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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)

CONTINUING CONNECTED TRANSACTIONS

Financial adviser



REORIENT Financial Markets Limited

The Group from time to time has been carrying out the Continuing Connected Transactions. On 11 August 2016, the Company entered into the relevant supplemental agreements with Hon Hai in respect of the extension of the respective terms of the Continuing Connected Transactions to 31 December 2019, and in particular, the Supplemental Agreements relating to the Non-exempt Continuing Connected Transactions will become effective only after obtaining the Independent Shareholders' approval. The Company has also set or proposed (as the case may be) new annual caps for each of the Continuing Connected Transactions for the three years ending 31 December 2019.

The Company envisages that the annual amount for the Lease Expense Transaction for the year ending 31 December 2016 will exceed 0.1% of the applicable percentage ratios, and therefore sets new annual cap for the Lease Expense Transaction for the year ending 31 December 2016. With regard to the respective annual caps for the Product Sales Transaction and the Consolidated Services and Sub-contracting Expense Transaction for the year ending 31 December 2016, the Company envisages that such annual caps may not be sufficient and proposes to revise the respective annual caps for the Product Sales Transaction and the Consolidated Services and Sub-contracting Expense Transaction for the year ending 31 December 2016.

Based on the new annual cap for the year ending 31 December 2016 for the Lease Expense Transaction and the maximum amount of the new annual caps for the three years ending 31 December 2019 in respect of each of the Other Transactions, all relevant percentage ratios are less than 5%. In accordance with Rule 14A.76(2) of the Listing Rules, the Lease Expense Transaction together with its annual cap for the year ending 31 December 2016 and the Other Transactions together with their respective annual caps for the three years ending 31 December 2019 are exempt from the circular (including independent financial advice) and the Independent Shareholders' approval requirements.

Based on the respective proposed annual caps for the year ending 31 December 2016 for the Product Sales Transaction and the Consolidated Services and Sub-contracting Expense Transaction, the proposed revision of the respective annual caps for the Product Sales Transaction and the Consolidated Services and Sub-contracting Expense Transaction for the year ending 31 December 2016 is subject to the Independent Shareholders' approval. Based on the maximum amount of the proposed annual caps for the three years ending 31 December 2019 in respect of each of the Non-exempt Continuing Connected Transactions and in view of the connections between the Non-real Property Lease Expense Transaction and the Product Sales Transaction, each of the Non-exempt Continuing Connected Transactions constitutes a non-exempt continuing connected transaction for the Company under the Listing Rules. Accordingly, the Non-exempt Continuing Connected Transactions, the proposed annual caps in respect of each of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2019 and the Supplemental Agreements are subject to the approval of the Independent Shareholders.

The Company will convene an extraordinary general meeting to seek the Independent Shareholders' approval for the proposed revision of the respective annual caps for the Product Sales Transaction and the Consolidated Services and Sub-contracting Expense Transaction for the year ending 31 December 2016, the Non-exempt Continuing Connected Transactions, the proposed annual caps in respect of each of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2019 and the Supplemental Agreements. The Company has established the Independent Board Committee and has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. A circular will be despatched to the Shareholders on or before 1 September 2016.

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 64.37% of the total number of issued shares of the Company.

The Group from time to time has been carrying out the Continuing Connected Transactions with the Hon Hai Group, each of which is more particularly described below.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Purchase Transaction

Pursuant to the Purchase Agreement, the Group has agreed to purchase materials and components from the Hon Hai Group for a term up to 31 December 2016 upon and subject to the terms and conditions set out therein at a price determined as follows:

- (1) in respect of purchases from an Approved Vendor, at the price agreed between the supplier and the Group's customer; if not, at a price to be determined by reference to the average market price; or

- (2) where (1) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group upon the basis of the principle of “cost plus”; or
- (3) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group based on reasonable commercial principles.

Payment for the Purchase Transaction is usually made by the Group within 90 days after the date of the relevant invoice or the Group’s accounting record posting date for the transaction.

On the date of this announcement, the Company and Hon Hai entered into the Supplemental Purchase Agreement, which will become effective only after obtaining the Independent Shareholders’ approval, to extend the term of the Purchase Agreement to 31 December 2019.

2. Product Sales Transaction

Pursuant to the Framework Product Sales Agreement, the Group has agreed to sell or procure its subsidiaries to sell to the Hon Hai Group parts or other products manufactured or owned by the Group for a term up to 31 December 2016 upon and subject to the terms and conditions set out therein at a price determined as follows:

- (1) where the Group has been approved or otherwise designated by the relevant customers of the Hon Hai Group, at the price agreed between the Group and such customers; if not, at a price to be determined by reference to the average market price; or
- (2) where (1) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group upon the basis of the principle of “cost plus”; or
- (3) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group based on reasonable commercial principles.

Payment for the Product Sales Transaction is usually received by the Group within 90 days after the date of the relevant invoice.

On the date of this announcement, the Company and Hon Hai entered into the Supplemental Product Sales Agreement, which will become effective only after obtaining the Independent Shareholders’ approval, to extend the term of the Framework Product Sales Agreement to 31 December 2019.

3. Non-real Property Lease Expense Transaction

Pursuant to the Framework Non-real Property Lease Expense Agreement, the Group has agreed to lease the Non-real Properties from the Hon Hai Group as agreed between the parties from time to time for a term up to 31 December 2016 upon and subject to the terms and conditions set out therein at a rental determined as follows:

The rental payable by the Group under the Non-real Property Lease Expense Transaction shall be determined on a fair and reasonable basis with reference to the average market rental of other similar properties in the market. If the average market rental is not available, the rental payable under the Non-real Property Lease Expense Transaction shall be determined on a “cost plus” basis. If both the average market rental basis and the “cost plus” basis are not

appropriate or applicable, the rental payable under the Non-real Property Lease Expense Transaction shall be agreed between the relevant parties based on reasonable commercial principles.

The relevant parties may enter into a separate specific lease agreement for the relevant Non-real Property to be leased by the Group from the Hon Hai Group under the Non-real Property Lease Expense Transaction. Such specific lease agreement, containing terms and conditions consistent with the terms and conditions of the Framework Non-real Property Lease Expense Agreement, specifies in detail the term, rental and other terms and conditions governing the lease of such Non-real Property. The rental under the Non-real Property Lease Expense Transaction will be payable by the Group to the Hon Hai Group within such period(s) agreed by the relevant parties from time to time on a case-by-case basis and is expected to be usually payable within 90 days after the date of the relevant invoice or the Group's accounting record posting date for the Non-real Property Lease Expense Transaction (as the case may be).

On the date of this announcement, the Company and Hon Hai entered into the Supplemental Non-real Property Lease Expense Agreement, which will become effective only after obtaining the Independent Shareholders' approval, to extend the term of the Framework Non-real Property Lease Expense Agreement to 31 December 2019.

4. Consolidated Services and Sub-contracting Expense Transaction

Pursuant to the Consolidated Services and Sub-contracting Expense Agreement, the Hon Hai Group has agreed to provide services including research and development services, design services, repair services and sub-contracting services to the Group for a term up to 31 December 2016 upon and subject to the terms and conditions set out therein at a price determined as follows:

- (1) where the Hon Hai Group has been approved or otherwise designated by the relevant customers of the Group, at the price agreed between the Hon Hai Group and such customers; if not, at a price to be determined by reference to the average market price; or
- (2) where (1) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group upon the basis of the principle of "cost plus"; or
- (3) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group based on reasonable commercial principles.

Payment for the Consolidated Services and Sub-contracting Expense Transaction is usually made by the Group within 90 days after the date of the relevant invoice or the Group's accounting record posting date for the transaction.

On the date of this announcement, the Company and Hon Hai entered into the Supplemental Consolidated Services and Sub-contracting Expense Agreement, which will become effective only after obtaining the Independent Shareholders' approval, to extend the term of the Consolidated Services and Sub-contracting Expense Agreement to 31 December 2019.

5. Equipment Purchase Transaction

Pursuant to the Framework Equipment Purchase Agreement, the Group has agreed to purchase equipment from the Hon Hai Group from time to time for a term up to 31 December 2016 upon and subject to the terms and conditions set out therein at a price determined as follows:

- (1) at the book value of the relevant equipment as recorded in the accounts of the relevant member of the Hon Hai Group; or
- (2) if (1) above is not appropriate or applicable, at a price to be determined by reference to the average market price; or
- (3) where (1) and (2) above are not appropriate or applicable, at a price to be agreed between the relevant parties on the basis of the principle of “cost plus”; or
- (4) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the parties based on reasonable commercial principles.

Payment for the Equipment Purchase Transaction is usually made by the Group within 120 days after the date of the relevant invoice.

On the date of this announcement, the Company and Hon Hai entered into the Supplemental Equipment Purchase Agreement, which will become effective only after obtaining the Independent Shareholders’ approval, to extend the term of the Framework Equipment Purchase Agreement to 31 December 2019.

OTHER TRANSACTIONS

6. Sub-contracting Income Transaction

Pursuant to the Sub-contracting Income Agreement, the Hon Hai Group has agreed to engage the Group to provide certain services, such as molding, metal stamping for handsets and desktop computers, handset repair services and other services, to the Hon Hai Group for a term up to 31 December 2016 upon and subject to the terms and conditions set out therein at a price determined as follows:

- (1) where the Group has been approved or otherwise designated by the relevant customers of the Hon Hai Group, at the price agreed between the Group and such customers; if not, at a price to be determined by reference to the average market price; or
- (2) where (1) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group upon the basis of the principle of “cost plus”; or
- (3) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group based on reasonable commercial principles.

Payment for the Sub-contracting Income Transaction is usually received by the Group within 90 days after the date of the relevant invoice.

On the date of this announcement, the Company and Hon Hai entered into a supplemental agreement to extend the term of the Sub-contracting Income Agreement to 31 December 2019.

7. General Services Expense Transaction

Pursuant to the General Services Expense Agreement, the Hon Hai Group has agreed to provide general administrative, support, utility and other related services to the Group for a term up to 31 December 2016 upon and subject to the terms and conditions set out therein at a price determined as follows:

- (1) where there is a price determined by the relevant state, at such state-determined price; or
- (2) where there is no state-determined price, at the market price; or
- (3) where there is no state-determined price or market price, on the principle of “cost plus”; or
- (4) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the relevant parties.

At present, the Hon Hai Group charges the Group for the cost of the General Services Expense Transaction based on the actual costs incurred by the Hon Hai Group and certain allocation bases as agreed between the parties from time to time depending on the nature of the General Services Expense Transaction. The Company considers the historic and present allocation bases and ratios are fair and reasonable. The Company will endeavour to agree with Hon Hai on any future allocation bases and ratios on a fair and equitable basis.

Payment for the General Services Expense Transaction is usually made by the Group within 45 days after the date of the relevant invoice.

On the date of this announcement, the Company entered into a supplemental agreement with Hon Hai to extend the term of the General Services Expense Agreement to 31 December 2019.

8. Equipment Sale Transaction

Pursuant to the Framework Equipment Sale Agreement, the Group has agreed to sell equipment to the Hon Hai Group from time to time for a term up to 31 December 2016 upon and subject to the terms and conditions set out therein at a price determined as follows:

- (1) at the book value of the relevant equipment as recorded in the accounts of the relevant member of the Group; or
- (2) if (1) above is not appropriate or applicable, at a price to be determined by reference to the average market price; or
- (3) where (1) and (2) above are not appropriate or applicable, at a price to be agreed between the relevant parties on the basis of the principle of “cost plus”; or
- (4) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the parties based on reasonable commercial principles.

Payment for the Equipment Sale Transaction is usually received by the Group within 90 days after the date of the relevant invoice.

On the date of this announcement, the Company entered into a supplemental agreement with Hon Hai to extend the term of the Framework Equipment Sale Agreement to 31 December 2019.

9. Lease Expense Transaction

Pursuant to the Framework Lease Expense Agreement, the Hon Hai Group has agreed to lease premises owned by it and located worldwide to the Group from time to time as requested by the Group for a term up to 31 December 2016 upon and subject to the terms and conditions set out therein at a rental determined as follows:

The rental payable by the Group under the Lease Expense Transaction shall be determined on a fair and reasonable basis with reference to the average market rental of other similar local properties in the market. If the average market rental is not available, the rental payable under the Lease Expense Transaction shall be determined on a “cost plus” basis. If both the average market rental basis and the “cost plus” basis are not appropriate or applicable, the rental payable under the Lease Expense Transaction shall be agreed between the relevant parties based on reasonable commercial principles.

The relevant parties may enter into a separate specific lease agreement for the relevant premises leased by the Group under the Framework Lease Expense Agreement. The rentals for the Lease Expense Transaction are usually payable on a monthly basis.

On the date of this announcement, the Company entered into a supplemental agreement with Hon Hai to extend the term of the Framework Lease Expense Agreement to 31 December 2019.

PRICING DETAILS

Below are details regarding the application of the pricing terms of the Continuing Connected Transactions. Such pricing details are equally applicable to transactions with independent third parties.

	Pricing terms in the agreements	Pricing details
<i>Non-exempt Continuing Connected Transactions</i>		
1. Purchase Transaction	(a) in respect of purchases from an Approved Vendor, at the price agreed between the supplier and the Group's customer; if not, at a price to be determined by reference to the average market price; or	<p>Where the Group's customer approves or otherwise designates the Hon Hai Group as an Approved Vendor in respect of the supply of certain materials and components to be used in the Group's manufacturing of the final products for the Group's customer and the Group purchases such materials and components from the Hon Hai Group, such materials and components are purchased at prices agreed between the Group's customer and the Hon Hai Group. In determining whether to purchase such materials and components from the Hon Hai Group at the price agreed between the Group's customer and the Hon Hai Group, the Company will consider whether the cost of the materials and components purchased from the Hon Hai Group will be taken into account in the selling price of the relevant final product to the Group's customer.</p> <p>Where the Hon Hai Group is not approved or otherwise designated as an Approved Vendor, the price will be determined by reference to the average market price. For the purpose of obtaining market prices, the Group refers to recent purchase transaction(s) of the Group of the same materials/components from independent suppliers or quotations from independent suppliers, if available.</p>
	(b) where (a) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group upon the basis of the principle of "cost plus"; or	Cost plus is determined based on the cost of the products sold to the Group plus a margin as agreed between the Group and the Hon Hai Group taking into account the margin for products of similar nature in the market by way of referring to margins for sales of products of similar nature by the Group or the Hon Hai Group to independent customers.

	Pricing terms in the agreements	Pricing details
	(c) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group based on reasonable commercial principles.	In consideration of its inventory optimisation management, the Hon Hai Group may agree to prices lower than costs and market prices. In such cases, the Company would make the purchases at such lower prices. This pricing term has not been applied since 2015 but remains to be relevant to cater to such circumstances in the future.
2. Product Sales Transaction	(a) where the Group has been approved or otherwise designated by the relevant customers of the Hon Hai Group, at the price agreed between the Group and such customers; if not, at a price to be determined by reference to the average market price; or	<p>With regard to the pricing where the Group is approved or otherwise designated by the customers of the Hon Hai Group to supply parts or other products to the Hon Hai Group, the products are sold at prices agreed between the Group and the Hon Hai Group's customers.</p> <p>For the purpose of obtaining market prices, the Group refers to recent sales/purchase transaction(s) of the Group of same products to/from independent customers/vendors, if available.</p>
	(b) where (a) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group upon the basis of the principle of "cost plus"; or	Cost plus is determined based on the cost of the products sold to the Hon Hai Group plus a margin as agreed between the Group and the Hon Hai Group taking into account the margin for products of similar nature in the market by way of referring to margins for the Group's sales of products of similar nature to independent customers.
	(c) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group based on reasonable commercial principles.	In consideration of its inventory optimisation management, the Group may agree to prices lower than costs and market prices. In such cases, the Company would only accept such lower prices if the products could not be sold at higher prices in the market and the Company does not consider it to be in its interests to keep such inventory having regard to factors such as inventory obsolescence. This pricing term has not been applied since 2015 but remains to be relevant to cater to such circumstances in the future.

	Pricing terms in the agreements	Pricing details
3. Non-real Property Lease Expense Transaction	(a) The rental payable by the Group under the Non-real Property Lease Expense Transaction shall be determined on a fair and reasonable basis with reference to the average market rental of other similar properties in the market.	For the purpose of obtaining market rental prices, the Group refers to recent lease transaction(s) of the Group of similar Non-real Properties from independent third parties, if available.
	(b) If the average market rental is not available, the rental payable under the Non-real Property Lease Expense Transaction shall be determined on a “cost plus” basis.	Cost plus is determined based on the relevant cost of the transaction plus a margin as agreed between the Group and the Hon Hai Group taking into account the margin for lease of Non-real Properties of similar nature in the market by way of referring to margins for the Group’s lease of Non-real Properties of similar nature from independent parties. The cost is usually determined on the basis of the depreciation charge and the related costs of the Non-real Property such as interests and insurance cost.
	(c) If both the average market rental basis and the “cost plus” basis are not appropriate or applicable, the rental payable under the Non-real Property Lease Expense Transaction shall be agreed between the relevant parties based on reasonable commercial principles.	In consideration of its Non-real Properties utilisation management, the Hon Hai Group may agree to prices lower than costs and market prices. In such cases, the Company would lease such Non-real Properties from the Hon Hai Group at such lower prices. This pricing term has not been applied since 2015 but remains to be relevant to cater to such circumstances in the future.

	Pricing terms in the agreements	Pricing details
4. Consolidated Services and Sub-contracting Expense Transaction	(a) where the Hon Hai Group has been approved or otherwise designated by the relevant customers of the Group, at the price agreed between the Hon Hai Group and such customers; if not, at a price to be determined by reference to the average market price; or	<p>Where the Hon Hai Group is approved or otherwise designated by the customers of the Group to provide sub-contracting services to the Group and the Group requires such services from the Hon Hoi Group, the services are charged at prices agreed between the Hon Hai Group and the Group's customers. In determining whether to require such sub-contracting services from the Hon Hai Group at the price agreed between the Group's customer and the Hon Hai Group, the Company considers whether the sub-contracting cost will be taken into account in the selling price of the relevant final product to the Group's customer.</p> <p>Where the Hon Hai Group is not approved or otherwise designated by the Group's customers, the price is determined by reference to the average market price. For the purpose of obtaining market prices, the Group refers to recent transaction(s) of the Group involving the purchase of similar sub-contracting services from independent service providers or quotations from independent service providers, if available.</p>
	(b) where (a) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group upon the basis of the principle of "cost plus"; or	Cost plus is determined based on the cost of the sub-contracting services provided to the Group plus a margin as agreed between the Group and the Hon Hai Group taking into account the margin for sub-contracting services of similar nature in the market by way of referring to margins for the Group's provision of sub-contracting services of similar nature to independent customers.

	Pricing terms in the agreements	Pricing details
	(c) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group based on reasonable commercial principles.	In consideration of its capacity utilisation management, the Hon Hai Group may agree to prices lower than costs and market prices. In such cases, the Company would acquire the sub-contracting services from the Hon Hai Group at such lower prices. This pricing term has not been applied since 2015 but remains to be relevant to cater to such circumstances in the future.
5. Equipment Purchase Transaction	(a) at the book value of the relevant equipment as recorded in the accounts of the relevant member of the Hon Hai Group; or	The book value of the equipment is based on the accounting records of the relevant member of the Hon Hai Group. This pricing is applied mainly for used equipment.
	(b) if (a) above is not appropriate or applicable, at a price to be determined by reference to the average market price; or	The average market price is based on quotations provided by independent suppliers, if available. This pricing is applied mainly for new equipment made by the Hon Hai Group.
	(c) where (a) and (b) above are not appropriate or applicable, at a price to be agreed between the relevant parties on the basis of the principle of “cost plus”; or	Cost plus is determined based on the cost of the equipment purchased from the Hon Hai Group plus a margin as agreed between the Group and the Hon Hai Group taking into account the margin for equipment of similar nature in the market by way of referring to margins for the Group’s sales of equipment of similar nature to independent customers.
	(d) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the parties based on reasonable commercial principles.	In consideration of its equipment utilisation management, the Hon Hai Group may agree to prices lower than book value, costs and market prices. In such cases, the Company would purchase the equipment from the Hon Hai Group at such lower prices. This pricing term has not been applied since 2015 but remains to be relevant to cater to such circumstances in the future.

	Pricing terms in the agreements	Pricing details
<i>Other Transactions</i>		
6. Sub-contracting Income Transaction	(a) where the Group has been approved or otherwise designated by the relevant customers of the Hon Hai Group, at the price agreed between the Group and such customers; if not, at a price to be determined by reference to the average market price; or	<p>With regard to the pricing where the Group is approved or otherwise designated by the customers of the Hon Hai Group to provide sub-contracting services to the Hon Hai Group, the sub-contracting services are provided at prices agreed between the Group and the Hon Hai Group's customers.</p> <p>Where the Group is not approved or otherwise designated by the customers of the Hon Hai Group, the price is determined by reference to the average market price. For the purpose of obtaining market prices, the Group refers to recent transaction(s) of the Group involving the provision of similar sub-contracting services to independent customers, if available.</p>
	(b) where (a) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group upon the basis of the principle of "cost plus"; or	Cost plus is determined based on the cost of the sub-contracting services provided to the Hon Hai Group plus a margin as agreed between the Group and the Hon Hai Group taking into account the margin for sub-contracting services of similar nature in the market by way of referring to margins for the Group's provision of sub-contracting services of similar nature to independent customers.
	(c) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group based on reasonable commercial principles.	In consideration of its capacity utilisation management, the Group may agree to prices lower than costs and market prices. In such cases, the Company would only accept such lower prices if a contribution margin (surplus of prices over variable costs) is available to cover any fixed costs. This pricing term has not been applied since 2015 but remains to be relevant to cater to such circumstances in the future.

	Pricing terms in the agreements	Pricing details
7. General Services Expense Transaction	(a) where there is a price determined by the relevant state, at such state-determined price; or	The price is based on state-determined prices as published by the relevant government authority, such as electricity charge in Shenzhen in accordance with prices published by 廣東電網公司深圳供電局 (Guangdong Power Grid Corporation Shenzhen Power Supply Bureau).
	(b) where there is no state-determined price, at the market price; or	The price is determined by reference to the average market price. For the purpose of obtaining market prices, the Group refers to recent transaction(s) of the Group involving the purchase of similar general services from independent service providers or quotations from independent service providers, if available.
	(c) where there is no state-determined price or market price, on the principle of “cost plus”; or	The general services are charged at cost as incurred by the Hon Hai Group without markup.
	(d) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the relevant parties.	In consideration of its capacity utilisation management, the Hon Hai Group may agree to prices lower than state-determined prices, costs and market prices. In such cases, the Company would acquire the general services from the Hon Hai Group at such lower prices. This pricing term has not been applied since 2015 but remains to be relevant to cater to such circumstances in the future.

	Pricing terms in the agreements	Pricing details
8. Equipment Sale Transaction	(a) at the book value of the relevant equipment as recorded in the accounts of the relevant member of the Group; or	The book value of the equipment is based on the accounting records of the relevant member of the Group. This pricing is applied mainly for used equipment.
	(b) if (a) above is not appropriate or applicable, at a price to be determined by reference to the average market price; or	The average market price is based on sales of equipment of similar nature to independent customers. This pricing is applied mainly for new equipment made by the Group.
	(c) where (a) and (b) above are not appropriate or applicable, at a price to be agreed between the relevant parties on the basis of the principle of “cost plus”; or	Cost plus is determined based on the cost of the equipment sold to the Hon Hai Group plus a margin as agreed between the Group and the Hon Hai Group taking into account the margin for equipment of similar nature in the market by way of referring to margins for the Group’s sales of equipment of similar nature to independent customers.
	(d) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the parties based on reasonable commercial principles.	In consideration of its equipment utilisation management, the Group may agree to prices lower than book value, costs and market prices. In such cases, the Company would only accept such lower prices if the equipment could not be sold at higher prices in the market and the Company does not consider it to be in its interests to keep such equipment having regard to factors such as equipment obsolescence. This pricing term has not been applied since 2015 but remains to be relevant to cater to such circumstances in the future.

	Pricing terms in the agreements	Pricing details
9. Lease Expense Transaction	<p>The rental payable by the Group under the Lease Expense Transaction shall be determined on a fair and reasonable basis with reference to the average market rental of other similar local properties in the market. If the average market rental is not available, the rental payable under the Lease Expense Transaction shall be determined on a “cost plus” basis. If both the average market rental basis and the “cost plus” basis are not appropriate or applicable, the rental payable under the Lease Expense Transaction shall be agreed between the relevant parties based on reasonable commercial principles.</p>	<p>For the purpose of obtaining market rental prices, the Group refers to recent lease transaction(s) of the Group of similar local properties from independent third parties, if available.</p> <p>Cost plus is determined based on the relevant cost of the transaction plus a margin as agreed between the Group and the Hon Hai Group taking into account the margin for lease of properties of similar nature in the market by way of referring to margins for the Group’s lease of properties of similar nature from/to independent parties. The cost is usually determined on the basis of the depreciation charge and the related costs of the properties such as interests and insurance cost.</p> <p>In consideration of its properties utilisation management, the Hon Hai Group may agree to prices lower than costs and market prices. In such cases, the Company would lease the properties from the Hon Hai Group at such lower prices. This pricing term has not been applied since 2015 but remains to be relevant to cater to such circumstances in the future.</p>

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

The reasons for entering into and carrying out the Continuing Connected Transactions are set out below.

1. Purchase Transaction

Hon Hai is the leading player in the 3C manufacturing services industry. Under the convergence trend of the 3C industries, an increasing number of types of materials and components manufactured by the Hon Hai Group are used for the manufacture of handsets. The Company believes that it is an important competitive advantage of the Group in the handset manufacturing service industry that the Group together with the members of the Hon Hai Group can provide a wide range of vertically integrated manufacturing services to the customers.

2. Product Sales Transaction

The Company considers it in its best interests to generate more income as well as enhance utilisation of its assets by carrying out the Product Sales Transaction in response to the Hon Hai Group's needs from time to time, provided that the Hon Hai Group purchases from the Group at prices comparable to market prices and/or which are considered to be fair and reasonable to the Company.

3. Non-real Property Lease Expense Transaction

In carrying out the Product Sales Transaction and other manufacturing projects, the Group may require the use of the Non-real Properties including specialised equipment and machines. By leasing such Non-real Properties from the Hon Hai Group, the Group may gain access to the use of such Non-real Properties at rental rates agreeable to the Company saving capital expenditures.

4. Consolidated Services and Sub-contracting Expense Transaction

The Company considers that the services provided by the Hon Hai Group under the Consolidated Services and Sub-contracting Expense Transaction as requested by the Group can enhance the Group's handset manufacturing capabilities and related capacity in its handset manufacturing business, provide the Group with greater flexibility in capacity planning and allow the Group to carry on its business more efficiently.

5. Equipment Purchase Transaction

The Hon Hai Group is able to customise standard industry equipment to varying degrees to better suit the production needs of the Group. Purchasing equipment from the Hon Hai Group helps shorten the lead time to deliver the equipment to the Group. The Group in the past also purchased used equipment that was in good condition from the Hon Hai Group at the book value of the equipment in Hon Hai's accounts. It is also more convenient for the Group to obtain the required maintenance services for the customised equipment from the Hon Hai Group.

6. Sub-contracting Income Transaction

The Company considers it in its best interests to generate more income as well as enhance utilisation of its assets by carrying out the Sub-contracting Income Transaction as long as the services are provided at prices that are fair and reasonable pursuant to the Sub-contracting Income Agreement.

7. General Services Expense Transaction

Certain production facilities of the Group are located at premises owned and managed by the Hon Hai Group and leased to the Group under the Lease Expense Transaction. Within such premises, the Hon Hai Group provides a number of general administrative, support, utility and other related services to all tenants, including the Group, which are necessary for the tenants to carry out their operations in such locations. The Company considers it more cost effective for the Group to share some other services provided by the Hon Hai Group, such as product testing, specialist inspection and information technology and communication services.

8. *Equipment Sale Transaction*

From time to time certain equipment of the Group no longer meets the production needs of the Group which may be as a result of a number of factors, such as new product specifications required by customers, capacity planning and new production arrangements. However, such equipment may be useful to the Hon Hai Group for its businesses. The Group may sell such equipment to the Hon Hai Group at prices the Company considers to be fair and reasonable generating more income for the Group.

9. *Lease Expense Transaction*

A part of the Group's operations in the PRC is located in the Hon Hai Group's industrial parks in the PRC in view of the benefits of locating close to the members of the Hon Hai Group which possess leading capabilities and expertise amid the convergence trend within the 3C industries, and the physical proximity can lead to additional savings and efficiency to the Group if the Group's customers select these members of the Hon Hai Group as the Approved Vendors.

HISTORICAL VALUES AND ANNUAL CAPS

The Company has set the respective annual caps for the Continuing Connected Transactions other than the Lease Expense Transaction for the year ending 31 December 2016. The Company envisages that the annual amount for the Lease Expense Transaction for the year ending 31 December 2016 will exceed 0.1% of the applicable percentage ratios, and therefore sets new annual cap for the Lease Expense Transaction for the year ending 31 December 2016. With regard to the annual cap for the year ending 31 December 2016 for the Product Sales Transaction, having regard to the Group's development plan, the Company envisages that such annual cap may not be sufficient and proposes to revise the annual cap for the Product Sales Transaction for the year ending 31 December 2016. Likewise, the Company envisages that the annual cap for the year ending 31 December 2016 for the Consolidated Services and Sub-contracting Expense Transaction would not be sufficient having regard to the Group's development plan and proposes to revise the annual cap for the Consolidated Services and Sub-contracting Expense Transaction for the year ending 31 December 2016. In connection with the extension of the respective terms of the Continuing Connected Transactions to 31 December 2019, the Company sets/proposes (as the case may be) new annual caps for each of the Continuing Connected Transactions for the three years ending 31 December 2019.

The table below sets out (1) the historical actual amounts of each of the Continuing Connected Transactions for the year ended 31 December 2015 and for the six months ended 30 June 2016; (2) the existing, new or proposed (as the case may be) annual caps for each of the Continuing Connected Transactions for the year ending 31 December 2016; and (3) the new or proposed (as the case may be) annual caps for each of the Continuing Connected Transactions for the three years ending 31 December 2019.

(in US\$'000)	Actual transaction amounts		Existing/ new/ proposed annual cap	New/proposed annual caps		
	for the year ended 31 December 2015 (audited)	for the six months ended 30 June 2016 (unaudited)	for the year ending 31 December 2016	for the year ending 31 December		
				2017	2018	2019
<u>Non-exempt Continuing Connected Transactions</u>						
1. Purchase Transaction (Note 1)	1,008,787	308,980	1,758,000	977,000	1,045,000	1,118,000
2. Product Sales Transaction (Note 1)	480,702	300,795	603,000 (existing) 889,000 (proposed)	951,000	1,018,000	1,089,000
3. Non-real Property Lease Expense Transaction (Note 1)	15,692	8,086 (Note 3)	25,000	19,000	20,000	21,000
4. Consolidated Services and Sub-contracting Expense Transaction (Note 1)	204,754	105,217	210,000 (existing) 311,000 (proposed)	333,000	356,000	381,000
5. Equipment Purchase Transaction (Note 1)	99,739	29,506	182,000	163,000	175,000	187,000
<u>Other Transactions</u>						
6. Sub-contracting Income Transaction (Note 2)	120,670	35,780	352,000	114,000	121,000	130,000
7. General Services Expense Transaction (Note 2)	20,725	7,042 (Note 3)	23,000	23,000	24,000	26,000
8. Equipment Sale Transaction (Note 2)	9,853	1,813	28,000	21,000	22,000	24,000
9. Lease Expense Transaction (Note 2)	2,679	1,900	4,000 (new)	5,000	5,000	5,000

Notes:

1. Based on the respective proposed annual caps for the year ending 31 December 2016 for the Product Sales Transaction and the Consolidated Services and Sub-contracting Expense Transaction, the proposed revision of the respective annual caps for the Product Sales Transaction and the Consolidated Services and Sub-contracting Expense Transaction for the year ending 31 December 2016 is subject to the Independent Shareholders' approval. Based on the maximum amount of the proposed annual caps for the three years ending 31 December 2019 in respect of each of the Non-exempt Continuing Connected Transactions and in view of the connections between the Non-real Property Lease Expense Transaction and the Product Sales Transaction, each of the Non-exempt Continuing Connected Transactions constitutes a non-exempt continuing connected transaction for the Company under the Listing Rules. Accordingly, the Non-exempt Continuing Connected Transactions, the proposed annual caps in respect of each of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2019 and the Supplemental Agreements are subject to the approval of the Independent Shareholders.
2. Based on the new annual cap for the year ending 31 December 2016 for the Lease Expense Transaction and the maximum amount of the new annual caps for the three years ending 31 December 2019 in respect of each of the Other Transactions, all relevant percentage ratios are less than 5%. In accordance with Rule 14A.76(2) of the Listing Rules, the Lease Expense Transaction together with its annual cap for the year ending 31 December 2016 and the Other Transactions together with their respective annual caps for the three years ending 31 December 2019 are exempt from the circular (including independent financial advice) and the Independent Shareholders' approval requirements.
3. Based on the Company's estimation, subject to finalisation.

The proposed or new (as the case may be) annual caps are determined with reference to projections of the Company which in turn are prepared by the Company mainly with reference to the following major factors:

- the actual amounts of the Continuing Connected Transactions in 2016;
- the historical percentages of the respective amounts of the Continuing Connected Transactions to the Group's turnover;
- the Group's historical turnover and budgets; and
- an additional buffer of 5%.

The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the Independent Financial Adviser) consider that the respective proposed annual caps for the Product Sales Transaction and the Consolidated Services and Sub-contracting Expense Transaction for the year ending 31 December 2016, and the respective proposed annual caps for the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2019 are fair and reasonable, the entering into of the Non-exempt Continuing Connected Transactions is in the Group's ordinary and usual course of business and the respective terms of the Non-exempt Continuing Connected Transactions (to be amended by the Supplemental Agreements) are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole. The Directors consider that the new annual cap for the Lease Expense Transaction for the year ending 31 December 2016 and the respective new annual caps for the Other Transactions for the three years ending 31 December 2019 are fair and reasonable, the entering into of the Other Transactions is in the Group's ordinary and usual course of business and the respective terms of the Other Transactions (as amended by the relevant supplemental agreements) 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. Wang Chien Ho (being an executive Director) has abstained from voting on the Board's resolutions in relation to the Continuing Connected Transactions.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

In addition, the Group from time to time has been carrying out the Lease Income Transaction, the General Services Income Transaction and the Non-real Property Lease Income Transaction with the Hon Hai Group under the Framework Lease Income Agreement, the General Services Income Agreement and the Framework Non-real Property Lease Income Agreement respectively for terms up to 31 December 2016 upon and subject to the respective terms and conditions set out therein.

On the date of this announcement, the Company entered into supplemental agreements with Hon Hai to extend the respective terms of the Framework Lease Income Agreement, the General Services Income Agreement and the Framework Non-real Property Lease Income Agreement to 31 December 2019. Based on the Company's estimation of the annual amounts for each of the Lease Income Transaction, the General Services Income Transaction and the Non-real Property Lease Income Transaction for the three years ending 31 December 2019, the aforesaid transactions will constitute *de minimis* continuing connected transactions for the Company exempt from the Independent Shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.76(1) of the Listing Rules.

With reference to the Company's announcements dated 31 January 2013 and 17 October 2013 respectively and the Company's 2013 and 2015 annual reports, pursuant to rule 14A.76(1) of the Listing Rules, the transactions contemplated by the RSH Master Sourcing Agreement, the RSH Licence Agreement and the SMS Marketing Licence Agreement (each term being defined in the Company's announcement dated 31 January 2013) respectively have remained continuing connected transactions for the Company exempt from the Independent Shareholders' approval, annual review and all disclosure requirements under the Listing Rules.

The Company will continue to monitor the respective amounts derived from any such transactions, and if required, will set annual cap(s) for any subsequent financial year(s) in respect of the relevant transactions and comply with the Listing Rules as and when required.

LISTING RULES REQUIREMENTS

Based on the new annual cap for the year ending 31 December 2016 for the Lease Expense Transaction and the maximum amount of the new annual caps for the three years ending 31 December 2019 in respect of each of the Other Transactions, all relevant percentage ratios are less than 5%. In accordance with Rule 14A.76(2) of the Listing Rules, the Lease Expense Transaction together with its annual cap for the year ending 31 December 2016 and the Other Transactions together with their respective annual caps for the three years ending 31 December 2019 are exempt from the circular (including independent financial advice) and the Independent Shareholders' approval requirements.

Based on the respective proposed annual caps for the year ending 31 December 2016 for the Product Sales Transaction and the Consolidated Services and Sub-contracting Expense Transaction, the proposed revision of the respective annual caps for the Product Sales Transaction and the Consolidated Services and Sub-contracting Expense Transaction for the year ending 31 December 2016 is subject to the approval of the Independent Shareholders. Based on the maximum amount of the proposed annual caps for the three years ending 31 December 2019 in respect of each of the Non-exempt Continuing Connected Transactions and in view of the connections between the Non-real Property Lease Expense Transaction and the Product Sales Transaction, each of the Non-exempt Continuing Connected Transactions constitutes a non-exempt continuing connected transaction for the Company under the Listing Rules. Accordingly, the Non-exempt Continuing Connected Transactions, the proposed

annual caps in respect of each of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2019 and the Supplemental Agreements are subject to the approval of the Independent Shareholders.

The Company will convene an extraordinary general meeting to seek the Independent Shareholders' approval for the proposed revision of the respective annual caps for the year ending 31 December 2016 for the Product Sales Transaction and the Consolidated Services and Sub-contracting Expense Transaction, the Non-exempt Continuing Connected Transactions, the proposed annual caps in respect of each of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2019 and the Supplemental Agreements. Hon Hai and its associates will abstain from voting on the resolutions to be proposed at the extraordinary general meeting for approving the above matters. The Independent Board Committee has been established to consider the proposed revision of the respective annual caps for the year ending 31 December 2016 for the Product Sales Transaction and the Consolidated Services and Sub-contracting Expense Transaction, the Non-exempt Continuing Connected Transactions, the respective proposed annual caps in respect of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2019 and the Supplemental Agreements. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular will be despatched to the Shareholders on or before 1 September 2016 setting out, among other things, details of the proposed revision of the respective annual caps for the year ending 31 December 2016 for the Product Sales Transaction and the Consolidated Services and Sub-contracting Expense Transaction, the Non-exempt Continuing Connected Transactions, the respective proposed annual caps in respect of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2019, the Supplemental Agreements and the respective letters from the Independent Board Committee and the Independent Financial Adviser.

The Continuing Connected Transactions are also subject to the annual review requirements under Rules 14A.55 to 14A.59 of the Listing Rules.

DEFINITIONS

“Approved Vendor(s)”	supplier(s) of materials and components for the manufacture of handsets as approved by the customer(s) of the Group
“associate(s)”	having the meaning as defined in the Listing Rules
“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
“Consolidated Services and Sub-contracting Expense Agreement”	the framework consolidated services and sub-contracting agreement entered into among the Company, Hon Hai, PCE Industry Inc. (a subsidiary of Hon Hai) and Sutech Industry Inc. (a wholly-owned subsidiary of the Company) on 24 October 2007 (as amended by the respective supplemental agreements dated 19 November 2010 and 17 October 2013)

“Consolidated Services and Sub-contracting Expense Transaction”	the transactions contemplated under the Consolidated Services and Sub-contracting Expense Agreement which will (subject to obtaining the Independent Shareholders’ approval) be amended by the Supplemental Consolidated Services and Sub-contracting Expense Agreement
“Continuing Connected Transactions”	collectively, the Non-exempt Continuing Connected Transactions and the Other Transactions
“Directors”	the directors of the Company
“Equipment Purchase Transaction”	purchase of equipment by the Group from the Hon Hai Group contemplated under the Framework Equipment Purchase Agreement which will (subject to obtaining the Independent Shareholders’ approval) be amended by the Supplemental Equipment Purchase Agreement
“Equipment Sale Transaction”	sale of equipment by the Group to the Hon Hai Group contemplated under the Framework Equipment Sale Agreement as amended by a supplemental agreement of the date of this announcement
“Framework Equipment Purchase Agreement”	the framework equipment purchase agreement entered into between the Company and Hon Hai on 18 January 2005 (as amended by the respective supplemental agreements dated 12 January 2006, 24 October 2007, 19 November 2010 and 17 October 2013)
“Framework Equipment Sale Agreement”	the framework equipment sale agreement entered into between the Company and Hon Hai on 18 January 2005 (as amended by the respective supplemental agreements dated 12 January 2006, 24 October 2007, 19 November 2010 and 17 October 2013)
“Framework Lease Expense Agreement”	the framework lease agreement entered into between 深圳富泰宏精密工業有限公司 (Shenzhen Futaihong Precision Industrial Co., Ltd. for identification purposes only) (a wholly-owned subsidiary of the Company), which was subsequently replaced by the Company as the party thereto, and Hon Hai dated 18 January 2005 (as amended by the respective supplemental agreements dated 12 January 2006, 20 September 2006, 24 October 2007, 19 November 2010 and 17 October 2013)
“Framework Lease Income Agreement”	the framework lease agreement entered into between the Company and Hon Hai on 24 October 2007 (as amended by the respective supplemental agreements dated 19 November 2010 and 17 October 2013)
“Framework Non-real Property Lease Expense Agreement”	the framework lease agreement relating to movable non-real properties entered into between the Company and Hon Hai on 13 June 2013 (as amended by a supplemental agreement dated 17 October 2013)

“Framework Non-real Property Lease Income Agreement”	the framework lease agreement relating to movable non-real properties entered into between the Company and Hon Hai on 15 January 2014
“Framework Product Sales Agreement”	the framework product sales agreement entered into among the Company, Hon Hai and Innolux Corporation (an associate of Hon Hai formerly known as Innolux Display Corporation and then Chimei Innolux Corporation) on 18 January 2005 (as amended by the respective supplemental agreements dated 28 February 2006, 24 October 2007, 19 November 2010 and 17 October 2013)
“General Services Expense Agreement”	the general services agreement entered into between the Company and Hon Hai on 18 January 2005 (as amended by the respective supplemental agreements dated 12 January 2006, 24 October 2007, 19 November 2010 and 17 October 2013)
“General Services Expense Transaction”	the general services provided by the Hon Hai Group to the Group under the General Services Expense Agreement as amended by a supplemental agreement of the date of this announcement
“General Services Income Agreement”	the framework general services agreement entered into between the Company and Hon Hai on 24 October 2007 (as amended by the respective supplemental agreements dated 19 November 2010 and 17 October 2013)
“General Services Income Transaction”	the general services provided by the Group to the Hon Hai Group under the General Services Income Agreement as amended by a supplemental agreement of the date of this announcement
“Group”	the Company and/or its subsidiaries (as the case may be)
“Hon Hai”	鴻海精密工業股份有限公司 (Hon Hai Precision Industry Co. Ltd. for identification purposes only), the ultimate controlling shareholder of the Company
“Hon Hai Group”	Hon Hai, its subsidiaries and/or associates (as the case may be)
“Independent Board Committee”	the independent board committee established by the Board to consider the proposed revision of the respective annual caps for the year ending 31 December 2016 for the Product Sales Transaction and the Consolidated Services and Sub-contracting Expense Transaction, the Non-exempt Continuing Connected Transactions, the respective proposed annual caps in respect of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2019 and the Supplemental Agreements

“Independent Financial Adviser”	First Shanghai Capital Limited, a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity which has been appointed by the Company to be the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed revision of the respective annual caps for the year ending 31 December 2016 for the Product Sales Transaction and the Consolidated Services and Sub-contracting Expense Transaction, the Non-exempt Continuing Connected Transactions, the respective proposed annual caps in respect of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2019 and the Supplemental Agreements
“Independent Shareholders”	Shareholders other than Hon Hai and its associates
“Lease Expense Transaction”	the lease of premises by the Group from the Hon Hai Group contemplated under the Framework Lease Expense Agreement as amended by a supplemental agreement of the date of this announcement
“Lease Income Transaction”	the lease of premises by the Group to the Hon Hai Group contemplated under the Framework Lease Income Agreement as amended by a supplemental agreement of the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-exempt Continuing Connected Transactions”	collectively, the Purchase Transaction, the Product Sales Transaction, the Non-real Property Lease Expense Transaction, the Consolidated Services and Sub-contracting Expense Transaction and the Equipment Purchase Transaction
“Non-real Property(ies)”	movable non-real property(ies) which include(s) but not limited to equipment, machines, materials, gears, kits, apparatus and other movable assets
“Non-real Property Lease Expense Transaction”	the transactions contemplated under the Framework Non-real Property Lease Expense Agreement which will (subject to obtaining the Independent Shareholders’ approval) be amended by the Supplemental Non-real Property Lease Expense Agreement
“Non-real Property Lease Income Transaction”	the lease of Non-real Properties by the Group to the Hon Hai Group contemplated under the Framework Non-real Property Lease Income Agreement as amended by a supplemental agreement of the date of this announcement
“Other Transactions”	collectively, the Sub-contracting Income Transaction, the General Services Expense Transaction, the Equipment Sale Transaction and the Lease Expense Transaction

“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
“Product Sales Transaction”	sale of parts or other products manufactured or owned by the Group to the Hon Hai Group as contemplated under the Framework Product Sales Agreement which will (subject to obtaining the Independent Shareholders’ approval) be amended by the Supplemental Product Sales Agreement
“Purchase Agreement”	the framework materials and components supply agreement entered into among the Company, Hon Hai, Innolux Corporation (formerly known as Innolux Display Corporation and then Chimei Innolux Corporation) and 鴻準精密工業股份有限公司 (Foxconn Technology Company Limited for identification purposes only) (both associates of Hon Hai) on 19 January 2005 (as amended by the respective supplemental agreements dated 28 February 2006, 24 October 2007, 19 November 2010 and 17 October 2013)
“Purchase Transaction”	purchase of materials and components by the Group from the Hon Hai Group contemplated under the Purchase Agreement which will (subject to obtaining the Independent Shareholders’ approval) be amended by the Supplemental Purchase Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	the holders of the Shares
“Shares”	the ordinary shares of US\$0.04 each of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-contracting Income Agreement”	the framework sub-contracting agreement entered into between the Company and Hon Hai on 18 January 2005 (as amended by the respective supplemental agreements dated 12 January 2006, 24 October 2007, 19 November 2010, 26 July 2012 and 17 October 2013)
“Sub-contracting Income Transaction”	the transactions contemplated under the Sub-contracting Income Agreement as amended by a supplemental agreement of the date of this announcement
“subsidiary(ies)”	having the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

“Supplemental Agreements”	collectively, the Supplemental Purchase Agreement, the Supplemental Product Sales Agreement, the Supplemental Non-real Property Lease Expense Agreement, the Supplemental Consolidated Services and Sub-contracting Expense Agreement and the Supplemental Equipment Purchase Agreement
“Supplemental Consolidated Services and Sub-contracting Expense Agreement”	the supplemental agreement of the date of this announcement entered into between the Company and Hon Hai, conditional upon obtaining the Independent Shareholders’ approval, to extend the term of the Consolidated Services and Sub-contracting Expense Agreement to 31 December 2019
“Supplemental Equipment Purchase Agreement”	the supplemental agreement of the date of this announcement entered into between the Company and Hon Hai, conditional upon obtaining the Independent Shareholders’ approval, to extend the term of the Framework Equipment Purchase Agreement to 31 December 2019
“Supplemental Non-real Property Lease Expense Agreement”	the supplemental agreement of the date of this announcement entered into between the Company and Hon Hai, conditional upon obtaining the Independent Shareholders’ approval, to extend the term of the Framework Non-real Property Lease Expense Agreement to 31 December 2019
“Supplemental Product Sales Agreement”	the supplemental agreement of the date of this announcement entered into between the Company and Hon Hai, conditional upon obtaining the Independent Shareholders’ approval, to extend the term of the Framework Product Sales Agreement to 31 December 2019
“Supplemental Purchase Agreement”	the supplemental agreement of the date of this announcement entered into between the Company and Hon Hai, conditional upon obtaining the Independent Shareholders’ approval, to extend the term of the Purchase Agreement to 31 December 2019
“US\$”	United States dollars, the lawful currency of the United States of America
“3C”	computer, communication and consumer electronics

By Order of the Board
Tong Wen-hsin
Chairman

Hong Kong, 11 August 2016

As at the date of this announcement, the executive directors of the Company are Messrs. Tong Wen-hsin and Chih Yu Yang and Wang Chien Ho, and the independent non-executive directors of the Company are Messrs. Lau Siu Ki and Chen Fung Ming and Dr. Daniel Joseph Mehan.