medical insurance and other social insurance	82	88
Share-based payment expenses (Note 24)	–	472
	3,732	3,919

(x) During the six months ended June 30, 2022, the Group entered into a framework agreement with a related company, which is a non-wholly owned subsidiary of Hon Hai. The Group will rent a parcel of industrial land in the PRC occupied by the Group to the related company for an aggregated term of 35 years for RMB238,680,000 (approximately US\$34,000,000), where applicable and legally enforceable, and the lease will commence upon completion of construction of buildings that will be constructed at the request and cost of the related company.

The related party transactions as set out under (i) to (viii) above were carried out on terms mutually agreed between the parties. In the opinion of the directors of the Company, these transactions are in the ordinary course of business of the Group and in accordance with the terms of the underlying agreements.

26 Related-party transactions (continued)

(b) Balances with related parties:

Amounts due from related parties:

	As at June 30, 2023 USD'000 (unaudited)	As at December 31, 2022 USD'000 (audited)
(i) Trade receivables:		
– Hon Hai	1,221	1,168
– Subsidiaries of Hon Hai	70,213	87,193
– Associates of Hon Hai	45,313	62,778
	116,747	151,139
(ii) Other receivables:		
– Hon Hai	165	5,289
– Subsidiaries of Hon Hai	1,694	4,832
– Associates of Hon Hai	223	222
	2,082	10,343
(iii) Prepayments:		
– Subsidiaries of Hon Hai	2,408	–
– Associates of Hon Hai	2,558	3,299
	4,966	3,299

26 Related-party transactions (continued)

(b) Balances with related parties: (continued)

Amounts due to related parties:

	As at June 30, 2023 USD'000 (unaudited)	As at December 31, 2022 USD'000 (audited)
(i) Trade payables:		
– Hon Hai	685	192
– Subsidiaries of Hon Hai	75,375	27,292
– Associates of Hon Hai	21,576	45,065
	97,636	72,549
(ii) Other payables:		
– Hon Hai	714	478
– Subsidiaries of Hon Hai	12,327	13,786
– Associates of Hon Hai	1,868	2,755
	14,909	17,019
(iii) Payable for acquisition of license:		
– Hon Hai	202	977

Note:

The above balances with related parties were unsecured, interest-free and repayable on demand. The carrying amounts of these balances approximated their fair values.

27 Pledge of assets

As of June 30, 2023, bank deposits totalling USD2,000,000 (December 31, 2022: USD2,000,000) have been pledged, among of them, USD1,200,000 (December 31, 2022: USD1,200,000) have been pledged as customs guarantee, and USD800,000 (December 2022: USD800,000) have been pledged as Travel and Entertainment corporate card guarantee respectively.

28 Subsequent event

On December 31, 2022, Foxconn Interconnect Technology Singapore Pte. Ltd., a wholly-owned subsidiary of the Company entered into a share purchase agreement with Prettl Produktions Holding GmbH (“Prettl Produktions”) and SWH International Holding GmbH (“SWH International”), pursuant to which FITS conditionally agreed to purchase, and Prettl Produktions and SWH International conditionally agreed to sell, 25,000 shares (or 100%) of Prettl SWH GmbH (“Prettl SWH”) of which 51% are held by Prettl Produktions and 49% are held by SWH International), for a consideration of EUR186,600,000 which is subject to various adjustments (the “Prettl Acquisition”).

On July 3, 2023, the acquisition of Prettl Acquisition was completed with a total consideration of EUR188,770,000. Prettl SWH became a wholly-owned subsidiary of the Company on the same date.

Save as disclosed above and elsewhere in this report, there is no other material event after the reporting period and up to the date of this report.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of June 30, 2023, the interests and short positions of the Directors and chief executives 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 were taken or deemed to have under the provisions of the SFO) or which were required to be entered in the register required to be kept by the Company under section 352 of the SFO, or which had otherwise been notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Long positions in the Shares

Name of Director	Capacity and nature of interest	Number of Shares held	Approximate percentage of shareholding
LU Sung-Ching (盧松青)	Beneficial owner	440,660,000	6.04%
LU Pochin Christopher (盧伯卿)	Beneficial owner	30,512,000	0.42%
PIPKIN Chester John	Beneficial owner	1,790,000	0.02%

(ii) Long position in the share capital or debentures of the associated corporations of the Company

Name of Director	Name of associated corporation of the Company	Capacity and nature of interest	Number of shares in the associated corporation	Approximate percentage of shareholding in the associated corporation
TRAINOR-DEGIROLAMO Sheldon ¹	Linksys Holdings, Inc.	Beneficial owner	5,506.416	0.06%

Note:

1. 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 March 19, 2023 respectively, and will vest as to one-third on March 19, 2024.

Save as disclosed above, as of June 30, 2023, 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 notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were entered in the register required to be kept by the Company under section 352 of the SFO or which had otherwise been notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the six months ended June 30, 2023, there were no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouses or minor children, nor were there any such rights exercised by the Directors; nor was the Company, or any of its holding companies, fellow subsidiaries, and subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of June 30, 2023, 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 executives 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 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

Name of Shareholder	Capacity and nature of interest	Number of Shares held	Approximate percentage of shareholding
Hon Hai Foxconn (Far East) Limited	Interest in controlled corporation ¹	5,179,557,888	71.05%
(“Foxconn Far East Cayman”)* Foxconn (Far East) Limited	Interest in controlled corporation ²	5,179,557,888	71.05%
(“Foxconn Far East Hong Kong”)**	Beneficial owner	5,179,557,888	71.05%

* Foxconn Far East Cayman is an exempted company incorporated in the Cayman Islands with limited liability on January 25, 1996 which owns 100% of the issued shares of Foxconn Far East Hong Kong.

** Foxconn Far East Hong Kong is a limited liability company incorporated in Hong Kong on December 29, 1988.

Other Information

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.

Save as disclosed above, as of June 30, 2023, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares 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.

SHARE GRANT SCHEME

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. The purpose of the Share Grant Scheme is to incentivize Directors, senior management and employees for their contribution to the Group and to attract, motivate and retain skilled and experienced personnel for further development of the Group. The participants of the Share Grant Scheme include existing employees, Directors (whether executive or non-executive, but excluding independent non-executive Directors) or officers of the Company or any of the subsidiaries of the Company.

The maximum number of share grants that may be granted under the Share Grant Scheme in aggregate (excluding share grants that have lapsed or been cancelled in accordance with the rules of the Share Grant Scheme) shall be such number of Shares under the Share Grant Scheme from time to time. On January 5, 2015, 349,440,000 Shares were granted to our Director, Mr. LU Sung-Ching (盧松青).

Each participant of the Share Grant Scheme may exercise the share grant after it has been vested. The vesting period of the share grant shall be determined by the Board and stated in the grant letter, which may be amended by the Board given no such amendment shall operate to materially and adversely affect any subsisting rights of the selected participants of the Share Grant Scheme.

The Share Grant Scheme was valid and effective for a period of eight years, commencing from the date of the first grant on January 5, 2015 and ending on January 5, 2023. As of the Latest Practicable Date, the Share Grant Scheme has expired.

Please refer to the section headed “Statutory and General Information – Share Grant Scheme” in Appendix IV of the Prospectus for further details of the Share Grant Scheme.

Other Information

As of June 30, 2023, details of the interests of our Director under the Share Grant Scheme are set out below:

Name or category of participant	Total number of Shares granted	Outstanding as of January 1, 2023	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as of June 30, 2023 ¹	Date of grant of share grants	Vesting/Exercise period of share grants (both dates inclusive) ²	Closing price of the Shares immediately before the date on which the share grants were granted ³	Fair value of grants at date of grant ³
										HK\$	HK\$
<i>Director</i>											
LU Sung-Ching (盧松青)	349,440,000	11,356,800	-	11,356,800	-	-	-	January 5, 2015	48%: 12%: March 31, 2018 to January 4, 2023 12%: June 30, 2018 to January 4, 2023 12%: September 30, 2018 to January 4, 2023 12%: December 31, 2018 to January 4, 2023 13%: 3.25%: March 31, 2019 to January 4, 2023 3.25%: June 30, 2019 to January 4, 2023 3.25%: September 30, 2019 to January 4, 2023 3.25%: December 31, 2019 to January 4, 2023 13%: 3.25%: March 31, 2020 to January 4, 2023 3.25%: June 30, 2020 to January 4, 2023 3.25%: September 30, 2020 to January 4, 2023 3.25%: December 31, 2020 to January 4, 2023 13%: 3.25%: March 31, 2021 to January 4, 2023 3.25%: June 30, 2021 to January 4, 2023 3.25%: September 30, 2021 to January 4, 2023 3.25%: December 31, 2021 to January 4, 2023 13%: 3.25%: March 31, 2022 to January 4, 2023 3.25%: June 30, 2022 to January 4, 2023 3.25%: September 30, 2022 to January 4, 2023 3.25%: December 31, 2022 to January 4, 2023	N/A	N/A
	349,440,000	11,356,800	-	11,356,800	-	-	-				

Other Information

Notes:

1. As 11,356,800 Shares, which is the last batch of Shares under the Share Grant Scheme were vested on December 31, 2022 and allotted on January 3, 2023, there were no Shares available for issue under the Share Grant Scheme as of the Latest Practicable Date.
2. The weighted average closing price of the Shares immediately before the dates of vesting of Shares is not applicable as there were no Shares vested during the six months ended June 30, 2023.
3. As no Shares have been granted under the Share Grant Scheme during the six months ended June 30, 2023, the disclosure of (i) closing price of the Shares immediately before the date on which the share grants were granted; and (ii) fair value are not applicable.

Save as disclosed above, the Company has not entered into any other share grant schemes.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally approved and adopted by our Shareholders on December 19, 2017 (the “Adoption Date”). 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.

The Board may, in its absolute discretion, offer to grant an option (an “Option”) to any director or employee of the Group, any customer of or supplier of goods or services to the Group, any customer of or supplier of goods or services to any entity in which the Group holds any equity interest (an “Invested Entity”), or any person or entity that provides research, development or technical support to the Group or any Invested Entity (each of whom a “Qualified Participant”). An offer for an Option must be accepted by the relevant Qualified Participant on a date not later than five business days after the Option is offered to a Qualified Participant. An amount of HK\$1.00 is payable as consideration for acceptance of the grant.

The maximum number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company shall not exceed 130,000,000 Shares, representing approximately 1.9% of the share capital of the Company in issue at the Adoption Date (the “Option Limit”) provided that:

- (i) the Company may seek approval by Shareholders in a general meeting to refresh the Option Limit; and
- (ii) the Company may seek separate Shareholders’ approval in a general meeting to grant Options beyond the Option Limit provided that the Options in excess of the Option Limit are granted only to Qualified Participants specifically identified by the Company before such approval is sought,

subject to the limitation that the maximum number of Shares which may be issued or issuable upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

The maximum number of Shares (issued and to be issued upon the exercise of Options) in respect of which Options may be granted under the Share Option Scheme to any one grantee in any 12-month period shall not exceed 1% of the share capital of the Company in issue unless approval of the Shareholders has been obtained in accordance with the Listing Rules.

The Share Option Scheme was in force from the Adoption Date up to (and including) December 31, 2018. As of the Latest Practicable Date, the Share Option Scheme has expired. A grantee may subscribe for Shares during such period as may be determined by the Directors (which shall not be more than 10 years from the date of grant of the relevant Option and may include the minimum period, if any, for which an Option must be held before it can be exercised). The Directors may, at their absolute discretion, specify at the time of the grant, the performance targets (if any) that must be achieved before the Option can be exercised.

The exercise price of an Option shall not be less than the higher of (i) the closing price per Share as stated in the Stock Exchange's daily quotations sheet on the date of the grant of the Option; (ii) the average closing price per Share as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of the grant of the Option; and (iii) nominal value of the Shares.

For further details about the Share Option Scheme, please refer to the Company's circular dated December 4, 2017.

Other Information

As of June 30, 2023, details of the interests of other employee participants under the Share Option Scheme are set out below:

Name or category of participant	Number of share options							Date of grant of share options ¹	Exercise period of share options (both dates inclusive) ¹	Closing price of the Shares immediately before the date on which the share grants were granted	Exercise price of share options	Weighted average closing price of the Shares immediately before the date(s) on which share options were exercised ⁴	Fair value of share options at date of grant ⁴
	Total number of Shares granted	Outstanding as of January 1, 2023	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Balance as of June 30, 2023 ¹						
Employees in aggregate	183,000	63,000	-	-	-	-	63,000	December 28, 2018	33 1/3%: December 28, 2019 to December 28, 2024; 33 1/3%: December 28, 2020 to December 28, 2024; 33 1/3%: December 28, 2021 to December 28, 2024	3.380	3.422	N/A	N/A
	31,580,000	17,160,000	-	-	922,500	307,500	15,930,000	December 28, 2018	25%: December 28, 2019 to December 28, 2025; 25%: December 28, 2020 to December 28, 2025; 25%: December 28, 2021 to December 28, 2025; 25%: December 28, 2022 to December 28, 2025	3.380	3.422	N/A	N/A
	31,763,000	17,223,000	-	-	922,500	307,500	15,993,000						

Notes:

- The total number of Shares available for issue under the Share Option Scheme is 15,993,000 Shares, representing approximately 0.22% of the issued Shares as of the Latest Practicable Date.

2. As the Share Option Scheme has expired, (i) there were no share options available for grant under the Share Option Scheme during the six months ended June 30, 2023 and (ii) the disclosure of fair value is not applicable.
3. The share options will/were vested on every December 28 of each exercise period. For details, please refer to Note 24(b) to the interim condensed consolidated financial information.
4. The weighted average closing price of the Shares immediately before the dates of which the share options were exercised is not applicable as no share options have been exercised during the six months ended June 30, 2023.

Save as disclosed above, the Company has not entered into any other share option scheme.

RESTRICTED SHARE AWARD SCHEMES

The First Restricted Share Award Scheme

The First Restricted Share Award Scheme was approved and adopted by the Company on January 31, 2018 and amended on May 15, 2018. The purpose of the First Restricted Share Award Scheme is to recognize the contributions by the selected participants, to give them incentives to achieve performance goals, and to attract suitable personnel for further development of the Group. The selected participants under the First Restricted Share Award Scheme include any individual being an employee, officer, agent or consultant of the Company or any subsidiary of the Company, who is not (i) a core connected person of the Company (as defined under the Listing Rules) or (ii) a person who is not recognized by the Hong Kong Stock Exchange as a member of “the public” under Rule 8.24 of the Listing Rules.

The maximum number of Shares which may be administered under the First Restricted Share Award Scheme shall not exceed 673,385,488 Shares, representing approximately 10% of the share capital of the Company as of the date of the Board’s approval of the First Restricted Share Award Scheme and approximately 9.24% of the share capital of the Company as of the Latest Practicable Date, or such other limit as determined by the administration committee of the First Restricted Share Award Scheme at its sole discretion. The maximum number of Shares which may be granted to a selected participant at any one time or in aggregate may not exceed 67,338,548 Shares, being 1% of the issued share capital of the Company as of the date of the Board’s approval of the First Restricted Share Award Scheme.

The First Restricted Share Award Scheme remains valid and effective for a period of ten years from the date of the Board’s approval of the First Restricted Share Award Scheme, up to (and including) January 31, 2028, and can be terminated and extended by a resolution of the Board. As of the Latest Practicable Date, the remaining life of the First Restricted Share Award Scheme is approximately four years and six months.

Please refer to the Company’s announcement dated May 21, 2018 for further details of the First Restricted Share Award Scheme.

Other Information

As of June 30, 2023, the trustee of the First Restricted Share Award Scheme had purchased 213,642,000 Shares on the Stock Exchange for a total consideration of HK\$736,383,975.72 and 11,909,000 Shares had been granted to the selected participants.

As of June 30, 2023, details of the interests of other employee participants under the First Restricted Share Award Scheme are set out below:

Number of Shares granted under the First Restricted Share Award Scheme												
Name or category of participant	Total number of Shares granted	Balance as of January 1, 2023	Granted during the period	Vested during the period	Lapsed during the period	Cancelled during the period	Balance as of June 30, 2023 ¹	Date of grant of share awards	Vesting period of share awards	Closing price of the Shares immediately before the date on which the awards were granted	Weighted average closing price of the Shares immediately before the date(s) on which awards were vested ¹	Fair value of awards at date of grant ²
										HKS	HKS	HKS
Employees in aggregate	2,068,000	-	2,068,000	2,068,000	-	-	-	April 17, 2023	100% Vested on April 17, 2023	1.92	1.92	1.87
	2,068,000	-	2,068,000	2,068,000	-	-	-					

Notes:

- The total number of Shares available for grant under the First Restricted Share Award Scheme is 201,733,000 Shares, representing approximately 2.77% of the issued Shares as of the Latest Practicable Date.
- Purchase price is not applicable for the Shares awarded under the First Restricted Share Award Scheme as all Shares awarded under the First Restricted Share Award Scheme are granted at nil consideration.
- Details of the accounting standards and policies adopted are set out in Note 3 to the interim condensed consolidated financial information.

The Second Restricted Share Award Scheme

The Second Restricted Share Award Scheme was approved and adopted by the Company on February 11, 2019. The purpose of the Second Restricted Share Award Scheme is to recognize the contributions by the selected participants, to give them incentives to achieve performance goals, and to attract suitable personnel for further development of the Group. The selected participants under the Second Restricted Share Award Scheme include any individual being a Director (including executive and non-executive Director), employee, officer, agent or consultant of the Company or any subsidiary of the Company.

The maximum number of Shares which may be administered under the Second Restricted Share Award Scheme shall not exceed 674,353,688 Shares, representing approximately 10% of the share capital of the Company as of the date of the adoption of the Second Restricted Share Award Scheme and approximately 9.25% of the share capital of the Company of the Latest Practicable Date, or such other limit as determined by the administration committee of the Second Restricted Share Award Scheme at its sole discretion. The maximum number of Shares which may be granted to a selected participant at any one time or in aggregate may not exceed 67,435,368 Shares, being 1% of the issued share capital of the Company as of the date of the adoption of the Second Restricted Share Award Scheme.

The Second Restricted Share Award Scheme remains valid and effective for a period of ten years from the adoption of the Second Restricted Share Award Scheme, up to (and including) November 13, 2028, and can be terminated and extended by a resolution of the Board. As of the Latest Practicable Date, the remaining life of the Second Restricted Share Award Scheme is approximately five years and three months.

Please refer to the Company's announcement dated March 26, 2019 for further details of the Second Restricted Share Award Scheme.

As of June 30, 2023, the trustee of the Second Restricted Share Award Scheme had purchased 36,061,000 Shares on the Stock Exchange for a total consideration of HK\$83,926,079.63 and 33,573,000 Shares had been granted to the selected participants.

As of June 30, 2023, details of the interests of other employee participants under the Second Restricted Share Award Scheme are set out below:

Number of Shares granted under the Second Restricted Share Award Scheme												
Name or category of participant	Total number of Shares granted	Balance as of January 1, 2023	Granted during the period	Vested during the period	Lapsed during the period	Cancelled during the period	Balance as of June 30, 2023 ¹	Date of grant of share awards	Vesting period of share awards	Closing price of the Shares immediately before the date on which the awards were granted HK\$	Weighted average closing price of the Shares immediately before the date(s) on which awards were vested ¹ HK\$	Fair value of awards at date of grant ² HK\$
Employees in aggregate	1,552,000	-	1,552,000	1,552,000	-	-	-	April 17, 2023	100% Vested on April 17, 2023	1.92	1.92	1.87
	1,552,000	-	1,552,000	1,552,000	-	-	-					

Other Information

Notes:

1. The total number of shares available for grant under the Second Restricted Share Award Scheme is 3,004,000 Shares, representing approximately 0.04% of the issued Shares as of the Latest Practicable Date.
2. Purchase price is not applicable for the Shares awarded under the Second Restricted Share Award Scheme as all Shares awarded under the Second Restricted Share Award Scheme are granted at nil consideration.
3. Details of the accounting standards and policies adopted are set out in Note 3 to the interim condensed consolidated financial information.

Save as disclosed above, the Company has not entered into any other share award schemes.

The total number of Shares that may be issued in respect of options and awards granted under all share schemes of the Company during the six months period ended June 30, 2023 divided by the weighted average number of Shares in issue for the six months period ended June 30, 2023 was 0.23%.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save as disclosed under the section headed "Restricted Share Award Schemes", during the six months ended June 30, 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICE

The Board is committed to maintaining high corporate governance standards.

During the six months ended June 30, 2023, the Company had applied the principles as set out in the CG Code contained in Appendix 14 to the Listing Rules which are applicable to the Company, and had complied with all applicable code provisions as set out in the CG Code, except the code provision as mentioned below.

Code provision C.2.1 states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. LU Sung-Ching is both the Company's chairman and chief executive officer, and is responsible for the overall management of our Group and directing the strategic development and business plans of our Group. Given the current stage of development of our Group, the Board believes that vesting the two roles in the same person provides our Company with strong and consistent leadership and facilitates the implementation and execution of our Group's business strategies. Also, the Board considers that this situation will not impair the balance of power and authority between the Board and the management of the Company because the balance of power and authority is governed by the operations of the Board which comprises experienced and high caliber individuals with demonstrated integrity. Furthermore, decisions of the Board are made by way of majority votes. The Board shall nevertheless review the structure from time to time in light of the prevailing circumstances. The Board will continue to review the situation and consider splitting the roles of chairman and chief executive officer in due course after taking into account the then overall circumstances of the Group.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. The Company has made specific inquiries to all Directors about their compliance with the Model Code, and they all confirmed that they complied with the standards specified in the Model Code during the six months ended June 30, 2023.

DISCLOSURE OF CHANGES IN DIRECTORS' INFORMATION

Changes in Directors' biographical details from the publication of the Company's 2022 annual report up to the Latest Practicable Date, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Name of Director	Details of Changes
TRAINOR-DEGIROLAMO Sheldon	Appointed as an independent director, chairman of the audit committee and member of the nominating and corporate governance committee of Bitdeer Technologies Group, a company listed on the NASDAQ (ticker symbol: BTDR) on April 13, 2023.
HUANG Pi-Chun	Appointed as a non-executive Director with effect from August 7, 2023. The biography details of Ms. HUANG Pi-Chun were set out in the Company's announcement dated August 7, 2023.

Save as disclosed above, there is no other information in respect of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the Company's 2022 annual report.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Messrs. TANG Kwai Chang, CURWEN Peter D, and CHAN Wing Yuen Hubert. The unaudited interim condensed consolidated financial information of our Group for the six months ended June 30, 2023 and this interim report have been reviewed by the Audit Committee.

PricewaterhouseCoopers, the external auditor of the Company, has also reviewed the unaudited interim condensed consolidated financial information for the period in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board.

APPENDIX 16 TO THE LISTING RULES

According to paragraph 40 of Appendix 16 to the Listing Rules headed “Disclosure of Financial Information”, save as disclosed herein, the Company confirms that the Company’s current information in relation to those matters set out in paragraph 32 of Appendix 16 has not been changed significantly from the information disclosed in the Company’s 2022 annual report.

SUFFICIENCY OF PUBLIC FLOAT

Reference is made to the section headed “Waivers from Compliance with the Listing Rules – Waiver in relation to Public Float” in the Prospectus which states that the Company’s minimum public float will be the higher of (a) 15% of the total issued share capital of the Company; (b) such percentage of Shares held by the public immediately after completion of the Global Offering (as defined in the Prospectus) (assuming the Over-allotment Option (as defined in the Prospectus) is not exercised); or (c) such percentage of Shares to be held by the public after the exercise of the Over-allotment Option (as defined in the Prospectus), of the enlarged issued share capital of the Company. The applicable minimum public float for the Shares is 20.48%. Based on the information made publicly available to the Company and to the best of the Directors’ knowledge, information and belief, the Company had maintained sufficient public float as approved by the Stock Exchange and as permitted under the Listing Rules throughout the six months ended June 30, 2023.

Definitions

“Audit Committee”	the audit committee of the Board;
“Board” or “Board of Directors”	the board of Directors of the Company;
“China” or “PRC”	the People’s Republic of China; for the purpose of this interim report only, references to “China” or the “PRC” do not include Taiwan, the Macau Special Administrative Region and Hong Kong;
“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;
“Corporate Governance Code” or “CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules;
“Director(s)”	director(s) of the Company;
“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);
“Group”, “our 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), which is 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 report, excluding the Group;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“IFRS”	International Financial Reporting Standards;
“IPO”	the initial public offering of Shares and listing of the Company on the Stock Exchange on July 13, 2017;
“Latest Practicable Date”	August 7, 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this interim report;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and supplemented from time to time;

Definitions

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules;
“Prospectus”	the prospectus dated June 29, 2017 issued by the Company;
“Remuneration Committee”	the remuneration committee of the Board;
“Restricted Share Award Schemes”	the First Restricted Share Award Scheme and the Second Restricted Share Award Scheme;
“RMB”	Renminbi, the lawful currency of the PRC;
“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);
“Share(s)”	ordinary share(s) with nominal value of US\$0.01953125 each in the issued capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Share Grant Scheme”	the share grant scheme approved and adopted by the Company on January 5, 2015, and the Board further adopted the rules and interpretations thereof on November 4, 2016;
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Shareholders on December 19, 2017 and expired on December 31, 2018;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“U.S.” or “United States”	the United States of America;
“US\$”, “USD” or “U.S. dollar(s)”	United States dollars, the lawful currency of the United States;
“Vietnam”	the Socialist Republic of Vietnam;
“VND”	Vietnamese dong, the lawful currency of Vietnam; and
“%”	percent.