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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)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2022**

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended June 30, 2022 amounted to USD2,101 million, representing a YoY increase of 6% as compared to USD1,982 million for the six months ended June 30, 2021.
- Profit for the six months ended June 30, 2022 amounted to USD85 million, representing a YoY increase of 963% as compared to USD8 million for the six months ended June 30, 2021.
- Basic earnings per share attributable to owners of the Company for the six months ended June 30, 2022 amounted to US1.23 cents, representing a YoY increase of 779% as compared to US0.14 cents for the six months ended June 30, 2021.
- The Board did not declare any interim dividend for the six months ended June 30, 2022.

The Board is pleased to announce the unaudited interim condensed consolidated results of our Group for the six months ended June 30, 2022 together with the comparative figures for the corresponding period in the previous period as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended	
		June 30,	
	Note	2022	2021
		USD'000	USD'000
		(unaudited)	(unaudited)
Revenue	4	2,101,326	1,982,056
Cost of sales	5	<u>(1,750,487)</u>	<u>(1,714,280)</u>
Gross profit		350,839	267,776
Distribution costs and selling expenses	5	(45,882)	(50,623)
Administrative expenses	5	(80,781)	(90,627)
Research and development expenses	5	(135,805)	(131,230)
(Recognition)/reversal of impairment loss on financial assets		(273)	450
Other income		7,390	17,871
Other gains – net		<u>24,448</u>	<u>2,312</u>
Operating profit		119,936	15,929
Finance income		6,604	5,889
Finance costs		<u>(8,698)</u>	<u>(6,446)</u>
Finance costs – net		(2,094)	(557)
Share of results of associates		<u>(10,261)</u>	<u>(1,500)</u>
Profit before income tax		107,581	13,872
Income tax expense	6	<u>(22,095)</u>	<u>(5,992)</u>
Profit for the period		<u>85,486</u>	<u>7,880</u>
Profit attributable to:			
Owners of the Company		85,117	9,264
Non-controlling interests		<u>369</u>	<u>(1,384)</u>
		<u>85,486</u>	<u>7,880</u>
Earnings per share for profit attributable to owners of the Company (expressed in US cents per share)			
Basic earnings per share	7	1.23	0.14
Diluted earnings per share	7	<u>1.22</u>	<u>0.13</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended	
	June 30,	
	2022	2021
	USD'000	USD'000
	(unaudited)	(unaudited)
Profit for the period	85,486	7,880
Other comprehensive (loss)/income:		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	(108,436)	10,780
<i>Item that will not be reclassified subsequently to profit or loss</i>		
Fair value change in financial assets at fair value through other comprehensive income	(100)	5,356
	<hr/>	<hr/>
Total other comprehensive (loss)/income for the period, net of tax	(108,536)	16,136
	<hr/>	<hr/>
Total comprehensive (loss)/income for the period	(23,050)	24,016
	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive (loss)/income for the period attributable to:		
Owners of the Company	(23,374)	25,410
Non-controlling interests	324	(1,394)
	<hr/>	<hr/>
	(23,050)	24,016
	<hr/> <hr/>	<hr/> <hr/>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at June 30, 2022 <i>USD'000</i> <i>(unaudited)</i>	As at December 31, 2021 <i>USD'000</i> <i>(audited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment		752,336	823,250
Investment property		7,465	–
Right-of-use assets		72,585	90,551
Intangible assets		615,424	633,930
Financial assets at fair value through other comprehensive income		28,690	28,590
Financial assets at fair value through profit or loss		45,871	44,863
Interests in associates		168,755	171,657
Deposits and prepayments	9	10,408	10,952
Finance lease receivables		27,938	35,932
Deferred income tax assets		142,546	133,055
		<u>1,872,018</u>	<u>1,972,780</u>
Current assets			
Inventories		1,123,084	982,403
Trade and other receivables	9	861,626	1,167,015
Finance lease receivables		16,008	15,882
Financial assets at fair value through profit or loss		803	1,124
Short-term bank deposits		105,682	98,013
Cash and cash equivalents		853,917	769,447
		<u>2,961,120</u>	<u>3,033,884</u>
Total assets		<u>4,833,138</u>	<u>5,006,664</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		141,716	139,326
Treasury shares		(91,556)	(92,512)
Reserves		2,322,618	2,347,756
		<u>2,372,778</u>	<u>2,394,570</u>
Non-controlling interests		<u>1,337</u>	<u>1,013</u>
Total equity		<u>2,374,115</u>	<u>2,395,583</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at June 30, 2022 USD'000 <i>(unaudited)</i>	As at December 31, 2021 USD'000 <i>(audited)</i>
LIABILITIES			
Non-current liabilities			
Bank borrowings		574,617	575,632
Lease liabilities		36,065	46,412
Deferred income tax liabilities		38,612	42,356
Other payables	10	<u>13,702</u>	<u>9,504</u>
		<u>662,996</u>	<u>673,904</u>
Current liabilities			
Trade and other payables	10	1,027,168	1,138,205
Contract liabilities		9,116	6,294
Lease liabilities		9,202	8,949
Bank borrowings		689,851	689,891
Current income tax liabilities		<u>60,690</u>	<u>93,838</u>
		<u>1,796,027</u>	<u>1,937,177</u>
Total liabilities		<u>2,459,023</u>	<u>2,611,081</u>
Total equity and liabilities		<u><u>4,833,138</u></u>	<u><u>5,006,664</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION OF THE GROUP

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

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

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

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

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

2 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended June 30, 2022 is prepared in accordance with International Accounting Standard (“**IAS**”) 34, “Interim Financial Reporting” and should be read in conjunction with the annual financial statements for the year ended December 31, 2021 (the “**Annual Financial Statements**”), which has been prepared in accordance with International Financial Reporting Standards (“**IFRS**”).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those as described in the Annual Financial Statements, except for the adoption of new and amended standards as set out in note 3 (i). In addition, the Group adopted the following accounting policy in relation to Investment property during the current interim period:

Investment property

Investment properties, principally comprising land and buildings that are being constructed or developed, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group.

Investment properties are stated at historical cost less accumulated depreciation and impairment charge, if any. They are depreciated using the straight-line method over their estimated useful life of 35 years. Subsequent improvement costs are capitalized to the carrying amount only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed in profit or loss during the financial period in which they are incurred.

Investment properties are derecognized either when they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal.

(i) Amended standards and revised conceptual framework adopted by the Group

The Group has applied the following amendments which are mandatory for the financial year beginning January 1, 2022 and are relevant to its operations:

Amendments to annual improvements project	Annual improvements 2018-2020 cycle
Amendments to IAS 16	Property, plant and equipment
Amendments to IAS 37	Onerous contracts
Amendments to IFRS 3	Reference to the conceptual framework
Amendments to IFRS 16	Covid-19 Related rent concessions

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

(ii) New standards, amendments and annual improvement which are not yet effective for this financial period and have not been early adopted by the Group

The Group has not early adopted the following new standards, amendments and annual improvement that have been issued but are not yet effective for the period:

		Effective for accounting periods beginning on or after
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023
IFRS 17	Insurance contracts	1 January 2023
IFRS 17	Amendments to IFRS 17	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to IAS 8	Definition of accounting estimates	1 January 2023
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to IFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

4 SEGMENT INFORMATION

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

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

Segment revenue and results

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

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

For the six months ended June 30, 2021, the Group's revenue by operating segment is as follows:

	Intermediate products USD'000 (unaudited)	Consumer products USD'000 (unaudited)	Total USD'000 (unaudited)
Revenue	1,614,507	448,967	2,063,474
Inter-segment revenue eliminations	(81,418)	–	(81,418)
Revenue from external customers	<u>1,533,089</u>	<u>448,967</u>	<u>1,982,056</u>
Gross profit			267,776
Unallocated:			
Expenses – net			(272,030)
Other income			17,871
Other gains – net			2,312
Finance costs – net			(557)
Share of results of associates			(1,500)
Profit before income tax			<u><u>13,872</u></u>

For the six months ended June 30, 2022 and 2021, revenue by product categories is as follows:

	For the six months ended June 30,	
	2022	2021
	USD'000	USD'000
	(unaudited)	(unaudited)
Smartphones	613,811	485,027
Networking	361,929	447,588
Computing	411,833	421,321
EV mobility	72,040	64,141
System products	552,224	474,057
Others	89,489	89,922
	2,101,326	1,982,056

For the six months ended June 30, 2022 and 2021, revenue by geographical areas is as follows:

	For the six months ended June 30,	
	2022	2021
	USD'000	USD'000
	(unaudited)	(unaudited)
United States of America	969,903	798,125
The PRC	412,372	425,660
Taiwan	269,728	265,017
Hong Kong	116,447	129,648
United Kingdom	89,090	102,862
Malaysia	38,910	70,885
Singapore	35,916	57,695
Others	168,960	132,164
	2,101,326	1,982,056

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

For the six months ended June 30, 2022, there were two customers (2021: two customers), which individually contributed over 10% of the Group's total revenue. During the period, the revenue contributed from these customers are as follows:

	For the six months ended June 30,	
	2022	2021
	USD'000	USD'000
	(unaudited)	(unaudited)
Customer A	773,619	520,989
Customer B	303,203	270,899

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

Segment assets and liabilities

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

As at June 30, 2022:

	Intermediate products USD'000 (unaudited)	Consumer products USD'000 (unaudited)	Total USD'000 (unaudited)
Assets			
Segment assets	<u>1,828,707</u>	<u>903,608</u>	<u>2,732,315</u>
Unallocated:			
Property, plant and equipment			752,336
Investment property			7,465
Right-of-use assets			72,585
Intangible assets			20,773
Financial assets at fair value through other comprehensive income			28,690
Financial assets at fair value through profit or loss			46,674
Interests in associates			168,755
Finance lease receivables			43,946
Short-term bank deposits			105,682
Cash and cash equivalents			<u>853,917</u>
Total assets			<u><u>4,833,138</u></u>
Liabilities			
Segment liabilities	<u>979,453</u>	<u>169,835</u>	<u>1,149,288</u>
Unallocated:			
Bank borrowings			1,264,468
Lease liabilities			<u>45,267</u>
Total liabilities			<u><u>2,459,023</u></u>

As at December 31, 2021:

	Intermediate products USD'000 (audited)	Consumer products USD'000 (audited)	Total USD'000 (audited)
Assets			
Segment assets	<u>1,970,771</u>	<u>925,775</u>	<u>2,896,546</u>
Unallocated:			
Property, plant and equipment			823,250
Right-of-use assets			90,551
Intangible assets			30,809
Financial assets at fair value through other comprehensive income			28,590
Financial assets at fair value through profit or loss			45,987
Interests in associates			171,657
Finance lease receivables			51,814
Short-term bank deposits			98,013
Cash and cash equivalents			<u>769,447</u>
Total assets			<u><u>5,006,664</u></u>
Liabilities			
Segment liabilities	<u>1,193,894</u>	<u>96,303</u>	<u>1,290,197</u>
Unallocated:			
Bank borrowings			1,265,523
Lease liabilities			<u>55,361</u>
Total liabilities			<u><u>2,611,081</u></u>

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

	As at June 30, 2022 <i>USD'000</i> <i>(unaudited)</i>	As at December 31, 2021 <i>USD'000</i> <i>(audited)</i>
The PRC	575,956	581,389
Vietnam	202,248	240,495
United States of America	46,118	66,253
Taiwan	13,454	22,773
Singapore	1,156	7,445
Others	3,862	6,398
	<u>842,794</u>	<u>924,753</u>

5 EXPENSES BY NATURE

	For the six months ended June 30, 2022 <i>USD'000</i> <i>(unaudited)</i>	2021 <i>USD'000</i> <i>(unaudited)</i>
Cost of inventories, including impairment of inventories	1,213,514	1,194,621
Subcontracting expenses	24,476	42,451
Utilities	28,332	27,347
Employee benefit expenses	399,004	368,053
Amortization of intangible assets	20,847	20,491
Depreciation of property, plant and equipment	95,903	74,051
Depreciation of right-of-use assets	9,566	13,683
Mouldings and consumables	82,345	85,855
Legal and professional expenses	21,226	32,675
Delivery expenses	50,451	49,891
Other tax and related surcharges	8,987	6,083
Others	58,304	71,559
	<u>2,012,955</u>	<u>1,986,760</u>

6 INCOME TAX EXPENSE

Income tax expense is recognised based on management best estimate of the weighted average annual income tax rate expected for the full financial year. The amounts of income tax expense charged to the interim condensed consolidated income statements represent:

	For the six months ended June 30,	
	2022	2021
	USD'000	USD'000
	(unaudited)	(unaudited)
Current income tax		
– Current tax on profits for the period	35,330	17,678
Deferred income tax	(13,235)	(11,686)
Income tax expense	22,095	5,992

7 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue, excluding treasury shares, during the six months ended June 30, 2022 and 2021.

	For the six months ended June 30,	
	2022	2021
	(unaudited)	(unaudited)
Net profit attributable to the owners of the Company (<i>USD'000</i>)	85,117	9,264
Weighted average number of ordinary shares in issue (<i>in thousands</i>)	6,926,858	6,684,993
Basic earnings per share in US cents	1.23	0.14

(b) Diluted earnings per share

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

For the six months ended June 30, 2022, there were three (for the six months ended June 30, 2021: three) outstanding share-based compensation schemes and only the senior management share grant scheme has dilutive effect to the earnings per share (for the six months ended June 30, 2021: same).

	For the six months ended June 30,	
	2022	2021
	(unaudited)	(unaudited)
Net profit attributable to the owners of the Company <i>(USD'000)</i>	<u>85,117</u>	<u>9,264</u>
Weighted average number of ordinary shares in issue <i>(in thousand)</i>	6,926,858	6,684,993
Adjustments for:		
– impact of the senior management and employees' share grant schemes <i>(in thousand)</i>	<u>31,137</u>	<u>216,395</u>
Weighted average number of ordinary shares for diluted earnings per share <i>(in thousand)</i>	<u>6,957,995</u>	<u>6,901,388</u>
Diluted earnings per share in US cents	<u><u>1.22</u></u>	<u><u>0.13</u></u>

8 DIVIDEND

No interim dividend in respect of the six months ended June 30, 2022 has been declared as of the date of this announcement (for the six months ended June 30, 2021: nil).

9 TRADE AND OTHER RECEIVABLES

	As at June 30, 2022 <i>USD'000</i> <i>(unaudited)</i>	As at December 31, 2021 <i>USD'000</i> <i>(audited)</i>
Trade receivables due from third parties	635,411	860,057
Trade receivables due from related parties	145,607	174,527
Less: loss allowances for impairment of trade receivables	(1,482)	(1,755)
	<hr/>	<hr/>
Total trade receivables -net	779,536	1,032,829
Deposits and prepayments	28,838	42,357
Other receivables	14,623	18,945
Amounts due from related parties	13,743	7,573
Value added tax receivables and recoverable	35,294	76,263
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	92,498	145,138
Less: non-current portion		
Deposits and prepayments	(10,408)	(10,952)
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	82,090	134,186
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Current portion	861,626	1,167,015
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For trade receivables, the credit period granted to third parties and related parties are ranging from 45 to 90 days.

The aging analysis of trade receivables based on invoice date, before loss allowance, as at June 30, 2022 and December 31, 2021 is as follows:

	As at June 30, 2022 <i>USD'000</i> <i>(unaudited)</i>	As at December 31, 2021 <i>USD'000</i> <i>(audited)</i>
Within 3 months	694,777	913,315
3 months to 1 year	85,853	120,850
Over 1 year	388	419
	<hr/>	<hr/>
	781,018	1,034,584
	<hr/> <hr/>	<hr/> <hr/>

10 TRADE AND OTHER PAYABLES

	As at June 30, 2022 <i>USD'000</i> <i>(unaudited)</i>	As at December 31, 2021 <i>USD'000</i> <i>(audited)</i>
Trade payables due to third parties	639,753	700,646
Trade payables due to related parties	84,652	72,646
	<hr/>	<hr/>
Total trade payables	724,405	773,292
Amounts due to related parties	23,844	28,007
Staff salaries, bonuses and welfare payables	115,359	114,243
Deposits received, other payables and accruals	177,262	232,167
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	1,040,870	1,147,709
Less: non-current portion	(13,702)	(9,504)
	<hr/>	<hr/>
	1,027,168	1,138,205
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As at June 30, 2022 and December 31, 2021, the aging analysis of the trade payables to third parties and related parties of trading in nature based on invoice date is as follows:

	As at June 30, 2022 <i>USD'000</i> <i>(unaudited)</i>	As at December 31, 2021 <i>USD'000</i> <i>(audited)</i>
Within 3 months	706,808	729,492
3 months to 1 year	16,850	43,007
Over 1 year	747	793
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	724,405	773,292
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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

Business Overview

For the six months ended June 30, 2022, notwithstanding the turbulence from the international situation, we swiftly recovered from the upheaval of supply chain. Despite the severe outbreak of COVID-19 in Shanghai, China from April to mid-May 2022, our results grew marginally. As discussed in more detail below in the section headed “Results of Operations”, our revenue amounted to USD2,101 million while profit amounted to USD85 million for the six months ended June 30, 2022, representing an increase of 6.0% and 963%, respectively, as compared to the corresponding period in 2021.

To meet the development of the industry and the Company’s business strategy, the Company’s business market segmentation was adjusted to include smartphones, networking, computing, EV mobility and system products end markets.

Smartphone component products continued to be our largest source of revenue by end market. During the six months ended June 30, 2022, shipments of our Lightning cable and plug products increased thanks to the robust growth momentum in the shipment of smartphones component products from branded companies. As a result, revenue generated from the smartphone end market for the six months ended June 30, 2022 increased by 26.6% as compared to the same period in 2021.

For the networking end market, there was an increase in our new generation CPU socket and network socket product business, but our optical module shipments decreased due to the impact of shortage of chip supply on branded companies. As a result, revenue generated from the networking end market decreased by 19.1% for the six months ended June 30, 2022 as compared to the same period in 2021.

For the computing end market, revenue of laptop and tablet related products contracted as a result of the reduction in needs for work-from-home arrangement and for home-based learning for schools as the global COVID-19 pandemic faded away gradually. For the six months ended June 30, 2022, revenue generated from the computing end market decreased by 2.3% as compared to the same period in 2021.

For the EV mobility end market, our revenue generated from automotive product-related applications increased as a result of the increased demand for electric vehicles. For the six months ended June 30, 2022, revenue generated from the EV mobility end market increased by 12.3% as compared to the same period in 2021.

For the system products end market, with the completion of the disposal of equity interest in Linksys by the Company on September 25, 2021, the results of Linksys ceased to be consolidated into the Group from the date of such disposal, resulting in a decrease in revenue. However, our shipments of wired and true wireless Bluetooth earphone products increased due to the increasing demand for high-end smartphones. For the six months ended June 30, 2022, revenue generated from the system products end market increased by 16.5% as compared to the same period in 2021.

Industry Outlook and Business Prospects

Industry Outlook

The global connector industry is undergoing a rapid technical development with superior product functionality and higher compatibility, which enables connector products to be applied in more situations and scenarios. In the future, connectors that are compatible with various kinds of products across application fields are likely to become more popular in the market. In such an environment, we have seized emerging market opportunities and built brand awareness globally, thereby rapidly expanding our market share.

Smartphones. Although the demand for smartphone shipments around the world is affected by inflation and there is a potential downward trend in smartphone shipments, we still stay positive about the high-end smartphone market and seize business opportunities for related components.

Networking. Demand for networking connectors is largely driven by the accelerating growth in data traffic and the continually growing need for additional network bandwidth. As traffic increases, more data centers' capacity gets to be built. Data centers require a variety of physical connectors, routers, electricity, signals, and networks, which generate heavy demand for connectors. Increasing deployment of data centers will be sufficient to secure the continuous and strong demand for connectors. In addition, cloud computing has emerged as a major growth driver in the data center industry. Cloud computing requires a great number of physical sensor connectors, routers, electricity, signals, and networks, thus it generates heavy demand for sensor connectors and creates market potential for innovative connectors.

Computing. The steady need for various connectors in the computing end market has laid a solid foundation for the demand for connectors, contributing to the steady growth of the connector market in the past and the potential for future growth. As the global connector industry is undergoing a rapid technical development with superior product functionality and higher compatibility, connector products can be applied in more situations and scenarios, which drives the demand for connectors in this end market. It is estimated that working from home and home-based learning will continue, which will drive growth.

EV mobility. We expect the overall market share to be boosted by the increasing demand for electric vehicles and the gradual increase in the attach rate of in-vehicle infotainment-related products.

System products. With the rapid development of connected homes, alongside the continuous trend of working from home and home-based learning, household appliances become more and more interconnected, so they are equipped with more interconnect equipment, and Wi-Fi 6/6E will drive the demand for interconnected device upgrades.

Business Prospects

Affected by the overall industry prospects, we anticipate the connector industry, particularly the end markets we strategically focus on, may be affected by various uncertainties in the second half of 2022. We plan to continue our strategic focus on the EV mobility end market. The performance in the second half of 2022 is expected to remain relatively stable as compared to the same period in 2021:

- *Smartphones.* Due to the strong momentum in the shipments of brand companies' smartphone components in the first half of 2022, we expect the momentum to slow down resulting in a reduction in shipments of the products in the second half of 2022. However, we anticipate that this end market will continue to be our main revenue contributor.
- *Networking.* The changes in our optical module business model will affect the overall performance of the networking business in the second half of 2022.
- *Computing.* Industry growth is expected to continue to slow down, so we will focus more on profitability rather than revenue growth.
- *EV mobility.* We believe the demand from our key customers in this end market will continue to be strong, and we expect to benefit from industry trends. We will continue to strategically pursue opportunities in the emerging application of our interconnect solutions and other products. We believe that, with our leading position in the development and production of interconnect solutions, we will be able to tap into the emerging demand for electric vehicles. We also plan to increase our investments in developing in-vehicle electronic systems and key autonomous driving components. Furthermore, our strategic partnership with Hon Hai Group puts us in a good position to capture the emerging future opportunities in the automotive electronics market.
- *System products.* With the completion of the disposal of equity interest in Linksys by the Company on September 25, 2021, the results of Linksys ceased to be consolidated into the Group from the date of such disposal. Our business in this end market will decrease, but we will cooperate with brand companies to generate new business opportunities in the connected home market.

RESULTS OF OPERATIONS

Revenue

We derive our revenue mainly from the sale of our interconnect solutions and other products and, to a lesser extent, from the sale of molding parts, sample products, and others. For the six months ended June 30, 2022, our revenue amounted to USD2,101 million, representing a 6.0% increase from USD1,982 million for the same period in 2021. Among the five main end markets, our revenue from (1) the smartphones end market increased by 26.6%, (2) the networking end market decreased by 19.1%, (3) the computing end market decreased by 2.3%, (4) the EV mobility end market increased by 12.3%, and (5) the system products end market increased by 16.5%. The following table sets forth our revenue by end markets in absolute amounts and as percentages of revenue for the periods indicated:

	For the Six Months Ended June 30,			
	2022		2021	
	<i>USD</i>	<i>%</i>	<i>USD</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Smartphones	613,811	29.2	485,027	24.5
Networking	361,929	17.2	447,588	22.6
Computing	411,833	19.6	421,321	21.3
EV Mobility	72,040	3.4	64,141	3.2
System products	552,224	26.3	474,057	23.9
Others	89,489	4.3	89,922	4.5
Total	<u>2,101,326</u>	<u>100.0</u>	<u>1,982,056</u>	<u>100.0</u>

Smartphones. The 26.6% increase in revenue from the smartphones end market was primarily due to the increase in shipments of our Lightning cable and plug products boosted by the increasing demand for high-end smartphones.

Networking. The 19.1% decrease in revenue from the networking end market was primarily due to the decrease in shipments of our optical modules as a result of the impact of shortage of chip supply on brand companies despite the increase in our new generation CPU socket and network socket product business.

Computing. The revenue from the computing end market decreased by 2.3%, which was primarily due to the decrease in revenue from laptop and tablet related products as the demand for work-from-home arrangement and home-based learning decreased following the ease of the global COVID-19 pandemic.

EV mobility. The revenue from the EV mobility end market increased by 12.3%, which was primarily due to the increasing demand for electric vehicles.

System products. The revenue of the system products end market increased by 16.5%. Despite the decrease in the revenue as the results of Linksys ceased to be consolidated into the Group from the date of the completion of the disposal of equity interest in Linksys by the Company on September 25, 2021, the shipments of our wired and true wireless Bluetooth earphone products increased due to the increasing demand for high-end smartphones.

Cost of Sales, Gross Profit and Gross Profit Margin

Our cost of sales increased by 2.1% from USD1,714 million for the six months ended June 30, 2021 to USD1,750 million for the same period in 2022. Our cost of sales primarily includes (1) raw materials and consumables used, (2) consumption of inventories of finished goods and work in progress, (3) employee benefit expenses in connection with our production personnel, (4) depreciation of property, plant and equipment, (5) subcontracting expenses, (6) utility, molding, and consumable expenses, and (7) other costs associated with the production of our interconnect solutions and other products. For the six months ended June 30, 2022, the increase was primarily driven by the increased shipments of products with high gross profit caused by the growth in income and the change in product mix.

As a result of the foregoing, our gross profit increased by 31.0% from USD268 million for the six months ended June 30, 2021 to USD351 million for the same period in 2022, primarily due to the increased shipments of products with high gross profit resulted from the growth in income and the change in product mix. Our gross profit margin increased from 13.5% for the six months ended June 30, 2021 to 16.7% for the same period in 2022, primarily due to the increased shipments of products with high gross profit as a result of the change in product mix.

Distribution Costs and Selling Expenses

Our distribution costs and selling expenses decreased by 9.8% from USD51 million in the six months ended June 30, 2021 to USD46 million for the same period in 2022, primarily due to the disposal of equity interest in Linksys on September 25, 2021.

Administrative Expenses

Our administrative expenses decreased by 11.0% from USD91 million for the six months ended June 30, 2021 to USD81 million for the same period in 2022, primarily due to the disposal of equity interest in Linksys on September 25, 2021.

Research and Development Expenses

Our research and development expenses primarily consist of (1) employee benefit expenses paid to our research and development personnel, (2) molding and consumable expenses relating to the molds used in research and development, (3) depreciation of molds and molding equipment, and (4) other costs and expenses in connection with our research and development activities. Our research and development expenses increased by 3.8% from USD131 million for the six months ended June 30, 2021 to USD136 million for the same period in 2022, mainly due to research and development investment in 5G AIoT as well as wireless charger products.

Operating Profit and Operating Profit Margin

As a result of the foregoing, our sales of products continued to grow and gross profit of the products increased. Hence, our operating profit increased by 650% from USD16 million for the six months ended June 30, 2021 to USD120 million for the same period in 2022. Due to the increasing demand for shipments of brand customers and the change in product portfolios, our operating profit margin increased from 0.8% for the six months ended June 30, 2021 to 5.7% for the same period in 2022.

Income Tax Expenses

We incurred income tax expenses primarily relating to our operations in China, Taiwan, the United States, and Vietnam. Our income tax expenses increased by 269% from USD6 million for the six months ended June 30, 2021 to USD22 million for the same period in 2022. Effective income tax rate for taxes on profit for the period decreased from 43.2% to 20.5%, primarily due to the decrease in profit in Vietnam, which enjoyed tax concessions, in the first half of 2021 as a result of the impact of the COVID-19 pandemic resulting in a higher actual effective tax rate, while there was no such impact this year.

Profit for the Period

As a result of the increase in operating profit, profit for the period increased by 963% from USD8 million for the six months ended June 30, 2021 to USD85 million for the same period in 2022. Our profit margin increased from 0.4% for the six months ended June 30, 2021 to 4.1% for the same period in 2022.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity, Working Capital and Borrowings

We finance our operations primarily through the cash generated from our operating activities and bank borrowings. As of June 30, 2022, we had cash and cash equivalents of USD854 million, compared to USD769 million as of December 31, 2021. In addition, as of June 30, 2022, we had short-term bank deposits of USD106 million, compared to USD98 million as of December 31, 2021.

As of June 30, 2022, we had total bank borrowings of USD1,265 million, including short-term borrowings of USD690 million and long-term borrowings of USD575 million, as compared to the total bank borrowings of USD1,266 million, including short-term borrowings of USD690 million and long-term borrowings of USD576 million, as of December 31, 2021. We incurred short-term bank borrowings mainly for our working capital purpose and for supplementing our capital needs for investment and acquisition activities.

Our current ratio, calculated using current assets divided by current liabilities, was 1.7 times as of June 30, 2022, compared to 1.6 times as of December 31, 2021. Our quick ratio, calculated using current assets less inventories divided by current liabilities, was 1.0 time as of June 30, 2022, compared to 1.1 times as of December 31, 2021. The decrease in our quick ratio was primarily due to the increase in inventories.

Cash Flow

For the six months ended June 30, 2022, our net cash generated from operating activities was USD206 million, net cash used in investing activities was USD49 million, and net cash used in financing activities was USD25 million.

Capital Expenditures

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

For the six months ended June 30, 2022, our capital expenditures amounted to USD57 million, as compared to USD86 million for the same period in 2021. The capital expenditures for the six months ended June 30, 2022 were primarily used for upgrading, maintaining, converting and purchasing production and R&D facilities.

Significant Investments, Acquisitions and Disposals

On June 17, 2022, Fu Ding Precision Component (Shenzhen) Co., Ltd. (a wholly-owned subsidiary of the Company) (“**Fu Ding**”) entered into a framework cooperation agreement, a supplemental agreement and a lease agreement (the “**Framework Agreements**”) with Shenzhen Fertile Plan International Logistics Co., Ltd (a non-wholly-owned subsidiary of Hon Hai, the controlling Shareholder) (“**Futaitong**”) pursuant to which, among other things, (i) Fu Ding will, at the request and cost of Futaitong, enter into construction agreements with third party contractors for construction, with the construction consideration to be borne by Futaitong; (ii) Futaitong will, after completion of the construction, rent the land, which is a parcel of industrial land located at Longhua District, Shenzhen with a site area of approximately 76,230.91 square meters, and the buildings thereon (the “**Real Estate**”) as lessee from Fu Ding as lessor at the real estate rental fee of RMB238.68 million (inclusive of value-added tax) for 20 years and, subject to compliance with applicable PRC laws and the Listing Rules, renew the lease for not less than 15 years; 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. As of the date of this announcement, the Framework Agreements and the transactions contemplated thereunder are pending the independent Shareholders’ approval. For further details, please refer to the announcements of the Company dated June 17, 2022 and July 11, 2022 as well as the circular of the Company dated July 31, 2022.

Save as disclosed above, we did not have any significant investment, material acquisitions or material disposals during the six months ended June 30, 2022.

Inventories

Our inventories consist primarily of raw materials, work in progress, and finished goods. We review our inventory levels on a regular basis to strengthen inventory management. Our average number of inventory turnover days for the six months ended June 30, 2022 was 110 days as compared to 92 days in 2021. The higher inventory turnover days for the six months ended June 30, 2022 was primarily due to the change in product mix toward consumer products which have longer turnover periods.

Our inventories increased from USD982 million as of December 31, 2021 to USD1,123 million as of June 30, 2022, primarily due to the expansion of our business scale in general.

Provision for inventory impairment decreased from USD66 million as of December 31, 2021 to USD46 million as of June 30, 2022, which was due to the effective disposal of and monitoring controls over defective and slow-moving inventories.

Trade Receivables

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

We typically grant to our third party and related party customers a credit period ranging from 45 days to 90 days. Our average number of trade receivables turnover days slightly increased from 78 days in 2021 to 79 days for the six months ended June 30, 2022, mainly due to the customer mix. Our average number of trade receivables turnover days for related parties for the six months ended June 30, 2022 was 96 days as compared to 91 days in 2021.

Our trade receivables decreased from USD1,033 million as of December 31, 2021 to USD780 million as of June 30, 2022, primarily due to the intrinsic seasonality of our business.

Trade Payables

Our trade payables primarily relate to the procurement of raw materials, work in progress, and finished goods. Our average number of trade payable turnover days for the six months ended June 30, 2022 was 78 days, as compared to 69 days for 2021.

Our trade payables decreased from USD773 million as of December 31, 2021 to USD724 million as of June 30, 2022, primarily due to decreased procurement as a result of the intrinsic seasonality of our businesses.

Major Capital Commitments

As of June 30, 2022, we had capital commitments of USD42 million, which were primarily connected with the purchase of property, plant, and equipment related to our production facilities and investments.

Contingent Liabilities

As of June 30, 2022, save as disclosed in “Pledge of Assets” below, we did not have any significant contingent liability, guarantee or any litigation against us that would have a material impact on our financial position or results of operations.

Gearing ratio

As of June 30, 2022, our gearing ratio, calculated as net debts (which are calculated as total borrowings less cash, cash equivalents, and short-term bank deposits) divided by total capital, was 12.8% as compared to 14.2% as of December 31, 2021.

PLEDGE OF ASSETS

As of June 30, 2022, certain bank deposits totaling RMB5.7 million of Chongqing Hon Teng Technology Co., Ltd. (重慶市鴻騰科技有限公司) and Huaian Fu Li Tong Trading Co., Ltd. (淮安市富利通貿易有限公司) have been pledged as customs guarantee. Certain bank deposits totaling VND8,500 million of New Wing Interconnect Technology (Bac Giang) Co., Ltd have been pledged as power purchase guarantee.

HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES

As of June 30, 2022, we had approximately 52,988 employees, as compared to 57,527 employees as of December 31, 2021. Total employee benefit expenses, including Directors’ remuneration for the six months ended June 30, 2022, were USD399 million, as compared to USD368 million for the same period in 2021. Remuneration is determined with reference to performance, skills, qualifications, and experience of the staff concerned and in accordance with the prevailing industry practice.

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

FOREIGN EXCHANGE RISK

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

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

To further mitigate the foreign exchange risk, we have also adopted a prudent foreign exchange hedging policy. We have implemented internal procedures to monitor our hedging transactions which include limitations on transaction types and transaction value, formulation and review of hedging strategies in light of different market risks involved and other risk management measures. Under such policy, we enter into forward foreign exchange contracts for hedging purposes only but not for speculative purposes. As of June 30, 2022, the nominal principal amount of our forward foreign exchange contracts was USD210 million.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Messrs. TANG Kwai Chang, CURWEN Peter D, and CHAN Wing Yuen Hubert. The unaudited interim condensed consolidated financial information of our Group for the six months ended June 30, 2022 has been reviewed by the Audit Committee.

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

CORPORATE GOVERNANCE PRACTICE

The Board is committed to maintaining high corporate governance standards.

During the six months ended June 30, 2022, the Company has applied the principles as set out in the CG Code contained in Appendix 14 to the Listing Rules which are applicable to the Company, and has complied with all applicable code provisions as set out in the CG Code, except the code provision as mentioned below.

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. The Company has made specific inquiries to all Directors about their compliance with the Model Code, and they all confirmed that they complied with the standards specified in the Model Code during the six months ended June 30, 2022.

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

Save for the Shares as may be purchased by the trustee from time to time pursuant to the Restricted Share Award Schemes, during the six months ended June 30, 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board did not declare any interim dividend for the six months ended June 30, 2022.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the website of HKEx at www.hkexnews.hk and on the Company's website at <http://www.fit-foxconn.com>. The interim report of the Company for the six months ended June 30, 2022 will be published on the aforesaid websites and dispatched to Shareholders in due course.

DEFINITION

“Audit Committee”	the audit committee of the Board;
“Board” or “Board of Directors”	the board of Directors of the Company;
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules;
“China” or “PRC”	The People’s Republic of China; for the purpose of this announcement only, references to “China” or the “PRC” do not include Taiwan, the Macau Special Administrative Region, and Hong Kong;
“Company”	FIT Hon Teng Limited (鴻騰六零八八精密科技股份有限公司), a company incorporated in the Cayman Islands with limited liability under the name Foxconn Interconnect Technology Limited and carrying on business in Hong Kong as FIT Hon Teng Limited, the Shares of which are listed on the Main Board of the Stock Exchange;
“Directors”	directors of the Company;
“First Restricted Share Award Scheme”	the restricted share award scheme approved and adopted by the Company on January 31, 2018 and amended on May 15, 2018 (as restated, supplemented and amended from time to time);
“Group”, “our Group”, “we” or “us”	the Company and its subsidiaries;
“HKEx”	Hong Kong Exchanges and Clearing Limited;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC;
“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), and the controlling Shareholder;
“Hon Hai Group”	Hon Hai and its subsidiaries and (where relevant) 30%-controlled entities and, for the purpose of this announcement, excluding the Group;
“IFRS”	International Financial Reporting Standards;

“IPO”	the initial public offering of Shares and listing of the Company on the Stock Exchange on July 13, 2017;
“Linksys”	Linksys Holdings Inc., a company incorporated in the Cayman Islands with limited liability, which was formerly a subsidiary of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and supplemented from time to time;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules;
“New Taiwan dollars”	New Taiwan dollars, the lawful currency of Taiwan;
“Remuneration Committee”	the remuneration committee of the Board;
“Restricted Share Award Schemes”	the First Restricted Share Award Scheme and the Second Restricted Share Award Scheme;
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC;
“Second Restricted Share Award Scheme”	the restricted share award scheme approved and adopted by the Company on February 11, 2019 (as restated, supplemented and amended from time to time);
“Share(s)”	ordinary share(s) of USD0.01953125 each in the issued capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Share Grant Scheme”	the share grant scheme approved and adopted by the Company on January 5, 2015, and the Board further adopted the rules and interpretations thereof on November 4, 2016;
“Share Option Scheme”	the share option scheme of our Company, which was approved and adopted by our Shareholders on December 19, 2017 and which expired on December 31, 2018;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“U.S.” or “United States”	the United States of America;
“USD”	United States dollars, the lawful currency of the United States;
“Vietnam”	the Socialist Republic of Vietnam;
“VND”	Vietnamese dong, the lawful currency of Vietnam;
“YoY”	year-on-year; and
“%”	percent.

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

Hong Kong, August 9, 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.

* *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*