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FIT Hon Teng Limited
鴻騰六零八八精密科技股份有限公司

(Incorporated in the Cayman Islands with limited liability under the name Foxconn Interconnect Technology Limited and carrying on business in Hong Kong as FIT Hon Teng Limited)
(Stock Code: 6088)

CONNECTED TRANSACTION INVOLVING THE SETTLEMENT

SETTLEMENT AGREEMENT

The Board wishes to announce that on December 17, 2021 (after trading hours), the Company and FIT Singapore entered into the Settlement Agreement with Sharp and Kantatsu pursuant to which (i) the Litigation would be withdrawn; (ii) Sharp would pay the Consideration to FIT Singapore; and (iii) the Company and FIT Singapore agreed to transfer the Transferred Shares (being certain Kantatsu Shares representing approximately 28.36% of the entire equity interest in Kantatsu on a Fully Converted Basis) to Sharp.

LISTING RULES IMPLICATIONS

FIT Singapore is a direct wholly-owned subsidiary of the Company. As of the date of this announcement, the Company is indirectly owned as to approximately 72.61% by Hon Hai, which is the controlling shareholder of the Company and controls more than 30% interest in Sharp. Sharp is therefore deemed as an associate of Hon Hai and a connected person of the Company. Accordingly, the Settlement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Settlement is more than 0.1% but less than 5%, the Settlement is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements, but is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

References are made to the announcements of the Company dated January 25, 2019 and October 17, 2019 in relation to the Company's and FIT Singapore's acquisition of certain shares in Kantatsu from Sharp and the announcement of the Company dated October 20, 2021 in relation to the Litigation commenced by FIT Singapore against Sharp arising from certain improper accounting treatments and fraudulent transactions undertaken at Kantatsu.

The Board wishes to announce that on December 17, 2021 (after trading hours), the Company and FIT Singapore entered into the Settlement Agreement with Sharp and Kantatsu pursuant to which (i) the Litigation would be withdrawn; (ii) Sharp would pay the Consideration to FIT Singapore; and (iii) the Company and FIT Singapore agreed to transfer the Transferred Shares to Sharp.

MAJOR TERMS OF THE SETTLEMENT AGREEMENT

Date

December 17, 2021

Parties

- (i) The Company;
- (ii) FIT Singapore;
- (iii) Sharp; and
- (iv) Kantatsu.

Subject matter

Pursuant to the Settlement Agreement, the Company, FIT Singapore, Sharp, and Kantatsu agreed that, among others, (i) the Litigation would be withdrawn; (ii) Sharp would pay the Consideration to FIT Singapore; and (iii) the Company and FIT Singapore agreed to transfer the Transferred Shares to Sharp.

Withdrawal of the Litigation and covenant not to sue

As soon as possible after receipt by FIT Singapore of the Consideration, and in any event within three (3) business days of such receipt, FIT Singapore shall implement necessary procedures under Article 261 of the Japanese Civil Procedure Code to withdraw the Litigation, including but not limited to the submission of a document to the Tokyo District Court for the complete withdrawal of the Litigation against Sharp.

Each of the Company, FIT Singapore, Sharp and Kantatsu covenants not to bring any claim against the other party(ies) based on the facts and circumstances giving rise to or connected with the Litigation except that Sharp's right to pursue claims against Kantatsu and its past directors or employees who were involved in the improper accounting treatment is expressly reserved.

Transfer of the Transferred Shares

On December 24, 2021, the Company and FIT Singapore shall transfer the Transferred Shares to Sharp.

Consideration

The Consideration for the Settlement is US\$24,000,000 (equivalent to approximately HK\$187,200,000), which was agreed after arm's length negotiations among the Company, FIT Singapore, Sharp and Kantatsu taking into account (i) the potential value if the Litigation is carried out and the expenses and time required relating to the Litigation; (ii) the uncertainty of litigation in general; (iii) the unaudited consolidated financial statements of Kantatsu for the years ended March 31, 2020 and 2021 and for the six months ended September 30, 2021; and (iv) the net asset value of Kantatsu as of September 30, 2021.

On December 24, 2021, Sharp shall pay the Consideration to FIT Singapore.

The Consideration will be satisfied by Sharp's internal resources.

Operations of Kantatsu's business

Upon the execution of the Settlement Agreement and until the completion of the transfer of the Transferred Shares to Sharp, FIT Singapore shall refrain from exercising any of its rights under the investment agreement and the business collaboration agreement in connection with the operation of Kantatsu's business, and the Company and FIT Singapore shall exercise their rights as shareholders of Kantatsu pursuant to Sharp's instructions.

Termination of existing agreements

All existing agreements, including but not limited to an investment agreement entered into between FIT Singapore and Kantatsu and a non-disclosure agreement entered into between the Company and Kantatsu, shall be terminated on December 17, 2021.

Resignation of FIT Singapore nominated officers

FIT Singapore shall cause the directors, auditors and other officers of Kantatsu nominated by FIT Singapore to resign from their respective positions at Kantatsu upon the termination of the investment agreement.

GENERAL INFORMATION

The Company is a leading global interconnect solutions provider and one of the few global interconnect solutions providers whose offerings span wire-based, fiber-based and wireless interconnect solutions. It is also a global consumer electronics leader, connecting people with technologies at home, at work and on the go.

FIT Singapore is a limited liability company established in Singapore, and a direct wholly-owned subsidiary of the Company. It is principally engaged in the sale of interconnect solutions and related products.

Sharp is a limited liability company registered in Japan, the shares of which are listed on the First Section of the Tokyo Stock Exchange. It is principally engaged in the manufacture of consumer and industrial electronics and operates its business worldwide.

Kantatsu is a limited liability company established in Japan and is principally engaged in manufacturing and design of high magnification micro-lens in smartphone, automotive, medical and industrial applications.

Financial information of Kantatsu

The unaudited consolidated financial information of Kantatsu prepared based on Japanese generally accepted accounting principles for the two financial years ended March 31, 2020 and March 31, 2021 and for the six months ended September 30, 2021 is set out below:

	For the year ended March 31, 2020 (JPY'000)	For the year ended March 31, 2021 (JPY'000)	For the six months ended September 30, 2021 (JPY'000)
Net profit/(loss) before tax and extraordinary items	(88,817)	(5,651,229)	(3,205,417)
Net profit/(loss) after tax and extraordinary items	(235,124)	(6,453,649)	(3,426,796)

As of September 30, 2021, Kantatsu had a negative net asset value of JPY20,236,486,000.

Change in shareholding structure of Kantatsu

As of the date of this announcement, the Company is the holder of 10,000 Kantatsu Common Shares and FIT Singapore is the holder of 1,500 Kantatsu Series A Preferred Shares, 1,500 Kantatsu Series B Preferred Shares and 1,500 Kantatsu Series C Preferred Shares. Immediately following completion of the Settlement, the Group will cease to hold any Kantatsu Common Shares, Kantatsu Series A Preferred Shares, Kantatsu Series B Preferred Shares and Kantatsu Series C Preferred Shares.

The shareholding structure of Kantatsu on a Fully Converted Basis⁽¹⁾ immediately before completion of the Settlement and immediately following completion of the Settlement is set out below:

Shareholder	Immediately before completion of the Settlement		Immediately following completion of the Settlement	
	<i>Number of Kantatsu Shares⁽²⁾</i>	<i>Approximate percentage shareholding</i>	<i>Number of Kantatsu Shares⁽²⁾</i>	<i>Approximate percentage shareholding</i>
The Group (including the Company and FIT Singapore)	185,000	28.36%	–	–
Sharp	325,732	49.93%	510,732	78.29%
Other shareholders	141,600	21.71%	141,600	21.71%
Total⁽³⁾	652,332	100%	652,332	100%

Notes:

- (1) Among all classes of Kantatsu Shares, only the Kantatsu Common Shares carry voting rights. For a better illustration of the relative interests held by various Kantatsu shareholders, the shareholding structure of Kantatsu in the above table is presented on a Fully Converted Basis, whereby all classes of Kantatsu Shares are converted into Kantatsu Common Shares.
- (2) On a Fully Converted Basis, it is assumed that the 1,500 Kantatsu Series A Preferred Shares, 1,500 Kantatsu Series B Preferred Shares, 3,000 Kantatsu Series C Preferred Shares and 6,300 Kantatsu Series D Preferred Shares in issue are converted into 50,000 Kantatsu Common Shares, 75,000 Kantatsu Common Shares, 100,000 Kantatsu Common Shares and 210,000 Kantatsu Common Shares, respectively.
- (3) Percentages may not add up to 100% due to rounding.

REASONS FOR AND BENEFITS OF ENTERING INTO SETTLEMENT AGREEMENT

For good corporate governance and protection of the Shareholders' interests, based on the assessment of the Company on the time, costs and effort to continue the Litigation, the Board concludes that the Settlement will allow the Group to be appropriately compensated.

Taking into account the above reasons and the terms of the Settlement Agreement, all Directors (including the independent non-executive Directors) are of the view that (i) the terms of the Settlement Agreement are fair and reasonable; (ii) the Settlement is on normal commercial terms or better; and (iii) the Settlement is in the interests of the Company and the Shareholders as a whole.

None of the Directors (including the independent non-executive Directors) has a material interest in the Settlement Agreement.

LISTING RULES IMPLICATIONS

FIT Singapore is a direct wholly-owned subsidiary of the Company. As of the date of this announcement, the Company is indirectly owned as to approximately 72.61% by Hon Hai, which is the controlling shareholder of the Company and controls more than 30% interest in Sharp. Sharp is therefore deemed as an associate of Hon Hai and a connected person of the Company. Accordingly, the Settlement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Settlement is more than 0.1% but less than 5%, the Settlement is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements, but is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

- “Board” the board of Directors of the Company;
- “Company” FIT Hon Teng Limited (鴻騰六零八八精密科技股份有限公司), a company incorporated in the Cayman Islands with limited liability under the name Foxconn Interconnect Technology Limited and carrying on business in Hong Kong as FIT Hon Teng Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6088.HK);

“connected transaction(s)”	has the meaning ascribed thereto in the Listing Rules;
“Consideration”	compensation in the total amount of US\$24,000,000 to be paid by Sharp to FIT Singapore in consideration for the Settlement;
“controlling shareholder”	has the meaning ascribed thereto in the Listing Rules;
“Directors”	directors of the Company;
“FIT Singapore”	Foxconn Interconnect Technology Singapore Pte. Ltd., a limited liability company established in Singapore, and a direct wholly-owned subsidiary of the Company;
“Fully Converted Basis”	the basis for determining the shareholding structure of Kantatsu by assuming that all classes of Kantatsu Shares are converted into Kantatsu Common Shares, whereby (i) each Kantatsu Series A Preferred Share is converted into 33 $\frac{1}{3}$ Kantatsu Common Shares; (ii) each Kantatsu Series B Preferred Share is converted into 50 Kantatsu Common Shares; (iii) each Kantatsu Series C Preferred Share is converted into 33 $\frac{1}{3}$ Kantatsu Common Shares; and (iv) each Kantatsu Series D Preferred Share is converted into 33 $\frac{1}{3}$ Kantatsu Common Shares, in each case solely taking into account the paid-in capital and conversion price of the relevant class of Kantatsu Shares and without considering any unpaid dividends and accrued interest thereon from time to time;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hon Hai”	Hon Hai Precision Industry Co., Ltd. (鴻海精密工業股份有限公司), a limited liability company established in Taiwan and listed on the Taiwan Stock Exchange (Stock Code: 2317.TW), the controlling shareholder of the Company;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“JPY”	Japanese yen, the lawful currency of Japan;
“Kantatsu”	Kantatsu Co., Ltd. (カンタツ株式會社), a limited liability company established in Japan;
“Kantatsu Common Share(s)”	share(s) of common stock of Kantatsu;

“Kantatsu Series A Preferred Share(s)”	share(s) of Series A preferred stock of Kantatsu;
“Kantatsu Series B Preferred Share(s)”	share(s) of Series B preferred stock of Kantatsu;
“Kantatsu Series C Preferred Share(s)”	share(s) of Series C preferred stock of Kantatsu;
“Kantatsu Series D Preferred Share(s)”	share(s) of Series D preferred stock of Kantatsu;
“Kantatsu Share(s)”	share(s) in the issued stock capital of Kantatsu from time to time, which as of the date of this announcement comprises 217,332 Kantatsu Common Shares, 1,500 Kantatsu Series A Preferred Shares, 1,500 Kantatsu Series B Preferred Shares, 3,000 Kantatsu Series C Preferred Shares and 6,300 Kantatsu Series D Preferred Shares;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Litigation”	the legal proceedings commenced by FIT Singapore against Sharp in Japan on August 3, 2021 with a case number of 令和3年(ワ)第20119号不当利得返還等請求事件;
“Settlement”	the transaction contemplated under the Settlement Agreement;
“Settlement Agreement”	the settlement agreement, dated December 17, 2021, entered into between FIT Singapore and Sharp, as further described in the section headed “Major Terms of the Settlement Agreement” of this announcement;
“Share(s)”	ordinary share(s) with nominal value of US\$0.01953125 each in the issued capital of the Company or if there has been a subsequent subdivision, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;
“Shareholder(s)”	the holder(s) of the Share(s);
“Sharp”	Sharp Corporation (シャープ株式会社), a limited liability company registered in Japan, the shares of which are listed on the First Section of the Tokyo Stock Exchange (Stock Code: 6753.T);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules;

“Transferred Shares” 10,000 Kantatsu Common Shares, 1,500 Kantatsu Series A Preferred Shares, 1,500 Kantatsu Series B Preferred Shares and 1,500 Kantatsu Series C Preferred Shares, representing approximately 28.36% of the entire equity interest in Kantatsu on a Fully Converted Basis;

“US\$” United States dollar(s), the lawful currency of the United States; and

“%” percent.

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

Hong Kong, December 17, 2021

For the purpose of this announcement, unless the context otherwise requires, the conversion of JPY into HK\$ is based on the approximate exchange rate of JPY1 to HK\$0.069. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in JPY and HK\$ have been, could have been or may be converted at such or any other rate or at all.

As of the date of this announcement, the Board comprises Mr. LU Sung-Ching, Mr. LU Pochin Christopher and Mr. PIPKIN Chester John as executive Directors, and Mr. CURWEN Peter D, Mr. TANG Kwai Chang, Mr. CHAN Wing Yuen Hubert and Mr. TRAINOR-DEGIROLAMO Sheldon as independent non-executive Directors.

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