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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)

**DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION
IN RELATION TO LAND DEVELOPMENT AND LEASE**

THE FRAMEWORK AGREEMENTS

The Board is pleased to announce that on June 17, 2022, Fu Ding entered into the Framework Agreements with Futaitong pursuant to which, among other things, (i) Fu Ding will, at the request and cost of Futaitong, enter into the Construction Agreements with third party contractors for the Construction, with the Construction Consideration to be borne by Futaitong (which is the On-pay Arrangement); (ii) Futaitong will, after completion of the Construction, rent the Real Estate as lessee from Fu Ding as lessor at the Real Estate Rental Fee for 20 years and, subject to compliance with applicable PRC laws and the Listing Rules, renew the Lease for not less than 15 years (which is the Lease); and (iii) as an alternative to the Lease arrangement, where it is permissible under relevant laws and regulations, Fu Ding will, subject to compliance with the Listing Rules and upon receipt of Futaitong's written notice, transfer the Real Estate to Futaitong (which is the Real Estate Transfer).

LISTING RULES IMPLICATIONS

As the highest of all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Framework Agreements is more than 5% but less than 25%, the entering into of the Framework Agreements, together with the transactions contemplated thereunder (including the On-pay Arrangement, the Lease and the possible Real Estate Transfer), constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Further, as of the date of this announcement, the Company is indirectly owned as to approximately 72.61% by Hon Hai, the controlling shareholder of the Company. Futaitong is a non-wholly-owned subsidiary of Hon Hai. Therefore, Futaitong is a connected person of the Company by virtue of it being an associate of Hon Hai. The entering into of the Framework Agreements, together with the transactions contemplated thereunder (including the On-pay Arrangement, the Lease and the possible Real Estate Transfer), constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, which is subject to the reporting, announcement, circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will seek the independent Shareholders' approval for the transactions contemplated under the Framework Agreements at an extraordinary general meeting. A circular containing, among other things, (i) further details of the transactions contemplated under the Framework Agreements; (ii) a letter of advice from the independent Board committee; (iii) a letter of advice from the Independent Financial Adviser; and (iv) a notice of extraordinary general meeting, is expected to be dispatched to the Shareholders of the Company on or before July 11, 2022, being 15 Hong Kong business days after the date of this announcement.

The Board is pleased to announce that on June 17, 2022, Fu Ding entered into the Framework Agreements with Futaitong pursuant to which, among other things, (i) Fu Ding will, at the request and cost of Futaitong, enter into the Construction Agreements with third party contractors for the Construction, with the Construction Consideration to be borne by Futaitong (which is the On-pay Arrangement); (ii) Futaitong will, after completion of the Construction, rent the Real Estate as lessee from Fu Ding as lessor at the Real Estate Rental Fee for 20 years and, subject to compliance with applicable PRC laws and the Listing Rules, renew the Lease for not less than 15 years (which is the Lease); and (iii) as an alternative to the Lease arrangement, where it is permissible under relevant laws and regulations, Fu Ding will, subject to compliance with the Listing Rules and upon receipt of Futaitong's written notice, transfer the Real Estate to Futaitong (which is the Real Estate Transfer).

MAJOR TERMS OF THE FRAMEWORK AGREEMENTS

Date

June 17, 2022

Parties

- (i) Fu Ding, a wholly-owned subsidiary of the Company; and
- (ii) Futaitong.

Subject Matter

The Land is a parcel of industrial land located at Zone C, Baoyuan Science and Technology Park, Guanguang Road, Guanlan Dashuikeng, Longhua District, Shenzhen with a site area of approximately 76,230.91 square meters, with its land use rights expiring on June 29, 2057. The book value of the Land as of May 31, 2022 was RMB25,673,253. The Land is owned by Fu Ding as of the date of this announcement.

Lease Arrangements

Upon completion of the Construction (as described below), Futaitong will rent the Real Estate as lessee from Fu Ding as lessor. The details of the Lease are set out below:

Term: 20 years. Subject to compliance with applicable PRC laws and the Listing Rules, Futaitong shall be entitled to renew the Lease for not less than 15 years.

Real Estate Rental Fee: RMB238.68 million (inclusive of VAT) for the abovementioned 20 plus 15 years.

In the event that, for reason of Fu Ding, the overall term of the Lease (including its renewal) enjoyed by Futaitong is less than the abovementioned 20 plus 15 years, the Real Estate Rental Fee payable by Futaitong shall be decreased by RMB6.82 million per eliminated year.

The Real Estate Rental Fee was determined after arm's length negotiation primarily with reference to (i) the original acquisition cost and the site area of the Land; (ii) the price per square meter in certain recent transactions involving the land use rights of industrial land in Longhua District, Shenzhen; and (iii) the remaining period of the relevant land use rights.

Payment schedule: The Real Estate Rental Fee is payable in 5 equal instalments, on the 20th day of the month following the month in which Fu Ding obtains the real estate certificate, and the subsequent 4 anniversaries thereof.

Possible Real Estate Transfer

As an alternative to the Lease arrangement, in the event that it is permissible under relevant laws and regulations for Fu Ding to transfer the Real Estate to Futaitong, Fu Ding will, subject to compliance with the Listing Rules and upon receipt of Futaitong's written notice, complete the transfer of the Real Estate to Futaitong within 120 days thereafter. The consideration for the Real Estate Transfer shall be equal to the sum of the Real Estate Rental Fee and the Construction Consideration minus the total amount of invoices issued by Fu Ding to Futaitong under the Framework Agreements (all the above amounts are inclusive of VAT). Accordingly, the Group is expected to record the same economic benefits in either case of the Lease or the Real Estate Transfer. The Real Estate Transfer constitutes an option granted by the Group to Futaitong where the Group does not have discretion to exercise the option.

Land Development and On-pay Arrangements

Prior to the commencement of the Lease term, Fu Ding will, at the request and cost of Futaitong, enter into Construction Agreements with third party contractors for the Construction in accordance with the design, specifications and other requirements of Futaitong. Futaitong shall pay the construction fees charged by the contractors to Fu Ding for Fu Ding to on-pay the same to the contractors. Also, in the event that Fu Ding is required by relevant government authorities to pay any idle land fees arising from any delayed development of the Land, Futaitong shall reimburse Fu Ding for the same upon Fu Ding's provision of documentary proof. The aforesaid construction fees and idle land fees (if any) shall be treated as the Construction Consideration. It is expected that the Construction Consideration will not exceed RMB630 million (inclusive of VAT), which was determined after arm's length negotiation primarily with reference to the costs of materials, manpower and overheads required for undertaking and completing the works under the Construction Agreements. For the avoidance of doubt, in case that the Construction Consideration exceeds RMB630 million, such excess amount and related taxes shall still be borne by Futaitong.

Other than the completion of the Construction, conditions precedent for the Lease include, among other things, completion of valuation and satisfactory due diligence, obtaining of all necessary corporate approvals by the relevant parties, and obtaining all relevant government authorities' acknowledgement or approval for the development of the Land.

The Construction shall be completed and the real estate certificate shall be obtained within 3 years after the issuance of the construction permit by the relevant government authority. If for reason of Fu Ding there is a delay in obtaining the real estate certificate, Fu Ding shall compensate Futaitong at a monthly amount of RMB3 million accruing from the second month after the expiry of the above 3-year period, which may be deducted from the Real Estate Rental Fee.

As explained above, Futaitong shall bear the Construction Consideration. In the event that the Buildings are unable to pass the construction acceptance due to land and construction planning, or in case of government expropriation of the Land or government request to demolish the Buildings, Fu Ding shall return all the Construction Consideration paid by Futaitong to Fu Ding under the Framework Agreements together with an interest calculated based on the benchmark interest rate for bank loans. In the event that, for reason of Fu Ding, the overall term of the Lease (including its renewal) enjoyed by Futaitong is less than the abovementioned 20 plus 15 years, Fu Ding shall return to Futaitong part of the Construction Consideration in proportion to the extent to which such overall Lease term falls short of the abovementioned 20 plus 15 years. In the event that, as a result of government expropriation of the Land, the overall term of the Lease (including its renewal) enjoyed by Futaitong is less than the abovementioned 20 plus 15 years, Fu Ding shall pay to Futaitong part of the government's compensation for expropriation in proportion to the extent to which such overall Lease term falls short of the abovementioned 20 plus 15 years.

Accounting Treatment and Financial Effects of the Transactions under the Framework Agreements

It is expected that, under IFRS 16, the Lease will constitute a finance lease, and it will be treated as a disposal of assets by the Group to be recognized on a one-off basis when the Lease term commences, namely when Fu Ding obtains the real estate certificate. The total consideration under the Framework Agreements is expected to be the aggregate of the Real Estate Rental Fee (being RMB238.68 million that will be classified as finance lease receivables) and the Construction Consideration (expected to be not exceeding RMB630 million that will be prepaid by Futaitong to Fu Ding according to the On-pay Arrangement). Notwithstanding the aforesaid accounting treatment, the land use rights of the Real Estate will remain with the Group pursuant to the Lease.

The gain or loss on the aforesaid disposal of assets or the Real Estate Transfer and the amount of total net proceeds will depend on, among other things, the applicable tax rates at the relevant time, and can only be determined when the Lease term commences or the Real Estate Transfer materializes (where applicable). The Company currently intends to use the net proceeds (when determined) for general working capital of the Group.

During the financial years ended December 31, 2020 and 2021, respectively, the Company has not recognized any revenue or receivables for the aforesaid assets or the Real Estate under the Framework Agreements.

GENERAL INFORMATION

The Group is a leading global interconnect solutions provider and one of a 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.

Fu Ding is a limited liability company established in the PRC and is principally engaged in the production of interconnect solutions and related products in the PRC. Fu Ding is a wholly-owned subsidiary of the Company.

Futaitong is a limited liability company established in the PRC and is principally engaged in supply chain management, warehousing and logistics services. It is a non-wholly-owned subsidiary of Hon Hai.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENTS

The Group has proactively planned and managed its land resources. Instead of leaving the Land idle, cooperation with Futaitong on the development of the Land would strengthen the Group's core business and reduce the Group's costs because (i) the Group may realize the synergy with Hon Hai Group's logistics networks, including the potential supply chain and logistics collaboration with Futaitong; (ii) the development costs of the Land will be borne by Futaitong; and (iii) the Group may enjoy a long-term and stable rental income arising from the Lease.

Taking into account the above reasons and the terms of the Framework Agreements, all Directors (excluding the independent non-executive Directors who will express their view in a circular after receiving advice from the Independent Financial Adviser) are of the view that (i) the terms of the Framework Agreements are fair and reasonable; (ii) the transactions contemplated under the Framework Agreements are on normal commercial terms or better but not in the ordinary and usual course of business of the Group; and (iii) the transactions contemplated under the Framework Agreements are in the interests of the Company and the Shareholders as a whole.

None of the Directors (including the independent non-executive Directors) has a material interest in the Framework Agreements.

LISTING RULES IMPLICATIONS

As the highest of all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Framework Agreements is more than 5% but less than 25%, the entering into of the Framework Agreements, together with the transactions contemplated thereunder (including the On-pay Arrangement, the Lease and the possible Real Estate Transfer), constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Further, as of the date of this announcement, the Company is indirectly owned as to approximately 72.61% by Hon Hai, the controlling shareholder of the Company. Futaitong is a non-wholly-owned subsidiary of Hon Hai. Therefore, Futaitong is a connected person of the Company by virtue of it being an associate of Hon Hai. The entering into of the Framework Agreements, together with the transactions contemplated thereunder (including the On-pay Arrangement, the Lease and the possible Real Estate Transfer), constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, which is subject to the reporting, announcement, circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will seek the independent Shareholders' approval for the transactions contemplated under the Framework Agreements at an extraordinary general meeting to be held in due course. Hon Hai and its associates will abstain from voting on the resolution(s) to be proposed at such extraordinary general meeting for approving the above matters. The Company has established an independent Board committee (consisting of all independent non-executive Directors) to review, consider, recommend and advise the independent Shareholders in respect of the above matters, and has appointed Alliance Capital Partners Limited as the Independent Financial Adviser to advise the independent Board committee and the independent Shareholders in this regard. A circular containing, among other things, (i) further details of the transactions contemplated under the Framework Agreements; (ii) a letter of advice from the independent Board committee; (iii) a letter of advice from the Independent Financial Adviser; and (iv) a notice of extraordinary general meeting, is expected to be dispatched to the Shareholders of the Company on or before July 11, 2022, being 15 Hong Kong business days after the date of this announcement.

DEFINITIONS

“Board”	the board of Directors of the Company;
“Buildings”	the buildings to be constructed on the Land pursuant to the Construction Agreements;
“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);
“connected transaction(s)”	has the meaning ascribed thereto in the Listing Rules;
“Construction”	the transactions contemplated under the Construction Agreements;
“Construction Agreements”	the construction agreements to be entered into between Fu Ding and third party contractors;
“Construction Consideration”	the consideration for the Construction, as explained in the section headed “Major Terms of the Framework Agreements – Land Development and On-pay Arrangements” in this announcement;
“controlling shareholder”	has the meaning ascribed thereto in the Listing Rules;
“Directors”	directors of the Company;
“discloseable transaction(s)”	has the meaning ascribed thereto in the Listing Rules;
“Framework Agreements”	the Framework Cooperation Agreement, the Supplemental Agreement and the Lease Agreement;
“Framework Cooperation Agreement”	the framework cooperation agreement entered into between Fu Ding and Futaitong on June 17, 2022;
“Fu Ding”	Fu Ding Precision Component (Shenzhen) Co., Ltd. (富頂精密組件(深圳)有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company;
“Futaitong”	Shenzhen Fertile Plan International Logistics Co., Ltd (深圳市富泰通國際物流有限公司), a limited liability company established in the PRC and a non-wholly-owned subsidiary of Hon Hai;

“Group”	the Company and its subsidiaries;
“Hon Hai”	Hon Hai Precision Industry Co., Ltd. (鴻海精密工業股份有限公司), a limited liability company established in Taiwan and listed on the Taiwan Stock Exchange (Stock Code: 2317), the controlling shareholder of the Company;
“Hon Hai Group”	Hon Hai and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“IFRS(s)”	International Financial Reporting Standards, or one or more of the standards thereunder as the context may require;
“Independent Financial Adviser”	Alliance Capital Partners Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the independent Board committee and the independent Shareholders in respect of Framework Agreements;
“Land”	a parcel of industrial land located at Zone C, Baoyuan Science and Technology Park, Guanguang Road, Guanlan Dashuikeng, Longhua District, Shenzhen with a site area of approximately 76,230.91 square meters;
“Lease”	the lease of the Real Estate as contemplated under the Lease Agreement;
“Lease Agreement”	the lease agreement entered into between Fu Ding and Futaitong on June 17, 2022;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“On-pay Arrangement”	the on-pay arrangement from Futaitong to Fu Ding in respect of the Construction Consideration as explained in the section headed “Major Terms of the Framework Agreements – Land Development and On-pay Arrangements” in this announcement;
“PRC”	the People’s Republic of China, which for the purpose of this announcement does not include Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Real Estate”	the Land and the Buildings;

“Real Estate Rental Fee”	the consideration for the Lease, as explained in the section headed “Major Terms of the Framework Agreements – Lease Arrangements” in this announcement;
“Real Estate Transfer”	the transfer of Real Estate from Fu Ding to Futaitong, as explained in the section headed “Major Terms of the Framework Agreements – Possible Real Estate Transfer” in this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and/or supplemented from time to time;
“Share(s)”	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;
“Shareholder(s)”	the holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules;
“Supplemental Agreement”	the supplemental agreement entered into between Fu Ding and Futaitong on June 17, 2022;
“VAT”	value-added tax; and
“%”	percent.

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

Hong Kong, June 17, 2022

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, Mr. TRAINOR-DEGIROLAMO Sheldon as non-executive Director, and Mr. CURWEN Peter D, Mr. TANG Kwai Chang and Mr. CHAN Wing Yuen Hubert as independent non-executive Directors.

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