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**FIH Mobile Limited**

**富智康集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2038)**

**CONNECTED TRANSACTION  
THE REMOVAL AND COMPENSATION AGREEMENT**

**Financial Adviser to the Company**



**SOMERLEY CAPITAL LIMITED**

**THE REMOVAL AND COMPENSATION AGREEMENT**

On 10 March 2023 (after trading hours), Fulian and Honxun entered into the Removal and Compensation Agreement, under which, among other things, Fulian is required to vacate its occupied premises in the Properties before the deadline designated by Honxun or 1 November 2025, and a compensation of RMB64,030,000 (equivalent to approximately US\$9.2 million) shall be payable by Honxun to Fulian, upon and subject to the terms and conditions set out therein.

**LISTING RULES IMPLICATIONS**

Hon Hai is the ultimate controlling shareholder of the Company. The entering into of the Removal and Compensation Agreement between Honxun, an indirect wholly-owned subsidiary of the Company, and Fulian, a subsidiary of Hon Hai, constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As all the applicable percentage ratios are equal to or more than 0.1% but less than 5%, the entering into of the Removal and Compensation Agreement is subject to the announcement requirement under the Listing Rules.

**INTRODUCTION**

Reference is made to the announcement of the Company dated 2 November 2022 in relation to, among others, the compensation agreements entered into between the Local Authority and Honxun (an indirect wholly-owned subsidiary of the Company), under which, among other things, the Local Authority shall resume the ownership of the Properties from Honxun and compensations shall be payable by the Local Authority to Honxun upon and subject to the terms and conditions set out therein.

On 10 March 2023 (after trading hours), Fulian and Honxun entered into the Removal and Compensation Agreement, under which, among other things, Fulian is required to vacate its occupied premises in the Properties before the deadline designated by Honxun or 1 November 2025, and a compensation of RMB64,030,000 (equivalent to approximately US\$9.2 million) shall be payable by Honxun to Fulian, upon and subject to the terms and conditions set out therein.

## **PRINCIPAL TERMS OF THE REMOVAL AND COMPENSATION AGREEMENT**

### **Date**

10 March 2023

### **Parties**

- (1) Fulian, a subsidiary of Hon Hai; and
- (2) Honxun, an indirect wholly-owned subsidiary of the Company

### **Term of the Removal and Compensation Agreement**

The term of the Removal and Compensation Agreement shall be from 10 March 2023 to 1 November 2025 (the “**Term**”), subject to any adjustment to the Term to be made by Honxun with reference to the then existing circumstances if the Local Authority does not timely pay the relevant portion of the compensation in accordance with the Head Compensation Agreement or Fulian fails to timely deliver vacant possession of the subject premises to Honxun. Notwithstanding the foregoing, the provisions governing default compensation payments as more particularly described below as well as the governing law and arbitration provisions shall remain in full force and effect after the expiry of the Term.

### **Relocation**

Fulian shall complete the relocation and vacate its occupied premises in the Properties before the deadline designated by Honxun or 1 November 2025, and shall cooperate with Honxun in connection with the performance of the relevant obligations under the Head Compensation Agreement. Also, Fulian shall carry out the relocation with the requisite professionals, tools and equipment, and shall avoid any direct or indirect loss or damage during the relocation, failing which Fulian shall be fully accountable for such loss or damage and Honxun shall be entitled to correspondingly deduct the same from the Compensation. Honxun shall be entitled to monitor the progress and timeliness of Fulian’s relocation. If Fulian fails to complete the relocation within the time limit, Honxun has the right to terminate the Removal and Compensation Agreement at any time during the Term.

Pursuant to the Removal and Compensation Agreement, Fulian shall be fully responsible for Honxun’s liabilities towards the Local Authority for Honxun’s breach under the Head Compensation Agreement when the relocation cannot be completed due to Fulian’s default, including but not limited to any direct or indirect loss suffered and additional costs incurred by Honxun, and the default compensation payable by Honxun to the Local Authority under the Head Compensation Agreement. Without prejudice to the aforementioned liability for losses and damages, Fulian shall pay to Honxun daily damages amounting to RMB30,383.47 during the period from the scheduled deadline for completion of the relocation to the actual date of completion of the relocation.

## **Compensation and payment terms**

Pursuant to the Removal and Compensation Agreement, the Compensation amounts to RMB64,030,000 and will be payable in cash by Honxun (or a party designated by Honxun) to Fulian as follows:

- (i) 50% of the Compensation, equivalent to RMB32,015,000, will be payable within six months after the date of the Removal and Compensation Agreement; and
- (ii) the remaining 50%, equivalent to RMB32,015,000, will be payable within 20 business days after the Properties having been vacated to the satisfaction of the Local Authority.

The Compensation represents the entire amount to be paid/payable to Fulian under the Removal and Compensation Agreement. The Compensation was arrived at after arm's length negotiations between Fulian and Honxun with reference to the Guidelines issued by a local authority in the PRC to provide compensation guidelines in relation to the local Hangzhou government's resumption of non-residential properties at 杭州錢塘區 (Hangzhou Qiantang Area\*). In accordance with the Guidelines, the Compensation comprises, among others: (i) compensation for the removal of plants and equipment set up in and affixed or attached to the subject premises based on a valuation of such plants and equipment made by a valuer engaged by a local authority in the PRC; and (ii) compensation for the losses consequential to removal and cessation of production and operations then carried out in the subject premises, including compensation for staff relocation.

Pursuant to the Removal and Compensation Agreement, if Honxun fails to timely pay any amount payable to Fulian under the Removal and Compensation Agreement, Honxun shall pay to Fulian daily damages amounting to 0.01% of any outstanding sum from the due date, provided that no daily damages shall accrue and be payable if (a) Honxun's failure is attributable to the occurrence of a force majeure event; (b) Honxun's failure is attributable to the failure on the part of any other lessee or user of the Properties to timely complete its relocation out of the Properties thus causing Honxun's delay in delivering vacant possession of the Properties to the Local Authority or the Local Authority's dissatisfaction with the vacant possession of the Properties; or (c) the Local Authority has delayed in paying the relevant compensation or the relevant portion thereof in accordance with the Head Compensation Agreement.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE REMOVAL AND COMPENSATION AGREEMENT**

In pursuance of the Head Compensation Agreement, Honxun is required to settle any obligations towards its lessees and service providers in relation to the Properties, and to vacate the Properties before 1 November 2025. Certain premises of the Properties are currently leased to certain lessees and certain service providers have been engaged by Honxun or Honxun's lessees to set up and operate the corresponding facilities in the Properties, including members of the Hon Hai Technology Group. Honxun shall provide compensation, calculated with reference to the Guidelines, to each of its lessees and the service providers to move out of the relevant premises of the Properties and to deliver vacant possession of such premises to Honxun, so that Honxun could deliver vacant possession of the Properties to the Local Authority before 1 November 2025 in accordance with the Head Compensation Agreement. Fulian is currently one of the lessees in certain premises of the Properties.

Any compensation to be payable by Honxun to the lessees and the service providers (including the Compensation) is expected to be settled out of the compensation amounting to RMB607,699,300 (equivalent to approximately US\$87.2 million) which is payable by the Local Authority to Honxun under the Head Compensation Agreement. Further details are set out in the Company's announcement dated 2 November 2022 in relation to, among others, the Head Compensation Agreement.

Having regard to Honxun entering into the Removal and Compensation Agreement in order to enable Honxun's performance of its obligation to deliver vacant possession of the Properties to the Local Authority under the Head Compensation Agreement and the Compensation being determined with reference to the Guidelines issued by a local authority in the PRC, the Directors are of the view that the terms of the Removal and Compensation Agreement are fair and reasonable, and that although the entering into of the Removal and Compensation Agreement is not in the ordinary and usual course of business of the Group, it is on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Mr. CHIH Yu Yang, an executive Director, is a director of a subsidiary and an associate of Hon Hai and, in view of his relationship with the Hon Hai Technology Group, has abstained from voting on the Board's resolutions in relation to the Removal and Compensation Agreement. In addition, Dr. KUO Wen-Yi, an executive Director, has been discussing some proposed arrangements with the Hon Hai Technology Group and, as a matter of good corporate governance, has abstained from voting on the Board's resolutions in relation to the Removal and Compensation Agreement. Save as disclosed above, no other Directors have to abstain from voting on the Board's resolutions in relation to the Removal and Compensation Agreement.

## **INFORMATION ON THE PARTIES**

Honxun is an indirect wholly-owned subsidiary of the Company, and its principal business activity is handset manufacturing. The Group is a vertically integrated manufacturing services provider with business models offering a comprehensive range of end-to-end manufacturing and engineering services to its customers tailored to meet specific market and customer product lifecycle requirements in respect of handsets and other wireless communication devices and consumer electronic products and this full range and wide array of capabilities provide the Group's customers with expertise across the entire value chain. The products and services include unique and innovative product development and design, casings (including casings sold to customers and casings used to manufacture complete handsets for delivery to customers), components, PCBA (Printed Circuit Board Assembly), full-system assembly, supply chain services and solutions, and repair and refurbishment and other after-sales services which are located close to the customers. In addition to handsets, the Group is engaged in the manufacturing of other wireless communication devices and consumer electronic products and accessories and related areas, such as eReaders, tablets, and voice interaction products like smart speakers.

Fulian, a subsidiary of Hon Hai, is principally engaged in research, production, sales and technical promotion of pneumatic control components, hard alloys, single crystal and polycrystalline diamond materials, liquid metals, cutting tools, screwing taps and parts, import and export of goods and technology, research and development, production, sales, repair, technical services of automation equipment and components, and automation equipment modification, relocation, repair and maintenance services.

The Hon Hai Technology Group is the leading global manufacturing service provider in the 3C (computer, communication and consumer electronics) industries. Hon Hai is the ultimate controlling shareholder of the Company holding approximately 64.15% of the total number of issued shares of the Company as at the date of this announcement.

## LISTING RULES IMPLICATIONS

Hon Hai is the ultimate controlling shareholder of the Company. The entering into of the Removal and Compensation Agreement between Honxun, an indirect wholly-owned subsidiary of the Company, and Fulian, a subsidiary of Hon Hai, constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As all the applicable percentage ratios are equal to or more than 0.1% but less than 5%, the entering into of the Removal and Compensation Agreement is subject to the announcement requirement under the Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Board”	the board of Directors
“Company”	FIH Mobile Limited, a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“Compensation”	the total compensation payable by Honxun to Fulian under the Removal and Compensation Agreement
“Director(s)”	the director(s) of the Company
“Fulian”	富聯統合電子(杭州)有限公司 (Fulian System Integration Electronics (Hangzhou) Co., Ltd.*), a subsidiary of Hon Hai established in the PRC
“Group”	the Company and its subsidiaries
“Guidelines”	杭州錢塘新區非住宅房屋徵遷補償貨幣化安置之實施意見 (Implementation Guidelines of Monetary Compensation for Resumption of Non-residential Properties in Hangzhou Qiantang New Area*) issued by 杭州錢塘新區管理委員會 (Hangzhou Qiantang New Area Management Committee*)
“Head Compensation Agreement”	the non-residential housing removal and compensation agreement dated 2 November 2022 entered into between the Local Authority and Honxun in relation to the resumption of ownership of the Properties by the Local Authority
“Hon Hai”	鴻海精密工業股份有限公司 (Hon Hai Precision Industry Co. Ltd.*), a company incorporated in Taiwan whose shares are listed on the Taiwan Stock Exchange Corporation and the ultimate controlling shareholder of the Company
“Hon Hai Technology Group”	Hon Hai, its subsidiaries and/or associates (as the case may be), other than the Group

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Honxun”	Honxun Electrical Industry (Hangzhou) Co., Ltd. (宏訊電子工業(杭州)有限公司), an indirect wholly-owned subsidiary of the Company established in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“Local Authority”	杭州東部灣新城開發建設指揮部 (The Headquarters for the Development of the Dongbuwan New District in Hangzhou*)
“percentage ratios”	the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China
“Properties”	the properties located at 中國浙江省杭州經濟技術開發區11號大街58號、58-2號及58-3號 (Nos. 58, 58-2 and 58-3, 11th Avenue, Hangzhou Economic and Technological Development Zone, Hangzhou, Zhejiang Province, the PRC*)
“Removal and Compensation Agreement”	the removal and compensation agreement dated 10 March 2023 entered into between Honxun and Fulian in relation to Fulian’s relocation out of the premises in the Properties leased to Fulian and the related compensation payable by Honxun to Fulian in relation to the relocation
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	having the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

*For the purposes of this announcement, RMB is converted into US\$ at an exchange rate of US\$1.00:RMB6.97 for illustrative purpose only, unless otherwise stated. No representation is made that any amount in US\$ has been, could have been or may be converted at such rate or any other rate or at all.*

\* For identification purposes only

By order of the Board  
**CHIH Yu Yang**  
Acting Chairman

Hong Kong, 10 March 2023

*With effect from the conclusion of the meeting of the Board held on the date of this announcement, the Board comprises three executive Directors, namely Mr. CHIH Yu Yang, Dr. KUO Wen-Yi and Mr. LIN Chia-Yi (also known as Charles LIN); and three independent non-executive Directors, namely Mr. LAU Siu Ki, Dr. Daniel Joseph MEHAN and Mr. TAO Yun Chih.*