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FIH[®] 富智康[®]
FIH Mobile Limited
富智康集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2038)

CONNECTED TRANSACTION

DISPOSAL OF SUBSIDIARY'S PROPERTY

Financial Adviser



On 7 July 2023 (after trading hours), FIH Europe and CNT entered into the S&P Agreement, under which (among other things) FIH Europe has agreed to dispose of the Property to CNT at the Consideration of US\$9,927,000 upon and subject to the terms and conditions set out therein.

FIH Europe is an indirect wholly-owned subsidiary of the Company, whereas CNT is a wholly-owned subsidiary of FII, which in turn is a subsidiary of Hon Hai, the ultimate controlling shareholder of the Company. Therefore, CNT is an associate of Hon Hai and a connected person of the Company under the Listing Rules. It follows that the parties' entering into of the Transaction contemplated by the S&P Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules is more than 0.1% but all the applicable percentage ratios are below 5%, the Transaction is subject to the announcement requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

This announcement is made by the Company in compliance with the disclosure requirements under Chapter 14A of the Listing Rules.

On 7 July 2023 (after trading hours), FIH Europe and CNT entered into the S&P Agreement, under which (among other things) FIH Europe has agreed to dispose of the Property to CNT at the Consideration of US\$9,927,000 upon and subject to the terms and conditions set out therein.

PRINCIPAL TERMS OF S&P AGREEMENT

Date

7 July 2023

Parties

- (1) FIH Europe (as seller); and
- (2) CNT (as buyer)

FIH Europe is an indirect wholly-owned subsidiary of the Company.

CNT is a wholly-owned subsidiary of FII, whose shares are listed on the Shanghai Stock Exchange. FII is a subsidiary of Hon Hai, the ultimate controlling shareholder of the Company. Therefore, CNT is an associate of Hon Hai and a connected person of the Company under the Listing Rules.

Property to be disposed of

Upon and subject to the terms and conditions of the S&P Agreement, FIH Europe has agreed to dispose of the Property (in its “as is” and “known and observed” condition) to CNT, subject to the encumbrances comprising certain conduit rights as more particularly described in the S&P Agreement. The Property is situated at Komárom, belterület 7110 hrsz., “kivett üzem” megjelölésű, 119,984 m² alapterületű, 2900 Komárom, Bánki Donát utca 1, szám alatti ingatlan (Komárom, interior zone land lot number 7110, labelled as “uncultivated land for plant”, land area 119,984 m², located at Komárom, Bánki Donát utca 1, 2900 Hungary*).

The Property is for industrial use. It comprises land and the buildings and structures thereon as well as the constituent parts and accessories associated therewith as legally and beneficially owned by FIH Europe (for the avoidance of doubt, excluding CNT’s Facilities), with a total land area of approximately 119,984 m² and a gross floor area of approximately 51,455 m². At present, the Group does not carry out any manufacturing operations on the Property. Pursuant to a fixed-term lease agreement (the “**Terminated Lease Agreement**”) between FIH Europe as lessor and CNT and another member of the Hon Hai Technology Group (the “**Other Hon Hai Member**”) as lessees, certain premises of the Property were leased by FIH Europe to CNT and the Other Hon Hai Member respectively, generating rental income for the Group. Apart from the aforesaid leasing arrangements as terminated on the date of the S&P Agreement, the Group does not have any plan to utilise the Property or any part thereof. Hon Hai is the ultimate controlling shareholder of the Company. At the corporate group level, the leases of premises owned by the Group to the Hon Hai Technology Group (which include the aforesaid leasing

arrangements) are carried out under the Lease Income Transaction, a continuing connected transaction of the Company under the Listing Rules as defined and more particularly described in the Company’s announcement relating to continuing connected transactions dated 10 November 2022 and also in the Company’s 2022 annual report (under the section headed “Continuing Connected Transactions – Lease Income Transaction” at pages 127 and 128) as issued and published on 13 April 2023. Pursuant to the S&P Agreement and the consent from the Other Hon Hai Member, the aforementioned leases in relation to the Property were earlier terminated on the date of the S&P Agreement, without FIH Europe’s payment of any compensation (in cash or in kind) to either CNT or the Other Hon Hai Member.

Set out below are the total rental income and the profit before and after tax attributable to the Property for each of the two years ended 31 December 2021 and 2022.

<i>(US\$’ million)</i>	For the year ended 31 December	
	2021	2022
	(unaudited)	(unaudited)
Rental income	1.11	1.01
Profit before tax	0.07	0.31
Profit after tax	0.07	0.31

As at 31 December 2022, the Property reported a total net book value of approximately HUF523.9 million (equivalent to approximately US\$1.51 million).

Consideration and payment terms and Transfer of Ownership

According to the S&P Agreement, the Consideration of US\$9,927,000 shall be payable by CNT to FIH Europe in cash and in a one-time payment on the date of the S&P Agreement.

Upon signing the S&P Agreement, FIH Europe gives unconditional and irrevocable consent to the registration of CNT’s ownership rights regarding the Property in the land registry kept by the competent authority on the legal basis of sale and purchase and simultaneously with the deletion of ownership rights of FIH Europe. FIH Europe shall cause the title transfer application of the Property to be submitted to the competent authority on the date of the S&P Agreement. The complete ownership rights of the Property shall be transferred to CNT with the registration into the land registry kept by the competent authority, but with retroactive effect to the date of the S&P Agreement when the title transfer application has been submitted to the competent authority.

The Consideration was determined after arm’s-length negotiations between the parties, with reference to (among other things) the approximate mean of (1) the appraised value of the Property based on the valuation of the Property at HUF3,332.6 million (equivalent to approximately US\$9.61 million) as of 30 April 2023 conducted by an independent valuer engaged by FIH Europe namely Interauditor Consulting Kft.; and (2) the appraised value of the Property based on the valuation of the Property at HUF3,552.6 million (equivalent to approximately US\$10.24 million) as of 30 April 2023 conducted by an independent valuer engaged by CNT namely MAREKING Kft.

Other principal terms

Set out below are other principal terms of the S&P Agreement.

The parties to the S&P Agreement agree that the obligation to bear the risk of damage and other burdens as well as the interests, benefits, and reward of the ownership related to the Property shall be transferred to CNT upon the date of the S&P Agreement.

Except for the liabilities caused by CNT including without limitation any liabilities arising out of or in connection with the Terminated Lease Agreement, FIH Europe provides an unconditional warranty that it will release CNT from any and all liabilities and obligations in respect of the Property incurred on the basis of legal grounds prior to the Transfer of Ownership to CNT (unless otherwise provided in the S&P Agreement), and shall be liable for or take over defence against such liabilities within fifteen (15) days following a written notification from CNT in this regard.

CNT shall be indemnified and held harmless by FIH Europe for and against any liabilities, losses, diminution in value, damages, claims, cost and expenses, awards, judgments and penalties including but not limited to attorney fees and legal costs suffered by CNT arising out of, among others, any derogation, depreciation, impairment, or destruction upon the Property on or before the Transfer of Ownership which materially reduces the value of the Property unless the foregoing is not a result of any fault on the part of FIH Europe.

FIH Europe shall be indemnified and held harmless by CNT for and against any liabilities, losses, diminution in value, damages, claims, cost and expenses, awards, judgments and penalties including but not limited to attorney fees and legal costs suffered by FIH Europe arising out of, among others, any derogation, depreciation, impairment, or destruction upon the Property on or before the Transfer of Ownership which materially reduces the value of the Property unless the foregoing is not a result of any fault on the part of CNT.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group acquired the land (forming part of the Property) in 2003 and subsequently constructed the buildings and structures thereon, excluding CNT's Facilities for the avoidance of doubt. At present, the Group does not carry out any manufacturing operations on the Property. Certain premises of the Property were leased to CNT and the Other Hon Hai Member respectively to generate rental income for the Group. Apart from the aforesaid leasing arrangements as terminated on the date of the S&P Agreement, the Group does not have any plan to utilise the Property or any part thereof. As at 31 December 2022, the Property reported a total net book value of approximately HUF523.9 million (equivalent to approximately US\$1.51 million). The Transaction with the Consideration of US\$9,927,000 presents an opportunity for the Group to realise the appreciation in value of the Property while the Transaction will not adversely affect the manufacturing operations nor plans of the Group. In assessing the fairness and reasonableness of the Consideration, FIH Europe has engaged an independent valuer namely Interauditor Consulting Kft. to appraise the value of the Property. Based on the valuation of the Property at HUF3,332.6 million (equivalent to approximately US\$9.61 million) as at 30 April 2023 made by the aforesaid independent valuer and having regard to the Consideration exceeding the

appraised value of the Property based on the aforesaid valuation, the Company considers that the Consideration is fair and reasonable.

Based on the total net book value of the Property and the actual costs incurred and estimated costs to be incurred by the Group in relation to the Transaction as well as the fact that no compensation (in cash or in kind) shall be payable by FIH Europe to either CNT or the Other Hon Hai Member in relation to the Transaction, subject to audit by the Company's auditor, it is currently estimated that the Group is likely to recognise a gain arising from the Transaction of approximately US\$8.50 million (before tax) and approximately US\$8.44 million (after tax). Such gain is expected to be recorded on the Group's consolidated statement of profit or loss for the year ending 31 December 2023.

Having regard to the reasons for and benefits of the Transaction and the Consideration being fair and reasonable, the Directors (including the independent non-executive Directors), who participated in the relevant Board meeting to consider and (if thought fit) approve (among other things) the Transaction and the S&P Agreement, consider that although the entering into of the Transaction contemplated by the S&P Agreement is not in the ordinary and usual course of business of the Group (being its existing principal activities or an activity wholly necessary for its principal activities), the terms of the Transaction (including the Consideration) are fair and reasonable, on normal commercial terms and are 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 Transaction and the S&P 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 Transaction and the S&P Agreement. Save as disclosed above, no other Directors have to abstain from voting on the Board's resolutions in relation to the Transaction and/or the S&P Agreement. For the avoidance of doubt, (1) Dr. Daniel Joseph MEHAN, an independent non-executive director of the Company who resigned and ceased to act in such capacity with effect from 29 June 2023, did not participate in the aforesaid Board meeting; and (2) Mr. CHANG Chuan-Wang, an employee of the Hon Hai Technology Group, has become a non-executive Director and Mr. CHIU Yen-Tsen (also known as CHIU Yen-Chen, Dennis) has become an independent non-executive Director, in both cases only with effect from the conclusion of the aforesaid Board meeting, and hence both of them were not entitled to, and in fact did not, participate in the voting on the Board's resolutions in relation to the Transaction and the S&P Agreement.

USE OF PROCEEDS

Subject to the actual costs to be payable by the Group in relation to the Transaction and audit by the Company's auditor as aforesaid, it is currently estimated that the net proceeds (after tax) from the Transaction receivable by FIH Europe are likely to amount to approximately US\$9.73 million. It is currently intended that the net proceeds will be used for working capital and general corporate purposes of the Group.

INFORMATION ABOUT CNT, FII, FIH EUROPE, THE GROUP AND THE HON HAI TECHNOLOGY GROUP

CNT is a wholly-owned subsidiary of FII, whose shares are listed on the Shanghai Stock Exchange. FII is a subsidiary of Hon Hai, the ultimate controlling shareholder of the Company, and is principally engaged in the provision of solutions for smart manufacturing and industrial Internet. CNT is principally engaged in the manufacturing of computer servers, data storage equipment and network equipment.

FIH Europe is an indirect wholly-owned subsidiary of the Company, and its present principal business activity is the leasing out and management of the Property.

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.

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 64.18% of the total number of issued shares of the Company as at the date of this announcement.

IMPLICATIONS UNDER THE LISTING RULES

CNT is a wholly-owned subsidiary of FII, which in turn is a subsidiary of Hon Hai, the ultimate controlling shareholder of the Company. Therefore, CNT is an associate of Hon Hai and a connected person of the Company under the Listing Rules. It follows that the parties' entering into of the Transaction contemplated by the S&P Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules is more than 0.1% but all the applicable percentage ratios are below 5%, the Transaction is subject to the announcement requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“associate”	having the meaning as defined in the Listing Rules
“Board”	the board of Directors
“CNT”	Cloud Network Technology Korlátolt Felelősségű Társaság, a company incorporated in Hungary and the buyer of the Property under the S&P Agreement
“CNT’s Facilities”	certain facilities of CNT on the Property, the construction of which is financed by CNT
“Company”	FIH Mobile Limited, a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“Consideration”	the total consideration of US\$9,927,000 payable by CNT to FIH Europe to acquire the Property under the S&P Agreement
“Director(s)”	the director(s) of the Company
“FIH Europe”	FIH Europe Korlátolt Felelősségű Társaság (also known as FIH Europe Limited Liability Company), a company incorporated in Hungary being an indirect wholly-owned subsidiary of the Company and the seller of the Property under the S&P Agreement
“FII”	Foxconn Industrial Internet Co., Ltd., a company incorporated in the PRC whose shares are listed on the Shanghai Stock Exchange and the immediate 100% holding company of CNT and also a member of the Hon Hai Technology Group
“Financial Adviser”	VS Capital Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out Type 6 (advising on corporate finance) regulated activities, which has been appointed by the Company to be the financial adviser to advise the Company in respect of the Transaction
“Group”	the Company and its subsidiaries

“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 and FII respectively
“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
“HUF”	Hungarian Forints, the lawful currency of Hungary
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“m ² ”	square meters
“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
“Property”	the property located at Komárom, belterület 7110 hrsz., “kivett üzem” megjelölésű, 119,984 m ² alapterületű, 2900 Komárom, Bánki Donát utca 1, szám alatti ingatlan (Komárom, interior zone land lot number 7110, labelled as “uncultivated land for plant”, land area 119,984 m ² , located at Komárom, Bánki Donát utca 1, 2900 Hungary*), comprising the land at the aforesaid location (together with the buildings and structures thereon as more particularly described and identified in the relevant annex and site map attached to the S&P Agreement as well as the constituent parts and accessories associated therewith) as legally and beneficially owned by FIH Europe, for the avoidance of doubt, excluding CNT’s Facilities
“S&P Agreement”	the real property sale and purchase agreement relating to the Property dated 7 July 2023 entered into between FIH Europe (as seller) and CNT (as buyer)
“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)
“Transaction”	the disposal of the Property by FIH Europe to CNT under the S&P Agreement
“Transfer of Ownership”	the transfer of the complete ownership rights of the Property to CNT with the registration into the land registry kept by the competent authority, but with retroactive effect to the date of the S&P Agreement when the title transfer application has been submitted to the competent authority
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

For the purposes of this announcement, HUF is converted into US\$ at an exchange rate of US\$1.00:HUF346.78 for illustrative purposes only, unless otherwise stated. No representation is made that any amount in HUF/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, 7 July 2023

As at 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); one non-executive director, namely Mr. CHANG Chuan-Wang; and three independent non-executive directors, namely Mr. LAU Siu Ki, Ms. CHEN Shu Chuan (also known as Nadia CHEN) and Mr. CHIU Yen-Tsen (also known as CHIU Yen-Chen, Dennis).