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FIT Hon Teng Limited

鴻騰六零八八精密科技股份有限公司

(Incorporated in the Cayman Islands with limited liability under the name Foxconn Interconnect Technology

Limited and carrying on business in Hong Kong as FIT Hon Teng Limited)

(Stock Code: 6088)

CONNECTED TRANSACTION

ACQUISITION OF PREFERRED SHARES IN KANTATSU

SHARE PURCHASE AGREEMENT

The Board is pleased to announce that on October 17, 2019 (after trading hours), FIT Singapore entered into the Share Purchase Agreement with Sharp pursuant to which Sharp agreed to sell, and FIT Singapore agreed to acquire, the Sale Shares (being certain Kantatsu Shares representing approximately 26.83% of the entire equity interest in Kantatsu on a Fully Converted Basis) for a total consideration of JPY5,904,993,000.

LISTING RULES IMPLICATIONS

FIT Singapore is a direct wholly-owned subsidiary of the Company. As of the date of this announcement, the Company is indirectly owned as to approximately 76.38% by Hon Hai, which is the controlling shareholder of the Company and controls more than 30% interest in Sharp. Sharp is therefore deemed as an associate of Hon Hai and a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition is more than 0.1% but less than 5%, the Acquisition is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements, but is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated January 25, 2019 in relation to the Company's acquisition of 10,000 Kantatsu Common Shares.

The Board is pleased to announce that on October 17, 2019 (after trading hours), FIT Singapore entered into the Share Purchase Agreement with Sharp, pursuant to which Sharp agreed to sell, and FIT Singapore agreed to acquire, the Sale Shares.

MAJOR TERMS OF THE SHARE PURCHASE AGREEMENT

Date

October 17, 2019

Parties

- (i) Sharp, as the seller; and
- (ii) FIT Singapore, as the purchaser.

Sale Shares

1,500 Kantatsu Series A Preferred Shares, 1,500 Kantatsu Series B Preferred Shares and 1,500 Kantatsu Series C Preferred Shares, representing approximately 26.83% of the entire equity interest in Kantatsu on a Fully Converted Basis.

Consideration

The total consideration for the Acquisition is JPY5,904,993,000 (equivalent to approximately HK\$427,521,493), which was agreed after arm's length negotiations between FIT Singapore and Sharp taking into account (i) the unaudited consolidated financial statements of Kantatsu for the years ended March 31, 2018 and 2019 and for the six months ended September 30, 2019; (ii) the net asset value of Kantatsu as of September 30, 2019; (iii) the business prospect of Kantatsu; (iv) the trading valuations of comparable companies in the relevant industries; (v) a valuation report prepared by a third party professional valuer; and (vi) the potential synergy with the Group's existing business.

Sharp is currently the largest shareholder of Kantatsu and is facilitating the Company to acquire the Sale Shares. Completion is conditional upon, among others, Sharp acquiring good and clean title of the Sale Shares prior to Completion. After Completion, Sharp will remain the largest shareholder of Kantatsu.

The consideration will be satisfied by FIT Singapore's internal resources.

Conditions precedent

Completion is subject to the fulfillment of certain conditions precedent summarized as follows:

- (a) the representations and warranties of each of Sharp and FIT Singapore contained in the Share Purchase Agreement shall be true and correct in all material respects as of Completion;

- (b) each of Sharp and FIT Singapore shall have performed and complied with, in all material respects, all covenants, agreements, obligations and conditions contained in the Share Purchase Agreement that are required to be performed or complied with by it on or before Completion;
- (c) there shall have been no material adverse effect since the date of the Share Purchase Agreement;
- (d) all authorizations, approvals or permits, if any, of any governmental authority or regulatory body of Japan that are required in connection with the lawful sale of the Sale Shares pursuant to the Share Purchase Agreement shall be obtained and effective as of Completion;
- (e) Kantatsu shall be prepared to hold a special shareholders meeting as of or immediately after Completion to approve the appointment of two directors of Kantatsu designated by FIT Singapore, effective as of or immediately after Completion;
- (f) Kantatsu shall have taken all necessary corporate actions such that immediately following Completion, the board of directors of Kantatsu shall comprise, among other directors, two directors designated by FIT Singapore;
- (g) Kantatsu shall have entered into a liability limiting agreement with each of the directors designated by FIT Singapore to the extent consistent with Kantatsu's practice with other preferred share investors;
- (h) Sharp, Kantatsu and FIT Singapore shall have completed as of Completion certain documents incident to their corporate and other proceedings in connection with the Acquisition contemplated at Completion;
- (i) no provision of any applicable laws shall prohibit or otherwise restrict the Acquisition; and
- (j) Sharp shall have acquired the Sale Shares and shall have good and clean title of the Sale Shares as of Completion.

Completion

Completion shall take place remotely via the exchange of documents and signatures on the later of (i) November 8, 2019 and (ii) five business days after the satisfaction or waiver of the conditions precedent summarized in the sub-section headed "Conditions precedent" above.

On the date of Completion:

- (a) Sharp shall deliver to FIT Singapore: (i) a request form, duly executed by Sharp affixing its seal, to register FIT Singapore as the holder of the Sale Shares on Kantatsu's shareholders register; and (ii) a copy of the extract of the minutes of Kantatsu's board of directors meeting approving the Acquisition; and
- (b) FIT Singapore shall pay the consideration for the Acquisition to Sharp by wire transfer of immediately available funds in JPY to Sharp's designated bank account.

Covenants

During the period from the date of the Share Purchase Agreement and until the earlier of the termination of the Share Purchase Agreement and Completion, each of Sharp and FIT Singapore agrees to use its commercially reasonable efforts to cause the conditions precedent, to be fulfilled and satisfied as soon as practicable following the execution and delivery of the Share Purchase Agreement.

Sharp shall procure Kantatsu to, and FIT Singapore shall, enter into an investment agreement on or prior to Completion.

Termination

The Share Purchase Agreement may be terminated at any time prior to Completion upon any of the following events:

- (a) by written agreement of Sharp and FIT Singapore;
- (b) at any time after December 31, 2019, by either Sharp or FIT Singapore upon written notice to the other party if Completion has not occurred on or before such date;
- (c) by either Sharp or FIT Singapore, if there has been a breach of any representation, warranty, covenant or agreement made by the other party in the Share Purchase Agreement, and such breach or condition is not curable or, if curable, is not cured within the specified time limit.

GENERAL INFORMATION

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

FIT Singapore is a limited liability company established in Singapore, and a direct wholly-owned subsidiary of the Company. It is principally engaged in the sale of interconnect solutions and related products.

Sharp is a limited liability company registered in Japan, the shares of which are listed on the First Section of the Tokyo Stock Exchange. It is principally engaged in the manufacture of consumer and industrial electronics and operates its business worldwide.

Kantatsu is a limited liability company established in Japan and is principally engaged in manufacturing and design of high magnification micro-lens in smartphone, automotive, medical and industrial applications.

Financial information of Kantatsu

The unaudited consolidated financial information of Kantatsu prepared based on Japanese generally accepted accounting principles for the two financial years ended March 31, 2018 and March 31, 2019 and for the six months ended September 30, 2019 is set out below:

	For the year ended March 31, 2018 (JPY'000)	For the year ended March 31, 2019 (JPY'000)	For the six months ended September 30, 2019 (JPY'000)
Net profit/(loss) before tax and extraordinary items	563,530	(1,889,840)	629,909
Net profit/(loss) after tax and extraordinary items	519,407	(2,103,285)	583,595

As of September 30, 2019, the net asset value of Kantatsu was approximately JPY11,734.5 million.

Change in shareholding structure of Kantatsu

As of the date of this announcement, the Group is the holder of 10,000 Kantatsu Common Shares. Immediately following Completion, the Group will also be the holder of 1,500 Kantatsu Series A Preferred Shares, 1,500 Kantatsu Series B Preferred Shares and 1,500 Kantatsu Series C Preferred Shares.

The shareholding structure of Kantatsu on a Fully Converted Basis⁽¹⁾ immediately before Completion and immediately following Completion is set out below:

Shareholder	Immediately before Completion		Immediately following Completion	
	Number of Kantatsu Shares ⁽²⁾	Approximate shareholding percentage	Number of Kantatsu Shares ⁽²⁾	Approximate shareholding percentage
The Group (including the Company and FIT Singapore)	10,000	1.53%	185,000	28.36%
Sharp	500,732	76.76%	325,732	49.93%
Other shareholders	141,600	21.71%	141,600	21.71%
Total ⁽³⁾	<u>652,332</u>	<u>100%</u>	<u>652,332</u>	<u>100%</u>

Notes:

- (1) Among all classes of Kantatsu Shares, only the Kantatsu Common Shares carry voting rights. For a better illustration of the relative interests held by various Kantatsu shareholders, the shareholding structure of Kantatsu in the above table is presented on a Fully Converted Basis, whereby all classes of Kantatsu Shares are converted into Kantatsu Common Shares. The percentage ratios referred to in the section headed “Listing Rules Implications” below are also calculated on a Fully Converted Basis.
- (2) On a Fully Converted Basis, it is assumed that the 1,500 Kantatsu Series A Preferred Shares, 1,500 Kantatsu Series B Preferred Shares, 3,000 Kantatsu Series C Preferred Shares and 6,300 Kantatsu Series D Preferred Shares in issue are converted into 50,000 Kantatsu Common Shares, 75,000 Kantatsu Common Shares, 100,000 Kantatsu Common Shares and 210,000 Kantatsu Common Shares, respectively.
- (3) Percentages may not add up to 100% due to rounding.

REASONS FOR AND BENEFITS OF ENTERING INTO SHARE PURCHASE AGREEMENT

Following the cooperation with Kantatsu on automotive camera products and the in-depth understanding of Kantatsu’s product technology, the Company is of the view that Kantatsu possesses ultra-precision molding technology. By studying Kantatsu’s high-precision molding design and manufacturing process, the Company may enhance its molding precision and technical expertise, improve product quality and reduce overall cost. The Company may also accelerate its penetration into the high-precision critical components used in industries such as mobile phone and healthcare. Therefore, the Company’s increase in shareholding of Kantatsu will further facilitate the knowledge exchange and deepen cooperation on critical precision molding technology between the two parties.

Taking into account the above reasons and the terms of the Share Purchase Agreement, all Directors (including the independent non-executive Directors) are of the view that (i) the terms of the Share Purchase Agreement are fair and reasonable; (ii) the Acquisition is on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (iii) the Acquisition is in the interests of the Company and the shareholders of the Company as a whole.

None of the Directors (including the independent non-executive Directors) has a material interest in the Share Purchase Agreement.

LISTING RULES IMPLICATIONS

FIT Singapore is a direct wholly-owned subsidiary of the Company. As of the date of this announcement, the Company is indirectly owned as to approximately 76.38% by Hon Hai, which is the controlling shareholder of the Company and controls more than 30% interest in Sharp. Sharp is therefore deemed as an associate of Hon Hai and a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition is more than 0.1% but less than 5%, the Acquisition is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements, but is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

“Acquisition”	the transaction contemplated under the Share Purchase Agreement;
“Board”	the board of Directors of the Company;
“Company”	FIT Hon Teng Limited (鴻騰六零八八精密科技股份有限公司), a company incorporated in the Cayman Islands with limited liability under the name Foxconn Interconnect Technology Limited and carrying on business in Hong Kong as FIT Hon Teng Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6088.HK);
“Completion”	the completion of the Acquisition;
“connected transaction(s)”	has the meaning ascribed thereto in the Listing Rules;
“controlling shareholder”	has the meaning ascribed thereto in the Listing Rules;
“Directors”	directors of the Company;
“FIT Singapore”	Foxconn Interconnect Technology Singapore Pte. Ltd., a limited liability company established in Singapore, and a direct wholly-owned subsidiary of the Company;
“Fully Converted Basis”	the basis for determining the shareholding structure of Kantatsu by assuming that all classes of Kantatsu Shares are converted into Kantatsu Common Shares, whereby (i) each Kantatsu Series A Preferred Share is converted into $33\frac{1}{3}$ Kantatsu Common Shares; (ii) each Kantatsu Series B Preferred Share is converted into 50 Kantatsu Common Shares; (iii) each Kantatsu Series C Preferred Share is converted into $33\frac{1}{3}$ Kantatsu Common Shares; and (iv) each Kantatsu Series D Preferred Share is converted into $33\frac{1}{3}$ Kantatsu Common Shares, in each case solely taking into account the paid-in capital and conversion price of the relevant class of Kantatsu Shares and without considering any unpaid dividends and accrued interest thereon from time to time;
“Group”	the Company and its subsidiaries;

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hon Hai”	Hon Hai Precision Industry Co., Ltd. (鴻海精密工業股份有限公司), a limited liability company established in Taiwan and listed on the Taiwan Stock Exchange (Stock Code: 2317.TW), the controlling shareholder of the Company;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“JPY”	Japanese yen, the lawful currency of Japan;
“Kantatsu”	Kantatsu Co., Ltd. (カンタツ株式会社), a limited liability company established in Japan;
“Kantatsu Common Share(s)”	share(s) of common stock of Kantatsu;
“Kantatsu Series A Preferred Share(s)”	share(s) of Series A preferred stock of Kantatsu;
“Kantatsu Series B Preferred Share(s)”	share(s) of Series B preferred stock of Kantatsu;
“Kantatsu Series C Preferred Share(s)”	share(s) of Series C preferred stock of Kantatsu;
“Kantatsu Series D Preferred Share(s)”	share(s) of Series D preferred stock of Kantatsu;
“Kantatsu Share(s)”	share(s) in the issued stock capital of Kantatsu from time to time, which as of the date of this announcement comprises 217,332 Kantatsu Common Shares, 1,500 Kantatsu Series A Preferred Shares, 1,500 Kantatsu Series B Preferred Shares, 3,000 Kantatsu Series C Preferred Shares and 6,300 Kantatsu Series D Preferred Shares;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Sale Shares”	1,500 Kantatsu Series A Preferred Shares, 1,500 Kantatsu Series B Preferred Shares and 1,500 Kantatsu Series C Preferred Shares, representing approximately 26.83% of the entire equity interest in Kantatsu on a Fully Converted Basis;

“Share(s)”	ordinary share(s) with nominal value of US\$0.01953125 each in the issued capital of the Company or if there has been a subsequent subdivision, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;
“Share Purchase Agreement”	the share purchase agreement, dated October 17, 2019, entered into between the Company, Sharp and Kantatsu, as further described in the section headed “Major Terms of the Share Purchase Agreement” of this announcement;
“Sharp”	Sharp Corporation (シャープ株式会社), a limited liability company registered in Japan, the shares of which are listed on the First Section of the Tokyo Stock Exchange (Stock Code: 6753.T);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules;
“US\$”	United States dollar(s), the lawful currency of the United States; and
“%”	percent.

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

Hong Kong, October 17, 2019

For the purpose of this announcement, unless the context otherwise requires, the conversion of JPY into HK\$ is based on the approximate exchange rate of JPY1 to HK\$0.0724. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in JPY and HK\$ have been, could have been or may be converted at such or any other rate or at all.

As of the date of this announcement, the Board comprises Mr. LU Sung-Ching, Mr. LU Pochin Christopher and Mr. PIPKIN Chester John as executive Directors, and Mr. CURWEN Peter D, Mr. TANG Kwai Chang, Mr. CHAN Wing Yuen Hubert and Mr. TRAINOR-DEGIROLAMO Sheldon as independent non-executive Directors.

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