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FIH® **富智康**™
FIH Mobile Limited
富智康集團有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 2038)

CONTINUING CONNECTED TRANSACTIONS

Financial Adviser



The Group and the Hon Hai Group have been carrying out the Continuing Connected Transactions from time to time upon and subject to the terms and conditions set out in the Existing Agreements. The Existing Agreements will expire on 31 December 2019. On the date of this announcement, the Company entered into the Supplemental Agreements with Hon Hai (among other things) to extend the current term of the Existing Agreements for three years from 1 January 2020 to 31 December 2022 (both dates inclusive), and in particular, the EGM Supplemental Agreements will become effective only after the passing of the resolutions in respect of the EGM Supplemental Agreements by the Independent Shareholders at the EGM. The Company has also set new or proposed (as the case may be) annual caps for each of the Continuing Connected Transactions for the three years ending 31 December 2022.

Based on the maximum amount of the new annual caps for the three years ending 31 December 2022 in respect of each of the Other Transactions, at least one of the applicable percentage ratios (other than profits ratio), on an annual basis, is 0.1% or more but all the applicable percentage ratios are less than 5%. In accordance with Rule 14A.76(2) of the Listing Rules, the Other Transactions together with their respective annual caps for the three years ending 31 December 2022 and the Other Supplemental Agreements are exempt from the circular (including independent financial advice) and the Independent Shareholders' approval requirements.

Based on the maximum amount of the proposed annual caps for the three years ending 31 December 2022 in respect of each of the Non-exempt Continuing Connected Transactions and in view of the connections between the Non-real Property Lease Expense Transaction and the Product Sales Transaction, each of the Non-exempt Continuing Connected Transactions constitutes a non-exempt continuing connected transaction for the Company under the Listing Rules. Accordingly, the Non-exempt Continuing Connected Transactions, the proposed annual caps in respect of each of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2022 and the EGM Supplemental Agreements are subject to the approval of the Independent Shareholders at the EGM.

The Company will convene the EGM to seek the Independent Shareholders' approval for the Non-exempt Continuing Connected Transactions, the proposed annual caps in respect of each of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2022 and the EGM Supplemental Agreements. The Company has established the Independent Board Committee and has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. A circular is expected to be despatched to the Shareholders on or before 30 October 2019.

BACKGROUND

References are made to the announcements of the Company relating to continuing connected transactions dated 11 August 2016, 13 April 2017, 11 August 2017, 1 November 2017 and 8 March 2018, and the circulars of the Company dated 1 September 2016, 8 May 2017 and 30 August 2017, and also the announcements of the Company relating to poll results of extraordinary general meetings dated 21 September 2016, 25 May 2017 and 21 September 2017, in respect of (among other things) the Continuing Connected Transactions and their respective annual cap amounts for the three years ending 31 December 2019.

The Group is a vertically integrated manufacturing service provider for the handset industry worldwide. It provides a wide range of manufacturing services to its customers in connection with the production of handsets.

The Hon Hai Group is the leading global manufacturing service provider in the 3C industries. Hon Hai is the ultimate controlling shareholder of the Company holding approximately 61.86% of the total number of issued shares of the Company.

The Group and the Hon Hai Group have been carrying out the Continuing Connected Transactions from time to time upon and subject to the terms and conditions set out in the Existing Agreements. The Existing Agreements will expire on 31 December 2019. The Board wishes to ensure the continuation of the on-going transactions of movable properties, non-movable properties, products and services under the Existing Agreements.

Accordingly, on the date of this announcement, the Company entered into the Supplemental Agreements with Hon Hai (among other things) to extend the current term of the Existing Agreements for three years commencing from 1 January 2020. Save for (i) the aforesaid extension of the current term of each of the Existing Agreements; and (ii) the expansion of the scope of services or products (as the case may be) as the subject matters to be provided under the Purchase Agreement, the Framework Product Sales Agreement, the Framework Equipment Purchase Agreement and the Sub-contracting Income Agreement respectively in anticipation of the future business expansion and developments of the Group or the Hon Hai Group (as the case may be) as more particularly described below, the other principal terms and conditions of each of the Existing Agreements shall remain unchanged and in full force and effect. The Existing Agreements (as amended and supplemented from time to time) are just framework agreements which set out the general/basic principles governing the transactions between the Group and the Hon Hai Group in respect of the Continuing Connected Transactions. According to the Existing Agreements, the Company (or any other member of the Group) and Hon Hai (or any other member of the Hon Hai Group) may enter into a separate lease agreement, purchase order and/or other forms of agreement setting out the detailed terms and conditions (including but not limited to the transaction amount, payment terms and delivery date) for each transaction contemplated under the framework of the relevant Continuing Connected Transactions, such separate agreements to be consistent with the corresponding Existing Agreements in all material respects. The terms (including but not limited to the price or transaction fee) in respect of the transactions contemplated under the framework of the relevant Continuing Connected Transactions will be determined based on arm's length negotiations between the contracting parties to such separate agreements.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

(A) Purchase of products or services, lease of movable properties or purchase of equipment from the Hon Hai Group by the Group

1. Purchase Transaction

Pursuant to the Purchase Agreement, the Group has agreed to purchase materials and components that may be used in the handset manufacturing services business of the Group from the Hon Hai Group for a term up to 31 December 2019 upon and subject to the terms and conditions set out therein.

On the date of this announcement, the Company and Hon Hai entered into the Supplemental Purchase Agreement, which will become effective only after the passing of the resolutions in respect of the Supplemental Purchase Agreement by the Independent Shareholders at the EGM, to amend certain terms of the Purchase Agreement. Pursuant to the Supplemental Purchase Agreement, (i) the scope of the products as the subject matter to be purchased under the Purchase Agreement will be expanded to cover such products (including but not limited to materials and components, tooling, light-guides and finished goods generally) manufactured, owned or held (coupled with interest) by the Hon Hai Group that may be used in

connection with or for the purposes of the businesses of the Group from time to time as well as such other products (including but not limited to any materials and components) as may be agreed between the Group and the Hon Hai Group from time to time, and in this respect, the scope of the aforesaid materials and components will be expanded to cover die-casting parts, flexible PCBs (printed circuit boards), PCBs, display/touch modules, heat sinks, work-in-progress generally and other materials and components that may be used in connection with or for the purposes of the businesses of the Group from time to time as well as such other materials and/or components as may be agreed between the Group and the Hon Hai Group from time to time; and (ii) the current term of the Purchase Agreement will be extended for three years from 1 January 2020 to 31 December 2022 (both dates inclusive).

Pricing Terms for the Purchase Transaction

Under the Purchase Transaction, the applicable price of the materials and components (to become the products pursuant to the Supplemental Purchase Agreement) to be purchased from the Hon Hai Group will be determined based on the following:

- (1) in respect of purchases from an Approved Vendor, at the price agreed between the supplier and the Group's customer; if not, at a price to be determined by reference to the average market price; or
- (2) where (1) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group upon the basis of the principle of "cost plus"; or
- (3) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group based on reasonable commercial principles.

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

Payment for the Purchase Transaction is usually made by the Group within 90 days after the date of the relevant invoice or the Group's accounting record posting date for the transaction (as the case may be).

These payment terms were usually adopted by the Group in its transactions with independent third parties or the Hon Hai Group. Such terms are on normal commercial terms and not more favourable than those offered by the Group to independent third parties.

2. *Non-real Property Lease Expense Transaction*

Pursuant to the Framework Non-real Property Lease Expense Agreement, the Group has agreed to lease the Non-real Properties from the Hon Hai Group as agreed between the parties from time to time for a term up to 31 December 2019 upon and subject to the terms and conditions set out therein.

On the date of this announcement, the Company and Hon Hai entered into the Supplemental Non-real Property Lease Expense Agreement, which will become effective only after the passing of the resolutions in respect of the Supplemental Non-real Property Lease Expense Agreement by the Independent Shareholders at the EGM, to extend the current term of the Framework Non-real Property Lease Expense Agreement for three years from 1 January 2020 to 31 December 2022 (both dates inclusive).

Pricing Terms for the Non-real Property Lease Expense Transaction

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

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

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

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

The rental under the Non-real Property Lease Expense Transaction will be payable by the Group to the Hon Hai Group within such period(s) agreed by the relevant parties from time to time on a case-by-case basis and is expected to be usually payable within 90 days after the date of the relevant invoice or the Group's accounting record posting date for the Non-real Property Lease Expense Transaction (as the case may be).

These payment terms were usually adopted by the Group in its transactions with independent third parties or the Hon Hai Group. Such terms are on normal commercial terms and not more favourable than those offered by the Group to independent third parties.

3. *Consolidated Services and Sub-contracting Expense Transaction*

Pursuant to the Consolidated Services and Sub-contracting Expense Agreement, the Hon Hai Group has agreed to provide certain services (including but not limited to research and development services, design services, repair services and sub-contracting services) to the Group for a term up to 31 December 2019 upon and subject to the terms and conditions set out therein.

On the date of this announcement, the Company and Hon Hai entered into the Supplemental Consolidated Services and Sub-contracting Expense Agreement, which will become effective only after the passing of the resolutions in respect of the Supplemental Consolidated Services and Sub-contracting Expense Agreement by the Independent Shareholders at the EGM, to extend the current term of the Consolidated Services and Sub-contracting Expense Agreement for three years from 1 January 2020 to 31 December 2022 (both dates inclusive).

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

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

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

- (2) where (1) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group upon the basis of the principle of “cost plus”; or
- (3) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group based on reasonable commercial principles.

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

Payment for the Consolidated Services and Sub-contracting Expense Transaction is usually made by the Group within 90 days after the date of the relevant invoice or the Group’s accounting record posting date for the transaction (as the case may be).

These payment terms were usually adopted by the Group in its transactions with independent third parties or the Hon Hai Group. Such terms are on normal commercial terms and not more favourable than those offered by the Group to independent third parties.

4. *Equipment Purchase Transaction*

Pursuant to the Framework Equipment Purchase Agreement, the Group has agreed to purchase equipment that may be used in the Group’s handset manufacturing services business from the Hon Hai Group from time to time for a term up to 31 December 2019 upon and subject to the terms and conditions set out therein.

On the date of this announcement, the Company and Hon Hai entered into the Supplemental Equipment Purchase Agreement, which will become effective only after the passing of the resolutions in respect of the Supplemental Equipment Purchase Agreement by the Independent Shareholders at the EGM. Pursuant to the Supplemental Equipment Purchase Agreement, (i) the scope of the equipment as the subject matter to be purchased under the Framework Equipment Purchase Agreement will be expanded to cover baking and coating lines and other equipment that is manufactured, owned or held (coupled with interest) by the Hon Hai Group which may be used in connection with or for the purposes of the Group’s businesses from time to time (including but not limited to new equipment that is manufactured or purchased or procured from third parties by the Hon Hai Group, and used equipment that has previously been used by the Hon Hai Group) as well as such other equipment as may be agreed between the Hon Hai Group and the Group from time to time; and (ii) the current term of the Framework Equipment Purchase Agreement will be extended for three years from 1 January 2020 to 31 December 2022 (both dates inclusive).

Pricing Terms for the Equipment Purchase Transaction

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

- (1) at the book value of the relevant equipment as recorded in the accounts of the relevant member of the Hon Hai Group; or
- (2) if (1) above is not appropriate or applicable, at a price to be determined by reference to the average market price; or
- (3) where (1) and (2) above are not appropriate or applicable, at a price to be agreed between the relevant parties on the basis of the principle of “cost plus”; or
- (4) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the parties based on reasonable commercial principles.

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

Payment for the Equipment Purchase Transaction is usually made by the Group within 120 days after the date of the relevant invoice.

These payment terms were usually adopted by the Group in its transactions with independent third parties or the Hon Hai Group. Such terms are on normal commercial terms and not more favourable than those offered by the Group to independent third parties.

(B) Sale of products or services to the Hon Hai Group by the Group

5. *Product Sales Transaction*

Pursuant to the Framework Product Sales Agreement, the Group has agreed to sell or procure its subsidiaries to sell to the Hon Hai Group parts or other products manufactured or owned by the Group for a term up to 31 December 2019 upon and subject to the terms and conditions set out therein.

On the date of this announcement, the Company and Hon Hai entered into the Supplemental Product Sales Agreement, which will become effective only after the passing of the resolutions in respect of the Supplemental Product Sales Agreement by the Independent Shareholders at the EGM, to amend certain terms of the Framework Product Sales Agreement. Pursuant to the Supplemental Product Sales Agreement, (i) the scope of the products as the subject matter to be sold under the Framework Product Sales Agreement will be expanded to cover such products (including but not limited to materials and components, tooling, light-guides and finished goods generally) manufactured, owned or held (coupled with interest) by the Group that may be used in connection with or for the purposes of the businesses of the Hon Hai Group from time to time as well as such other products (including but not limited to any materials and components) as may be agreed between the Group and the Hon Hai Group from time to time, and in this respect, the scope of the aforesaid materials and components will be expanded to cover die-casting parts, flexible PCBs (printed circuit boards), PCBs, display/touch modules, heat sinks, work-in-progress generally and other materials and components that may be used in connection with or for the purposes of the businesses of the Hon Hai Group from time to time as well as such other materials and/or components as may be agreed between the Group and the Hon Hai Group from time to time; and (ii) the current term of the Framework Product Sales Agreement will be extended for three years from 1 January 2020 to 31 December 2022 (both dates inclusive).

Pricing Terms for the Product Sales Transaction

Under the Product Sales Transaction, the applicable price of the products (including but not limited to materials and components) to be sold to the Hon Hai Group will be determined based on the following:

- (1) where the Group has been approved or otherwise designated by the relevant customers of the Hon Hai Group, at the price agreed between the Group and such customers; if not, at a price to be determined by reference to the average market price; or
- (2) where (1) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group upon the basis of the principle of “cost plus”; or
- (3) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group based on reasonable commercial principles.

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

Payment for the Product Sales Transaction is usually received by the Group within 90 days after the date of the relevant invoice.

These payment terms were usually adopted by the Group in its transactions with independent third parties or the Hon Hai Group. Such terms are on normal commercial terms and not more favourable than those offered by the Group to independent third parties.

6. *Sub-contracting Income Transaction*

Pursuant to the Sub-contracting Income Agreement, the Hon Hai Group has agreed to engage the Group to provide certain services (such as molding, metal stamping for handsets and desktop computers, handset repair services and other services) to the Hon Hai Group for a term up to 31 December 2019 upon and subject to the terms and conditions set out therein.

On the date of this announcement, the Company and Hon Hai entered into the Supplemental Sub-contracting Income Agreement, which will become effective only after the passing of the resolutions in respect of the Supplemental Sub-contracting Income Agreement by the Independent Shareholders at the EGM, to amend certain terms of the Sub-contracting Income Agreement. Pursuant to the Supplemental Sub-contracting Income Agreement, (i) the scope of the services as the subject matter to be provided under the Sub-contracting Income Agreement will be expanded to cover handset and in-mould labelling research and development and other research and development services; handset and other design services; handset and mould and other repair services; molding, electroplating, metal stamping for handsets and desktop computers and other services that may form part of or be provided as part of the businesses of the Hon Hai Group from time to time; the use of technical equipment and facilities owned or leased by the Group to support the foregoing; the provision of personnel and other resources as may be required to support the foregoing; and such other services and/or sub-contracting as may be agreed between the Hon Hai Group and the Group from time to time; and (ii) the current term of the Sub-contracting Income Agreement will be extended for three years from 1 January 2020 to 31 December 2022 (both dates inclusive).

Pricing Terms for the Sub-contracting Income Transaction

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

- (1) where the Group has been approved or otherwise designated by the relevant customers of the Hon Hai Group, at the price agreed between the Group and such customers; if not, at a price to be determined by reference to the average market price; or
- (2) where (1) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group upon the basis of the principle of “cost plus”; or
- (3) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group based on reasonable commercial principles.

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

Payment for the Sub-contracting Income Transaction is usually received by the Group within 90 days after the date of the relevant invoice.

These payment terms were usually adopted by the Group in its transactions with independent third parties or the Hon Hai Group. Such terms are on normal commercial terms and not more favourable than those offered by the Group to independent third parties.

OTHER TRANSACTIONS

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

(A) Purchase of services or lease of non-movable properties from the Hon Hai Group by the Group

7. *General Services Expense Transaction*

Pursuant to the General Services Expense Agreement, the Hon Hai Group has agreed to provide general administrative, support, utility and other related services to the Group for a term up to 31 December 2019 upon and subject to the terms and conditions set out therein.

On the date of this announcement, the Company entered into the Supplemental General Services Expense Agreement with Hon Hai to extend the current term of the General Services Expense Agreement for three years from 1 January 2020 to 31 December 2022 (both dates inclusive), which Supplemental General Services Expense Agreement will become effective from (and inclusive of) 1 January 2020.

Pricing Terms for the General Services Expense Transaction

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

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

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

At present, the Hon Hai Group mainly charges the Group for the cost of the General Services Expense Transaction based on the actual costs incurred by the Hon Hai Group (including but not limited to utility charges in accordance with any state-determined prices) and certain allocation bases as agreed between the parties from time to time depending on the nature of the General Services Expense

Transaction. The Company considers that the historic and present allocation bases and ratios are fair and reasonable. The Company will endeavour to agree with Hon Hai on any future allocation bases and ratios on a fair and equitable basis.

Payment for the General Services Expense Transaction is usually made by the Group within 45 days after the date of the relevant invoice.

These payment terms were usually adopted by the Group in its transactions with independent third parties or the Hon Hai Group. Such terms are on normal commercial terms and not more favourable than those offered by the Group to independent third parties.

8. *Lease Expense Transaction*

Pursuant to the Framework Lease Expense Agreement, the Hon Hai Group has agreed to lease premises owned by it and located worldwide to the Group from time to time as requested by the Group for a term up to 31 December 2019 upon and subject to the terms and conditions set out therein.

On the date of this announcement, the Company entered into the Supplemental Lease Expense Agreement with Hon Hai to extend the current term of the Framework Lease Expense Agreement for three years from 1 January 2020 to 31 December 2022 (both dates inclusive), which Supplemental Lease Expense Agreement will become effective from (and inclusive of) 1 January 2020.

Pricing Terms for the Lease Expense Transaction

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

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

Under the Lease Expense Transaction, the Group leases real properties from the Hon Hai Group mostly manufacturing premises for handset manufacturing. As the locations and the conditions of the properties vary, the Group is not able to fix the rentals but has instead agreed to the pricing terms set out above.

The relevant parties may enter into a separate specific lease agreement for the relevant premises leased by the Group under the Framework Lease Expense Agreement.

The rentals for the Lease Expense Transaction are usually payable on a monthly basis.

These payment terms were usually adopted by the Group in its transactions with independent third parties or the Hon Hai Group. Such terms are on normal commercial terms and not more favourable than those offered by the Group to independent third parties.

(B) Sale of equipment, lease of non-movable properties or provision of services to the Hon Hai Group by the Group

9. *Equipment Sale Transaction*

Pursuant to the Framework Equipment Sale Agreement, the Group has agreed to sell equipment that is owned by the Group and which may be used in the Hon Hai Group's businesses to the Hon Hai Group from time to time for a term up to 31 December 2019 upon and subject to the terms and conditions set out therein.

On the date of this announcement, the Company entered into the Supplemental Equipment Sale Agreement with Hon Hai to amend certain terms of the Framework Equipment Sale Agreement, which Supplemental Equipment Sale Agreement will become effective from (and inclusive of) 1 January 2020. Pursuant to the Supplemental Equipment Sale Agreement, (i) the scope of the equipment as the subject matter to be sold under the Framework Equipment Sale Agreement will be fine-tuned to mean molding equipment, baking and coating lines and other used equipment that may be manufactured, owned or held (coupled with interest) by the Group and which may be used in connection with or for the purposes of the Hon Hai Group's businesses from time to time, and (ii) the current term of the Framework Equipment Sale Agreement will be extended for three years from 1 January 2020 to 31 December 2022 (both dates inclusive).

Pricing Terms for the Equipment Sale Transaction

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

- (1) at the book value of the relevant equipment as recorded in the accounts of the relevant member of the Group; or
- (2) if (1) above is not appropriate or applicable, at a price to be determined by reference to the average market price; or
- (3) where (1) and (2) above are not appropriate or applicable, at a price to be agreed between the relevant parties on the basis of the principle of "cost plus"; or
- (4) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the parties based on reasonable commercial principles.

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

Payment for the Equipment Sale Transaction is usually received by the Group within 90 days after the date of the relevant invoice.

These payment terms were usually adopted by the Group in its transactions with independent third parties or the Hon Hai Group. Such terms are on normal commercial terms and not more favourable than those offered by the Group to independent third parties.

10. Lease Income Transaction

Pursuant to the Framework Lease Income Agreement, the Group has agreed to lease to the Hon Hai Group premises owned by it or any part thereof located worldwide as agreed between the Group and the Hon Hai Group from time to time for a term up to 31 December 2019 upon and subject to the terms and conditions set out therein.

On the date of this announcement, the Company entered into the Supplemental Lease Income Agreement with Hon Hai to extend the current term of the Framework Lease Income Agreement for three years from 1 January 2020 to 31 December 2022 (both dates inclusive), which Supplemental Lease Income Agreement will become effective from (and inclusive of) 1 January 2020.

Pricing Terms for the Lease Income Transaction

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

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

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

Under the Lease Income Transaction, as the locations and the conditions of the properties vary, the Group is not able to fix the rentals but has instead agreed to the pricing terms set out above.

The rental payable under the Framework Lease Income Agreement will be paid within such period agreed by the parties from time to time. The relevant parties will enter into a specific lease agreement for each of the premises leased by the relevant member company of the Group to the relevant member company of the Hon Hai Group pursuant to the Framework Lease Income Agreement. Under the current specific lease agreements, the rentals are payable by the relevant member company of the Hon Hai Group to the relevant member company of the Group either on a monthly or quarterly basis.

These payment terms were usually adopted by the Group in its transactions with independent third parties or the Hon Hai Group. Such terms are on normal commercial terms and not more favourable than those offered by the Group to independent third parties.

11. General Services Income Transaction

Pursuant to the General Services Income Agreement, the Group has agreed to provide, or procure third parties to provide, to the Hon Hai Group general administrative, support, utility and other services as the Group and the Hon Hai Group may agree from time to time for a term up to 31 December 2019 upon and subject to the terms and conditions set out therein.

On the date of this announcement, the Company entered into the Supplemental General Services Income Agreement with Hon Hai to extend the current term of the General Services Income Agreement for three years from 1 January 2020 to 31 December 2022 (both dates inclusive), which Supplemental General Services Income Agreement will become effective from (and inclusive of) 1 January 2020.

Pricing Terms for the General Services Income Transaction

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

- (1) where there is a price determined by the relevant government authority, at such government-determined price; or
- (2) where there is no government-determined price, at the market price; or
- (3) where there is no government-determined price or market price, at a price to be agreed between the parties on the basis of the principle of “cost plus”; or

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

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

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

Payment for the General Services Income Transaction is usually made by the Hon Hai Group within 45 days after the date of the relevant invoice.

These payment terms were usually adopted by the Group in its transactions with independent third parties or the Hon Hai Group. Such terms are on normal commercial terms and not more favourable than those offered by the Group to independent third parties.

PRICING DETAILS

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

Pricing terms

Pricing details

Non-exempt Continuing Connected Transactions

(A) *Purchase of products or services, lease of movable properties or purchase of equipment from the Hon Hai Group by the Group*

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

Pricing details

- (b) where (a) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group upon the basis of the principle of “cost plus”; or
- Cost plus is determined based on the Hon Hai Group’s cost of the materials and components (and other products) to be purchased by the Group plus a margin as agreed between the Group and the Hon Hai Group. The materials/components(/other products) mainly include casing modules and camera modules which are tailor-made by the Hon Hai Group according to the Group’s or its customers’ unique specifications. In determining the margin, the Group takes into account the margin for materials and/or components (and/or other products) of similar nature in the market by way of referring to margins for sales of materials and/or components (and/or other products) of similar nature by the Group to independent customers, or (if the Group has no recent sale transaction of similar materials and/or components (and/or other products) or if the Group has not sold similar materials and/or components (and/or other products) before) by the Hon Hai Group to independent customers. In general, the Group will select one independent transaction (most related to the subject material/component(/other product) in nature) within six months of the proposed transaction with the Hon Hai Group to determine the margin. In case there is no recent sale of materials and/or components (and/or other products) of similar nature by the Group or the Hon Hai Group (as the case may be) to independent customers, the Group will make reference to the historical margin for sales of materials and/or components (and/or other products) of similar nature by the Group to independent customers.
- (c) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group based on reasonable commercial principles.
- In consideration of its inventory optimisation management, the Hon Hai Group may agree to prices lower than costs and market prices. In such cases, the Group would make the purchases at such lower prices as agreed by the Hon Hai Group. The Group shall review and ensure that such prices are lower than costs and market prices.
- This pricing term has not been applied since 2015 but remains to be relevant to cater to such circumstances in the future.
2. Non-real Property Lease Expense Transaction
- (a) the rental payable by the Group under the Non-real Property Lease Expense Transaction shall be determined on a fair and reasonable basis with reference to the average market rental of other similar properties in the market; or
- For the purpose of obtaining market rentals, the Group refers to recent lease transaction(s) of the Group of similar Non-real Properties from independent third parties, if available. In general, the Group will select at least one independent transaction or (if independent transactions are not available) two quotations from independent lessors within six months of the proposed transaction with the Hon Hai Group in order to determine the average market rental or the market rental (if there is only one independent transaction available).

Pricing terms

Pricing details

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| (b) if the average market rental is not available, the rental payable under the Non-real Property Lease Expense Transaction shall be determined on a “cost plus” basis; or | Cost plus is determined based on the Hon Hai Group’s relevant cost of the transaction plus a margin as agreed between the Group and the Hon Hai Group. In determining the margin, the Group takes into account the margin for lease of Non-real Properties of similar nature in the market by way of referring to margins for the Group’s lease of Non-real Properties of similar nature from independent parties. In general, the Group will select one independent transaction (most related to the subject Non-real Property in nature) within six months of the proposed transaction with the Hon Hai Group to determine the margin. In case there is no recent lease of Non-real Properties of similar nature by the Group from independent parties, the Group will make reference to the historical margins for the Group’s lease of Non-real Properties of similar nature from independent parties. The cost is usually determined on the basis of the depreciation charge and the related costs of the Non-real Property such as interests and insurance costs. |
| (c) if both the average market rental basis and the “cost plus” basis are not appropriate or applicable, the rental payable under the Non-real Property Lease Expense Transaction shall be agreed between the relevant parties based on reasonable commercial principles. | In consideration of its Non-real Properties utilisation management, the Hon Hai Group may agree to prices lower than costs and market prices. In such cases, the Group would lease such Non-real Properties from the Hon Hai Group at such lower prices as agreed by the Hon Hai Group. The Group shall review and ensure that such prices are lower than costs and market prices.

This pricing term has not been applied since 2015 but remains to be relevant to cater to such circumstances in the future. |
| 3. Consolidated Services and Sub-contracting Expense Transaction | (a) where the Hon Hai Group has been approved or otherwise designated by the relevant customers of the Group, at the price agreed between the Hon Hai Group and such customers; if not, at a price to be determined by reference to the average market price; or

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

Pricing terms

Pricing details

Where the Hon Hai Group is not approved or otherwise designated by the Group's customers, the price is determined by reference to the average market price or the market price (if there is only one independent transaction available). For the purpose of obtaining market prices, the Group refers to recent transaction(s) of the Group involving the purchase of similar sub-contracting services from independent service providers or quotations from independent service providers, if available. In general, the Group will select at least one independent transaction or (if independent transactions are not available) two quotations from independent service providers within six months of the proposed transaction with the Hon Hai Group in order to determine the average market price or the market price (if there is only one independent transaction available).

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

Cost plus is determined based on the Hon Hai Group's cost of the sub-contracting services provided to the Group plus a margin as agreed between the Group and the Hon Hai Group. In determining the margin, the Group takes into account the margin for sub-contracting services of similar nature in the market by way of referring to margins for the Group's provision of sub-contracting services of similar nature to independent customers. In general, the Group will select one independent transaction (most related to the subject sub-contracting service in nature) within six months of the proposed transaction with the Hon Hai Group to determine the margin. In case there is no recent provision of sub-contracting services of similar nature by the Group to independent customers, the Group will make reference to the margins of the historical transactions involving the Group's provision of sub-contracting services of similar nature to independent customers.

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

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

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

4. Equipment Purchase Transaction

- (a) at the book value of the relevant equipment as recorded in the accounts of the relevant member of the Hon Hai Group; or

The book value of the equipment is based on the accounting records of the relevant member of the Hon Hai Group. This pricing is applied mainly for used equipment. Given that the specifications and conditions of the used equipment purchased from the Hon Hai Group vary, market prices may not be available. As such, the Group considers that it is fair and reasonable to set a price based on the book value of the equipment as reported in the relevant accounting records in accordance with the International Financial Reporting Standards.

Pricing terms**Pricing details**

- (b) if (a) above is not appropriate or applicable, at a price to be determined by reference to the average market price; or
- The average market price is based on quotations provided by independent suppliers, if available. In general, the Group will select at least one independent transaction or (if independent transactions are not available) two quotations from independent suppliers within six months of the proposed transaction with the Hon Hai Group in order to determine the average market price.
- This pricing is applied mainly for new equipment manufactured by the Hon Hai Group.
- (c) where (a) and (b) above are not appropriate or applicable, at a price to be agreed between the relevant parties on the basis of the principle of “cost plus”; or
- Cost plus is determined based on the cost of the equipment purchased from the Hon Hai Group plus a margin as agreed between the Group and the Hon Hai Group. In determining the margin, the Group takes into account the margin for equipment of similar nature in the market by way of referring to margins for the Hon Hai Group’s sales, or (if the Hon Hai Group has no recent sale transaction of similar equipment or if the Hon Hai Group has not sold such similar equipment before) the Group’s sales (if available) of equipment of similar nature to independent customers. In general, the Group will select one independent transaction (most related to the subject equipment in nature) within six months of the proposed transaction with the Hon Hai Group to determine the margin. In case there is no recent sale of equipment of similar nature to independent customers by the Group or the Hon Hai Group, the Group will make reference to the margins of the historical transactions involving the sales of equipment of similar nature to independent customers by the Group or the Hon Hai Group.
- (d) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the parties based on reasonable commercial principles.
- In consideration of its equipment utilisation management, the Hon Hai Group may agree to prices lower than book value, costs and market prices. In such cases, the Group would purchase the equipment from the Hon Hai Group at such lower prices as agreed by the Hon Hai Group. The Group shall review and ensure that such prices are lower than book value, costs and market prices.
- This pricing term has not been applied since 2015 but remains to be relevant to cater to such circumstances in the future.

Pricing terms**Pricing details***(B) Sale of products or services to the Hon Hai Group by the Group*

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| 5. Product Sales Transaction | (a) where the Group has been approved or otherwise designated by the relevant customers of the Hon Hai Group, at the price agreed between the Group and such customers; if not, at a price to be determined by reference to the average market price; or | Where the Group is approved or otherwise designated by the customers of the Hon Hai Group to supply parts or other products to the Hon Hai Group, the products are sold at prices agreed between the Group and the Hon Hai Group's customers (without the Hon Hai Group's direct involvement).

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

For the purpose of obtaining market prices, the Group refers to recent sales/purchases transaction(s) of the Group of same products to/from independent customers/suppliers, if available. In general, the Group will select at least one independent transaction or (if independent transactions are not available) two quotations from independent customers/suppliers within six months of the proposed transaction with the Hon Hai Group in order to determine the average market price or the market price (if there is only one independent transaction available). |
| | (b) where (a) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group upon the basis of the principle of "cost plus"; or | Cost plus is determined based on the Group's cost of the products sold to the Hon Hai Group plus a margin as agreed between the Group and the Hon Hai Group. These products comprise handset products and parts, moulds used in handset manufacturing and other products which are all tailor-made by the Group according to the Hon Hai Group's unique specifications. In determining the margin, the Group takes into account the margin for products of similar nature in the market by way of referring to margins for the Group's sales of products of similar nature to independent customers. In general, the Group will select one independent transaction (most related to the subject product in nature) within six months of the proposed transaction with the Hon Hai Group to determine the margin. In case there is no recent sale of products of similar nature to independent customers by the Group, the Group will make reference to the margins of the historical transactions involving the sales of products of similar nature to independent customers by the Group. |
| | (c) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group based on reasonable commercial principles. | In consideration of its inventory optimisation management, the Group may agree to prices lower than costs or prices/margins under the Group's recent independent transactions. In such cases, the Group would only accept such lower prices if the products could not be sold at higher prices to other independent customers and the Group does not consider it to be in its interests to keep such inventory having regard to factors such as inventory obsolescence. The Group will attempt to solicit purchases from independent parties and will ensure that the prices of the products sold to the Hon Hai Group will not be lower than any prices offered by interested independent buyers. The operation departments of the Group carry out the inventory optimisation management and solicit purchases from buyers including the Hon Hai Group. The accounting departments of the Group will review any proposed sales of products by the operation departments under this pricing term. |

Pricing terms

Pricing details

6. Sub-contracting Income Transaction

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

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

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

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

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

Where the Group is not approved or otherwise designated by the customers of the Hon Hai Group, the price is determined by reference to the average market price or the market price (if there is only one independent transaction available). For the purpose of obtaining market prices, the Group refers to recent transaction(s) of the Group involving the provision of similar sub-contracting services to independent customers, if available. In general, the Group will select at least one independent transaction or (if independent transactions are not available) two quotations from independent customers within six months of the proposed transaction with the Hon Hai Group in order to determine the average market price or the market price (if there is only one independent transaction available).

Cost plus is determined based on the cost of the sub-contracting services provided by the Group to the Hon Hai Group plus a margin as agreed between the Group and the Hon Hai Group. In determining the margin, the Group takes into account the margin for the provision of sub-contracting services of similar nature in the market by way of referring to margins for the Group’s provision of sub-contracting services of similar nature to independent customers. In general, the Group will select one independent transaction (most related to the subject sub-contracting services in nature) within six months of the proposed transaction with the Hon Hai Group to determine the margin. In case there is no recent provision of sub-contracting services of similar nature to independent customers by the Group, the Group will make reference to the margins of the historical transactions involving the provision of sub-contracting services of similar nature to independent customers by the Group.

In consideration of its capacity utilisation management, the Group may agree to prices lower than costs or prices under the Group’s recent independent transactions. In such cases, the Group would only accept such lower prices if a contribution margin (i.e. surplus of transaction prices over variable costs) is available to cover any fixed costs. The Group will solicit independent customers to use its sub-contracting services and will ensure that the price of the sub-contracting services charged to the Hon Hai Group will not be lower than prices offered to interested independent customers.

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

Pricing terms**Pricing details****Other Transactions***(A) Purchase of services or lease of non-movable properties from the Hon Hai Group by the Group*

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| 7. General Services Expense Transaction | (a) where there is a price determined by the relevant state, at such state-determined price; or | The price is based on state-determined prices as published by the relevant government authority, such as electricity charges in Shenzhen in accordance with prices published by 廣東電網公司深圳供電局 (Guangdong Power Grid Corporation Shenzhen Power Supply Bureau, for identification purposes only) and water charges in Shenzhen in accordance with prices published by 深圳市深水龍華水務有限公司 (Shenzhen City Shenshui Longhua Water Services Limited, for identification purposes only). |
| | (b) where there is no state-determined price, at the market price; or | The price is determined by reference to the average market price or the market price (if there is only one independent transaction available). For the purpose of obtaining market prices, the Group refers to recent transaction(s) of the Group involving the purchase of similar general services from independent service providers or quotations from independent service providers, if available. In general, the Group will select at least one independent transaction or (if independent transactions are not available) two quotations from independent service providers within six months of the proposed transaction with the Hon Hai Group in order to determine the average market price or the market price (if there is only one independent transaction available). |
| | (c) where there is no state-determined price or market price, on the principle of “cost plus”; or | <p>The general services are mainly charged at cost as incurred by the Hon Hai Group without markup.</p> <p>In future, the Group and the Hon Hai Group may agree to a margin. In determining the margin, the Group will take into account the margin for general services of similar nature in the market by way of referring to margins for the Group’s provision of general services of similar nature to independent customers. In general, the Group will select one independent transaction (most related to the subject general services in nature) within six months of the proposed transaction with the Hon Hai Group to determine the margin. In case there is no recent provision of general services of similar nature to independent customers by the Group, the Group will make reference to the margins of the historical transactions involving the provision of general services of similar nature to independent customers by the Group.</p> |
| | (d) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the relevant parties. | In consideration of its capacity utilisation management, the Hon Hai Group may agree to prices lower than state-determined prices, costs and market prices. In such cases, the Group would acquire the general services from the Hon Hai Group at such lower prices as agreed by the Hon Hai Group. The Group shall review and ensure that such prices are lower than state-determined prices, costs and market prices. |

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

	Pricing terms	Pricing details
8. Lease Expense Transaction	<p>(a) The rental payable by the Group under the Lease Expense Transaction shall be determined on a fair and reasonable basis with reference to the average market rental of other similar local properties in the market; or</p> <p>(b) If the average market rental is not available, the rental payable under the Lease Expense Transaction shall be determined on a “cost plus” basis; or</p> <p>(c) If both the average market rental basis and the “cost plus” basis are not appropriate or applicable, the rental payable under the Lease Expense Transaction shall be agreed between the relevant parties based on reasonable commercial principles.</p>	<p>For the purpose of obtaining market rentals, the Group refers to recent lease transaction(s) of the Group of similar local properties from independent third parties, if available. In general, the Group will select at least one independent transaction or (if independent transactions are not available) two quotations from independent lessors within six months of the proposed transaction with the Hon Hai Group in order to determine the average market rental or the market rental (if there is only one independent transaction available).</p> <p>Cost plus is determined based on the relevant cost of the transaction incurred by the Hon Hai Group plus a margin as agreed between the Group and the Hon Hai Group. In determining the margin, the Group takes into account the margin for lease of properties of similar nature in the market by way of referring to margins for the Group’s lease of properties of similar nature from/to independent parties. In general, the Group will select one independent transaction (most related to the subject property in nature) within six months of the proposed transaction with the Hon Hai Group to determine the margin. The cost is usually determined on the basis of the depreciation charge and the related costs of the properties such as interests and insurance costs. In case there is no recent lease of properties of similar nature from/to independent parties, the Group will make reference to the margins of the historical transactions involving the lease of properties of similar nature from/to independent parties.</p> <p>In consideration of its properties utilisation management, the Hon Hai Group may agree to prices lower than costs and market rentals. In such cases, the Group would lease the properties from the Hon Hai Group at such lower prices as agreed by the Hon Hai Group. The Group shall review and ensure that such prices are lower than costs and market rentals.</p> <p>This pricing term has not been applied since 2015 but remains to be relevant to cater to such circumstances in the future.</p>

Pricing terms

Pricing details

(B) Sale of equipment, lease of non-movable properties or provision of services to the Hon Hai Group by the Group

9. Equipment Sale Transaction
- (a) at the book value of the relevant equipment as recorded in the accounts of the relevant member of the Group; or
- (b) if (a) above is not appropriate or applicable, at a price to be determined by reference to the average market price; or
- (c) where (a) and (b) above are not appropriate or applicable, at a price to be agreed between the relevant parties on the basis of the principle of “cost plus”; or
- (d) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the parties based on reasonable commercial principles.
- The book value of the equipment is based on the accounting records of the relevant member of the Group. This pricing is applied mainly for used equipment. Given that most of the equipment sold to the Hon Hai Group is used equipment and its specifications and conditions vary, market prices may not be available. As such, the Group considers that it is fair and reasonable to set a price based on the book value of the equipment as recorded in the relevant accounting records of the relevant member of the Group.
- The average market price is based on sales/purchase of equipment of similar nature to/from independent customers/suppliers. In general, the Group will select at least one independent transaction or (if independent transactions are not available) two quotations from independent customers/suppliers within six months of the proposed transaction with the Hon Hai Group in order to determine the average market price or the market price (if there is only one independent transaction available).
- This pricing is applied for both new and used equipment, and is applied mainly for new equipment manufactured by the Group.
- Cost plus is determined based on the Group’s cost of the equipment sold to the Hon Hai Group plus a margin as agreed between the Group and the Hon Hai Group. In determining the margin, the Group takes into account the margin for sale of equipment of similar nature in the market by way of referring to margins for the Group’s sales of equipment of similar nature to independent customers. In general, the Group will select one independent transaction (most related to the subject equipment in nature) within six months of the proposed transaction with the Hon Hai Group to determine the margin. In case there is no recent sale of equipment of similar nature to independent customers by the Group, the Group will make reference to the margins of the historical transactions involving the sales of equipment of similar nature to independent customers by the Group.
- In consideration of its equipment utilisation management, the Group may agree to prices lower than book value, costs or prices under the Group’s recent independent transactions. In such cases, the Group would only accept such lower prices if the equipment could not be sold at higher prices to independent customers and the Group does not consider it to be in its interests to keep such equipment having regard to factors such as equipment obsolescence. The Group will solicit purchases from independent parties and will ensure that the price of the equipment sold to the Hon Hai Group will not be lower than prices offered by interested independent buyers.

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

	Pricing terms	Pricing details
10. Lease Income Transaction	<p>(a) The rental payable by the Hon Hai Group under the Lease Income Transaction shall be determined on a fair and reasonable basis with reference to the average market rental of other similar local properties in the market; or</p> <p>(b) If the average market rental is not available, the rental payable shall be determined on a “cost plus” basis; or</p> <p>(c) If both the average market rental basis and the “cost plus” basis are not appropriate or applicable, the rental payable under the Lease Income Transaction shall be agreed between the relevant parties based on reasonable commercial principles.</p>	<p>For the purpose of obtaining market rentals, the Group refers to recent lease transaction(s) of the Group of similar local properties to independent third parties, if available. In general, the Group will select at least one independent transaction or (if independent transactions are not available) two quotations from independent lessees within six months of the proposed transaction with the Hon Hai Group in order to determine the average market rental or the market rental (if there is only one independent transaction available). If the above is not available, the Group will refer to a market rental provided by an independent professional valuer engaged by the Group.</p> <p>Cost plus is determined based on the relevant cost of the transaction incurred by the Group plus a margin as agreed between the Group and the Hon Hai Group. In determining the margin, the Group takes into account the margin for lease of properties of similar nature in the market by way of referring to margins for the Group’s lease of properties of similar nature to/from independent parties. In general, the Group will select one independent transaction (most related to the subject property in nature) within six months of the proposed transaction with the Hon Hai Group to determine the margin. The cost usually includes the depreciation/amortisation costs relating to construction and land use rights, property tax, capital costs and other direct costs attributable to the subject property. In case there is no recent lease of properties of similar nature to/from independent parties, the Group will make reference to the margins of the historical transactions involving the lease of properties of similar nature to/from independent parties.</p> <p>Although none of the current rentals under the Lease Income Transaction are determined based on the “cost plus” basis, this pricing term remains to be relevant to cater to such circumstances in the future.</p> <p>In consideration of its properties utilisation management, the Group may agree to prices lower than costs and market rentals only if the Group is not able to lease any unutilised properties to independent parties at higher rentals. In such cases, the Group will attempt to solicit interests from independent parties to rent such properties and will ensure that the rentals offered to the Hon Hai Group will not be lower than any rentals offered by interested independent parties. The operation departments of the Group carry out the asset utilisation and optimisation management and will solicit interests from potential tenants including the Hon Hai Group. The accounting departments of the Group will review any proposed rentals of properties under this pricing term.</p> <p>This pricing term has not been applied since 2015 but remains to be relevant to cater to such circumstances in the future.</p>

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

REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Group and the Hon Hai Group have been carrying out the Continuing Connected Transactions to facilitate their respective businesses and operations from time to time. In general, in view of the long-established relationship and connections between the Group and the Hon Hai Group and the global geographical convenience and proximity between the Group and the Hon Hai Group offering (among other things) efficient, convenient and timely communication and coordination between the parties to the transactions contemplated by each category of the Continuing Connected Transactions, the relevant Continuing Connected Transactions provide a reliable, timely and efficient supply of materials, components and other products and provision of services in support of the Group's daily business operations, which are favourable to the Group's effective control and management over the product procurement, performance and quality, production, facilities, capacities, expenditures, supply chain and after-sales services, whereas the relevant Continuing Connected Transactions generate more income for the Group and enhance the utilisation and management of the Group's assets and services. In particular, the continuous entering into of the Continuing Connected Transactions between the Group and the Hon Hai Group from time to time can effectively lower the operation risks of both the Group and the Hon Hai Group, and is favourable to the Group's daily business operations on an on-going basis.

The Existing Agreements will expire on 31 December 2019. The Board wishes to ensure the continuation of the on-going transactions of movable properties, non-movable properties, products and services under the Existing Agreements. Accordingly, on the date of this announcement, the Company entered into the Supplemental Agreements with Hon Hai (among other things) to extend the current term of the Existing Agreements for a term of three years commencing from (and inclusive of) 1 January 2020.

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

1. Purchase Transaction

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

2. Non-real Property Lease Expense Transaction

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

3. Consolidated Services and Sub-contracting Expense Transaction

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

4. Equipment Purchase Transaction

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

5. Product Sales Transaction

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

6. Sub-contracting Income Transaction

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

7. General Services Expense Transaction

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

8. Lease Expense Transaction

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

9. Equipment Sale Transaction

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

10. Lease Income Transaction

The Group has built its own manufacturing and other premises and may have surplus space from time to time. The Company considers it in its best interests to lease out such surplus space and generate additional income for the Group at prices comparable to the market and/or above the costs attributable to the leased premises pursuant to the relevant agreement in respect of the Lease Income Transaction.

11. General Services Income Transaction

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

HISTORICAL VALUES AND ANNUAL CAPS

The table below sets out (1) the historical actual amounts of each of the above categories of the Continuing Connected Transactions for the two years ended 31 December 2018 and for the six months ended 30 June 2019; and (2) the proposed or new (as the case may be) annual caps for each of the above categories of the Continuing Connected Transactions for the three years ending 31 December 2022:

	Actual transaction amounts			Proposed/new annual caps		
	For the year ended 31 December 2017 (audited)	For the year ended 31 December 2018 (audited)	For the six months ended 30 June 2019 (unaudited)	For the year ending 31 December		
(in US\$'000)	2017	2018	2019	2020	2021	2022

Non-exempt Continuing Connected Transactions

(A) *Purchase of products or services, lease of movable properties or purchase of equipment from the Hon Hai Group by the Group*

1. Purchase Transaction (Note 1)	1,319,529	1,030,816	543,498	1,889,106	2,334,761	2,885,550
2. Non-real Property Lease Expense Transaction (Note 1)	13,287	12,791	4,644	24,577	32,483	42,932
3. Consolidated Services and Sub-contracting Expense Transaction (Note 1)	229,483	240,877	115,436	335,326	414,432	512,200
4. Equipment Purchase Transaction (Note 1)	80,457	64,727	17,509	109,382	135,186	167,077

(B) *Sale of products or services to the Hon Hai Group by the Group*

5. Product Sales Transaction (Note 1)	1,684,285	1,207,353	596,092	2,289,785	2,829,964	3,497,575
6. Sub-contracting Income Transaction (Note 1)	104,698	26,180	11,758	142,342	175,921	217,422

Other Transactions

(A) *Purchase of services or lease of non-movable properties from the Hon Hai Group by the Group*

7. General Services Expense Transaction (Note 2)	14,706	19,524	7,205	30,068	35,648	42,263
8. Lease Expense Transaction (Note 2)	3,413	6,047	3,355	10,159	12,556	15,518

(B) *Sale of equipment, lease of non-movable properties or provision of services to the Hon Hai Group by the Group*

9. Equipment Sale Transaction (Note 2)	4,164	1,903	2,279	14,729	18,203	22,497
10. Lease Income Transaction (Note 2)	3,650	3,782	2,282	8,227	11,568	16,268
11. General Services Income Transaction (Note 2)	1,029	406	148	1,957	2,419	2,990

Notes:

1. Based on the maximum amount of the proposed annual caps for the three years ending 31 December 2022 in respect of each of the Non-exempt Continuing Connected Transactions and in view of the connections between the Non-real Property Lease Expense Transaction and the Product Sales Transaction, each of the Non-exempt Continuing Connected Transactions constitutes a non-exempt continuing connected transaction for the Company under the Listing Rules. Accordingly, the Non-exempt Continuing Connected Transactions, the proposed annual caps in respect of each of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2022 and the EGM Supplemental Agreements are subject to the approval of the Independent Shareholders at the EGM.
2. Based on the maximum amount of the new annual caps for the three years ending 31 December 2022 in respect of each of the Other Transactions, at least one of the applicable percentage ratios (other than profits ratio), on an annual basis, is 0.1% or more but all the applicable percentage ratios are less than 5%. In accordance with Rule 14A.76(2) of the Listing Rules, the Other Transactions together with their respective annual caps for the three years ending 31 December 2022 and the Other Supplemental Agreements are exempt from the circular (including independent financial advice) and the Independent Shareholders' approval requirements.

Basis for the Proposed/New Annual Cap Amounts

The proposed/new annual cap amounts for the years of 2020, 2021 and 2022 for the Continuing Connected Transactions (other than the Non-real Property Lease Expense Transaction, the Lease Expense Transaction, the Lease Income Transaction and the General Services Expense Transaction) are mainly based on:

- (1) the historical transaction amounts and the estimated transaction amount for the whole year of 2019;
- (2) the historical growth rate of turnover of the Group during the current term of the Existing Agreements; and
- (3) A buffer of approximately 10% to cater for any unforeseen changes in market conditions (including but not limited to an unexpected increase in consumer demand and/or unexpected increase in the cost of supply, where applicable).

The proposed/new annual cap amounts for the years of 2020, 2021 and 2022 for the Non-real Property Lease Expense Transaction, the Lease Expense Transaction, the Lease Income Transaction and the General Services Expense Transaction are mainly based on:

- (1) the historical transaction amounts and the estimated transaction amount for the whole year of 2019;
- (2) the growth rate of the transaction amounts during the current term of the Existing Agreements; and
- (3) A buffer of approximately 10% to cater for any unforeseen changes in market conditions (including but not limited to an unexpected increase in consumer demand and/or unexpected increase in the cost of supply, where applicable).

The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the Independent Financial Adviser) consider that the respective proposed annual caps for the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2022 are fair and reasonable, the entering into of the Non-exempt Continuing Connected Transactions is in the Group's ordinary and usual course of business and the respective terms of the Non-exempt Continuing Connected Transactions (to be amended by the EGM Supplemental Agreements) are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole. The Directors (including the independent non-executive Directors) consider that the respective new annual caps for the Other Transactions for the three years ending 31 December 2022 are fair and reasonable, the entering into of the Other Transactions is in the Group's ordinary and usual course of business and the respective terms of the Other Transactions (as amended by the Other Supplemental Agreements) are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole. (1) Mr. CHIH Yu Yang, an executive Director, who is a director of certain subsidiaries of Hon Hai; and (2) Mr. WANG Chien Ho, an executive Director, who is an employee of the Hon Hai Group, did abstain from voting on the Board's resolutions in relation to the Continuing Connected Transactions. Save as disclosed, no other Directors have to abstain from voting on the Board's resolutions in relation to the Continuing Connected Transactions.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

With reference to the Company's announcements dated 31 January 2013, 17 October 2013 and 11 August 2016 respectively and the Company's 2013 and 2015 annual reports, pursuant to Rule 14A.76(1) of the Listing Rules, the transactions contemplated by the RSH Master Sourcing Agreement, the RSH Licence Agreement and the SMS Marketing Licence Agreement (each term being defined in the Company's announcement dated 31 January 2013) respectively have remained *de minimis* continuing connected transactions for the Company exempt from the Independent Shareholders' approval, annual review and all disclosure requirements under the Listing Rules.

On 1 July 2017, Sharp Corporation (a Japanese corporation) and 深圳市富宏訊科技有限公司 (Shenzhen Fu Hong Xun Technology Co. Ltd., for identification purposes only), being a wholly-owned subsidiary of the Company incorporated in the PRC, ("**FHX**") entered into the Master Brand License Agreement for Smartphone Business, pursuant to which (among other things) the parties have agreed to establish an alliance for smartphone business branded with "SHARP", "AQUOS" as designed, developed, manufactured and sold by FHX for a term expiring on 30 June 2020 upon and subject to the terms and conditions set out therein (the "**Master Brand License Agreement**"). Pursuant to Rule 14A.76(1) of the Listing Rules, the transactions contemplated by the Master Brand License Agreement have remained *de minimis* continuing connected transactions for the Company exempt from the Independent Shareholders' approval, annual review and all disclosure requirements under the Listing Rules.

On the date of this announcement, the Company and Hon Hai entered into the Supplemental Non-real Property Lease Income Agreement. Based on the Company's estimation of the annual amounts for the Non-real Property Lease Income Transaction for the three years ending 31 December 2022, pursuant to Rule 14A.76(1) of the Listing Rules, the Non-real Property Lease Income Transaction has remained a *de minimis* continuing connected transaction of the Company exempt from the Independent Shareholders' approval, annual review and all disclosure requirements under the Listing Rules.

The Company will continue to monitor the respective amounts derived from any such transactions, and if required, will set annual cap(s) for any subsequent financial year(s) in respect of the relevant transactions and comply with the Listing Rules as and when required.

INTERNAL CONTROL MEASURES

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

- Before entering into a transaction under the continuing connected transactions of the Company, the purchase departments and/or the operation departments (as the case may be) of the Group will review and check whether the pricing is fair and reasonable adhering to the pricing terms and details. In addition to reviewing the pricing before entering into a transaction under the continuing connected transactions of the Company where the pricing terms under the relevant agreements are applied for the first time or the pricing terms are different from those used previously, the accounting departments of the relevant member companies of the Group will review the aforesaid works carried out by the purchase departments and/or the operation departments (as the case may be) on a quarterly basis.
- The Company has formulated and maintained a list of connected persons of the Company for the purpose of monitoring the connected transactions (including the Continuing Connected Transactions) and a copy of such list, together with a copy of each of the framework agreements and subsequent supplemental agreements for the continuing connected transactions, have been kept at the Group's headquarters accounting department, which is the department primarily responsible to review and monitor the continuing connected transactions ensuring that the annual caps of the relevant continuing connected transactions are not exceeded and the continuing connected transactions have been conducted in accordance with the pricing policies or mechanisms under the framework agreements relating to such continuing connected transactions. The headquarters accounting department of the Group collects the updated annual rolling forecast for each category of the continuing connected transactions (the "**CCT Rolling Forecast**") from the relevant operation departments of the Group every month and uses the CCT Rolling Forecast to calculate and monitor the estimated full-year transaction amount of each category of the continuing connected transactions at the Group's level. In relation to each category of the continuing connected transactions, the headquarters accounting department of the Group also compares the CCT Rolling Forecast with the pre-approved annual cap amount to check and see if there is any potential risk of the then estimated full-year transaction amount exceeding the corresponding annual cap amounts. When there is potentially a new transaction under the relevant category of the continuing connected transactions to be transacted between

the Group and the Hon Hai Group, the chief financial officer of the Group (the “**Group CFO**”) will inform the headquarters accounting department of the Group to ensure that such potential new transaction has been included in the relevant CCT Rolling Forecast and, if necessary, update such CCT Rolling Forecast based on the information regarding such potential new transaction then available for review by the Group CFO. When the relevant CCT Rolling Forecast indicates that the annual cap amounts relating to the relevant category of the continuing connected transactions may be exceeded, the headquarters accounting department of the Group will check the reasons and/or assumptions underlying the relevant CCT Rolling Forecast again, in consultation with the operation departments of the Group, and then report the same to the Group CFO. The Group CFO will then internally review and assess if the then existing pre-approved annual cap amounts will likely be exceeded, and if so, will initiate re-compliance with all the applicable requirements under the Listing Rules in respect of any revision of the then existing pre-approved annual cap amounts.

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

effective to ensure that such continuing connected transactions were so conducted and also conducted in accordance with the pricing policies set out in such relevant agreements.

- Please also refer to pages 164 and 165 of the Company's 2018 annual report (incorporating its 2018 corporate governance report) as issued and published on 9 April 2019.

LISTING RULES IMPLICATIONS

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

(i) Non-exempt Continuing Connected Transactions

As at least one of the applicable percentage ratios (other than the profits ratio) in respect of the maximum amount of the proposed annual caps for the three years ending 31 December 2022 under each of the Non-exempt Continuing Connected Transactions, on an annual basis, is more than 5%, and each of the proposed annual caps is more than HK\$10 million and in view of the connections between the Non-real Property Lease Expense Transaction and the Product Sales Transaction as more particularly disclosed in the section headed "Reasons and Benefits for the Continuing Connected Transactions" of this announcement, each of the Non-exempt Continuing Connected Transactions constitutes a non-exempt continuing connected transaction for the Company under the Listing Rules. Accordingly, the Non-exempt Continuing Connected Transactions, the proposed annual caps in respect of each of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2022 and the EGM Supplemental Agreements are subject to the reporting, announcement, annual review and the approval of the Independent Shareholders requirements under Chapter 14A of the Listing Rules.

(ii) Other Transactions

As at least one of the applicable percentage ratios (other than profits ratio) in respect of the maximum amount of the new annual caps for the three years ending 31 December 2022 under each of the Other Transactions, on an annual basis, is 0.1% or more but all the applicable percentage ratios are less than 5%, the Other Transactions, the new annual caps in respect of each of the Other Transactions for the three years ending 31 December 2022 and the Other Supplemental Agreements are subject to the reporting, annual review and announcement requirements but exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

The Company will convene the EGM to seek the Independent Shareholders' approval for the Non-exempt Continuing Connected Transactions, the proposed annual caps in respect of each of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2022 and the EGM Supplemental Agreements. As Hon Hai is a party to each of the EGM Supplemental Agreements, Hon Hai and its associates are required to and will abstain from voting on the resolutions to be proposed at the EGM for approving the above matters. At the EGM, votes will be taken by way of poll. As at the date of this announcement, Hon Hai and its associates in aggregate are interested in 5,081,034,525 Shares, representing approximately 61.86% of the total number of issued shares of the Company.

GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to consider the Non-exempt Continuing Connected Transactions, the respective proposed annual caps in respect of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2022 and the EGM Supplemental Agreements and to advise the Independent Shareholders as to whether the Non-exempt Continuing Connected Transactions, the respective proposed annual caps in respect of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2022 and the EGM Supplemental Agreements are on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular setting out, among other things, (i) details of the Non-exempt Continuing Connected Transactions, the respective proposed annual caps in respect of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2022 and the EGM Supplemental Agreements; (ii) the letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before 30 October 2019.

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

DEFINITIONS

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

“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the resolutions in respect of the Non-exempt Continuing Connected Transactions, the respective proposed annual caps in respect of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2022 and the EGM Supplemental Agreements
“EGM Supplemental Agreements”	collectively, (1) the Supplemental Purchase Agreement; (2) the Supplemental Product Sales Agreement; (3) the Supplemental Non-real Property Lease Expense Agreement; (4) the Supplemental Consolidated Services and Sub-contracting Expense Agreement; (5) the Supplemental Equipment Purchase Agreement; and (6) the Supplemental Sub-contracting Income Agreement
“Equipment Purchase Transaction”	purchase of equipment by the Group from the Hon Hai Group contemplated under the Framework Equipment Purchase Agreement which will (subject to obtaining the Independent Shareholders’ approval) be amended by the Supplemental Equipment Purchase Agreement
“Equipment Sale Transaction”	sale of equipment by the Group to the Hon Hai Group contemplated under the Framework Equipment Sale Agreement as amended by the Supplemental Equipment Sale Agreement
“Existing Agreements”	<p>collectively:</p> <ol style="list-style-type: none"> (1) Purchase Agreement; (2) Framework Non-real Property Lease Expense Agreement; (3) Consolidated Services and Sub-contracting Expense Agreement; (4) Framework Equipment Purchase Agreement; (5) Framework Product Sales Agreement; (6) Sub-contracting Income Agreement; (7) General Services Expense Agreement; (8) Framework Lease Expense Agreement; (9) Framework Equipment Sale Agreement; (10) Framework Lease Income Agreement; and (11) General Services Income Agreement

“Financial Adviser”	Oriental Patron Asia Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, which has been appointed by the Company to be the financial adviser to advise the Company in respect of the Continuing Connected Transactions, the respective proposed/new annual caps in respect of the Continuing Connected Transactions for the three years ending 31 December 2022 and the Supplemental Agreements
“Framework Equipment Purchase Agreement”	the framework equipment purchase agreement entered into between the Company and Hon Hai on 18 January 2005 (as amended by the respective supplemental agreements dated 12 January 2006, 24 October 2007, 19 November 2010, 17 October 2013 and 11 August 2016)
“Framework Equipment Sale Agreement”	the framework equipment sale agreement entered into between the Company and Hon Hai on 18 January 2005 (as amended by the respective supplemental agreements dated 12 January 2006, 24 October 2007, 19 November 2010, 17 October 2013 and 11 August 2016)
“Framework Lease Expense Agreement”	the framework lease agreement entered into between 深圳富泰宏精密工業有限公司 (Shenzhen Futaihong Precision Industrial Co. Ltd., for identification purposes only) (a wholly-owned subsidiary of the Company) (“FTH”), which was subsequently replaced by the Company as the party thereto, and Hon Hai dated 18 January 2005 (as amended by the supplemental agreement between FTH and Hon Hai dated 12 January 2006, and the respective supplemental agreements among the Company, FTH and Hon Hai dated 20 September 2006, 24 October 2007 and 19 November 2010, and the respective supplemental agreements between the Company and Hon Hai dated 17 October 2013 and 11 August 2016)
“Framework Lease Income Agreement”	the framework lease agreement entered into between the Company and Hon Hai on 24 October 2007 (as amended by the respective supplemental agreements dated 19 November 2010, 17 October 2013 and 11 August 2016)

“Framework Non-real Property Lease Expense Agreement”	the framework lease agreement relating to movable non-real properties entered into between the Company and Hon Hai on 13 June 2013 (as amended by the respective supplemental agreements dated 17 October 2013 and 11 August 2016)
“Framework Non-real Property Lease Income Agreement”	the framework lease agreement relating to movable non-real properties entered into between the Company and Hon Hai on 15 January 2014 (as amended by a supplemental agreement dated 11 August 2016)
“Framework Product Sales Agreement”	the framework product sales agreement entered into among the Company, Hon Hai and Innolux Corporation (an associate of Hon Hai formerly known as Innolux Display Corporation and then Chimei Innolux Corporation, whose rights, obligations and liabilities thereunder were subsequently assumed and taken up by Hon Hai) on 18 January 2005 (as amended by the respective supplemental agreements among the above parties dated 28 February 2006, 24 October 2007 and 19 November 2010, and the respective supplemental agreements between the Company and Hon Hai dated 17 October 2013 and 11 August 2016)
“General Services Expense Agreement”	the general services agreement entered into between the Company and Hon Hai on 18 January 2005 (as amended by the respective supplemental agreements dated 12 January 2006, 24 October 2007, 19 November 2010, 17 October 2013 and 11 August 2016)
“General Services Expense Transaction”	the general services provided by the Hon Hai Group to the Group under the General Services Expense Agreement as amended by the Supplemental General Services Expense Agreement
“General Services Income Agreement”	the framework general services agreement entered into between the Company and Hon Hai on 24 October 2007 (as amended by the respective supplemental agreements dated 19 November 2010, 17 October 2013 and 11 August 2016)
“General Services Income Transaction”	the general services provided by the Group to the Hon Hai Group under the General Services Income Agreement as amended by the Supplemental General Services Income Agreement
“Group”	the Company and/or its subsidiaries (as the case may be)
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC

“Hon Hai”	鴻海精密工業股份有限公司 (Hon Hai Precision Industry Co. Ltd., for identification purposes only), the ultimate controlling shareholder of the Company
“Hon Hai Group”	Hon Hai, its subsidiaries and/or associates (as the case may be), other than the Group
“Independent Board Committee”	the independent board committee established by the Board comprising all the independent non-executive Directors, namely Mr. LAU Siu Ki, Dr. Daniel Joseph MEHAN and Mr. TAO Yun Chih, to consider the Non-exempt Continuing Connected Transactions, the respective proposed annual caps in respect of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2022 and the EGM Supplemental Agreements
“Independent Financial Adviser”	First Ocean Capital Company Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, which has been appointed by the Company to be the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions, the respective proposed annual caps in respect of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2022 and the EGM Supplemental Agreements
“Independent Shareholders”	Shareholders other than Hon Hai and its associates
“Lease Expense Transaction”	the lease of premises by the Group from the Hon Hai Group contemplated under the Framework Lease Expense Agreement as amended by the Supplemental Lease Expense Agreement
“Lease Income Transaction”	the lease of premises by the Group to the Hon Hai Group contemplated under the Framework Lease Income Agreement as amended by the Supplemental Lease Income Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-exempt Continuing Connected Transactions”	collectively, (1) the Purchase Transaction; (2) the Product Sales Transaction; (3) the Non-real Property Lease Expense Transaction; (4) the Consolidated Services and Sub-contracting Expense Transaction; (5) the Equipment Purchase Transaction; and (6) the Sub-contracting Income Transaction

“Non-real Property(ies)”	movable non-real property(ies) (which include(s) but not limited to equipment, machines, materials, gears, kits, apparatus and other movable assets) or any part thereof located in different parts of the world as agreed between the Company and Hon Hai from time to time
“Non-real Property Lease Expense Transaction”	the lease of Non-real Properties by the Hon Hai Group to the Group contemplated under the Framework Non-real Property Lease Expense Agreement which will (subject to obtaining the Independent Shareholders’ approval) be amended by the Supplemental Non-real Property Lease Expense Agreement
“Non-real Property Lease Income Transaction”	the lease of Non-real Properties by the Group to the Hon Hai Group contemplated under the Framework Non-real Property Lease Income Agreement as amended by the Supplemental Non-real Property Lease Income Agreement
“Other Supplemental Agreements”	collectively, (1) the Supplemental General Services Expense Agreement; (2) the Supplemental Lease Expense Agreement; (3) the Supplemental Equipment Sale Agreement; (4) the Supplemental Lease Income Agreement; and (5) the Supplemental General Services Income Agreement
“Other Transactions”	collectively, (1) the General Services Expense Transaction; (2) the Lease Expense Transaction; (3) the Equipment Sale Transaction; (4) the Lease Income Transaction; and (5) the General Services Income Transaction
“percentage ratios”	the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China
“Product Sales Transaction”	sale of parts or other products manufactured or owned by the Group to the Hon Hai Group as contemplated under the Framework Product Sales Agreement which will (subject to obtaining the Independent Shareholders’ approval) be amended by the Supplemental Product Sales Agreement

“Purchase Agreement”	the framework materials and components supply agreement (to become the framework product supply agreement, conditional upon obtaining the Independent Shareholders’ approval of the Supplemental Purchase Agreement) entered into among the Company, Hon Hai, Innolux Corporation (formerly known as Innolux Display Corporation and then Chimei Innolux Corporation, whose rights, obligations and liabilities thereunder were subsequently assumed and taken up by Hon Hai) and 鴻準精密工業股份有限公司 (Foxconn Technology Co. Ltd., for identification purposes only, whose rights, obligations and liabilities thereunder were subsequently assumed and taken up by Hon Hai) (both being associates of Hon Hai) on 19 January 2005 (as amended by the respective supplemental agreements among the above parties dated 28 February 2006, 24 October 2007 and 19 November 2010, and the respective supplemental agreements between Hon Hai and the Company dated 17 October 2013, 11 August 2016 and 31 July 2017)
“Purchase Transaction”	purchase of materials and components (and other products, conditional upon obtaining the Independent Shareholders’ approval of the Supplemental Purchase Agreement) by the Group from the Hon Hai Group contemplated under the Purchase Agreement which will (subject to obtaining the Independent Shareholders’ approval) be amended by the Supplemental Purchase Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	the holders of the Shares
“Shares”	the ordinary shares of US\$0.04 each of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-contracting Income Agreement”	the framework sub-contracting agreement entered into between the Company and Hon Hai on 18 January 2005 (as amended by the respective supplemental agreements dated 12 January 2006, 24 October 2007, 19 November 2010, 26 July 2012, 17 October 2013 and 11 August 2016)
“Sub-contracting Income Transaction”	the transactions contemplated under the Sub-contracting Income Agreement which will (subject to obtaining the Independent Shareholders’ approval) be amended by the Supplemental Sub-contracting Income Agreement
“subsidiary(ies)”	having the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

“Supplemental Agreements”	collectively, the EGM Supplemental Agreements and the Other Supplemental Agreements
“Supplemental Consolidated Services and Sub-contracting Expense Agreement”	the supplemental agreement of the date of this announcement entered into between the Company and Hon Hai, conditional upon obtaining the Independent Shareholders’ approval, to extend the current term of the Consolidated Services and Sub-contracting Expense Agreement for three years from 1 January 2020 to 31 December 2022 (both dates inclusive)
“Supplemental Equipment Purchase Agreement”	the supplemental agreement of the date of this announcement entered into between the Company and Hon Hai, conditional upon obtaining the Independent Shareholders’ approval, to extend the current term of the Framework Equipment Purchase Agreement for three years from 1 January 2020 to 31 December 2022 (both dates inclusive) and to amend certain terms of the Framework Equipment Purchase Agreement
“Supplemental Equipment Sale Agreement”	the supplemental agreement of the date of this announcement entered into between the Company and Hon Hai to extend the current term of the Framework Equipment Sale Agreement for three years from 1 January 2020 to 31 December 2022 (both dates inclusive) and to amend certain terms of the Framework Equipment Sale Agreement
“Supplemental General Services Expense Agreement”	the supplemental agreement of the date of this announcement entered into between the Company and Hon Hai to extend the current term of the General Services Expense Agreement for three years from 1 January 2020 to 31 December 2022 (both dates inclusive)
“Supplemental General Services Income Agreement”	the supplemental agreement of the date of this announcement entered into between the Company and Hon Hai to extend the current term of the General Services Income Agreement for three years from 1 January 2020 to 31 December 2022 (both dates inclusive)
“Supplemental Lease Expense Agreement”	the supplemental agreement of the date of this announcement entered into between the Company and Hon Hai to extend the current term of the Framework Lease Expense Agreement for three years from 1 January 2020 to 31 December 2022 (both dates inclusive)

“Supplemental Lease Income Agreement”	the supplemental agreement of the date of this announcement entered into between the Company and Hon Hai to extend the current term of the Framework Lease Income Agreement for three years from 1 January 2020 to 31 December 2022 (both dates inclusive)
“Supplemental Non-real Property Lease Expense Agreement”	the supplemental agreement of the date of this announcement entered into between the Company and Hon Hai, conditional upon obtaining the Independent Shareholders’ approval, to extend the current term of the Framework Non-real Property Lease Expense Agreement for three years from 1 January 2020 to 31 December 2022 (both dates inclusive)
“Supplemental Non-real Property Lease Income Agreement”	the supplemental agreement of the date of this announcement entered into between the Company and Hon Hai to extend the current term of the Framework Non-real Property Lease Income Agreement for three years from 1 January 2020 to 31 December 2022 (both dates inclusive)
“Supplemental Product Sales Agreement”	the supplemental agreement of the date of this announcement entered into between the Company and Hon Hai, conditional upon obtaining the Independent Shareholders’ approval, to extend the current term of the Framework Product Sales Agreement for three years from 1 January 2020 to 31 December 2022 (both dates inclusive) and to amend certain terms of the Framework Product Sales Agreement
“Supplemental Purchase Agreement”	the supplemental agreement of the date of this announcement entered into between the Company and Hon Hai, conditional upon obtaining the Independent Shareholders’ approval, to extend the current term of the Purchase Agreement for three years from 1 January 2020 to 31 December 2022 (both dates inclusive) and to amend certain terms of the Purchase Agreement
“Supplemental Sub-contracting Income Agreement”	the supplemental agreement of the date of this announcement entered into between the Company and Hon Hai, conditional upon obtaining the Independent Shareholders’ approval, to extend the current term of the Sub-contracting Income Agreement for three years from 1 January 2020 to 31 December 2022 (both dates inclusive) and to amend certain terms of the Sub-contracting Income Agreement.

“US\$” United States dollars, the lawful currency of the United States of America

“3C” computer, communication and consumer electronics

By Order of the Board
CHIH Yu Yang
Acting Chairman

Hong Kong, 9 October 2019

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