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, 2018

FINANCIAL HIGHLIGHTS

- Revenue for the year ended December 31, 2018 amounted to US$4,006 million, representing a YoY increase of 17.9% as compared to US$3,399 million for the year ended December 31, 2017.

- Profit for the year ended December 31, 2018 amounted to US$233 million, representing a YoY increase of 29.4% as compared to US$180 million for the year ended December 31, 2017.

- Basic earnings per share attributable to owners of the Company for the year ended December 31, 2018 amounted to US3.50 cents, representing a YoY increase of 18.6% as compared to US2.95 cents for the year ended December 31, 2017.

- The Board recommended the payment of a final dividend of HK$0.07 per Share for the year ended December 31, 2018 to the Shareholders, subject to the approval by the Shareholders at the forthcoming AGM.

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, 2018 together with the comparative figures for the corresponding period in the previous period as follows:

CONSOLIDATED INCOME STATEMENT

	Note	**For the year ended December 31, 2018** *US$'000*	2017 *US$'000*
Revenue	4	**4,005,635**	3,398,803
Cost of sales	5	**(3,297,558)**	(2,853,808)
Gross profit		**708,077**	544,995
Distribution costs and selling expenses	5	**(85,440)**	(58,477)
Administrative expenses	5	**(126,099)**	(81,157)
Research and development expenses	5	**(227,083)**	(189,855)
Net impairment losses on financial assets		**(1,697)**	—
Other income		**19,824**	19,224
Other gains/(losses) — net		**20,970**	(14,904)
Operating profit		**308,552**	219,826
Finance income		**16,242**	9,770
Finance costs		**(13,325)**	(4,757)
Finance income — net		**2,917**	5,013
Share of results of associates — net		**(107)**	(285)
Profit before income tax		**311,362**	224,554
Income tax expense	6	**(78,687)**	(44,068)
Profit for the year		**232,675**	180,486
Profit attributable to:			
Owners of the Company		**233,946**	180,490
Non-controlling interests		**(1,271)**	(4)
		232,675	180,486
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	**3.50**	2.95
Diluted earnings per share	7	**3.35**	2.81

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended December 31,	
	2018	2017
	US$'000	*US$'000*
Profit for the year	**232,675**	180,486
Other comprehensive (loss)/ income:		
Items that may be reclassified subsequently to profit or loss		
Exchange difference arising on the translation of foreign operations	**(90,080)**	66,899
Fair value change in available-for-sale financial assets	**—**	(339)
Transfer of fair value change in available-for-sale to consolidated income statement	**—**	(590)
Items that will not be reclassified subsequently to profit or loss		
Fair value change in financial assets at fair value through other comprehensive income	**(1,529)**	—
Total other comprehensive income (loss)/income for the year, net of tax	**(91,609)**	65,970
Total comprehensive income for the year	**141,066**	246,456
Total comprehensive income for the year attributable to:		
Owners of the Company	**142,337**	246,460
Non-controlling interests	**(1,271)**	(4)
	141,066	246,456

CONSOLIDATED BALANCE SHEET

	Note	As at December 31, 2018 US$'000	2017 US$'000
ASSETS			
Non-current assets			
Land use rights		**20,144**	21,850
Property, plant and equipment		**599,336**	675,883
Intangible assets		**790,958**	13,949
Financial assets at fair value through other comprehensive income		**17,102**	—
Available-for-sale financial assets		**—**	10,378
Interests in associates		**6,199**	6,546
Deposits, prepayments and other receivables	9	**14,409**	11,771
Deferred income tax assets		**108,786**	28,238
		1,556,934	768,615
Current assets			
Inventories		**649,708**	528,326
Trade receivables	9	**935,135**	993,034
Deposits, prepayments and other receivables	9	**95,572**	68,868
Financial assets at fair value through profit or loss		**1,147**	—
Derivative financial instruments		**—**	5,569
Short-term bank deposits		**6,424**	48,668
Cash and cash equivalents		**1,064,824**	767,554
		2,752,810	2,412,019
Total assets		**4,309,744**	3,180,634
EQUITY			
Equity attributable to owners of the Company			
Share capital		**131,708**	131,521
Treasury shares		**(72,072)**	—
Reserves		**1,874,942**	1,762,353
		1,934,578	1,893,874
Non-controlling interests		**12,750**	29
Total equity		**1,947,328**	1,893,903

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	As at December 31, 2018 US$'000	2017 US$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**75,023**	1,213
Deposits received and other payables	10	**18,307**	8,644
		93,330	9,857
Current liabilities			
Trade and other payables	10	**1,190,699**	935,710
Contract liabilities		**6,025**	—
Bank borrowings		**989,401**	296,127
Current income tax liabilities		**82,961**	45,037
		2,269,086	1,276,874
Total liabilities		**2,362,416**	1,286,731
Total equity and liabilities		**4,309,744**	3,180,634

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 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 is presented in United States Dollar ("**US$**") 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, 2018 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 amendments to existing standards are mandatory for the first time for the financial year beginning on January 1, 2018 and are relevant to the Group's operations.

- Annual Improvements 2014–2016 cycle
- Classification and Measurement of Share-based Payment Transactions Amendments to IFRS 2
- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Group had to change its accounting policies and make certain adjustments following the adoption of IFRS 9 and IFRS 15 as set out in changes in accounting policies. Most of 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, interpretation, amendments and improvements to standards, which may be relevant to the Group, have been issued and are effective after December 31, 2018. The Group has not early adopted them for the year ended December 31, 2018. The Group's assessment on the impact of these new standards and revised amendments which are relevant to the Group's operation.

		Effective for annual periods beginning on or after
IFRS 16	Leases	January 1, 2019
IFRS 17	Insurance contracts	January 1, 2021
IFRIC 23	Uncertainty over income tax treatments	January 1, 2019
Amendments to IFRS 9	Prepayment features with negative compensation	January 1, 2019
Amendments to IAS 28	Long-term interests in associates and joint venture	January 1, 2019
Amendments to IAS 19	Plan amendment, curtailment or settlement	January 1, 2019
Amendments to IFRS 10 and IAS 28	Sales or contribution of assets between an investor and its associate or joint venture	To be determined

(i) IFRS 16 Leases

Nature of change

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the consolidated balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at December 31, 2018, the Group's future aggregate minimum lease payments under non-cancellable operating leases is approximately USD75,095,000 among which less than one year is USD42,196,000 and more than one year is USD32,899,000. IFRS 16 provides new provisions for the accounting treatment of leases and all non-current leases, including future operating lease commitments, must be recognized in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Short-term leases of less than twelve months and leases of low-value assets are exempted from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated balance sheet. Operating expenses under otherwise identical circumstances will decrease, and depreciation and interest expense will increase. It is expected that certain portion of these lease commitments will be required to be recognized in the consolidated balance sheet as right of use assets and lease liabilities.

The Group expects to the recognize right-of-use assets and lease liabilities for the non-cancellable operating lease commitments which are more than one year. The Group expects no material impact to the consolidated income statement.

Date of adoption by the Group

Mandatory for financial years commencing on or after January 1, 2019.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on any foreseeable future transactions.

Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 "Financial Instruments" ("**IFRS 9**") and IFRS 15 "Revenue from Contracts with Customers" ("**IFRS 15**") on the Group's financial information and the new accounting policies that have been applied from January 1, 2018, where they are different to those applied in prior periods.

(a) IFRS 9 — Impact on the financial statements of the Group

As a result of the changes in the Group's accounting policies, as explained below, IFRS 9 was generally adopted without restating any comparative information. Under the transition provision, the adoption of IFRS 9 in the current period result in the adjustment for the beginning of financial position at January 1, 2018 as the Group has adopted the accounting policies on financial instruments with effect from January 1, 2018.

(i) Classification and measurement

The impact of these changes on the Group's classification of financial assets is as follows:

	As at January 1, 2018		
	As previously stated	**Reclassification under IFRS 9**	**Restated**
	USD'000	***USD'000***	***USD'000***
Consolidated balance sheet (extract)			
Available-for-sale financial assets	**10,378**	**(10,378)**	**—**
Derivative financial instruments	**5,569**	**(5,569)**	**—**
Financial assets at fair value through profit or loss	**—**	**5,569**	**5,569**
Financial assets at fair value through other comprehensive income	**—**	**10,378**	**10,378**
	15,947	**—**	**15,947**

There is no effect resulting from this reclassification on the Group's equity as both IAS 39 and IFRS 9 require any changes in the fair value of the non-trading unlisted equity securities to be recognised as other comprehensive income in equity.

Derivatives, which are not designated as hedges, are classified as held for trading and accounted for at fair value through profit or loss under IFRS 9. There was no impact on the amounts recognised in relation to these assets from the adoption of IFRS 9.

(b) IFRS 15 — Impact on the financial statements of the Group

IFRS 15 establishes a comprehensive framework for recognizing revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18 "Revenue" which covered revenue arising from sale of goods and rendering of services, and IAS 11 "Construction contracts" which specified the accounting for construction contracts. The Group has elected to use the modified retrospective approach which means that the cumulative impact of the adoption will be recognized in retained earnings at January 1, 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before January 1, 2018.

(i) Timing of revenue recognition

Previously, revenue from sale of goods was generally recognized at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

— When the customer simultaneously receives and consumes the benefits provided by the Group's performance, as the Group performs;

— When the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

— When the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the contract terms and the Group's activities do not fall into any of these 3 situations, then under IFRS 15 the Group recognises revenue for the sale of that goods or services at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs. All directly attributable transportation expenses are classified as "cost of sales" in the consolidated income statement for 2018. To ensure consistent presentation, similar reclassification of corresponding transportation expenses has been made to cost of sales for 2017. The adoption of IFRS 15 does not have a significant impact on the Group's consolidated balance sheet and results of operation for the year. There is also no material impact to the Group's retained earnings as at January 1, 2018.

(ii) Presentation of contract assets and liabilities

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset.

Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis. The impact on the Group's consolidated balance sheet by the application of IFRS 15 as compared to IAS 18 that was previously in effect before the adoption of IFRS 15 is as follows:

	As at January 1, 2018		
	As previously stated	**Reclassification under IFRS 15**	**Restated**
	USD'000	***USD'000***	***USD'000***
Consolidated balance sheet (extract)			
Current liabilities:			
Trade and other payables and deposit received	**944,354**	**(6,452)**	**937,902**
Contract liabilities	**—**	**6,452**	**6,452**
	944,354	**—**	**944,354**

4 Segment information

In September 2018, the Group acquired Belkin International Inc. ("**Belkin**"), and Belkin is principally engaged in trading and distribution of routers and mobile device related products. Given the Belkin's business is part of the Group for a short period of time, and its financial information is not material to the Group for the year, management advised that there is no material change in the structure of internal reporting in a manner that causes the composition of its reportable segments to change. Thus, the Group remains to operate as a single operating segment. 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 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, case, thermal module, wired/wireless communication products, networking products, optical products, power supply modules, and assemblies for use in the 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 during the year, while the sales and services of the Group are principally conducted in Taiwan, Singapore, Australia, the PRC, the United States of America and the Europe.

For the year ended December 31, 2018, revenue by geographical areas is as follows:

	2018	2017
	US$'000	*US$'000*
Mainland China	**1,369,015**	1,278,511
Taiwan	**326,093**	236,093
Hong Kong	**253,376**	161,602
United States of America	**1,455,207**	1,244,907
Singapore	**150,637**	142,689
Others	**451,307**	335,001
	4,005,635	3,398,803

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 and deferred income tax assets) is as follows:

	2018	2017
	US$'000	*US$'000*
Mainland China	**475,545**	582,585
Taiwan	**10,241**	4,350
United States of America	**27,588**	15,042
Singapore	**65,958**	59,412
Vietnam	**43,870**	50,427
Others	**16,886**	4,234
	640,088	716,050

The measures of assets and liabilities have not been disclosed for each reportable segment as they are not regularly provided to the chief operating decision-maker for their review.

During the year ended December 31, 2018, there were two customers (2017: two customers), respectively, which individually contributed over 10% of the Group's total revenue. During the year, the revenue contributed from these customers are as follows:

	2018	2017
	US$'000	*US$'000*
Customer A	**1,090,086**	986,911
Customer B	**1,063,633**	796,976

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

5 Expenses by nature

	2018	2017
	US$'000	*US$'000*
Cost of inventories	**2,109,008**	1,794,817
Employee benefit expenses	**604,074**	566,864
Subcontracting expenses	**325,825**	253,486
Depreciation of property, plant and equipment	**186,776**	181,519
Moulding and consumables	**152,977**	116,755
Utilities	**50,280**	50,072
Professional expenses	**38,028**	25,972
Delivery expenses	**41,987**	29,166
Operating lease expenses	**23,419**	19,858
Listing expenses	**—**	3,341
Net Impairment losses on financial assets	**1,697**	—
Impairment of trade receivables	**—**	1,597
Amortization of intangible assets	**13,811**	1,572
Auditor's remuneration	**1,350**	750
Amortization of land use rights	**588**	575
Others	**188,057**	136,953
Total cost of sales, distribution cost and selling expenses, administrative expenses and research and development expenses	**3,737,877**	3,183,297

6 Income tax expenses

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

	2018	2017
	US$'000	*US$'000*
Current income tax		
— Current taxes on profits for the year	**81,455**	52,432
— Under provision in prior years	**23,933**	689
Deferred income tax	**(26,701)**	(9,053)
Income tax expense	**78,687**	44,068

(a) PRC corporate income tax

The corporate income tax ("**CIT**") is calculated based on the statutory profit of PRC subsidiaries in accordance with the PRC tax laws and regulations. The standard PRC CIT rate is 25% (2017: 25%).

Two PRC subsidiaries of the Group are qualified for new/high-technology enterprises status and enjoyed preferential income tax rate of 15% (2017:15%) 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, 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, 2018 (2017: 15%).

Under provision in prior years

During the year, the Group made a payment of US$27,078,000 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% (2017: 17%) on the estimated taxable income during the year.

(c) Singapore corporate income tax

During the year ended December 31, 2018, a Singapore incorporated subsidiary of the Group has been awarded the incentives for the establishment of pioneer industries and for economic expansion, profits generates from Development and Expansion Incentives activities ("**DEI**") will be taxed at 5% while the non-DEI activities are calculated at the rate of 17%.

For the year ended December 31, 2017, Singapore corporate income tax is calculated at the rate of 17% on the chargeable income of the subsidiaries incorporated in Singapore in accordance with Singapore Income Tax Act.

(d) Vietnam corporate income tax

The current tax regulations allow the subsidiary incorporated in Vietnam to be exempted from income tax for 2 years starting from the first year with taxable profit and is entitled to a 50% reduction in income tax for the next 4 succeeding years. The income tax regulations also specify that if the subsidiary does not generate any taxable profit in three consecutive years from the first year it generates revenue, the above tax exemption period will start in the fourth year despite the fact that no taxable profit has been made.

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 during the years ended December 31, 2018.

	2018	2017
Net profit attributable to the owners of the Company (USD'000)	**233,946**	180,490
Weighted average number of ordinary shares in issue (in thousands)	**6,676,202**	6,117,712
Basic earnings per share (US cents)	**3.50**	2.95

(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, 2018, the Group has two categories of dilutive potential ordinary shares (2017: 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.

	2018	2017
Net profit attributable to the owners of the Company (USD'000)	**233,946**	180,490
Weighted average number of ordinary shares in issue (in thousands)	**6,676,202**	6,117,712
Adjustments for:		
— impact of the senior management and employees' share grant schemes (in thousands)	**308,787**	316,484
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	**6,984,989**	6,434,196
Diluted earnings per share (US cents)	**3.35**	2.81

8 Dividends

	2018	2017
	US$ '000	*US$ '000*
Dividends	**60,233**	40,553

A final dividend in respect of the financial year ended December 31, 2018 of HK$0.07 per share, amounting to a total dividend of HK$472,048,000, approximately US$60,233,000, is to be proposed at the forthcoming Annual General Meeting. The amount of proposed final dividends based on 6,743,536,888 shares in issues as at March 26, 2019. These financial information do not reflect this dividend payable.

9 Trade and other receivables

	2018	2017
	US$'000	*US$'000*
Trade receivables due from third parties	**620,623**	662,114
Trade receivables due from related parties	**317,413**	330,920
Less: loss allowance for impairment of trade receivables	**(2,901)**	—
Total trade receivables — net	**935,135**	993,034
Other receivables	**20,027**	13,306
Amounts due from related parties	**4,586**	7,016
Value-added tax receivable and recoverable	**36,532**	33,435
Deposits and prepayments	**48,836**	26,882
	1,045,116	1,073,673
Less: Non-current portion:		
Deposits, prepayments and other receivables	**(14,409)**	(11,771)
Current portion	**1,030,707**	1,061,902

For trade receivables, 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, 2018 was as follows:

	2018	2017
	US$'000	*US$'000*
Within 3 months	**798,063**	865,203
3 months to 1 year	**139,828**	126,788
Over 1 year	**145**	1,043
	938,036	993,034

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.

10 Trade and other payables

	2018	2017
	US$'000	*US$'000*
Trade payables to third parties	**460,174**	413,356
Trade payables to related parties	**261,915**	176,128
Total trade payables	**722,089**	589,484
Amounts due to related parties	**109,411**	46,241
Staff salaries, bonuses and welfare payables	**120,716**	89,814
Advance from customers	**—**	6,452
Deposits received, other payables and accruals	**256,790**	212,363
	1,209,006	944,354
Less: Non-current portion	**(18,307)**	(8,644)
Current portion	**1,190,699**	935,710

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

	2018	2017
	US$'000	*US$'000*
Within 3 months	**558,571**	520,782
3 months to 1 year	**160,610**	69,034
Over 1 year	**2,908**	668
	722,089	589,484

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

Business Overview

In 2018, 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 continued and significant growth in our business. Our revenue amounted to US$4,006 million, representing a 17.9% growth, and our profit amounted to US$233 million, representing a 29.4% growth, each compared to 2017. As discussed in more details in the "Results of Operations" section below, our sales in all end markets recorded a significant growth, thanks to our strategic focus based on correct anticipation of industry trends. Despite an increase in operating costs caused by an increase in labor costs, we have maintained our gross profit margin level, with a slight increase compared to 2017. As a result, we recorded a significant growth in both operating profit and net profit, thanks to our growth in sales as well as prudent cost controls.

The mobile devices continued to be our largest revenue contributor by end market. In 2018, we witnessed an increase in the sales of interconnect solutions utilized in the new smartphone products released by brand company customers, as well as the earphones associated with such smartphone products. This also drove the increase in sales of products associated with such smartphones, such as Lightning plugs, cables and connectors. In 2018, our revenue from the mobile devices market increased by 9.3% compared to 2017.

In addition, since our acquisition of Avago's optical modules business at the end of 2015, we have continued to strengthen our optical modules offerings to capture business opportunities in the communications infrastructure end markets. In addition, our optical modules business experienced a growth, thanks to our efforts in expanding our customer base. In addition, our business growth was also contributable to an increase in the demand for 100G optical modules and CPU Sockets from data centers and server platforms. As a result, in 2018, our revenue from the communications infrastructure end market increased by 8.5% compared to 2017.

We solidified our leading position in the computer and consumer electronics end market by focusing on high end products and products of our key brand companies, and continuously increased our market share in the area of game consoles. In 2018, our revenue from the computer and consumer electronics end market increased by 11.3% compared to 2017.

Furthermore, we continued to strategically pursue opportunities in automotive and other emerging applications for our interconnect solutions and other products. As such, 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 investment and collaboration 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 38.2% in 2018 compared to 2017.

Finally, as we successfully acquired Belkin International, Inc., a world-recognized consumer electronics product brand, by way of Merger in September 2018, our business in connected home market grew rapidly. In 2018, our revenue from the connected home market increased by 366.9% compared to 2017.

Similarly as we successfully acquired Belkin International, Inc. in September 2018, which significantly increased our business in the smart accessories market, in 2018, our revenue from the smart accessories market increased by 387.5% compared to 2017.

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 awareness globally, leading to a fast expansion of 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. As such, 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 generally, and smartphones in particular, drives demand for various smart accessories products such as chargers, batteries and earphones. For example, USB Type-C is a new trend in the connector market that 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 size 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 contributable to technological advancement, such as the adoption of 5G network in the business sector in 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 helps ensure 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, which is 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. The wide adoption of optical transceivers in the communications infrastructure end market is attributed to its advantages of low signal attenuation, high speed and noise immunity.

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. Because the global connector industry is undergoing a 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, overall, computer and consumer electronics end market is expected to stay approximately flat compared to other major end markets.

Automotive, industry and medical. We expect that the demand for connectors applied in the automotive end market would be driven by, among others, connectors applied in autonomous driving, increasing demand for vehicles and 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 the physical interfaces of data transmission required by the Internet of Things will be more and more.

Smart accessories. The popularity of smartphones has driven the demand for various smart accessories products (such as chargers, batteries, 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 consumers demand.

Business Prospects

We anticipate the overall connector industry, particularly the end markets we strategically focus on, will continue to grow in 2019. We plan to continue our strategic focus on the mobile devices, communications infrastructures, and automotive, industrial and medical end markets, and expect that our development in these end markets will be the main driver of our growth in 2019. 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 mobile earphone 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 terminal market. We anticipate that this end market will continue to be our main revenue contributor.

- *Communications infrastructure*. We anticipate a growth compared to 2018, as we expect the demand for certain types of optical transceivers, fiber channels and CXP to be strong. In particular, as the higher speed optical products (e.g. the products utilizing 100G/400G technology that are proactively developed by us after the acquisition of the optical modules business of Avago) are expected to grow faster than lower speed optical products, the change of sales mix would contribute to the growth of our revenue and overall margin.

- *Computer and consumer electronics*. The industry growth is expected to continue to be slow. Therefore, we will focus on profitability other 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, industry 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 industry trend. We will continue to strategically pursue opportunities in emerging application for our interconnect solutions and other products, especially in the automotive industry. We believe with our leading position in the development and production of interconnect solutions, we would be able to tap on the burgeoning demand for electronic vehicles. We also plan to increase our investments in developing in-car electronic systems and key autonomous driving components. For example, on February 7, 2018, we entered into an agreement with Sharp to form the FIT-Sharp to explore opportunities in the development, design, manufacturing, distribution and marketing for automotive cameras and electronic rearview mirrors. On July 30, 2018, the FIT-Sharp (through its wholly-owned subsidiary) entered into an assets purchase agreement to acquire from a non wholly-owned subsidiary of Sharp certain assets related to vehicle camera and electronic rearview mirror technology business so as to further realize the business intent of the FIT-Sharp. We believe this will create greater synergy between us and Sharp in terms of industrial expertise and geographical reach. Furthermore, our strategic partnership with Hon Hai Group puts us in a good position to capture the emerging opportunities in automotive electronics market.

- *Connected home.* We will strengthen the development of smart products in the field related with home living and provide novel design of smart products, thus providing more comfort and convenience for home livings of consumers. And this expectation has been strongly proved in the CES 2019 exhibition. In the CES 2019 exhibition, we launched Linksys MR8300 tri-band mesh router, WeMo smart control series (including new products such as WeMo 3-way light switch, WeMo dimmer, WeMo Mini smart socket and WeMo Insight smart socket) and PHYN smart water flow detection device, etc. We expect to achieve good results in the connected home market.

- *Smart accessories*. With Belkin brand and the Group's resources, we expand the product lines and seize the market share by leveraging on the sales network of our global partners channel.

Moreover, with respect to the connected home industry, on March 27, 2018, we entered into a merger agreement to acquire Belkin International, Inc. a world-recognized brand of consumer electronics products, by way of a merger. The closing of the merger took place on September 20, 2018.

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 mold parts and sample products and others. In 2018, our revenue amounted to US$4,006 million, representing a 17.9% increase from US$3,399 million in 2017. Among the six main end markets, our revenue from (1) the mobile devices end market increased by 9.3%, (2) the communications infrastructure end market increased by 8.5%, (3) the computer and consumer electronics end market increased by 11.3%, (4) the automotive, industry and medical end market increased by 38.2%, and (5) the connected home market increased by 366.9% and (6) the smart accessories market increased by 387.5%. The following table sets forth our revenue by end markets in absolute amounts and as percentages of revenue for the years indicated:

	For the year ended December 31,			
	2018		2017	
	US$	***%***	*US$*	*%*
	(in thousands, except for percentages)			
Mobile devices	**1,712,332**	**42.8**	1,566,701	46.1
Communications infrastructure	**938,582**	**23.4**	865,172	25.5
Computer and consumer electronics	**933,801**	**23.3**	838,931	24.7
Automotive, industry and medical	**79,728**	**2.0**	57,677	1.7
Connected home	**36,781**	**0.9**	7,878	0.2
Smart accessories	**304,411**	**7.6**	62,444	1.8
Total	**4,005,635**	**100**	3,398,803	100

Mobile devices. The revenue from the mobile devices market increased by 9.3%, which was primarily due to increased 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 the products associated with earphones, such as lightning plugs, cables and connectors.

Communications infrastructure. The revenue from the communications infrastructure end market increased by 8.5%, which was primarily due to the successful integration of the optical modules business we acquired from Avago, the increase in the demand for our high-end optical modules and CPU sockets, and our effort in expanding our customer base.

Computer and consumer electronics. The revenue from the computer and consumer electronics end market increased by 11.3%, which was primarily due to the growth of demand for USB Type-C demand and game consoles.

Automotive, industry and medical. The revenue from the automotive, industry and medical end market increased by 38.2%, which was primarily due to our continued efforts in the research and development in the automotive application area and the development of potential customers.

Connected home. The revenue from the connected home end market increased by 366.9%, which was mainly due to the completion of the acquisition of Belkin International, Inc., by way of a merger in September 2018.

Smart accessories. The revenue from the smart accessories end market increased by 387.5%, which was mainly due to the completion of the acquisition of Belkin International, Inc., by way of a merger in September 2018.

Cost of Sales, Gross Profit and Gross Profit Margin

Our cost of sales increased by 15.5% from US$2,854 million in 2017 to US$3,298 million in 2018. 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 2018, the increase was primarily driven by the expansion of our overall business scale.

As a result of the foregoing, our gross profit increased by 29.9% from US$545 million in 2017 to US$708 million in 2018, primarily due to the revenue increase. Our gross profit margin increased from 16.0% in 2017 to 17.7% in 2018, primarily due to (1) continuing improvement of the quality of our new earphone related products, (2) higher utilization of our production facilities and (3) continuing optimization of our human resources allocation which improved our production efficiency.

Distribution Costs and Selling Expenses

Our distribution costs and selling expenses increased by 46.1% from US$58 million in 2017 to US$85 million in 2018, primarily due to the acquisition of Belkin.

Administrative Expenses

Our administrative expenses increased by 55.6% from US$81 million in 2017 to US$126 million in 2018, as we incurred more legal and professional expenses to support our acquisition activities in 2018 and increased our employees' compensation to retain talents.

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 moldings 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 19.5% from US$190 million in 2017 to US$227 million in 2018, 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, our operating profit increased by 40.5% from US$220 million in 2017 to US$309 million in 2018, primarily due to the increase in our gross profit as a result of the continued increase in the sales of products and our prudent cost control. Our operating profit margin increased from 6.5% in 2017 to 7.7% in 2018.

Income Tax Expense

We incur income tax expenses primarily relating to our operations in China, Taiwan, United States, Vietnam and Mexico. Our income tax expenses increased by 79.5% from US$44 million in 2017 to US$79 million in 2018. Effective income tax rate increased from 19.6% to 25.3%, primarily due to the under-provision of tax payable in the prior years.

Profit for the year

As a result of the increase in operating profit, profit for the year increased by 29.4% from US$180 million in 2017 to US$233 million in 2018. Our profit margin increased from 5.3% in 2017 to 5.8% in 2018.

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, 2018, we had cash and cash equivalents of US$1,065 million, compared to US$768 million as of December 31, 2017. In addition, as of December 31, 2018, we had short-term bank deposits of US$6 million, compared to US$49 million as of December 31, 2017.

As of December 31, 2018, we had total bank borrowings of US$989 million, all of which were short-term borrowings, as compared to US$296 million as of December 31, 2017. We incur bank borrowings mainly for our working capital purpose and to supplement our capital needs for investment and acquisition activities. The increase in bank borrowings in 2018 was primarily for the purchase of production facilities and acquisitions.

Our current ratio, calculated using current assets divided by current liabilities, was 1.21 times as of December 31, 2018, compared to 1.89 times as of December 31, 2017. Our quick ratio, calculated using current assets less inventories divided by current liabilities, was 0.93 times as of December 31, 2018, compared to 1.48 times as of December 31, 2017. The decrease in our current ratio and quick ratio was primarily due to an increase in short-term loans in 2018 for the acquisition of Belkin.

Cash Flow

In 2018, our net cash generated from operating activities was US$697 million, net cash used in investing activities was US$946 million, and net cash generated from financing activities was US$575 million.

Capital Expenditures

Our capital expenditures primarily relate to the purchase of land use rights, 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 using our IPO proceeds. See "Use of IPO Proceeds" below for details.

In 2018, our capital expenditures amounted to US$135 million, as compared to US$125 million in 2017. The capital expenditures in 2018 were primarily used for upgrading, maintaining and converting production facilities, including converting certain production facilities for optical products, increasing the investment in research and development of automobile application, and upgrading environmental protection systems of certain factories in the PRC.

Significant Investments, Acquisitions and Disposals

On February 7, 2018, the Group entered into an agreement with Sharp in which the Group and Sharp agreed to invest JPY1,541 million (approximately US$14 million) and JPY1,481 million (approximately US$13 million), respectively, into the FIT-Sharp which would be engaged in development, design, manufacturing, distribution and marketing for automotive cameras and electronic rearview mirrors. For further details, please refer to the Company's announcement dated February 7, 2018.

On March 27, 2018, the Company, Belkin International, the seller stockholders of Belkin International, Beluga Merger Sub, Inc. (a wholly-owned subsidiary of the Company) and Mr. Chester J. Pipkin (as the representative of certain of Belkin International's equityholders) entered into a merger agreement to effect the acquisition of Belkin International by the Company by way of a merger for a consideration of US$850 million. Closing of the merger took place on September 20, 2018. For further details, please refer to the Company's announcements dated March 27, 2018, June 22, 2018, September 6, 2018 and September 21, 2018.

On May 28, 2018, the Company entered into a business and property transfer agreement with various vendors including Hon Hai, Hongfujin Precision Industrial (Shenzhen) Co., Ltd. (鴻富錦精密工業（深圳）有限公司) and Futaihua Industrial (Shenzhen) Co., Ltd. (富泰華工業（深圳）有限公司), pursuant to which the Company agreed to purchase and the vendors agreed to sell certain inventories, equipment and intangible assets for a total cash consideration of NTD500 million (equivalent to approximately US$16.7 million). For further details, please refer to the Company's announcement dated May 28, 2018.

On July 30, 2018, SHARP FIT Automotive Technology (Wuxi) Co, Ltd. (a wholly-owned subsidiary of the FIT) entered into an assets purchase agreement with Wuxi Sharp Electronic Components Co., Ltd. (無錫夏普電子元器件有限公司) (a non wholly-owned subsidiary of Sharp), pursuant to which the former agreed to acquire and the latter agreed to sell certain assets of the latter's vehicle camera and electronic rearview mirror technology business at a consideration of JPY400 million (approximately US$3.6 million). For further details, please refer to the Company's announcement dated July 30, 2018.

Save as disclosed above, we did not have any significant investments, material acquisitions or material disposals for the year ended December 31, 2018.

Inventories

Our inventories consist primarily of raw materials, work in progress and finished goods. We review our inventory levels on a regular basis to manage the risk of excessive inventories. Our average inventory turnover days for the year ended December 31, 2018 was 65 days as compared to 58 days in 2017. The higher inventory turnover days for the year ended December 31, 2018 was primarily due to increased leveling production activities as a result of a greater product demand in the second half of 2018.

Our inventories increased from US$528 million as of December 31, 2017 to US$650 million as of December 31, 2018, primarily due to the inclusion of the inventories of Belkin International, Inc. as a result of the acquisition of Belkin International, Inc. by way of a merger in September 2018.

Provision for inventory impairment increased from US$22 million as of December 31, 2017 to US$29 million as of December 31, 2018, which is due to an increase in the balance of inventories in 2018.

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 trade receivables turnover days decreased from 97 days in 2017 to 88 days in 2018, mainly due to the structure of customers and our continued efforts in enhancing the collection of trade receivables. Our average trade receivables turnover days for related parties in 2018 was 111 days, as compared to 132 days for 2017.

Our trade receivables decreased from US$993 million as of December 31, 2017 to US$935 million as of December 31, 2018, 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 trade payables turnover days in 2018 was 73 days, remaining stable as compared to 74 days in 2017.

Our trade payables increased from US$589 million as of December 31, 2017 to US$722 million as of December 31, 2018, primarily due to increased procurement as a result of an increase in demand from customers in 2018.

Major Capital Commitments

As of December 31, 2018, we had capital commitments of US$2 million, which was primarily connected with the purchase of property, plant and equipment related to our production facilities.

Contingent Liabilities

As of December 31, 2018, 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, 2018, our gearing ratio, calculated as net debts (which are calculated as total borrowings less cash and cash equivalents) divided by total equity, was not applicable because we did not have the net debt position (as of December 31, 2017: 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	**Approximate % of total net proceeds**	**Available on July 13, 2017, the Listing Date** *(US$'000)*	**Utilized between July 13, 2017 and December 31, 2018** *(US$'000)*	**Unutilized as at December 31, 2018** *(US$'000)*
Research and business development of advanced optical transmission solutions and other interconnect solutions and technology for use in advanced data centers for big data, cloud computing and similar applications	22%	86,680	**86,680**	**0**
Enhancement of production facility for high-speed optical transceivers and the establishment of additional facilities focused on the production expansion of advanced optical modules	3%	11,820	**11,820**	**0**
Research and business development of other products in the mobile devices end market	15%	59,100	**59,100**	**0**
Research and development of new acoustics products and technologies	5%	19,700	**19,700**	**0**

Item	Approximate % of total net proceeds	Available on July 13, 2017, the Listing Date *(US$'000)*	Utilized between July 13, 2017 and December 31, 2018 *(US$'000)*	Unutilized as at December 31, 2018 *(US$'000)*
Investment in new interconnect technologies and solutions for car camera modules, an essential part of advanced driver-assistance systems, and for automotive electronics	7.5%	29,550	**29,550**	**0**
Investment in new interconnect technologies and solutions for batteries for electric vehicles and for electronic vehicle connectivity solutions	7.5%	29,550	**0**	**29,550**
Selectively pursue acquisitions of assets and businesses which are complementary to the Company's business and are in line with the Company's growth strategies	25%	98,500	**98,500**	**0**

Item	Approximate % of total net proceeds	Available on July 13, 2017, the Listing Date *(US$'000)*	Utilized between July 13, 2017 and December 31, 2018 *(US$'000)*	Unutilized as at December 31, 2018 *(US$'000)*
Establish an enhanced management information technology platform including purchase of enterprise resource planning systems and modules, as well as implementation	5%	19,700	**4,017**	**15,683**
Working capital and other general corporate purposes	Not more than 10%	39,400	**4,901**	**34,499**

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

Item	Unutilized as at December 31, 2018 *(US$'000)*	Expected timeline
Investment in new interconnect technologies and solutions for batteries for electric vehicles and for electronic vehicle connectivity solutions	**29,550**	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	**15,683**	The remaining amount is expected to be fully utilized by the second half of 2020.
Working capital and other general corporate purposes	**34,499**	The remaining amount is expected to be fully utilized by the second half of 2019.

PLEDGE OF ASSETS

As of December 31, 2018, certain bank deposits totaling RMB21.2 million and US$2.3 million of 重慶市鴻騰科技有限公司 and 淮安市富利通貿易有限公司 and SHARP FIT Automotive Technology (Wuxi) Co, Ltd. have been pledged as customs guarantee.

HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES

As of December 31, 2018, we had approximately 40,500 employees, as compared to 47,700 employees as of December 31, 2017. In 2018, total employee benefit expenses including Directors' remuneration were US$604 million, as compared to US$567 million in 2017. 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 Unit Scheme to offer valuable incentive 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. 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, 2018, the nominal principal amount of our forward foreign exchange contracts was USD160 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 condensed consolidated annual financial information of the Group for the year ended December 31, 2018 have 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, 2018 which have been agreed with the external auditor of the Company.

SUBSEQUENT EVENTS

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 (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 approximately 73,682 square meters ("**Zone A**") at a consideration of approximately US$4,973,555 (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 approximately US$36,841 (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 zone 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 approximately 181,028 square meters (the "**Zones B to E**") at a consideration of approximately 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 approximately US$90,515 (excluding value-added tax). For further details, please refer to the Company's announcement dated March 21, 2019.

CORPORATE GOVERNANCE PRACTICE

The Board is committed to maintaining high corporate governance standards.

During the year ended December 31, 2018, the Company had 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 had 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 had 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, 2018.

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 Scheme, during the year ended December 31, 2018, 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 21, 2019. 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 17, 2019, for the purpose of effecting the share transfers. The register of members of the Company will be closed from June 18, 2019 to June 21, 2019 (both dates inclusive).

2018 FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board recommended the payment of a final dividend of HK$0.07 per Share for the year ended December 31, 2018 (the "**2018 Final Dividend**") to the Shareholders.

The 2018 Final Dividend is subject to the approval by the Shareholders at the forthcoming AGM. The exact date of the record date for receiving the 2018 Final Dividend, the period of closure of register of members of the Company, the latest time for lodging transfers of the Shares, the payment date of the 2018 Final Dividend and other 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, 2018 will be published on the aforesaid websites and dispatched to Shareholders in due course.

DEFINITION

"Audit Committee"	the audit committee of the Board;
"Avago"	Avago Technologies Wireless (U.S.A.) Manufacturing Inc., a company formed and incorporated under the laws of the State of Delaware, the United States, and a subsidiary of Broadcom Inc. which is listed on the Nasdaq Stock Market of the United States (Ticker Symbol: AVGO);
"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 on April 8, 2013 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;
"FIT-Sharp"	FIT Electronics Device Pte. Ltd., a limited liability company established in Singapore and owned as to 51% by the Group and 49% by Sharp;
"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;
"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 Group 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;
"Mexico"	the United Mexican States;
"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 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);

"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC;
"Shares(s)"	ordinary share(s) of US$0.01953125 each in the issued capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;
"Shareholder(s)"	holder(s) of the Share(s);
"Share Grant Scheme"	the share grant scheme approved and adopted by the Company on January 5, 2015, and the Board further adopted the rules and interpretations thereof on November 4, 2016;
"Share Option Scheme"	the share option scheme approved and adopted by our Shareholders on December 19, 2017 and expired on December 31, 2018;
"Sharp"	Sharp Corporation (シャープ株式会社), a limited liability company registered in Japan, the shares of which are listed on the First Section of the Tokyo Stock Exchange, Inc. (Stock Code: 6753.T);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"U.S." or "United States"	the United States of America;
"US$" or "USD"	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 26, 2019

As at the date of this announcement, the Board of the Company comprises Mr. LU Sung-Ching, Mr. LU Pochin Christopher and Mr. William Ralph GILLESPIE as executive Directors, Dr. CHEN Ga-Lane as non-executive Director, and Mr. Peter D CURWEN, Mr. TANG Kwai Chang and Mr. CHAN Wing Yuen Hubert 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*