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**Foxconn International Holdings Limited**

**富士康國際控股有限公司\***

*(incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 2038)

**FORMATION OF JOINT VENTURE  
AND  
CONTINUING CONNECTED TRANSACTION**

**Financial adviser**



**REORIENT Financial Markets Limited**

On 31 January 2013, First Honest, RSH and the JV entered into the JV Agreement, pursuant to which First Honest and RSH have on even date subscribed for shares in the JV upon and subject to the terms and conditions set out therein. Upon completion of such share subscriptions under the JV Agreement, the JV becomes a joint venture owned as to 51% by First Honest and 49% by RSH and the JV is a subsidiary of the Company. Hon Hai is the controlling shareholder of the Company and therefore is a connected person of the Company. In light of the Hon Hai Group's involvement in the transactions contemplated by the Original JV Agreement and the JV Agreement respectively, the JV Agreement constitutes a connected transaction for the Company. Based on First Honest's capital contribution to the JV under the JV Agreement, the JV Agreement is a connected transaction exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules and it does not constitute a notifiable transaction for the Company under the Listing Rules.

In connection with the JV Agreement, it is agreed that the JV and the relevant members of the Hon Hai Group will enter into the HH Master Sourcing Agreement in the form that has been agreed. Based on the Annual Cap for the HH Master Sourcing Transaction, it constitutes a continuing connected transaction for the Company only subject to the reporting, announcement and annual review requirements under the Listing Rules.

**INTRODUCTION**

The Group is a vertically integrated manufacturing service provider for the handset industry worldwide. It provides a wide range of manufacturing services to its customers in connection with the production of handsets.

The Hon Hai Group is the leading global manufacturing service provider in the 3C industries. Hon Hai is the ultimate controlling shareholder of the Company holding approximately 68.22% of the issued share capital of the Company.

The RadioShack Group is principally engaged in the retail sale of consumer electronics goods and services through its store chain principally in the U.S. and the Latin America.

First Honest (then a direct wholly-owned subsidiary of SMS Marketing, an affiliated company belonging to the Hon Hai Group), the JV (then a direct wholly-owned subsidiary of SMS Marketing) and RSH entered into the Original JV Agreement in 2012. On 31 January 2013, Fu Hong Enterprises Limited (an indirect wholly-owned subsidiary of the Company) acquired from SMS Marketing one share in First Honest, being its entire issued share capital, for a nominal consideration of HK\$1.00 representing the par value of such share. At the time of Fu Hong Enterprises Limited's acquisition of First Honest, First Honest and the JV (then a direct wholly-owned subsidiary of First Honest) each had an issued share capital of HK\$1.00 and did not have other assets or liabilities (other than their respective rights and obligations under the Original JV Agreement and certain bank account opening and maintenance arrangements as well as the liabilities associated with their respective incorporation, activation and maintenance) and had not engaged in any material business since their incorporation other than entering into the Original JV Agreement.

On even date, First Honest, RSH and the JV entered into the JV Agreement, pursuant to which First Honest and RSH have subscribed for shares in the JV upon and subject to the terms and conditions set out therein, and the Original JV Agreement has been superseded in its entirety.

## **MAJOR TERMS OF THE JV AGREEMENT**

### **Date**

31 January 2013

### **Parties**

- First Honest and RSH as joint venture partners
- The JV

RSH is a wholly-owned subsidiary of RadioShack Corporation, whose shares are listed on the New York Stock Exchange. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, RSH and RadioShack Corporation are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

## **Business of the JV Group**

The JV Group will be principally engaged in the sale of consumer electronics and related products (including consumer electronics such as mobile handsets and televisions, together with accessories) and the provision of related services through its retail stores, Internet and/or mobile device applications.

## **Capital contribution**

Pursuant to the JV Agreement, on 31 January 2013, First Honest has subscribed for 23,745,599 shares of the JV at the par value of HK\$1.00 per share and RSH has subscribed for 22,814,400 shares of the JV at the par value of HK\$1.00 per share. Upon completion of such share subscriptions under the JV Agreement on even date, the JV becomes a joint venture owned as to 51% by First Honest and 49% by RSH and the JV is a subsidiary of the Company.

Any further financial needs of the JV Group by way of equity, shareholders' loans and/or third-party loans will be subject to further discussions in good faith and also agreement in writing between the parties.

## **Board composition and management of the JV**

The board of directors of the JV will comprise five directors, three of whom will be nominated by First Honest and two of whom will be nominated by RSH. The position of chairman of the board of directors of the JV will be held by a director nominated by RSH. The chief executive officer and the chief financial officer of the JV will be nominated by First Honest, whereas the chief merchant of the JV will be nominated by RSH.

## **ANCILLARY AGREEMENTS**

Upon completion of the share subscriptions under the JV Agreement, the following ancillary agreements were entered into on 31 January 2013:

- (i) the parental guarantees provided by the Company and RadioShack Corporation in respect of the obligations of First Honest and RSH respectively under the JV Agreement;
- (ii) the RSH Master Sourcing Agreement in relation to the JV Group's sourcing of consumer electronics and related products from the RadioShack Group;
- (iii) the RSH Licence Agreement and the SMS Marketing Licence Agreement in relation to the JV Group's royalty-free use of certain trademarks of the RadioShack Group and SMS Marketing respectively for the business operations of the JV Group; and
- (iv) the RSH Royalty Agreement in relation to the JV's licence right and sublicensing right in favour of the relevant members of the Hon Hai Group to use certain trademarks of the RadioShack Group in connection with the manufacture, marketing, sale and distribution of television sets bearing such trademarks for a royalty charge.

The RSH Master Sourcing Agreement, the RSH Licence Agreement and the RSH Royalty Agreement involve the RadioShack Group. By virtue of RSH being a substantial shareholder of the JV (an indirect 51%-owned subsidiary of the Company), the transactions contemplated by the aforesaid agreements constitute continuing connected transactions for the Company. Pursuant to Rule 14A.33(4) of the Listing Rules, the transactions contemplated by the aforesaid agreements are continuing connected transactions exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules. Pursuant to Rule 14A.33(3) of the Listing Rules, the transactions contemplated under the SMS Marketing Licence Agreement is a *de minimis* continuing connected transaction exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

In connection with the JV Agreement, the JV and Hon Hai have agreed in principle to enter into the HH Royalty Agreement (which detailed terms and conditions are to be finalised) in relation to the JV granting sublicences to the relevant members of the Hon Hai Group to use certain trademarks of the RadioShack Group in connection with the manufacture, marketing, sale and distribution of television sets bearing such trademarks for a royalty charge. Pursuant to Rule 14A.33(3) of the Listing Rules, the transactions contemplated by the HH Royalty Agreement will be a *de minimis* continuing connected transaction exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

In connection with the JV Agreement, the JV will enter into the HH Master Sourcing Agreement in relation to the JV Group's sourcing of consumer electronics and related products from the Hon Hai Group. The Company has set the Annual Cap for the HH Master Sourcing Transaction as further set out below under the section headed "Annual Cap".

Pursuant to the JV Agreement, the JV, First Honest and RSH will negotiate with each other and also with the Hon Hai Group in relation to the JV Group's acquisition of certain retail business operations from the Hon Hai Group. The Company will comply with the Listing Rules in respect of such acquisition and will make further announcement as and when required.

## **HH MASTER SOURCING AGREEMENT**

Pursuant to the JV Agreement, it is agreed that the JV and the relevant members of the Hon Hai Group will enter into the HH Master Sourcing Agreement in the form that has been agreed. Pursuant to the HH Master Sourcing Agreement, the JV Group will from time to time purchase consumer electronics and related products from the Hon Hai Group during a period from the date of the HH Master Sourcing Agreement until two years thereafter under the pricing policy providing for cost of the relevant products plus a margin of either (i) 10% during the period from the effective date of the HH Master Sourcing Agreement until such time as the JV Group and its franchisees have collectively opened 75 retail stores, or (ii) 8% with effect thereafter, plus any and all governmental taxes or duties payable for procurement of such products. The HH Master Sourcing Agreement shall automatically be renewed for consecutive two years unless terminated by either party. The Company will re-comply with the Listing Rules before any renewal of the HH Master Sourcing Agreement.

Pursuant to the HH Master Sourcing Agreement, payment for the HH Master Sourcing Transaction shall be due within 60 days of the relevant purchase order.

### **Annual Cap**

Under the RSH Royalty Agreement and the HH Royalty Agreement, certain trademarks of the RadioShack Group have been licensed to the JV who in turn may sublicense such trademarks to the relevant members of the Hon Hai Group for such members' manufacture, marketing, sale and distribution of television sets bearing such trademarks. Under the HH Master Sourcing Agreement, the JV Group will source from the Hon Hai Group such television sets bearing the trademarks of the RadioShack Group and other consumer electronics and related products upon and subject to the terms and conditions set out therein.

The Company has set the Annual Cap for the HH Master Sourcing Transaction for the year ending 31 December 2013 to be US\$43 million, which is determined with reference to:

- the business plan and estimates in relation to the retail stores to be opened and operated by the JV Group in 2013;
- the television sets bearing the trademarks of the RadioShack Group to be sourced from the Hon Hai Group having regard to the terms of the HH Master Sourcing Agreement and the RSH Royalty Agreement and the proposed terms of the HH Royalty Agreement; and
- a 5% buffer.

In view that the JV is a new business operation, the Company will review the performance of the JV in 2013 and before the end of 2013 as appropriate will set annual caps for the HH Master Sourcing Transaction for the remaining term of the HH Master Sourcing Agreement after 31 December 2013 and will re-comply with the Listing Rules accordingly.

### **REASONS FOR THE JOINT VENTURE AND THE HH MASTER SOURCING TRANSACTION**

In view of the continuous growth and favourable economic and market conditions of the Greater China Region when compared with other regions in the world, the Company considers that there is great potential in the retail electronics market in the Greater China Region. The RadioShack Group has extensive experience in the retail sale of electronics. Leveraging on the RadioShack Group's experience and brand recognition, the Company believes that the JV Group provides an opportunity and platform for the Group to participate in and develop the retail electronics market in the Greater China Region.

Under the RSH Royalty Agreement, certain trademarks of the RadioShack Group have been licensed to the JV (coupled with sub-licensing to the relevant members of the Hon Hai Group) for such members' manufacture, marketing, sale and distribution of television sets bearing such trademarks. The Company considers that the RSH Royalty Agreement allows the Group to capitalize on the brand recognition of the RadioShack Group to manufacture, market, sell

and distribute television sets bearing the trademarks of the RadioShack Group. In view of the manufacturing capabilities of the Hon Hai Group, the JV Group will source from the Hon Hai Group such television sets bearing the trademarks of the RadioShack Group at prices to be determined under the aforesaid pricing policy set out in the HH Master Sourcing Agreement. Furthermore, in view of the Hon Hai Group's network in the 3C industries, the Company considers that the HH Master Sourcing Agreement would broaden the JV Group's supplier base enhancing its ability to seek competitive product range and prices.

The Directors (including the independent non-executive Directors) consider that the JV Agreement, the HH Master Sourcing Agreement and the Annual Cap are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole. In view of his relationship with Hon Hai, Mr. Lee Jin Ming (being a non-executive Director) has abstained from voting on the Board's resolutions in relation to the JV Agreement, the HH Master Sourcing Agreement and the Annual Cap.

## **LISTING RULES REQUIREMENTS**

Hon Hai is the controlling shareholder of the Company and therefore is a connected person of the Company. In light of the Hon Hai Group's involvement in the transactions contemplated by the Original JV Agreement and the JV Agreement respectively as set out in the section headed "Introduction" above, the JV Agreement constitutes a connected transaction for the Company. Based on First Honest's capital contribution to the JV under the JV Agreement, the JV Agreement is a connected transaction exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules and it does not constitute a notifiable transaction for the Company under the Listing Rules.

The HH Master Sourcing Agreement constitutes a continuing connected transaction for the Company. Based on the Annual Cap, the HH Master Sourcing Transaction and the Annual Cap are only subject to the reporting, announcement and annual review requirements under the Listing Rules.

## **DEFINITIONS**

"Annual Cap"	the annual cap for the HH Master Sourcing Transaction for the year ending 31 December 2013
"associate(s)"	having the meaning as defined in the Listing Rules
"Board"	the board of Directors
"Company"	Foxconn International Holdings Limited, a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
"Directors"	the directors of the Company

“First Honest”	First Honest Enterprises Limited
“Greater China Region”	PRC, Taiwan, Hong Kong and Macau
“Group”	the Company and/or its subsidiaries (as the case may be)
“HH Master Sourcing Agreement”	the agreement to be entered into between the relevant members of the Hon Hai Group and the JV in relation to the JV Group’s sourcing of consumer electronics and related products from the Hon Hai Group
“HH Master Sourcing Transaction”	the transactions contemplated under the HH Master Sourcing Agreement
“HH Royalty Agreement”	the agreement to be entered into between the JV and Hon Hai in relation to the JV granting sublicences to the relevant members of the Hon Hai Group to use certain trademarks of the RadioShack Group in connection with the manufacture, marketing, sales and distribution of television sets bearing such trademarks for a royalty charge
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hon Hai”	鴻海精密工業股份有限公司 (Hon Hai Precision Industry Co. Ltd.*), the ultimate controlling shareholder of the Company
“Hon Hai Group”	Hon Hai, its subsidiaries, affiliates and/or associates (as the case may be)
“JV”	Perfect Legend Development Limited
“JV Agreement”	the amended and restated joint venture agreement dated 31 January 2013 entered into between First Honest, RSH and the JV in relation to the formation of the JV between First Honest and RSH and the management of the JV Group
“JV Group”	the JV and any subsidiaries of the JV
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Original JV Agreement”	the joint venture agreement dated 6 June 2012 entered into between First Honest, RSH and the JV as amended by two Amendment Letters dated 31 August 2012 and 12 November 2012 respectively between such parties

“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Taiwan, Hong Kong and Macau
“RadioShack Group”	RadioShack Corporation and its subsidiaries
“RSH”	RadioShack Global Sourcing (Hong Kong) Ltd., a wholly-owned subsidiary of RadioShack Corporation
“RSH Licence Agreement”	the agreement dated 31 January 2013 entered into between TRS Quality, Inc. (a wholly-owned subsidiary of RadioShack Corporation), First Honest and the JV in relation to the JV Group’s royalty-free use of certain trademarks of the RadioShack Group
“RSH Master Sourcing Agreement”	the agreement dated 31 January 2013 entered into between RSH and the JV in relation to the JV Group’s sourcing of consumer electronics and related products from the RadioShack Group
“RSH Royalty Agreement”	the agreement as of 31 January 2013 entered into between Tandy Radio Shack LTD and the JV in relation to the JV’s licence right and sublicensing right in favour of the relevant members of the Hon Hai Group to use certain trademarks of the RadioShack Group in connection with the manufacture, marketing, sale and distribution of television sets bearing the trademarks of the RadioShack Group for a royalty charge
“Shareholders”	the holders of the Shares
“Shares”	the ordinary shares of US\$0.04 each of the Company
“SMS Marketing”	SMS Marketing Service (Asia) Co., Ltd., an affiliated company belonging to the Hon Hai Group
“SMS Marketing Licence Agreement”	the agreement dated 31 January 2013 entered into between SMS Marketing, RSH and the JV in relation to the JV Group’s royalty-free use of certain trademarks of SMS Marketing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	having the meaning ascribed to it under the Companies Ordinance (Chapter 32 of the laws of Hong Kong)
“U.S.”	United States of America



“US\$” United States dollars, the lawful currency of the U.S.

“3C” computer, communication and consumer electronics

By Order of the Board  
**Tong Wen-hsin**  
*Chairman*

Hong Kong, 31 January 2013

*As at the date of this announcement, the executive directors of the Company are Messrs. Tong Wen-hsin and Chih Yu Yang and Dr. Lee Jer Sheng, the non-executive director of the Company is Mr. Lee Jin Ming and the independent non-executive directors of the Company are Messrs. Lau Siu Ki and Chen Fung Ming and Dr. Daniel Joseph Mehan.*

*\* for identification purposes only*