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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2019

FINANCIAL HIGHLIGHTS

- Revenue for the year ended December 31, 2019 amounted to US$4,372 million, representing a YoY increase of 9.2% as compared to US$4,006 million for the year ended December 31, 2018.

- Profit for the year ended December 31, 2019 amounted to US$233.3 million, representing a YoY increase of 0.3% as compared to US$232.7 million for the year ended December 31, 2018.

- Basic earnings per share attributable to owners of the Company for the year ended December 31, 2019 amounted to US3.57 cents, representing a YoY increase of 2% as compared to US3.50 cents for the year ended December 31, 2018.

The Board is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2019 together with the comparative figures for the corresponding period in 2018 as follows:

CONSOLIDATED INCOME STATEMENT
YEAR ENDED DECEMBER 31, 2019

	Note	**2019** *USD'000*	2018 *USD'000*
Revenue	*4*	**4,372,382**	4,005,635
Cost of sales	*5*	**(3,618,187)**	(3,297,558)
Gross profit		**754,195**	708,077
Distribution costs and selling expenses	*5*	**(110,531)**	(85,440)
Administrative expenses	*5*	**(158,722)**	(126,099)
Research and development expenses	*5*	**(249,787)**	(227,083)
Reversal/(recognition) of impairment losses on financial assets – net		**1,219**	(1,697)
Other income		**24,143**	19,824
Other gains – net		**14,653**	20,970
Operating profit		**275,170**	308,552
Finance income		**21,837**	16,242
Finance costs		**(29,333)**	(13,325)
Finance (costs)/income – net		**(7,496)**	2,917
Share of results of associates and a joint venture – net		**(1,764)**	(107)
Profit before income tax		**265,910**	311,362
Income tax expense	*6*	**(32,615)**	(78,687)
Profit for the year		**233,295**	232,675
Profit attributable to:			
Owners of the Company		**235,414**	233,946
Non-controlling interests		**(2,119)**	(1,271)
		233,295	232,675
Earnings per share for profit attributable to owners of the Company during the year (expressed in US cents per share)			
Basic earnings per share	*7*	**3.57**	3.50
Diluted earnings per share	*7*	**3.49**	3.35

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2019

	2019	2018
	USD'000	*USD'000*
Profit for the year	**233,295**	232,675
Other comprehensive (loss)/income:		
Items that may be reclassified subsequently to profit or loss		
Exchange difference arising on the translation of foreign operations	**(37,511)**	(90,080)
Items that may not be reclassified subsequently to profit or loss		
Fair value change in financial assets at fair value through other comprehensive income	**3,524**	(1,529)
Total other comprehensive loss for the year, net of tax	**(33,987)**	(91,609)
Total comprehensive income for the year	**199,308**	141,066
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	**201,458**	142,337
Non-controlling interests	**(2,150)**	(1,271)
	199,308	141,066

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2019

	Note	2019 USD'000	2018 USD'000
ASSETS			
Non-current assets			
Land use rights		**–**	20,144
Property, plant and equipment		**566,090**	599,336
Right-of-use assets		**62,772**	–
Intangible assets		**744,541**	790,958
Financial assets at fair value through other comprehensive income		**17,694**	17,102
Financial assets at fair value through profit or loss		**56,957**	–
Interests in associates and a joint venture		**21,710**	6,199
Deposits and prepayments	*9*	**17,973**	14,409
Finance lease receivables		**62,452**	–
Deferred income tax assets		**114,931**	108,786
		1,665,120	1,556,934
Current assets			
Inventories		**702,587**	649,708
Trade receivables	*9*	**930,223**	935,135
Deposits, prepayments and other receivables	*9*	**76,446**	95,572
Finance lease receivables		**15,645**	–
Financial assets at fair value through profit or loss		**6,886**	1,147
Short-term bank deposits		**118,011**	6,424
Cash and cash equivalents		**892,111**	1,064,824
		2,741,909	2,752,810
Total assets		**4,407,029**	4,309,744

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT DECEMBER 31, 2019

	Note	2019 USD'000	2018 USD'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		**134,400**	131,708
Treasury shares		**(92,930)**	(72,072)
Reserves		**2,025,277**	1,874,942
		2,066,747	1,934,578
Non-controlling interests		**10,600**	12,750
Total equity		**2,077,347**	1,947,328
LIABILITIES			
Non-current liabilities			
Bank borrowings		**574,176**	–
Lease liabilities		**22,582**	–
Deferred income tax liabilities		**60,995**	75,023
Deposits received and other payables	*10*	**9,751**	18,307
		667,504	93,330
Current liabilities			
Trade and other payables	*10*	**1,086,463**	1,190,699
Contract liabilities		**3,174**	6,025
Lease liabilities		**16,389**	–
Bank borrowings		**493,546**	989,401
Current income tax liabilities		**62,606**	82,961
		1,662,178	2,269,086
Total liabilities		**2,329,682**	2,362,416
Total equity and liabilities		**4,407,029**	4,309,744

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Foxconn Interconnect Technology Limited (the "**Company**", carrying on business in Hong Kong as "FIT Hon Teng Limited") was incorporated in the Cayman Islands as an exempted company with limited liability under the laws of the Cayman Islands.

The Group is principally engaged in manufacturing and sales of mobile and wireless devices, connectors applied in the communication, computer and automotive markets, and trading and distribution of routers and mobile device related products.

The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The ultimate holding company of the Company is Hon Hai Precision Industry Co., Ltd. ("**Hon Hai**") and the immediate holding company of the Company is Foxconn (Far East) Limited ("**Foxconn HK**"), a wholly owned subsidiary of Hon Hai.

The consolidated financial statements are presented in United States Dollars ("**USD**") unless otherwise stated.

2 BASIS OF PREPARATION

The consolidated financial information, contained in this announcement, has been based on the audited consolidated financial statements of the Group for the year ended December 31, 2019 which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board ("**IASB**") and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New and amended standards adopted by the Group

The following new standards, amendments to standards, annual improvements and interpretation are mandatory for the first time for the financial year beginning on January 1, 2019 and are relevant to the Group's operations.

- IFRS 16 Leases
- Prepayment features with negative compensation – Amendments to IFRS 9
- Long-term interests in associates and joint ventures – Amendments to IAS 28
- Annual improvements to IFRS Standards 2015 – 2017 cycle
- Plan amendment, curtailment or settlement – Amendments to IAS 19
- Interpretation 23 uncertainty over income tax treatments

The Group had to change its accounting policies and make certain adjustments following the adoption of IFRS 16. The other amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

Impact of standards issued but not yet applied by the Group

The following new standard and amendments to standards, which may be relevant to the Group, have been issued and are effective after December 31, 2019. The Group has not early adopted them for the year ended December 31, 2019.

		Effective for annual periods beginning on or after
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	January 1, 2020
Amendments to IAS 1 and IAS 8	Definition of Material	January 1, 2020
Amendments to IFRS 3	Definition of a Business	January 1, 2020
IFRS 17	Insurance contracts	January 1, 2021
Amendments to IFRS 10 and IAS 28	Sales or contribution of assets between an investor and its associate or joint venture	To be determined
IAS 39, IFRS 7 and IFRS 9	Hedge accounting	January 1, 2020

The Group has commenced an assessment of the impact of these new standards and amendments to standards. The Group is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

This note explains the impact of the adoption of IFRS 16 "Leases" on the Group's consolidated financial statements and discloses the new accounting policies that have been applied from January 1, 2019 as follows.

The Group has adopted IFRS 16 from January 1, 2019, but has not restated comparatives as at December 31, 2018 and the year then ended, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening consolidated balance sheet on January 1, 2019.

(a) IFRS 16 "Leases" – Adjustment recognized on adoption

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was approximately 4.04%.

For leases previously classified as finance leases, the entity recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

	USD'000
Operating lease commitments disclosed as at December 31, 2018	**75,095**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**72,921**
Less: short-term leases recognized on a straight-line basis as expense	**(18,299)**
Less: low-value leases recognized on a straight-line basis as expense	**(14)**
Less: prepaid lease payments	**(708)**
Add: accrued lease payments	**142**
Lease liabilities recognized as at January 1, 2019	**54,042**
Of which are:	
Current lease liabilities	**17,723**
Non-current lease liabilities	**36,319**
	54,042

Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated balance sheet as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relate to the following types of assets:

	December 31, 2019 *USD'000*	January 1, 2019 *USD'000*
Land use rights	**30,248**	20,144
Office premises, warehouses and staff quarters	**31,724**	53,565
Motor vehicles, machinery and equipment	**800**	1,043
Total right-of-use assets	**62,772**	74,752

The change in accounting policy affected the following items in the consolidated balance sheet as at January 1, 2019:

- land use rights – decreased by approximately USD20,144,000
- right-of-use assets – increased by approximately USD74,752,000
- prepaid lease payments – decreased by approximately USD708,000
- accrued lease payments – decreased by approximately USD142,000
- lease liabilities – increased by approximately USD54,042,000

(b) Impact on segment disclosures

Segment assets for December 31, 2019 increased as a result of the change in accounting policy. The following segments were affected by the change:

	Segment assets *USD'000*
The People's Republic of China ("**the PRC**")	21,437
United States of America	27,308
Singapore	679
Vietnam	12,072
Others	1,276

(c) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,

- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases, and

- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying IAS 17 and IFRIC 4 "Determining whether an arrangement contains a Lease".

4 SEGMENT INFORMATION

The operating segment is reported in the manner consistent with the internal reporting provided to the Chief Operating Decision Makers ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors that make strategic decisions. CODM assesses the performance of the operating segment based on a measure of operating profit.

The Group is principally engaged in manufacture, sales and services of connectors, cases, thermal modules, wired/wireless communication products, networking products, optical products, power supply modules, and assemblies for use in Information Technology ("**IT**"), communications, automotive equipment, precision molding, automobile, home automation solution, and consumer electronics industries. The Group carries out its manufacturing process mainly through the production complexes located in the PRC and Vietnam, while the sales and services of the Group are principally conducted in Taiwan, Singapore, Australia, the PRC, the United States of America and Europe.

On September 20, 2018, the Group acquired Belkin International, which is principally engaged in trading and distribution of routers and mobile device related products. Given the Belkin International's business only became part of the Group for a short period of time, and its financial information was not material to the Group for the year ended December 31, 2018, and there was no material change in the structure of internal reporting in a manner that causes the composition of its reportable segments to change for the year ended December 31, 2018. For the year ended December 31, 2019, the Group internally reviewed and assessed the financial performance and position of consumer products and intermediate products. Accordingly, the related revenue, assets and liabilities of the operating segments of consumer products and intermediate products are presented for the year ended December 31, 2019. The segment information for the year ended December 31, 2018 is not restated.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment:

For the year ended December 31, 2019

	Intermediate products *USD'000*	Consumer products *USD'000*	Total *USD'000*
Revenue	3,548,212	824,170	4,372,382
Gross profit			754,195
Unallocated:			
Expenses – net			(517,821)
Other income			24,143
Other gains – net			14,653
Finance costs – net			(7,496)
Share of results of associates and a joint venture – net			(1,764)
Profit before income tax			265,910

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

At December 31, 2019

	Intermediate products *USD'000*	Consumer products *USD'000*	Total *USD'000*
Assets			
Segment assets	1,532,198	1,028,788	2,560,986
Unallocated:			
Property, plant and equipment			566,090
Right-of-use assets			62,772
Intangible assets			25,715
Financial assets at fair value through other comprehensive income			17,694
Financial assets at fair value through profit or loss			63,843
Interests in associates and a joint venture			21,710
Finance lease receivables			78,097
Short-term bank deposits			118,011
Cash and cash equivalents			892,111
Total assets			4,407,029
Liabilities			
Segment liabilities	941,400	278,415	1,219,815
Unallocated:			
Bank borrowings			1,067,722
Lease liabilities			38,971
Contract liabilities			3,174
Total liabilities			2,329,682

During the year ended December 31, 2019, revenue by geographical areas is as follows:

	2019 *USD'000*	2018 *USD'000*
The PRC	**1,034,694**	1,369,015
Taiwan	**370,850**	326,093
Hong Kong	**340,799**	253,376
United States of America	**1,908,404**	1,455,207
Singapore	**222,543**	150,637
Others	**495,092**	451,307
	4,372,382	4,005,635

The analysis of revenue by geographical segment is based on the location of major operation of customers.

The geographical analysis of the Group's non-current assets (other than intangible assets, financial asset at fair value through other comprehensive income, financial assets at fair value through profit or loss, finance lease receivable and deferred income tax assets) is as follows:

	2019 *USD'000*	2018 *USD'000*
The PRC	**460,279**	475,545
Taiwan	**11,346**	10,241
United States of America	**39,867**	27,588
Singapore	**689**	65,958
Vietnam	**125,875**	43,870
Others	**30,489**	16,886
	668,545	640,088

During the year ended December 31, 2019, there were two customers (2018: two customers) which individually contributed over 10% of the Group's total revenue. During the year, the revenue contributed from these customers are as follows:

	2019 *USD'000*	2018 *USD'000*
Customer A	**1,440,769**	1,090,086
Customer B	**843,534**	1,063,633

A major portion of the Group's sales is made to a brand company and the group of contract manufacturers nominated by the brand company; while the others are sales to a number of distributors, retailers, trading companies and other brand companies.

5 EXPENSES BY NATURE

	2019 USD'000	2018 USD'000
Cost of inventories	**2,328,827**	2,109,008
Employee benefit expenses	**621,917**	604,074
Subcontracting expenses	**364,266**	325,825
Depreciation of property, plant and equipment	**183,155**	186,776
Depreciation of right-of-use assets	**27,480**	–
Moulding and consumables	**207,236**	152,977
Impairment of goodwill	**3,075**	–
Utilities	**51,783**	50,280
Professional expenses	**53,185**	38,028
Delivery expenses	**64,137**	41,987
Short-term and low-value lease expenses	**6,081**	–
Operating lease expenses	**–**	23,419
Amortization of intangible assets	**44,324**	13,811
Impairment of intangible assets	**1,399**	–
Auditor's remuneration	**1,052**	1,350
Amortization of land use rights	**–**	588
Others	**179,310**	188,057
Total cost of sales, distribution costs and selling expenses, administrative expenses and research and development expenses	**4,137,227**	3,736,180

6 INCOME TAX EXPENSE

The amounts of income tax expense charged/(credited) to the consolidated income statement represent:

	2019 USD'000	2018 USD'000
Current income tax		
– Current taxes on profits for the year	**57,600**	81,455
– (Over)/under-provision in prior years *(note (a))*	**(4,812)**	23,933
Deferred income tax	**(20,173)**	(26,701)
Income tax expense	**32,615**	78,687

(a) PRC corporate income tax

The corporate income tax ("**CIT**") is calculated based on the statutory profit of the PRC subsidiaries in accordance with the PRC tax laws and regulations. The standard PRC CIT rate is 25% (2018: 25%).

Three PRC subsidiaries (2018: two PRC subsidiaries) of the Group are qualified for new/high-technology enterprises status and enjoyed preferential income tax rate of 15% (2018: 15%) during the year.

One of the PRC subsidiaries of the Group is qualified for a preferential income tax rate of 15% under Notice of the Ministry of Finance, according to the General Administration of Customs and the State Administration of Taxation on the Taxation Policies for Deepening the Implementation of the Western Development Strategy, during the year ended December 31, 2019 and 2018.

Under provision in prior years

During the year ended December 31, 2018, the Group made payments of approximately USD27,078,000 covering tax liability of a wholly owned subsidiary relating to profits earned over a number of years prior to the completion of the group reorganization in 2014.

(b) Taiwan profit-seeking enterprise income tax

Taiwan profit-seeking enterprise income tax has been provided for at the rate of 20% (2018: 20%) on the estimated taxable profits during the year.

(c) Singapore corporate income tax

During the year ended December 31, 2019, a Singapore incorporated subsidiary of the Group has restructured its operations. As a result, the subsidiary is no longer entitled to the 5% incentives for the profits generated from Development and Expansion Incentives activities ("**DEI**") from March 21, 2019. Profits generated in the period from March 21, 2019 to December 31, 2019 is taxed at the rate of 17%.

During the year ended December 31, 2018, a Singapore incorporated subsidiary of the Group was awarded the incentives for the establishment of pioneer industries and for economic expansion, and its profits generated from DEI and non-DEI were taxed at 5% and 17%, respectively.

(d) Vietnam corporate income tax

The current tax regulations allow the Vietnam incorporated subsidiary to be exempted from income tax for 2 years starting from the first year with taxable profits and is entitled to a 50% reduction in income tax for the next 4 succeeding years.

The Vietnam incorporated subsidiary of the Group is entitled to a 50% reduction in income tax for 4 consecutive years from 2019 to 2022. The Vietnam corporate income tax is calculated at the rate of 10% on the chargeable income of the subsidiary in accordance with Vietnam income tax act for the year ended December 31, 2019 (2018: exempted from income tax).

(e) Other foreign countries income tax

Taxes on profits in other foreign countries have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

7 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the Company's owners by the weighted average number of ordinary shares in issue, excluding treasury shares, during the years ended December 31, 2019 and 2018.

	2019	2018
Net profit attributable to the owners of the Company (USD'000)	**235,414**	233,946
Weighted average number of ordinary shares in issue (in thousands)	**6,585,524**	6,676,202
Basic earnings per share (US cents)	**3.57**	3.50

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended December 31, 2019, the Group has one category of dilutive potential ordinary shares (2018: two categories).

For the senior management and employees' share grant schemes, the number of shares calculated as above is compared with the number of shares that would have been outstanding assuming the completion of the share issue to the grantees.

	2019	2018
Net profit attributable to the owners of the Company (USD'000)	**235,414**	233,946
Weighted average number of ordinary shares in issue (in thousands)	**6,585,524**	6,676,202
Adjustments for:		
– impact of the senior management and employees' share grant schemes (in thousands)	**169,469**	308,787
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	**6,754,993**	6,984,989
Diluted earnings per share (US cents)	**3.49**	3.35

8 DIVIDENDS

	2019	2018
	USD'000	*USD'000*
Dividends	**–**	60,233

No dividend in respect of the year ended December 31, 2019 has been declared as of the date of this announcement (2018: dividend of USD60,233,000).

9 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019	2018
	USD'000	*USD'000*
Trade receivables due from third parties	**673,711**	620,623
Trade receivables due from related parties	**258,194**	317,413
Less: loss allowance for impairment of trade receivables	**(1,682)**	(2,901)
Total trade receivables – net	**930,223**	935,135
Deposits and prepayments	**48,945**	48,836
Other receivables	**11,805**	20,027
Amounts due from related parties	**5,690**	4,586
Value-added tax receivable and recoverable	**27,979**	36,532
	1,024,642	1,045,116
Less: non-current portion		
– Deposits and prepayments	**(17,973)**	(14,409)
Current portion	**1,006,669**	1,030,707

Amounts due from related parties are unsecured, interest-free and with a credit term of 180 days.

As at December 31, 2019, the carrying amounts of trade and other receivables of the Group, except for the prepayments and value-added tax recoverable which are not financial assets, approximate to their fair values.

As at December 31, 2019, the carrying amounts of trade receivables, deposits, prepayments and other receivables are denominated in the following currencies:

	2019	2018
	USD'000	*USD'000*
RMB	**47,112**	60,701
USD	**937,521**	935,766
NTD	**14,640**	16,138
GBP	**6,735**	11,550
Others	**20,316**	23,862
	1,026,324	1,048,017

The credit period granted to third parties and the related parties are ranging from 30 to 180 days. The aging analysis of trade receivables based on invoice date, before loss allowance for impairment, as at December 31, 2019, is as follows:

	2019	2018
	USD'000	*USD'000*
Trade receivables – gross		
– Within 3 months	**823,827**	798,063
– 3 to 4 months	**74,537**	116,433
– 4 to 6 months	**28,975**	21,225
– 6 to 12 months	**2,904**	2,170
– Over 1 year	**1,662**	145
	931,905	938,036

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for trade receivables. To measure the expected credit losses, these receivables have been grouped based on shared credit risk characteristics and the aging from billing.

Movements of the Company's loss allowance for impairment of trade receivables are as follows:

	2019	2018
	USD'000	*USD'000*
At beginning of the year	**2,901**	–
Reversal/(recognition) of impairment loss of trade receivables	**(1,219)**	1,697
Acquisition of subsidiaries	**–**	1,204
	1,682	2,901

The maximum exposure to credit risk is the carrying amounts of trade receivables and the Group does not hold any collateral as security.

10 TRADE AND OTHER PAYABLES

	2019	2018
	USD'000	*USD'000*
Trade payables to third parties	**527,394**	460,174
Trade payables to related parties	**164,104**	261,915
Total trade payables	**691,498**	722,089
Amounts due to related parties	**78,590**	109,411
Staff salaries, bonuses and welfare payables	**110,999**	120,716
Deposits received, other payables and accruals	**215,127**	256,790
	1,096,214	1,209,006
Less: Non-current portion	**(9,751)**	(18,307)
Current portion	**1,086,463**	1,190,699

Amounts due to related parties are unsecured, interest-free, and with a credit term of 180 days.

As at December 31, 2019, all trade and other payables of the Group were non-interest bearing, and their carrying amounts approximate to their fair values due to short maturities.

The Group's trade and other payables are denominated in the following currencies:

	2019	2018
	USD'000	*USD'000*
RMB	**285,737**	299,454
USD	**750,428**	833,275
NTD	**10,986**	10,308
Others	**49,063**	65,969
	1,096,214	1,209,006

Aging analysis of the trade payables to third parties and related parties at the consolidated balance sheet date is as follows:

	2019	2018
	USD'000	*USD'000*
Within 3 months	**579,691**	558,571
3 to 4 months	**63,911**	64,257
4 to 6 months	**37,378**	44,870
6 to 12 months	**9,913**	51,483
Over 1 year	**605**	2,908
	691,498	722,089

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

Business Overview

In 2019, we continued to implement our business strategy to solidify our position as a global leader in the development and production of interconnect solutions and related products. With these efforts, we experienced significant growth in our business. Our revenue amounted to US$4,372 million, representing a 9.2% growth, and our profit amounted to US$233.3 million, representing a 0.3% growth, each compared to the year ended December 31, 2018. As discussed in more details in the "Results of Operations" section below, our sales in most end markets increased and net profit slightly increased, thanks to our strategic focus based on correct anticipation of industry trends. We will continue to move our production plants to Vietnam to reduce our labor cost and prudently control costs.

The mobile devices continued to be our largest revenue contributor by end market. In 2019, there was a decrease in revenue of certain products mainly due to the cancellation of the standard configuration of earphone adapters by brand companies for their new smart phones, but the lightning plug and earphone business recorded a growth, which made up the performance gap. As a result, our revenue from the mobile devices market increased by 1.6% for the year ended December 31, 2019 compared to the same period in 2018.

For the communications infrastructure end market, the customer demand decreased as a result of the destocking of equipment in the data center by end customers, resulting in decrease in our CPU socket and memory card slot product business, and the demand for some optical modules recorded a decrease due to the Sino-US trade conflicts. As a result, our revenue from the communications infrastructure end market decreased by 5.8% for the year ended December 31, 2019 compared to the same period in 2018.

Our revenue from computer and consumer electronics end market decreased by 14.9%, which was primarily due to the changes in terminal product structure and intensified market competition, and our adjustment of product structure to maintain gross profit.

Furthermore, we continued to strategically pursue opportunities in automotive and other emerging applications for our interconnect solutions and other products. Therefore, we enhanced our research and development efforts in this field, in particular automotive applications. We have also been in constant discussions with potential partners, including our connected persons, as to invest and collaborate in the development of interconnect solutions and other products that can be utilized in a wide variety of applications in the automotive industry. As a result of these efforts, our revenue from the automotive, industrial and medical end market increased by 62.3% in 2019 compared to the same period in 2018.

Finally, as we successfully merged with Belkin International, a world-recognized consumer electronics product brand, in 2018, our business in the connected home end market grew rapidly. For the year ended December 31, 2019, our revenue from the connected home end market increased by 622.0% compared to the same period in 2018.

As a result of this merger, we also significantly increased our business in the smart accessories end market, for the year ended December 31, 2019, our revenue from the smart accessories market increased by 83.7% compared to the same period in 2018.

Industry Outlook and Business Prospects

Industry Outlook

The global connector industry is undergoing rapid technical development with better product functionality and higher compatibility, which enables connector products to be applied in more situations and scenarios. In the future, connectors that are compatible with various kinds of products across application fields are likely to become more popular in the market. In such an environment, we believe advanced market players, including us, and first movers are more likely to seize emerging market opportunities as well as to build their brand awareness globally, leading to a fast expansion of their market share. With that in mind, we have witnessed a varied development trend for different end markets for connectors, and we believe such varied trends will continue in the near future. We have been reviewing and focusing on the trends of different end markets and we adjust our strategic focuses from time to time.

Mobile devices. Demand for mobile devices continues to expand around the world. The proliferation of mobile phones, and smartphones in particular, drives demand for various smart accessories products, such as chargers and earphones. For example, USB Type-C is a new trend in the connector market as it has various characteristics that may make it future-proof in this end market. Also, due to product upgrades, the global mobile phone smart accessories market has been growing at lower double digits in recent years, and is expected to continue to grow at a relatively high rate in the next few years. Therefore, we anticipate that this end market will continue to be our main revenue contributor.

Communications infrastructure. Demand for communications infrastructure connectors is largely driven by the accelerating growth in data traffic and continually growing need for additional network bandwidth, which is mainly attributable to technological advancement, such as the adoption of 5G network in the business sector in the next few years. As traffic increases, more data centers capacity is being built. Data centers require a variety of physical connectors, routers, electricity, signals and networks, which generate heavy demand for connectors. Increasing deployment of data centers brings in secure and continued strong demand for connectors. In addition, cloud computing has emerged as a major growth driver in the data center industry. Cloud computing requires a variety of physical sensor connectors, routers, electricity, signals and networks, which generates heavy demand for sensor connectors and creates market potential for innovative connectors. Moreover, recent technology trends of server upgrades and high performance computing, i.e. the use of parallel processing for running advanced programs in a short lapse of time, will likely lead to continued prosperity in the optical transceiver market in the near future.

Computer and consumer electronics. The steady need for various connectors in the computer and consumer electronics product end market has laid a solid foundation for demand for connectors, contributing to the steady growth of connector market in the past and potential for future growth. As the global connector industry is undergoing rapid technical development with better product functionality and higher compatibility, connector products are applied in more situations and scenarios, which drives the demand for connectors in this end market. For example, USB Type-C connector has been extensively applied not only to computers, but also to a wide range of electronic products, including televisions and displays. However, generally speaking, computer and consumer electronics end market is expected to stay approximately flat compared to other major end markets.

Automotive, industrial and medical. We expect that the demand for connectors applied in the automotive end market will be driven by, among others, connectors applied in autonomous driving, increasing demand for vehicles and increasing popularity of in-vehicle infotainment. For example, while fully autonomous vehicles are unlikely to be commercially available in the short term, automobile manufacturers are already equipping their products with advanced driver assistance systems (ADAS) which comprise a large number of hardware components fitted with connectors.

Connected home. With the rapid development of connected home, household appliances become more and more interconnected, so they are equipped with more interconnect equipment. With the development of the Internet of Things, the applications continue to expand, and there will be more physical interfaces of data transmission required by the Internet of Things.

Smart accessories. The popularity of smartphones has driven the demand for various smart accessories products (such as chargers, earphones, screen protectors and mobile power suppliers etc.). The size of the smart accessories market is growing and the product categories are expanding. New products have stimulated consumer demand.

Business Prospects

We anticipate the overall connector industry, particularly the end markets we strategically focus on, will continue to grow in 2020. We plan to continue our strategic focus on the mobile devices, automotive, industrial and medical end markets, and expect that our development in these end markets will be the main driver of our growth in 2020. On the production side, we continue to further improve our production efficiency and flexibility through automation and other means. We also expect the production efficiency for true wireless stereos (TWS) and associated products will further improve as we further optimize the production process and enhance the quality of those products, which will contribute to our gross profit margin. In particular:

- *Mobile devices.* We expect strong demand for earphones and associated products, as well as new products to be rolled out by our key brand customers. We also plan to further penetrate Android phone customers and remain cautiously optimistic about the mobile devices end market. We anticipate that this end market will continue to be our main revenue contributor.

- *Communications infrastructure.* Revenue will be generated from products such as connectors, antennas, optical modules and routers used in communications through penetrating 5G markets.

- *Computer and consumer electronics.* The industry is expected to have continuous slow-down. Therefore, we will focus on profitability rather than growth. Nonetheless, we recognize that the steady need for various connectors in this end market has laid a solid foundation for demand for connectors, and are therefore committed to broadening our consumer-facing operations.

- *Automotive, industrial and medical.* We believe the demand from our key customers in this end market will continue to be strong, and we expect to benefit from the industry trend. We will continue to strategically pursue opportunities in emerging application for our interconnect solutions and other products, especially in the smart home industry and automotive industry. We believe with our leading position in the development and production of interconnect solutions, we would be able to tap the burgeoning demand for electronic vehicles. We also plan to increase our investments in developing in-car electronic systems and key autonomous driving components. Furthermore, our strategic partnership with Hon Hai Group puts us in a good position to capture the emerging opportunities in the automotive electronics market.

- *Connected home.* We will strengthen the development of smart products in the field related to home living and provide novel design of smart products, thus providing more comfort and convenience for home living for consumers. And this expectation has been strongly proved in the CES 2020 exhibition, where we introduced WiFi 6 Mesh router systems and 5G mobile hotspot, modem and Mesh Gateway. A new commercial Phyn solution will be launched this year in addition to new software features added to the robust Velop system which will allow consumers to unlock motion, breathing and fall detection in their homes by using radio waves of the Velop router system. We expect to achieve good results in the connected home market.

- *Smart accessories.* In the CES 2020 exhibition, we introduced powerful new GaN chargers, wireless charging docks, screen protection solutions and an entire portfolio of audio products. With the Belkin brand and the Group's resources, we expand the product lines and acquire market share by leveraging the sales network of our global partners channel.

RESULTS OF OPERATIONS

Revenue

We derive our revenue mainly from the sale of our interconnect solutions and other products and, to a lesser extent, from the sale of molding parts, sample products and other sales. For the year ended December 31, 2019, our revenue amounted to US$4,372 million, representing a 9.2% increase from US$4,006 million in the same period in 2018. Among the six main end markets, our revenue from (1) the mobile devices end market increased by 1.6%, (2) the communications infrastructure end market decreased by 5.8%, (3) the computer and consumer electronics end market decreased by 14.9%, (4) the automotive, industrial and medical end market increased by 62.3%, (5) the connected home end market increased by 622.0%, and (6) the smart accessories end market increased by 83.7%. The following table sets forth our revenue by end markets in absolute amounts and as percentages of revenue for the periods indicated:

	For the year ended December 31,			
	2019		2018	
	US$	***%***	*US$*	*%*
	(in thousands, except for percentages)			
Mobile devices	**1,739,108**	**39.8**	1,712,332	42.8
Communications infrastructure	**884,544**	**20.2**	938,582	23.4
Computer and consumer electronics	**794,596**	**18.2**	933,801	23.3
Automotive, industrial and medical	**129,414**	**2.9**	79,728	2.0
Connected home	**265,557**	**6.1**	36,781	0.9
Smart accessories	**559,163**	**12.8**	304,411	7.6
Total	**4,372,382**	**100.0**	4,005,635	100.0

Mobile devices. The revenue from the mobile devices end market increased by 1.6%, which was primarily due to continuous increase of sales of interconnect solutions utilized in the new smartphone products released by a brand company customer, the earphones associated with such smartphone products, as well as other associated products such as lightning plugs, cables and connectors.

Communications infrastructure. The revenue from the communications infrastructure end market decreased by 5.8%, which was primarily due to the decrease in the shipments of our optical modules as a result of the Sino-US trade conflicts.

Computer and consumer electronics. The revenue from the computer and consumer electronics end market decreased by 14.9%, which was primarily due to our adjustment to the product structure to preserve gross profit margin as a result of changes in the structure of end products and intensified market competition.

Automotive, industrial and medical. The revenue from the automotive, industrial and medical end market increased by 62.3%, which was primarily due to our efforts in the research and development in the automotive application area and the completion of the integration of Sharp's businesses including the vehicle camera business in the second half of 2018.

Connected home. The revenue from the connected home end market increased by 622.0%, which was mainly due to the completion of our acquisition of Belkin International by way of merger in September 2018.

Smart accessories. The revenue from the smart accessories end market increased by 83.7%, which was mainly due to the completion of our acquisition of Belkin International by way of merger in September 2018.

Cost of Sales, Gross Profit and Gross Profit Margin

Our cost of sales increased by 9.7% from US$3,298 million in 2018 to US$3,618 million in 2019. Our cost of sales primarily includes (1) raw materials and consumables used, (2) consumption of inventories of finished goods and work in progress, (3) employee benefit expenses in connection with our production personnel, (4) depreciation of property, plant and equipment, (5) subcontracting expenses, (6) utilities, molding and consumable expenses, and (7) other costs associated with the production of our interconnect solutions and other products. In 2019, the increase was primarily driven by the expansion of our overall business scale.

As a result of the foregoing, our gross profit increased by 6.5% from US$708 million in 2018 to US$754 million in 2019, but our gross profit margin decreased from 17.7% in 2018 to 17.2% in 2019 as a result of the decline in the revenue from some of our communication products with high gross profit margin due to the Sino-US trade conflicts.

Distribution Costs and Selling Expenses

Our distribution costs and selling expenses increased by 29.4% from US$85 million in 2018 to US$111 million in 2019, primarily due to an increase in delivery expenses and import and export expenses associated with the increase in revenue.

Administrative Expenses

Our administrative expenses increased by 25.9% from US$126 million in 2018 to US$159 million in 2019, as we incurred more legal and professional expenses and compensation expenses of employees to support our business operation.

Research and Development Expenses

Our research and development expenses primarily consist of: (1) employee benefit expenses paid to our research and development personnel, (2) molding and consumables expenses relating to the molds used in research and development, (3) depreciation of molds and molding equipment, and (4) other costs and expenses in connection with our research and development activities. Our research and development expenses increased by 10.0% from US$227 million in 2018 to US$250 million in 2019, mainly due to the investments in the research and development of 400G optical communications products and automobile application products.

Operating Profit and Operating Profit Margin

As a result of the foregoing, although our sales of products continued to increase, the overall gross profit margin in 2019 decreased as a result of the impact of the Sino-US trade conflicts and the decline in the revenue from some of our communication products with high gross profit margin. Meanwhile, our selling expenses and administrative expenses and research and development expenses increased as a result of operation needs, which made our operating profit decrease by 10.8% from US$309 million in 2018 to US$275 million in 2019 and our operating profit margin decrease from 7.7% in 2018 to 6.3% in 2019.

Income Tax Expense

We incur income tax expenses primarily relating to our operations in China, Taiwan, United States and Vietnam. Our income tax expenses decreased by 58.6% from US$79 million in 2018 to US$33 million in 2019. Effective income tax rate decreased from 25.3% to 12.3%, primarily due to the payment of tax payable in prior years in 2018.

Profit for the year

As a result of the decrease in income tax expenses, profit for the year increased by 0.3% from US$232.7 million in 2018 to US$233.3 million in 2019. Our profit margin decreased from 5.8% in 2018 to 5.3% in 2019.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity, Working Capital and Borrowings

We finance our operations primarily through cash generated from our operating activities and bank borrowings. As of December 31, 2019, we had cash and cash equivalents of US$892 million, compared to US$1,065 million as of December 31, 2018. In addition, as of December 31, 2019, we had short-term bank deposits of US$118 million, compared to US$6 million as of December 31, 2018.

As of December 31, 2019, we had total bank borrowings of US$1,068 million, including short-term borrowings of US$494 million and long-term borrowings of US$574 million, as compared to the total bank borrowings of US$989 million, all of which were short-term borrowings, as of December 31, 2018. We obtained short-term bank borrowings mainly for our working capital purpose and to supplement our needs for investment. For long-term borrowings, in February 2019, the Company entered into a Syndicated Loan Facility Agreement of US$575 million for a term of three years with a syndicate group comprising eighteen banks including Mizuho Corporate Bank, a Japanese company. This loan was mainly used for repayment of the short-term bank borrowings incurred for the acquisition of Belkin International in 2018. As of December 31, 2019, we had fully utilized this new facility. The increase in short-term bank borrowings in 2019 was primarily for the purchase of production facilities.

Our current ratio, calculated using current assets divided by current liabilities, was 1.6 times as of December 31, 2019, compared to 1.2 times as of December 31, 2018. Our quick ratio, calculated using current assets less inventories divided by current liabilities, was 1.2 times as of December 31, 2019, compared to 0.9 times as of December 31, 2018. The improvement in our current ratio and quick ratio was primarily due to the repayment of the short-term bank borrowings for the acquisition of Belkin International by utilizing the long-term borrowings of syndicated loan in February 2019.

Cash Flow

In 2019, our net cash generated from operating activities was US$313 million, net cash used in investing activities was US$417 million, and net cash used in financing activities was US$64 million.

Capital Expenditures

Our capital expenditures primarily relate to the purchase of right-of-use assets, property, plant and equipment and intangible assets (exclusive of goodwill). We finance our capital expenditures primarily through cash generated from our operating activities, bank borrowings and IPO proceeds. We also have funded and will continue to fund part of our capital expenditures with our IPO proceeds. See "Use of IPO Proceeds" below for details.

In 2019, our capital expenditures amounted to US$288 million, as compared to US$135 million in 2018. The capital expenditures in 2019 were primarily used for upgrading, maintaining and converting production facilities, including expanding site and equipment of the factory in Vietnam and converting production facilities for optical products.

Significant Investments, Acquisitions and Disposals

On January 25, 2019, the Company entered into a share purchase agreement with Mizuho Growth Fund Limited Partnership, pursuant to which the former agreed to acquire and the latter agreed to sell certain shares representing 4.6% of the entire equity interest in Kantatsu Co., Ltd. ("**Kantatsu**") (of which Sharp is a substantial shareholder) at a consideration of JPY300 million (approximately US$2.7 million). For further details, please refer to the Company's announcement dated January 25, 2019.

On January 25, 2019, New Wing Interconnect Technology (Bac Giang) Co., Ltd. (a wholly-owned subsidiary of the Company) ("**New Wing (Bac Giang)**") entered into a zone A land lease agreement with Fugiang Co., Ltd. (a non wholly-owned subsidiary of Hon Hai, the controlling Shareholder) ("**Fugiang**"), in relation to the acquisition of land use rights of a parcel of industrial land located at Van Trung Industrial Park, Viet Yen District, Bac Giang Province, Vietnam with a site area of 73,682.30 square meters ("**Zone A**") at a consideration of US$4,973,555.25 (excluding value-added tax). In addition, Fugiang will provide property management services to New Wing (Bac Giang) regarding Zone A and accordingly New Wing (Bac Giang) will pay to Fugiang an annual management fee of US$36,841.15 (excluding value-added tax). For further details, please refer to the Company's announcement dated January 25, 2019.

On March 21, 2019, New Wing (Bac Giang) entered into zones B to E land lease agreements with Fugiang, in relation to the acquisition of land use rights of a parcel of industrial land located at Van Trung Industrial Park, Viet Yen District, Bac Giang Province, Vietnam with a site area of 181,028 square meters (the "**Zones B to E**") at a consideration of US$11,674,373 (excluding value-added tax). In addition, Fugiang will provide property management services to New Wing (Bac Giang) regarding Zones B to E and accordingly New Wing (Bac Giang) will pay to Fugiang an annual management fee of US$90,515 (excluding value-added tax). For further details, please refer to the Company's announcement dated March 21, 2019.

On October 17, 2019, Foxconn Interconnect Technology Singapore Pte. Ltd. (a wholly-owned subsidiary of the Company) entered into a share purchase agreement with Sharp, pursuant to which the former agreed to acquire and the latter agreed to sell certain preferred shares of Kantatsu, representing 26.83% of the entire equity interest in Kantatsu on a fully converted basis, at a total consideration of JPY5,904,993,000 (approximately US$54,226,000). For further details, please refer to the Company's announcements dated October 17, 2019 and October 29, 2019.

Save as disclosed above, we did not have any significant investments, material acquisitions or material disposals in the year ended December 31, 2019.

Inventories

Our inventories consist primarily of raw materials, work in progress and finished goods. We review our inventory levels on a regular basis to strengthen inventory management. Our average number of inventory turnover days for the year ended December 31, 2019 was 68 days as compared to 65 days in 2018. The higher inventory turnover days for the year ended December 31, 2019 was primarily due to the change in product mix which consumer products take longer turnover periods.

Our inventories increased from US$650 million as of December 31, 2018 to US$703 million as of December 31, 2019, primarily due to the expansion of our factory in Vietnam and our early stock preparation as a result of the earlier arrival of Chinese New Year in 2020 than 2019.

Trade Receivables

Our trade receivables are receivables from our third party and related party customers for the sale of our interconnect solutions and other products.

We typically grant to our third party and related party customers a credit period ranging from 30 days to 180 days. Our average number of trade receivables turnover days decreased from 88 days in 2018 to 78 days in 2019, mainly due to the mix of customers and our continued efforts in enhancing the collection of trade receivables. Our average number of trade receivables turnover days for related parties in 2019 was 125 days, as compared to 111 days for 2018.

Our trade receivables decreased from US$935 million as of December 31, 2018 to US$930 million as of December 31, 2019, primarily due to our efforts in enhancing the collection and control of trade receivables overdue.

Trade Payables

Our trade payables primarily relate to the procurement of raw materials, work in progress and finished goods. Our average number of trade payables turnover days in 2019 was 71 days, remaining stable as compared to 73 days in 2018.

Our trade payables decreased from US$722 million as of December 31, 2018 to US$691 million as of December 31, 2019, which was comparable to that of 2018.

Major Capital Commitments

As of December 31, 2019, we had capital commitments of US$62 million, which was primarily connected with the purchase of property, plant and equipment related to our production facilities and investments.

Contingent Liabilities

As of December 31, 2019, save as disclosed in "Pledge of Assets" below, we did not have any significant contingent liability, guarantee or any litigation against us that would have a material impact on our financial position or results of operations.

Gearing ratio

As of December 31, 2019, our gearing ratio, calculated as net debts (which are calculated as total borrowings less cash and cash equivalents and short term bank deposits) divided by total capital, was 2.7% (as of December 31, 2018: not applicable).

USE OF IPO PROCEEDS

We completed our IPO and, including the issue of the over-allotment Shares, received proceeds of US$394 million, which have been used and will continue to be used in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

The use of proceeds is set out as below:

Item	Available on December 31, 2018 *(US$' 000)*	**Utilized between December 31, 2018 and December 31, 2019** ***(US$' 000)***	**Unutilized as at December 31, 2019** ***(US$' 000)***
Investment in new interconnect technologies and solutions for batteries for electric vehicles and for electronic vehicle connectivity solutions	29,550	**0**	**29,550**
Establish an enhanced management information technology platform including purchase of enterprise resource planning systems and modules, as well as implementation	15,683	**3,785**	**11,898**
Working capital and other general corporate purposes	34,499	**34,499**	**–**

The expected timeline of the intended use of the unutilized proceeds is set out as below:

Item	**Unutilized as at December 31, 2019** ***(US$'000)***	**Expected timeline**
Investment in new interconnect technologies and solutions for batteries for electric vehicles and for electronic vehicle connectivity solutions	**29,500**	The remaining amount is expected to be fully utilized by the second half of 2020.
Establish an enhanced management information technology platform including purchase of enterprise resource planning systems and modules, as well as implementation	**11,898**	The remaining amount is expected to be fully utilized by the second half of 2020.

PLEDGE OF ASSETS

As of December 31, 2019, the bank deposits totaling RMB14.77 million of Chongqing Hon Teng Technology Co., Ltd. (重慶市鴻騰科技有限公司), Huaian Fu Li Tong Trading Co., Ltd. (淮安市富利通貿易有限公司) and Fu Sheng Optoelectronics Technology (Kun Shan) Co., Ltd. (富聖光電科技(昆山)有限公司) have been pledged as customs guarantee.

HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES

As of December 31, 2019, we had approximately 47,163 employees, as compared to 40,500 employees as of December 31, 2018. In 2019, total employee benefit expenses, including Directors' remuneration, were US$622 million, as compared to US$604 million in 2018. Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice.

In addition to salaries and wages, other employee benefit expenses include cash bonus, pension, housing fund, medical insurance and other social insurances, as well as share-based payment expenses and others. We made certain share grants under our Share Grant Scheme prior to our IPO. We also adopted the Share Option Scheme and the Restricted Share Award Schemes to offer valuable incentives to attract and retain quality personnel. We have been evaluating, and may adopt, new share incentive schemes that comply with the requirements of the Listing Rules. The remuneration of the Directors is reviewed by the Remuneration Committee and approved by the Board. The relevant Director's experience, duties and responsibilities, time commitment, the Company's performance and the prevailing market conditions are taken into consideration in determining the emolument of the Directors.

FOREIGN EXCHANGE RISK

We operate in various locations and most of our sales, purchases or other transactions are denominated in U.S. dollars, New Taiwan dollars and Renminbi. Foreign exchange fluctuations may have a significant positive or negative effect on our results of operations. The majority of our Group's entities are exposed to foreign currency risks related to purchasing, selling, financing and investing in currencies other than the functional currencies in which we operate. As we enter into transactions denominated in currencies other than the functional currencies in which we or our subsidiaries operate, we face foreign currency transaction risk to the extent that the amounts and relative proportions of various currencies in which our costs and liabilities are denominated deviate from the amounts and relative proportions of the various currencies in which our sales and assets are denominated.

Our consolidated financial information is reported in U.S. dollar. Our PRC and other non-U.S. subsidiaries prepare financial statements in Renminbi or their respective local currencies as their functional currencies, which are then translated into U.S. dollar prior to being consolidated in our financial information. As a result, changes in the value of the U.S. dollar relative to the functional currencies of these subsidiaries create translation gains and losses in other comprehensive income or loss upon consolidation. In addition, as our PRC and other non-U.S. subsidiaries generally have significant U.S. dollar-denominated sales and accounts receivables, depreciation of the U.S. dollar would result in foreign exchange losses while appreciation of the U.S. dollar would result in foreign exchange gains.

To further mitigate the foreign exchange risk, we have also adopted a prudent foreign exchange hedging policy. We have implemented internal procedures to monitor our hedging transactions which include limitations on transaction types and transaction value, formulation and review of hedging strategies in light of different market risks involved and other risk management measures. Under such policy, we enter into forward foreign exchange contracts for hedging purposes only but not for speculative purposes. As of December 31, 2019, the nominal principal amount of our forward foreign exchange contracts was US$852 million.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Messrs. TANG Kwai Chang, CURWEN Peter D and CHAN Wing Yuen Hubert. The audited consolidated annual financial information of the Group for the year ended December 31, 2019 has been reviewed by the Audit Committee.

This annual results announcement is based on the audited consolidated financial statements of the Group for the year ended December 31, 2019 which have been agreed with the external auditor of the Company.

EVENTS AFTER THE REPORTING PERIOD

The outbreak of novel coronavirus (COVID-19) across the world was declared a pandemic by the World Health Organization on March 11, 2020 (the "**Epidemic**"). Multiple countries/cities have imposed different quarantine measures including the extension of Lunar New Year/Spring Festival holiday in China. The Group's manufacturing plants in China were suspended for operations as a result of extension of holidays and incurred certain redundant abnormal losses.

Though the Group's manufacturing plants have resumed to normal as of the date of this announcement, the impacts on the Group's export and sales of intermediate products and consumer products are yet to conclude. The Group is unable to estimate the impacts due to the uncertainties and unpredictability of duration of the Epidemic and the outcome and extent of the Epidemic prevention measures.

Yet, the economy condition is undoubtedly and unavoidably impacted by the Epidemic and the Group expects the financial performance in the first quarter of 2020 to be unfavorable. Notwithstanding that, the Group does not foresee any material change in its exposures to credit risk and liquidity risk and its financial stability subsequent to the year ended December 31, 2019 as the Group has sound credit risk assessment policies and low gearing ratio.

CORPORATE GOVERNANCE PRACTICE

The Board is committed to maintaining high corporate governance standards.

During the year ended December 31, 2019, the Company has applied the principles as set out in the CG Code contained in Appendix 14 to the Listing Rules which are applicable to the Company, and has complied with all applicable code provisions as set out in the CG Code, except the code provision as mentioned below.

Code provision A.2.1 states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. LU Sung-Ching is both the Company's chairman and chief executive officer, and is responsible for the overall management of our Group and directing the strategic development and business plans of our Group. Given the current stage of development of our Group, the Board believes that vesting the two roles in the same person provides our Company with strong and consistent leadership and facilitates the implementation and execution of our Group's business strategies. We shall nevertheless review the structure from time to time in light of the prevailing circumstances. The Board will continue to review the situation and consider splitting the roles of chairman and chief executive officer in due course after taking into account of the then overall circumstances of the Group.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. The Company has made specific inquiries to all Directors about their compliance with the Model Code, and they all confirmed that they complied with the standards specified in the Model Code during the year ended December 31, 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save for the Shares as may be purchased by the trustee from time to time pursuant to the Restricted Share Award Schemes, during the year ended December 31, 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the "**AGM**") be held on June 24, 2020. The notice of the AGM will be published on the Company's website and sent to the Shareholders in due course.

In order to qualify to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30pm on June 18, 2020, for the purpose of effecting the share transfers. The register of members of the Company will be closed from June 19, 2020 to June 24, 2020 (both dates inclusive).

The Board resolved to postpone the consideration of the recommendation on payment of a final dividend for the year ended December 31, 2019, if any, to a Board meeting to be held by the end of May 2020. Relevant information will be further announced by the Company in due course.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of HKEx at www.hkexnews.hk and on the Company's website at http://www.fit-foxconn.com. The annual report of the Company for the year ended December 31, 2019 will be published on the aforesaid websites and dispatched to Shareholders in due course.

DEFINITION

"Audit Committee"	the audit committee of the Board;
"Belkin International"	Belkin International, Inc., a company formed and incorporated under the laws of the State of Delaware, the United States;
"Board" or "Board of Directors"	the board of Directors of the Company;
"CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules;
"China" or "PRC"	The People's Republic of China; for the purpose of this announcement only, references to "China" or the "PRC" do not include Taiwan, the Macau Special Administrative Region and Hong Kong;
"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;
"Directors"	directors of the Company;
"First Restricted Share Award Scheme"	the restricted share award scheme approved and adopted by the Company on January 31, 2018 and amended on May 15, 2018 (as restated, supplemented and amended from time to time);
"Group", "our Group", "we" or "us"	the Company and its subsidiaries;
"HKEx"	Hong Kong Exchanges and Clearing Limited;
"HK$"	Hong Kong dollars, 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), the controlling Shareholder of the Company;
"Hon Hai Group"	Hon Hai and its subsidiaries and (where relevant) 30%-controlled entities and, for the purpose of this announcement, excluding the Group;
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC;

"IFRS"	International Financial Reporting Standards;
"IPO"	the initial public offering of Shares and listing of the Company on the Stock Exchange on July 13, 2017;
"JPY"	Japanese yen, the lawful currency of Japan;
"Listing Date"	the date on which dealings in the Shares first commenced on the Stock Exchange, i.e. July 13, 2017;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and supplemented from time to time;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules;
"Prospectus"	the prospectus dated June 29, 2017 issued by the Company;
"Remuneration Committee"	the remuneration committee of the Board;
"Restricted Share Award Schemes"	the First Restricted Share Award Scheme and the Second Restricted Share Award Scheme;
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC;
"Second Restricted Share Award Scheme"	the restricted share award scheme approved and adopted by the Company on February 11, 2019 (as restated, supplemented and amended from time to time);
"Share(s)"	ordinary share(s) of US$0.01953125 each in the issued capital of the Company or if there has been a subsequent sub-division, 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)"	holder(s) of the Share(s);
"Share Grant Scheme"	the share grant scheme approved and adopted by the Company on January 5, 2015, and the Board further adopted the rules and interpretations thereof on November 4, 2016;
"Share Option Scheme"	the share option scheme approved and adopted by our Shareholders on December 19, 2017 and expired on December 31, 2018;
"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, Inc. (Stock Code: 6753.T);

"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"U.S." or "United States"	the United States of America;
"US$"	United States dollars, the lawful currency of the United States;
"Vietnam"	the Socialist Republic of Vietnam;
"YoY"	year-on-year; and
"%"	percent.

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

Hong Kong, March 25, 2020

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.

* *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*