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

2020 Annual Report

FIT Foxconn Interconnect Technology belkin LINKSYS wemo PHYN

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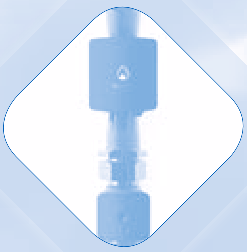

Corporate Information

LEGAL NAME OF THE COMPANY

FIT Hon Teng Limited (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)

PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited

Stock code: 6088

DIRECTORS

Executive Directors

LU Sung-Ching (盧松青)

LU Pochin Christopher (盧伯卿)

PIPKIN Chester John

Independent non-executive Directors

CURWEN Peter D

TANG Kwai Chang (鄧貴彰)

CHAN Wing Yuen Hubert (陳永源)

TRAINOR-DEGIROLAMO Sheldon

JOINT COMPANY SECRETARIES

WONG Kenneth Tak-Kin (黃德堅)

NG Sau Mei (伍秀薇) *(FCG, FCS)*

AUDIT COMMITTEE

TANG Kwai Chang (鄧貴彰) *(Chairman)*

CURWEN Peter D

CHAN Wing Yuen Hubert (陳永源)

REMUNERATION COMMITTEE

CHAN Wing Yuen Hubert (陳永源) *(Chairman)*

TANG Kwai Chang (鄧貴彰)

TRAINOR-DEGIROLAMO Sheldon

NOMINATION COMMITTEE

LU Sung-Ching (盧松青) *(Chairman)*

TRAINOR-DEGIROLAMO Sheldon

CURWEN Peter D

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

CURWEN Peter D *(Chairman)*

PIPKIN Chester John

CHAN Wing Yuen Hubert (陳永源)

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants and

Registered Public Interest Entity Auditor

LEGAL ADVISOR

Sullivan & Cromwell (Hong Kong) LLP

PRINCIPAL BANKS

Citibank, Taiwan Limited
Bank of America, Taipei Branch

AUTHORIZED REPRESENTATIVES

LU Pochin Christopher (盧伯卿)
NG Sau Mei (伍秀薇)

SHARE REGISTRAR AND TRANSFER OFFICE

Principal

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

Hong Kong

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

PRINCIPAL PLACE OF BUSINESS AND ADDRESS OF HEADQUARTERS

66-1, Chungshan Road
Tucheng District, New Taipei City 23680
Taiwan

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two, Times Square
1 Matheson Street, Causeway Bay
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

WEBSITE

http://www.fit-foxconn.com

Financial Highlights

	Year ended December 31,				
	2020	2019	2018	2017	2016
	USD'000	USD'000	USD'000	USD'000	USD'000
	Audited	Audited	Audited	Audited	Audited
Key income statement items					
Revenue	**4,314,661**	4,372,382	4,005,635	3,398,803	2,880,260
Gross Profit	**579,772**	754,195	708,077	569,444	490,410
Operating profit	**124,757**	275,170	308,552	219,826	209,954
Profit attributable to owners of the Company	**42,509**	235,414	233,946	180,486	168,562

	Year ended December 31,				
	2020	2019	2018	2017	2016
	USD'000	USD'000	USD'000	USD'000	USD'000
	Audited	Audited	Audited	Audited	Audited
Key balance sheet items					
Current assets	**2,848,113**	2,741,909	2,752,810	2,412,019	1,843,319
Total assets	**4,638,937**	4,407,029	4,309,744	3,180,634	2,614,699
Total equity	**2,190,376**	2,077,347	1,947,328	1,893,903	1,283,984
Current liabilities	**1,789,962**	1,662,178	2,269,086	1,276,874	1,329,368
Total liabilities	**2,448,561**	2,329,682	2,362,416	1,286,731	1,330,715

	Year ended December 31,				
	2020	2019	2018	2017	2016
	USD'000	USD'000	USD'000	USD'000	USD'000
	Audited	Audited	Audited	Audited	Audited
Key financial ratios					
Gross profit margin	**13.4%**	17.2%	17.7%	16.8%	17.0%
Operating profit margin	**2.9%**	6.3%	7.7%	6.5%	7.3%
Margin of profit attributable to owners of the Company	**1.0%**	5.4%	5.8%	5.3%	5.9%

	Year ended December 31,				
	2020	2019	2018	2017	2016
	USD'000	USD'000	USD'000	USD'000	USD'000
	Audited	Audited	Audited	Audited	Audited
Key operating ratios					
Average inventory turnover days[1]	**81**	68	65	58	47
Average trade receivables turnover days[2]	**76**	78	88	97	90
Average trade payables turnover days[1]	**67**	71	73	74	70

(1) Average inventory and trade payables turnover days are based on the average balance of such item divided by cost of sales for the year and multiplied by the number of days in the year. Average balance is calculated as the average of the beginning balance and ending balance of the year. The number of days for a year is 365 days.

(2) Average trade receivables turnover days are based on the average balance of trade receivables, which include trade receivables due from third parties and trade receivables from related parties, divided by revenue for the year and multiplied by the number of days in the year. Average balance is calculated as the average of the beginning balance and ending balance of the year. The number of days for a year is 365 days.

Chairman's Statement

Dear shareholders,

On behalf of the Board, I am pleased to present the annual results of FIT Hon Teng Limited for the financial year ended December 31, 2020.

Despite the challenges we faced in 2020, we never lost sight of our mission – connectivity for a better world – and to maintain our market-leading position, we continue to believe that the strength and resilience of our organisation and our industry will help build the web of the future. Although COVID-19 challenged parts of our supply chain and pressured our financial performance, the unrelenting efforts of our team drove tremendous progress in the technologies that will define the post-COVID economy: 5G, automotive electronics, smart accessories, Internet of Things (IoT) and connected home.

Leveraging our technologically advanced manufacturing advantages and Foxconn Group's strategic vision and innovation, we are confident in creating sustainable and long-term value for our shareholders as we expand our market share in the fast-growing industries mentioned above.

DEVELOPMENT STRATEGIES

We are leaders in the proliferation of high-performance connected devices that require more advanced interconnected solutions. Our strategic focus on the development of next-generation interconnected solutions and technology, including 5G mobile antenna, 5G hotspots, and WiFi 6 Mesh technology, continues to capture a number of growth opportunities during the evolution to a digital economy.

We continued to capitalize on vertical integration synergies with Belkin International. By virtue of our top-level manufacturing, R&D, design, sales and marketing capabilities, we continued to develop and expand our product range, and penetrate new market segments. We have the most unique industry proposition for delivering the world's leading end-consumer brands into the hands of buyers, from design conception to packaging and online sales, from beginning to finish.

To increase operational efficiency, we made headway to expand our production capacity in Vietnam and establish footprints in lower-cost production areas. Higher operational efficiency will help us achieve higher margins and enhance our financial performance.

As part of our commitment to strong governance, we have made significant progress in setting up our Environmental, Social and Governance (ESG) committee to further enhance our accountability for ESG risk management and reporting during the year. Not only is governance critical to our mission, but so is caring for the planet we live on, which mission we intend to prioritize in the years to come. More details on the Group's ESG initiatives can be found in our 2020 Environmental, Social and Governance Report.

REVIEW OF 2020 RESULTS

The global pandemic has impacted our operations considerably. Brick and mortar retail stores were forced to close for much of 2020. Not surprisingly, the majority of our 2020 consumer product sales were concentrated in B2B and e-commerce verticals. Although we have seen growth in e-commerce sales, the upside could not fully mitigate the declined sales from our brick-and-mortar stores.

Lower customer orders in the mobile and communications infrastructure segments have also impacted our performance. Some of these declines were partially offset by growth in other segments that benefited from work-from-home trends. This year, our profitability was also impacted by one-off items related to adjustments for fair value changes concerning our earlier investment in Kantatsu, as well as income tax expenses in the fourth quarter of 2020. As a result, we recorded a considerable decrease in earnings as compared with 2019.

Our business is fundamentally strong and resilient. Our products in the mobile device, communications infrastructure, computer & consumer electronics, smart accessories and connected home are critical to the digitalization journey. The plans that we have had in place for years to grow in e-commerce at the consumer brand level allowed us to pivot quickly. In addition, we continued to develop our long-term offerings for the automotive, industrial and medical (AIM) end markets, and expand our audio products, which we believe will cushion us from future headwinds, while enabling us to benefit from inevitable technological shifts.

FUTURE PROSPECTS

As the world's leading developer and manufacturer of interconnected solutions, FIT is extremely well placed to capture fast-growing technology trends. We will continue to invest in future technologies, as we see many new opportunities emerging from the electric vehicle (EV) market, particularly for modules including T-box and E-cockpit, both of which will be key features of the next generation of EVs.

With core R&D technologies and backing from our parent, Foxconn Group, FIT was one of the early partners of the 'MIH Open Platform Alliance (MIH Alliance)', an open EV platform to accelerate the innovation and development of smart cars. FIT's unique positioning in the value chain offers us a strategic foothold to capture future emerging opportunities stemming from the automotive electronics market.

We are also pleased to share the exciting news that our leading network brand Linksys has recently entered into a strategic alliance with Fortinet (Nasdaq: FTNT), a cybersecurity solution provider to deliver enterprise-grade secured connectivity. With demand for secured remote work and smart home solutions continuing to rise and remaining to some degree permanently, we will continue to engage with our customers while growing our premium product portfolio under the Belkin, Linksys, Wemo, and Phyn brands – all of which will continue to fascinate and surprise customers.

APPRECIATION

I would like to thank our customers, business partners, and employees for their dedication and efforts in the face of 2020's challenges. Our company is in a prime position to capture next-generation technological opportunities across many industries and consumer segments. I look forward to positivity, success and prosperity in 2021 and thank our shareholders for the continued support.

Chairman
LU Sung-Ching

Management Discussion and Analysis

BUSINESS OVERVIEW AND OUTLOOK

Business Overview

In 2020, 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. However, due to the outbreak of the COVID-19 pandemic in late January 2020, our factories in China did not fully resume work until mid-March 2020. The rapid spread of the COVID-19 in Europe and the Americas in mid-March 2020 has shut down physical supply chains, which has had an impact on our performance. We have experienced a slight decline in our performance. As discussed in more details in the "Results of Operations" section below, in 2020, our revenue amounted to US$4,315 million, and our profit amounted to US$43 million, representing a decrease of 1.3% and a decrease of 81.5% compared to 2019, respectively.

Mobile devices continued to be our largest source of revenue by end market. In 2020, due to the cancellation of the configuration of wired earphones by brand companies for their new smartphones, we recorded reduced shipments of wired earphones, but our Lightning cable products made up part of the gap. As a result, our revenue from the mobile devices end market decreased by 4.9% in 2020 compared to the same period in 2019.

For the communications infrastructure end market, there was an increase in our CPU socket and memory card slot product business, which was mainly attributable to the work-from-home arrangement and home-based learning for schools during the COVID-19 outbreak. However, the demand for some optical modules recorded a decrease due to the Sino-U.S. trade conflicts and changes in our optical module business model. As a result, our revenue from the communications infrastructure end market decreased by 9.4% in 2020 compared to the same period in 2019.

For the computer and consumer electronics end market, revenue from laptops and tablets related products experienced an increase, likewise due to the work-from-home arrangement and home-based learning during the COVID-19 outbreak. Our revenue from the computer and consumer electronics end market increased by 10.1% in 2020 compared to the same period in 2019.

Furthermore, due to the growth in revenue related to our automotive products and industrial products (Burn In and Testing Socket) applications, our revenue from the automotive, industrial and medical end market increased by 11.7% in 2020 compared to the same period in 2019.

For the connected home end market, revenue from routers and network related products experienced an increase, likewise due to the work-from-home arrangement and home-based learning during the COVID-19 outbreak. Our revenue from the connected home end market increased by 12.4% in 2020 compared to the same period in 2019.

The rapid spread of COVID-19 in Europe and the Americas in mid-March 2020 has shut down physical supply chains, which has had an impact on our performance. However, our new true wireless bluetooth earphone products made up part of the gap. Our revenue from the smart accessories end market decreased by 3.1% in 2020 compared to the same period in 2019.

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. 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 arrival of the 5G generation will drive the replacement of mobile phones, and it is expected that the mobile phone industry will return to growth in 2021, which will also bring business opportunities for 5G-related components.

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 gets to be 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 will be sufficient to maintain secure continuous and strong demand for connectors. In addition, cloud computing has emerged as a major growth driver in the data center industry. Cloud computing requires a great number of physical sensor connectors, routers, electricity, signals, and networks, which generates heavy demand for sensor connectors and creates market potential for innovative connectors.

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 can be applied in more situations and scenarios, which drives the demand for connectors in this end market. It is estimated that working from home and home-based learning will continue, which will drive growth.

Automotive, industrial and medical. We expect the overall market share to be boosted by the increasing demand for electric vehicles and the gradual increase in the attach rate of in-vehicle infotainment-related products.

Connected home. With the rapid development of connected home, alongside the trend of working from home and home-based learning, household appliances become more and more interconnected, so they are equipped with more interconnect equipment, and Wi-Fi 6/6E will drive the demand for interconnected device upgrades.

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

Business Prospects

We anticipate the overall connector industry, particularly the end markets we strategically focus on, will continue to grow in 2021. We plan to continue our strategic focus on the mobile devices as well as automotive, industrial and medical end markets. However, due to the cancellation of the configuration of wired earphones of brand companies' new smartphones and the changes in our optical module business model, the performance in 2021 is expected to be affected:

- *Mobile devices*. Due to the cancellation of the configuration of wired earphones of brand companies' new smartphones, we expect the shipments of wired earphones and related products to be further reduced. However, we anticipate that this end market will continue to be our main revenue contributor.

- *Communications infrastructure*. There will be increase in high-speed connectors and cables, and memory card slot product business. However, the changes in our business model of optical modules will affect the overall performance of the communications infrastructure business in 2021.

- *Computer and consumer electronics*. Although the trend of working from home and home-based learning will continue and increase the demand for laptops and tablets related products, in the long run, industry growth is expected to continue to slow down, so we will focus more on profitability than revenue growth.

- *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 industry trends. We will continue to strategically pursue opportunities in the emerging application of our interconnect solutions and other products. We believe that, with our leading position in the development and production of interconnect solutions, we would be able to tap into the burgeoning demand for electric vehicles. We also plan to increase our investments in developing in-vehicle 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 future 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 designs of smart products, in order to bring to consumers more comfort and convenience in terms of home living. In addition, this expectation has been strongly realized in the CES 2020 exhibition. In the CES 2020 exhibition, we introduced the Wi-Fi 6 Mesh router systems, 5G mobile hotspot, and Mesh Gateway. Working from home and home-based learning will drive demand for routers, but its final performance may be affected due to uncertainty in the supply of some key components.

- *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 (TWS, Smart Speaker). With the Belkin International brand and the Group's resources, we will expand the product lines and seize market share by leveraging the sales network of our global partners.

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 and sample products and others. In 2020, our revenue amounted to US$4,315 million, representing a 1.3% decrease from US$4,372 million in 2019. Among the six main end markets, our revenue from (1) the mobile devices end market decreased by 4.9%, (2) the communications infrastructure end market decreased by 9.4%, (3) the computer and consumer electronics end market increased by 10.1%, (4) the automotive, industrial and medical end market increased by 11.7%, (5) the connected home end market increased by 12.4%, and (6) the smart accessories end market decreased by 3.1%. 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,			
	2020		2019	
	US$	**%**	US$	%
	(in thousands, except for percentages)			
Mobile devices	**1,653,425**	**38.3**	1,739,108	39.8
Communications infrastructure	**801,600**	**18.6**	884,544	20.2
Computer and consumer electronics	**874,893**	**20.3**	794,596	18.2
Automotive, industrial and medical	**144,591**	**3.3**	129,414	2.9
Connected home	**298,450**	**6.9**	265,557	6.1
Smart accessories	**541,702**	**12.6**	559,163	12.8
Total	**4,314,661**	**100.0**	4,372,382	100.0

Mobile devices. The revenue from the mobile devices end market decreased by 4.9%, mainly due to the cancellation of the configuration of wired earphones by brand companies for their new smart phones. We recorded reduced shipments of wired earphones, but our Lightning cable products made up part of the gap.

Communications infrastructure. The revenue from server-related products increased, but the revenue from the communications infrastructure end market decreased by 9.4% due to reduced shipments of some optical modules, which were affected by the Sino-U.S. trade conflicts and changes in business pattern.

Computer and consumer electronics. The revenue from the computer and consumer electronics end market increased by 10.1%, which was mainly attributable to the work-from-home arrangement and home-based learning during the COVID-19 outbreak.

Automotive, industrial and medical. The revenue from the automotive, industrial and medical end market increased by 11.7%, which was primarily due to the growth in revenue related to our applications for industrial products (Burn In and Testing Socket).

Connected home. The revenue from the connected home end market increased by 12.4%, which was mainly attributable to the revenue from routers and network related products which experienced an increase due to the work-from-home arrangement and home-based learning during the COVID-19 outbreak.

Smart accessories. The revenue from the smart accessories end market decreased by 3.1%, which was mainly due to the shutdown of physical supply chains resulting from the rapid spread of COVID-19 in Europe and the Americas in mid-March 2020, which has had an impact on our performance. However, our new true wireless bluetooth earphone products made up part of the gap.

Cost of Sales, Gross Profit and Gross Profit Margin

Our cost of sales increased by 3.2% from US$3,618 million in 2019 to US$3,735 million in 2020. 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 consumables expenses, and (7) other costs associated with the production of our interconnect solutions and other products. In 2020, the increase was primarily impacted by the work stoppages during the outbreak of COVID-19 coupled with the continual rise in raw precious metal prices and the changes in business model of optical modules.

As a result of the foregoing, our gross profit decreased by 23.1% from US$754 million in 2019 to US$580 million in 2020. Our gross profit margin decreased from 17.2% in 2019 to 13.4% in 2020.

Distribution Costs and Selling Expenses

Our distribution costs and selling expenses decreased by 12.6% from US$111 million in 2019 to US$97 million in 2020, primarily due to the impact of the changes in business model of optical modules.

Administrative Expenses

Our administrative expenses decreased by 15.7% from US$159 million in 2019 to US$134 million in 2020, primarily due to the impact of the changes in business model of optical modules.

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 decreased by 6.0% from US$250 million in 2019 to US$235 million in 2020, mainly due to the impact of the changes in business model of optical modules and the decrease in research and development expenses for optical communication products.

Operating Profit and Operating Profit Margin

As a result of the foregoing, our operating profit decreased by 54.5% from US$275 million in 2019 to US$125 million in 2020, primarily due to the decrease in gross profit resulting from the increased cost of sales and recognition of fair value loss on the investments in unlisted convertible preferred shares. Our operating profit margin decreased from 6.3% in 2019 to 2.9% in 2020.

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 124% from US$33 million in 2019 to US$74 million in 2020. Effective income tax rate increased from 12.3% to 63.5%, primarily due to the provision of tax liabilities in relation to the profits earned in a number of years before the completion of the Group reorganization.

Profit for the year

As a result of the decrease in operating profit, profit for the year decreased by 81.5% from US$233 million in 2019 to US$43 million in 2020. Our profit margin decreased from 5.3% in 2019 to 1.0% in 2020.

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, 2020, we had cash and cash equivalents of US$766 million, compared to US$892 million as of December 31, 2019. In addition, as of December 31, 2020, we had short-term bank deposits of US$126 million, compared to US$118 million as of December 31, 2019.

As of December 31, 2020, we had total bank borrowings of US$1,179 million, including short-term borrowings of US$604 million and long-term borrowings of US$575 million, as compared to the 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 of December 31, 2019. 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 2020 was primarily for the working capital purpose.

Our current ratio, calculated using current assets divided by current liabilities, was 1.6 times as of December 31, 2020, compared to 1.6 times as of December 31, 2019. Our quick ratio, calculated using current assets less inventories divided by current liabilities, was 1.1 times as of December 31, 2020, compared to 1.2 times as of December 31, 2019. The decrease in our quick ratio was primarily due to the increase in short-term borrowings and inventories.

Cash Flows

In 2020, our net cash generated from operating activities was US$115 million, net cash used in investing activities was US$356 million, and net cash generated from financing activities was US$71 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 2020, our capital expenditures amounted to US$387 million as compared to US$288 million in 2019. The capital expenditures in 2020 were primarily used for expanding site and equipment of the factories in Vietnam.

Significant Investments, Acquisitions and Disposals

On September 15, 2020, Foxconn (Kunshan) Computer Connector Co., Ltd. (a wholly-owned subsidiary of the Company) entered into a partnership agreement with Foshan Huacheng Investment Co., Ltd. (a connected person of the Company), Shenzhen Foxport Technology Corporation Limited (a connected person of the Company), and five independent third parties in relation to the establishment and management of the Guangdong Hongfu Xinghe Hongtu Venture Capital Fund (Limited Partnership) (the "Fund"). The Fund is a limited partnership registered in the PRC and will engage in venture capital investment to facilitate the development of emerging industries. For further details, please refer to the Company's announcement dated September 15, 2020.

Save as disclosed above, we did not have any significant investments, material acquisitions or material disposals during the year ended December 31, 2020.

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, 2020 was 81 days as compared to 68 days in 2019. The higher inventory turnover days for the year ended December 31, 2020 was primarily due to the change in product mix which takes longer turnover periods.

Our inventories increased from US$703 million as of December 31, 2019 to US$944 million as of December 31, 2020, primarily due to the expansion of our factories in Vietnam and our early stock preparation for Chinese New Year.

Provision for inventory impairment increased from US$25 million as of December 31, 2019 to US$34 million as of December 31, 2020, which is in line with the increase in the inventory balance during the period.

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 78 days in 2019 to 76 days in 2020, and there is no significant change. Our average trade receivables turnover days for related parties in 2020 was 125 days, as compared to 125 days for 2019.

Our trade receivables decreased from US$930 million as of December 31, 2019 to US$872 million as of December 31, 2020, 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 2020 was 67 days, remaining stable as compared to 71 days in 2019.

Our trade payables decreased from US$691 million as of December 31, 2019 to US$674 million as of December 31, 2020.

Major Capital Commitments

As of December 31, 2020, we had capital commitments of US$22 million, which was primarily connected with investment and purchase of property, plant and equipment.

Contingent Liabilities

As of December 31, 2020, 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, 2020, 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 11.6% (as at December 31, 2019: 2.7%).

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, 2019 (US$'000)	Utilized between December 31, 2019 and December 31, 2020 (US$'000)	Unutilized as at December 31, 2020 (US$'000)
Investment in new interconnect technologies and solutions for batteries for electric vehicles and for electronic vehicle connectivity solutions	29,550	**29,550**	**0**
Establish an enhanced management information technology platform including purchase of enterprise resource planning systems and modules, as well as implementation	11,898	**10,065**	**1,833**

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

Item	Unutilized as of December 31, 2020 (US$'000)	Expected timeline
Establish an enhanced management information technology platform including purchase of enterprise resource planning systems and modules, as well as implementation	**1,833**	The remaining amount is expected to be fully utilized by the second half of 2021 as payment made for the implementation of an internal system.

PLEDGE OF ASSETS

As of December 31, 2020, certain bank deposits totaling RMB4.65 million of Chongqing Hong Teng Technology Co., Ltd. (重慶市鴻騰科技有限公司) and Huaian Fu Li Tong Trading Co., Ltd. (淮安市富利通貿易有限公司) have been pledged as customs guarantee. Certain bank deposits totaling VND6,600 million of New Wing Interconnect Technology (Bac Giang) Co., Ltd have been pledged as power purchase performance guarantees.

HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES

As of December 31, 2020, we had approximately 55,402 employees, as compared to 47,163 employees as of December 31, 2019. In 2020, total employee benefit expenses including Directors' remuneration were US$750 million, as compared to US$622 million in 2019. 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 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. 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, 2020, the nominal principal amount of our forward foreign exchange contracts was US$440 million.

SUBSEQUENT EVENTS

On March 11, 2021, Linksys Holdings, Inc. (a subsidiary of the Company) ("Linksys Holdings") entered into a sale and purchase agreement with Chester J. Pipkin and Janice A. Pipkin 2012 Children's Trust (a connected person of the Company) (the "Trust"), pursuant to which Linksys Holdings agreed to acquire and cancel, and the Trust agreed to sell, 463,436 shares of Linksys Holdings, representing 9.57% of its entire issued share capital, for a maximum consideration of US$12 million, which consists of (i) a base purchase price of US$6 million; and (ii) in the event that Linksys Holdings meets certain thresholds on the net sales and net income during the years ending December 31, 2021, 2022 and 2023, a contingent purchase price up to US$6 million as calculated based on the net income for each of such three years. For further details, please refer to the Company's announcement dated March 11, 2021.

On March 18, 2021, New Wing Interconnect Technology (Bac Giang) Co., Ltd (a wholly-owned subsidiary of the Company) ("New Wing (Bac Giang)") entered into Zone F and Zone G land lease agreements 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 16,236.9 square meters ("Zones F and G") at a consideration of approximately US$1,366,836.5 (excluding value-added tax). In addition, Fugiang will provide property management services to New Wing (Bac Giang) regarding Zones F and G and accordingly New Wing (Bac Giang) will pay to Fugiang an annual management fee of approximately US$8,728.7 (excluding value-added tax). For further details, please refer to the Company's announcement dated March 18, 2021.

On March 19, 2021, Linksys Holdings issued certain convertible preferred shares to a third party for a cash consideration of US$75 million. The convertible preferred shares held by the third party can be converted into common shares of Linksys Holdings which represent 32.6% of its equity interest on a fully converted basis.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. LU Sung-Ching (盧松青), (also known as Sidney Lu), aged 62, was appointed as our executive Director on December 30, 2013. He is also the chairman and chief executive officer of our Company. Mr. Lu has extensive experience in the interconnect technology business and is primarily responsible for the overall management and operation, including formulating and leading the implementation of development strategies and business plans of our Group and overseeing the management and strategic development of our Group. Mr. Lu worked at General Motors Company between 1981 and 1988 in their Packard Electric Division in Ohio, carrying out load flow and dynamic analyses for connectors. Furthermore, he was involved in manufacturing work at TE Connectivity Ltd. (previously known as AMP Incorporated), a company engaged in the connector manufacturing business, between 1988 and 1990. Mr. Lu joined Hon Hai in January 1990 and held a number of positions, including manager, deputy general manager and general manager, during his more than two decades of experience developing its interconnect technology business. Prior to joining our Company in 2013, he was the general manager of our predecessor and continued to serve as chief executive officer post incorporation of our Company.

Mr. Lu obtained a bachelor of liberal arts and science degree in mathematics and a bachelor of science degree in mechanical engineering from the University of Illinois at Urbana-Champaign in the United States in 1981. In 2011, the University of Illinois at Urbana-Champaign's Department of Mechanical Science and Engineering awarded him a "Distinguished Alumni" honor to celebrate his extraordinary professional accomplishments, excellent leadership and generous philanthropic and professional commitment to his *alma mater*. Mr. Lu's achievements were further recognized in 2015, when he received the "Alumni Award for Distinguished Service" from the College of Engineering, in recognition of his outstanding leadership, service and commitment to the field of engineering, society at large and his impact at the University of Illinois at Urbana-Champaign.

During the period from February 2000 to June 2013 and with effect from June 21, 2019, Mr. Lu has been a director of Hon Hai, listed on the Taiwan Stock Exchange (stock code: 2317). Mr. Sung-Ching Lu is the brother of Mr. Pochin Christopher Lu, our executive Director.

Mr. LU Pochin Christopher (盧伯卿), aged 62, was appointed as our executive Director on March 16, 2015. He is also the global chief operating officer and chief financial officer of our Company. Mr. Lu is responsible for providing strategic advice and guidance on the business development of the Group. Mr. Lu joined the Los Angeles office of Deloitte Haskins & Sells (now Deloitte Touche Tohmatsu) as an audit associate in 1981. During his 34 years of service with Deloitte Touche Tohmatsu, he held multiple executive positions, including Deloitte China CEO from 2008 to 2013, and member of the Deloitte Touche Tohmatsu Limited Global Executive Committee from 2012 to 2013. He has also led a number of Deloitte Touche Tohmatsu initiatives in support of national policies and programs such as those of the Ministry of Finance and the State-owned Assets Supervision & Administration Commission, PRC. He retired from Deloitte China in December 2014.

Mr. Lu's professional and personal contributions have been recognized by the community. He is a two-time winner of Shanghai's Magnolia Award in 2003 and 2005, which recognizes expatriates for their significant contributions to the development of the city of Shanghai.

Mr. Lu obtained a bachelor of science degree in accounting and a master of accounting science degree from the University of Illinois at Urbana-Champaign in the United States in 1980 and 1981, respectively. He has been a member of the American Institute of Certified Public Accountants since November 30, 1988 and he has been a member of the Chinese Institute of Certified Public Accountants since February 4, 1999.

Since August 12, 2015, Mr. Lu has been an independent non-executive director and chairman of the audit committee of Greenland Holdings Corp Ltd (綠地控股集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600606). In addition, since September 18, 2016, Mr. Lu has been an independent non-executive director, chairman of the audit committee and a member of the nomination committee of Honma Golf Limited (本間高爾夫有限公司), a company listed on the Stock Exchange (stock code: 6858), engaging in the business of manufacturing and selling golf clubs, golf balls, apparel and other related products. Mr. Lu has also been appointed as an independent director, chairman of the audit committee and a member of the compensation committee of Weibo Corporation, a Chinese social network company listed on the NASDAQ (stock code: WB), since August 13, 2020.

Since March 1, 2018, Mr. Lu has been a special assistant to the chairman of Hon Hai, listed on the Taiwan Stock Exchange (stock code: 2317). Mr. Pochin Christopher Lu is the brother of Mr. Sung-Ching Lu, our Chairman of the Board and executive Director.

Mr. PIPKIN Chester John, aged 60, was appointed as our executive Director with effect from April 1, 2019. He is currently the chief executive officer of Linksys Holdings, Inc. (previously known as FIT CHB Holdco, Inc.) and Executive Chairman of Belkin, subsidiaries of the Company, in charge of the Group's smart home and smart accessories businesses. Mr. Pipkin founded Belkin in 1983 and has been responsible for the strategy and operations of Belkin since then.

Mr. Pipkin attended the University of California, Los Angeles ("UCLA"), in 1978 and 1979. Mr. Pipkin has been listed as one of the 500 most influential people in Los Angeles by the Los Angeles Business Journal since 2016. He has served on the UCLA History Advisory Committee since 2011. Mr. Pipkin was inducted into the Dealerscope Magazine Consumer Electronics Hall of Fame in 2006. He was a regional recipient of the Ernst and Young Entrepreneur of the Year award in 1996. He has served as a board member for YMCA of Metropolitan Los Angeles since 2008 and served as a board member and board chairman for the California YMCA Model Legislature and Court from 1980 to 2000. He was also a founding board member and the founding board chairman for both Da Vinci Schools from 2008 to 2019 and RISE high schools from 2017 to 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CURWEN Peter D, aged 63, was appointed as our independent non-executive Director on November 4, 2016. He is primarily responsible for providing strategic advice and making recommendations on the operations and management of our Company. Mr. Curwen has over 30 years of experience in the connector industry. Prior to joining the Group, Mr. Curwen worked at Amphenol FCI (previously known as E.I. du Pont de Nemours and Company, Berg Electronics Group Inc. and FCI), a company engaged in the connector and cable assembly solutions business, since May 1981, and he served as a vice president and general manager of various business divisions of FCI from 2007 to 2011, and the president of the electronics division from August 2011 to September 2012. From 2012 to 2013, he was a Strategy adviser of FCI Holding S.A.S., a company engaged in the electronic connectors and cable assemblies business. In addition, Mr. Curwen was appointed as the President of Conesys, a company engaged in the industrial electronic connectors business, in February 2013.

Mr. Curwen obtained a bachelor's degree in physics from Hartwick College in the United States, and a bachelor's degree in mechanical engineering from Columbia University in the United States, both in 1981.

Mr. TANG Kwai Chang (鄧貴彰), aged 68, was appointed as our independent non-executive Director on November 4, 2016. He is primarily responsible for supervising and providing independent judgment for the Board. Mr. Tang is a fellow member of both the Chartered Association of Certified Accountants (admitted on November 8, 1984) and the Hong Kong Institute of Certified Public Accountants (certified on February 23, 1988). Mr. Tang has also been a member of the disciplinary panel of the Hong Kong Institute of Certified Public Accountants since August 2008 and is a convenor of Financial Reporting Review Panel of the Financial Reporting Council.

Mr. Tang has over 35 years of experience in accounting, auditing and audit risk management, including holding senior management positions as vice chairman of Deloitte China and a member of the board of Deloitte Global. He joined Deloitte Haskins & Sells (now Deloitte Touche Tohmatsu) as an audit trainee in 1976, and left in July 1980 as a senior accountant. Mr. Tang joined GPI (Holdings) Limited, a company engaged in the manufacturing and trading of electronics and electrical products, as an assistant finance manager in August 1980. Mr. Tang re-joined Deloitte Touche Tohmatsu in January 1982 as a senior accountant and became a partner in April 1988, and practiced as a certified public accountant. During his 35 years at Deloitte, Mr. Tang was responsible for providing audit and audit related services as well as undertaking management and governance roles within the firm, until he retired in May 2013.

Mr. Tang obtained his diploma in accounting from Hong Kong Baptist College (currently known as Hong Kong Baptist University ("HKBU")) in June 1976. He was an honorary member of the Court of HKBU from January 2007 to December 2011, and a member of the Court of HKBU from November 2011 to October 2020. He was conferred with the Honorary University Fellowship by HKBU in 2017.

Since September 24, 2014, Mr. Tang has been an independent non-executive director and the chairman of audit committee of HKR International Limited (香港興業國際集團有限公司), a company listed on the Stock Exchange (stock code: 480) since September 24, 2014 and is also the chairman of its audit committee. In addition, since April 1, 2017, Mr. Tang has been an independent non-executive director of Bank of Communications (Hong Kong) Limited (交通銀行(香港)有限公司), a company involved in the financial services industry. Furthermore, Mr. Tang is also currently a director for the following two subsidiaries under China Baowu Steel Group Corporation Limited (中國寶武鋼鐵集團有限公司), a company involved in the steel manufacturing industry: Baosteel Resources Co., Ltd (as of July 21, 2016) and Baosteel Resources International Company Limited (as of August 16, 2016). In addition, since December 15, 2017, Mr. Tang has been an independent non-executive director and also a chairman of the audit committee of Tsit Wing International Holdings Limited (捷榮國際控股有限公司), a company listed on the Stock Exchange (stock code: 2119) and a leading provider of integrated B2B coffee and black tea solutions.

Mr. CHAN Wing Yuen Hubert (陳永源), aged 63, appointed to our Board as an independent non-executive Director on November 4, 2016.

Mr. Chan has been an executive director of Central Development Holdings Limited (中發展控股有限公司) (stock code: 475) and Zhonghua Gas Holdings Limited (中華燃氣控股有限公司) (stock code: 8246) since November 2011 and August 2014 respectively. He has also been an independent non-executive director of Tian Ge Interactive Holdings Limited (天鴿互動控股有限公司) (stock code: 1980) since June 2014, all these companies are listed on the Stock Exchange.

Mr. Chan spent over ten years with the Stock Exchange. He also held various positions with companies listed on the Stock Exchange. Mr. Chan was previously a director of Guangdong Investment Limited (粵海投資有限公司) (stock code: 270), an independent non-executive director of China Smarter Energy Group Holdings Limited (中國智慧能源集團控股有限公司) (stock code: 1004), an executive director of EverChina Int'l Holdings Company Limited (潤中國際控股有限公司) (stock code: 202) and an executive director of Softpower International Limited (冠力國際有限公司) (stock code: 380). He was also an independent non-executive director of Shanghai La Chapelle Fashion Co., Ltd (上海拉夏貝爾服飾股份有限公司), a company listed on the Stock Exchange (stock code: 6116) and The Shanghai Stock Exchange (stock code: 603157).

Mr. Chan obtained a higher diploma in company secretaryship and administration from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University). Mr. Chan is an associate member of both The Institute of Chartered Secretaries and Administrators (now known as The Chartered Governance Institute) and The Hong Kong Institute of Company Secretaries and is also a member of both Hong Kong Securities and Investment Institute and The Hong Kong Institute of Directors. Mr. Chan is a member of the Chinese People's Political Consultative Conference – Heilongjiang Province Committee in the PRC.

Mr. TRAINOR-DEGIROLAMO Sheldon, aged 57, was appointed as our independent non-executive Director on May 10, 2019 and serves as a member of the remuneration committee and nomination committee. Mr. Trainor-DeGirolamo is currently the Managing Partner of PacBridge Capital Partners (HK) Limited ("PacBridge"), a principal investment firm which he founded in 2009. PacBridge specializes in providing early stage and growth capital to companies seeking to develop disruptive technologies and build scalable businesses, and has advised on more than US$4.0 billion of completed transactions and made numerous investments in companies around the world since its formation.

Prior to establishing PacBridge, Mr. Trainor-DeGirolamo spent around 20 years in investment banking with firms including: Credit Suisse Australia between 1990 and 1994 where he last served as an Associate in the Investment Banking Division; Morgan Stanley Asia between 1994 and 2005 where he last served as a Managing Director and Head of the General Industries Group; and Merrill Lynch between 2005 and 2009 where he was the Head of Investment Banking for Asia and last served as Vice Chairman of Merrill Lynch Asia. During his investment banking career, Mr. Trainor-DeGirolamo developed extensive experience and expertise across many sectors, in particular utilities, industrials, infrastructure and natural resources, providing financial and strategic advice to public and private sector companies, public organizations and government bodies in Asia and around the world.

Between May 2012 and November 2020, Mr. Trainor-DeGirolamo was an Executive Director of Macau Legend Development Limited (澳門勵駿創建有限公司), a company listed on the Stock Exchange (Stock Code: 1680) and one of the leading owners of entertainment and casino gaming facilities in Macau with projects in Laos and Cape Verde. He was a director and chairman of the compensation committee of Athenex, Inc., a biopharmaceutical company which is listed on the NASDAQ Global Select Market (Ticker Symbol: ATNX), between June 2017 and March 2019.

Mr. Trainor-DeGirolamo obtained a Bachelor of Commerce degree from the University of British Columbia in 1988. He currently serves on the Advisory Board of the Sauder School of Business at the University of British Columbia.

SENIOR MANAGEMENT

For the biographical details of Mr. PIPKIN Chester John, please see “Directors – Executive Directors” of this section.

Mr. TSAI Yen-Chao, aged 56, joined the Group in July 2014 and was appointed as the Vice President on March 1, 2018. He is primarily responsible for the cable products business of the Group. He currently holds various positions in the subsidiaries of the Group, including director of Huaian Fulitong Trading Co., Ltd. and Huaian Hong Yu Electronics Technology Co., Ltd..

Prior to joining our Group, he served as a business unit director of Hon Hai, our predecessor, from March 1988 to July 2014, responsible for the cable products business.

Mr. Tsai obtained a degree in mechanical engineering from the National United University (國立聯合大學) in June 1987.

Mr. LIN Nan-Hung, aged 51, joined the Group on October 1, 2013 and was appointed as the Vice President on January 1, 2020. He is primarily responsible for the connector business of the Group. He currently holds various positions in the subsidiaries of the Group, including the legal representative and director of Fu Ding Precision Component (Shenzhen) Co., Ltd..

Prior to joining our Group, he served as a business unit director of Hon Hai, our predecessor, from June 1996 to September 2013, responsible for the connector business.

Mr. Lin obtained a master’s degree in mechanical engineering from National Chung Hsing University in June 1994.

Directors' Report

The Board is pleased to announce the Annual Report and the audited consolidated financial statements of the Group for the year ended December 31, 2020 (the "Reporting Period").

GLOBAL OFFERING

The Company is an exempted company incorporated in the Cayman Islands with limited liability on April 8, 2013, carrying on business in Hong Kong as "FIT Hong Teng Limited (鴻騰六零八八精密科技股份有限公司)", and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance under an approved English corporate name pursuant to section 782 of the Companies Ordinance as "FIT Hon Teng Limited" and an approved Chinese corporate name as "鴻騰六零八八精密科技股份有限公司" (as a result of being served a notice by the Registrar of Companies pursuant to section 780 of the Companies Ordinance). Our Company's shares became listed on the Main Board of the Stock Exchange on July 13, 2017.

PRINCIPAL BUSINESS

The Group focuses on the development, manufacturing and marketing of electronic and optoelectronic connectors, antennas, acoustic components, cables and modules for applications in computers, communication equipment, consumer electronics, automobiles, industrial and green energy field products. The Group's offices and manufacturing sites are located in Asia, the Americas and Europe. In 2018, FIT merged with Belkin (Belkin®, Linksys®, Wemo®, Phyn®) to create a global consumer electronics leader. Today, this group leads in connecting people with technologies at home, at work and on the go within the accessories ("Connected Things" – Belkin brand) and the smart home ("Connected Home" – Linksys, Wemo and Phyn brands) markets.

RESULTS

The results of the Group for the year ended December 31, 2020 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 74 to 75 of this Annual Report.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend of the Company for the year ended December 31, 2020.

BUSINESS REVIEW

A review of the business of the Group and a discussion and analysis of the Group's performance during the year and an indication of likely future developments in the Group's business are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" from pages 5 to 7 and pages 8 to 18 of this Annual Report respectively. Further discussion of the environmental policies and performance together with the compliance with relevant laws and regulations by the Group, and the discussion of the relationship with the employees, customers and suppliers, are set out in the Company's "2020 Environmental, Social and Governance Report" published on the Stock Exchange's website at http://www.hkexnews.hk. Description of the risks and uncertainties facing the Group can be found throughout the Annual Report. These discussions form part of this Directors' Report.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 4 of this Annual Report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

As of the year ended December 31, 2020, sales to our top five customers accounted for 57.6% of the Group's total revenue (2019: 66.1%) while sales to our single largest customer accounted for 33.2% of the Group's total revenue (2019: 33.0%).

Major Suppliers

As of the year ended December 31, 2020, purchases from our top five suppliers accounted for 37.4% of the Group's total purchases (2019: 39.5%) while purchases from our single largest supplier accounted for 17.5% of the Group's total purchases (2019: 17.1%).

During the Reporting Period, none of the Directors, any of their close associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the number of the issued shares of the Company) was interested in the top five customers or suppliers of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Company and the Group during the Reporting Period are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Reporting Period are set out in note 27 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the Reporting Period are set out on pages 78 to 79 of the consolidated statements of changes in equity.

RESERVES AVAILABLE FOR DISTRIBUTION

As of December 31, 2020, the Company's reserves available for distribution amounted to approximately US$1,673 million.

BANK BORROWINGS

Particulars of bank borrowings of the Company and the Group as of December 31, 2020 are set out in note 29 to the consolidated financial statements.

DIRECTORS

The Directors during the Reporting Period and up to the Latest Practicable Date are as follows:

Executive Directors:

Mr. LU Sung-Ching (盧松青)
Mr. LU Pochin Christopher (盧伯卿)
Mr. PIPKIN Chester John

Independent Non-executive Directors:

Mr. CURWEN Peter D
Mr. TANG Kwai Chang (鄧貴彰)
Mr. CHAN Wing Yuen Hubert (陳永源)
Mr. TRAINOR-DEGIROLAMO Sheldon

In accordance with article 84 of the Articles of Association, Mr. CURWEN Peter D, Mr. TANG Kwai Chang and Mr. TRAINOR-DEGIROLAMO Sheldon shall retire by rotation, and being eligible, offer themselves for re-election at the AGM.

The particulars of Directors who are subject to re-election at the AGM are set out in the circular to Shareholders to be despatched on or around April 30, 2021.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 19 to 23 of this Annual Report.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the independent non-executive Directors as independent persons during the Reporting Period and up to the Latest Practicable Date.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of Mr. LU Sung-Ching (盧松青), Mr. LU Pochin Christopher (盧伯卿) and Mr. PIPKIN Chester John, the executive Directors, has entered into a service contract with the Company on April 20, 2020, April 20, 2020 and March 29, 2019, respectively, with an initial fixed term of three years commencing from June 20, 2020, June 20, 2020 and April 1, 2019 respectively. Such contracts shall be subject to termination in accordance with their respective terms and may be renewed in accordance with the Articles of Association and the applicable Listing Rules.

Each of Mr. CURWEN Peter D, Mr. TANG Kwai Chang (鄧貴彰) and Mr. CHAN Wing Yuen Hubert (陳永源), independent non-executive Directors, has accepted and signed a letter of continuation of appointment issued by the Company on November 19, 2019, with a fixed term of three years commencing from November 4, 2019. Such letters of continuation of appointment shall be subject to termination in accordance with their respective terms.

Mr. TRAINOR-DEGIROLAMO Sheldon, an independent non-executive Director, has signed a letter of appointment with the Company on May 10, 2019 with an initial fixed term of three years. Such letter of appointment shall be subject to termination in accordance with its terms.

Save as disclosed above, none of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No Director or entity connected with a Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party and which subsisted at the end of or at any time during the Reporting Period.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period and up to the Latest Practicable Date.

EMOLUMENT POLICY

The Remuneration Committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

Details of the emoluments of the Directors, and the five highest paid individuals during the Reporting Period are set out in note 10 to the consolidated financial statements.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in note 10 to the consolidated financial statements.

CHANGES OF INFORMATION IN RELATION TO THE DIRECTORS

On November 24, 2020, Mr. TRAINOR-DEGIROLAMO Sheldon ceased to be an executive director of Macau Legend Development Limited (澳門勵駿創建有限公司), a company listed on the Stock Exchange (stock code: 1680).

On August 13, 2020, Mr. LU Pochin Christopher was appointed as an independent director of Weibo Corporation, a company listed on the NASDAQ (stock code: WB).

Save as disclosed above, there is no other information in respect of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the Company's 2020 interim report.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of December 31, 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been under the provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which had otherwise been notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Long positions in the Shares

Name of Director	Capacity and nature of interest	Number of Shares held	Approximate percentage of shareholding
LU Sung-Ching (盧松青)[1]	Beneficial owner	219,220,000	3.18%
LU Pochin Christopher (盧伯卿)[2]	Beneficial owner	21,512,000	0.31%
PIPKIN Chester John[3]	Beneficial owner	1,790,000	0.03%

Notes:

1. Mr. LU Sung-Ching is also interested in 221,440,000 Shares under Share Grant Scheme.
2. Mr. LU Pochin Christopher is also interested in 9,000,000 Shares under the Second Restricted Share Award Scheme.
3. Mr. PIPKIN Chester John is also interested in 200,000 share options granted by the Company under the Share Option Scheme.

(ii) Long position in the share capital or debentures of the associated corporations of the Company

Name of Director	Name of associated corporation of the Company	Capacity and nature of interest	Number of shares in the corporation	Approximate percentage of shareholding in the associated corporation
PIPKIN Chester John	Linksys Holdings, Inc. (previously known as FIT CHB Holdco, Inc.)	Settlor of a trust	463,436	9.57%

(iii) Long position in share options granted by the Company

As of December 31, 2020, the long position of the Directors in the share options granted by the Company under the Share Option Scheme was as follows:

Name of Director	As of January 1, 2020	Granted during the year 2020 and up to December 31, 2020	Exercised during the year 2020 and up to December 31, 2020	Lapsed during the year 2020 and up to December 31, 2020	Cancelled during the year 2020 and up to December 31, 2020	As of December 31, 2020	Date of grant of share options	Exercise period of share options (both dates inclusive)	Closing price of the Shares immediately before the date on which the share options were granted HK$	Exercise price of share options HK$
PIPKIN Chester John	200,000	–	–	–	–	200,000	December 28, 2018	December 28, 2019 to December 28, 2022	3.380	3.422

Save as disclosed above, as of December 31, 2020, none of the Directors or chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which had otherwise been notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this Annual Report, at no time during the Reporting Period were there rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or minor children, or were there any such rights exercised by the Directors; or was the Company, or any of its holding companies, fellow subsidiaries and subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of December 31, 2020, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as was known to the Directors or chief executives of the Company, the persons or entities, other than a Director or chief executives of the Company, who had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other company which is a subsidiary of the Company, or in any options in respect of such share capital were as follows:

Long positions in the Shares

Name of Shareholder	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
Hon Hai	Interest in controlled corporation[1]	5,179,557,888	75.15%
Foxconn (Far East) Limited ("Foxconn Far East Cayman")*	Interest in controlled corporation[2]	5,179,557,888	75.15%
Foxconn (Far East) Limited ("Foxconn Far East Hong Kong")**	Beneficial owner	5,179,557,888	75.15%

* Foxconn Far East Cayman is an exempted company incorporated in the Cayman Islands with limited liability on January 25, 1996 which owns 100% issued shares of Foxconn Far East Hong Kong.

** Foxconn Far East Hong Kong is a limited liability company incorporated in Hong Kong on December 29, 1988.

Notes:

1. Hon Hai holds the entire issued share capital of Foxconn Far East Cayman, which in turn holds the entire issued share capital of Foxconn Far East Hong Kong.
2. Foxconn Far East Cayman holds the entire issued share capital of Foxconn Far East Hong Kong, which in turn holds 5,179,557,888 Shares.

Save as disclosed above, as of December 31, 2020, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be and were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE GRANT SCHEME

The Share Grant Scheme was approved and adopted by the Board on January 5, 2015, and the Board further adopted the rules and interpretations thereof on November 4, 2016. The purpose of the Share Grant Scheme is to incentivize Directors, senior management and employees for their contribution to the Group and to attract, motivate and retain skilled and experienced personnel for further development of the Group. Please refer to the section headed "Statutory and General Information – Share Grant Scheme" of the Prospectus for further details of the Share Grant Scheme.

As of the Latest Practicable Date, details of the interests of the Director in the Share Grant Scheme are set out below:

Name of Director	Date of grant	Number of Shares granted
LU Sung-Ching (盧松青)	January 5, 2015	221,440,000

SHARE OPTION SCHEME

The Share Option Scheme was conditionally approved and adopted by our Shareholders on December 19, 2017 (the "Adoption Date"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to enable the Group to offer valuable incentive to attract and retain quality personnel to work towards enhancing the value and attaining the long-term objectives of the Group.

The Board may, in its absolute discretion, offer to grant an option (an "Option") to any director or employee of the Group, any customer of or supplier of goods or services to the Group, any customer of or supplier of goods or services to any entity in which the Group holds any equity interest (an "Invested Entity"), or any person or entity that provides research, development or technical support to the Group or any Invested Entity (each of whom a "Qualified Participant"). An offer for an Option must be accepted by the relevant Qualified Participant on a date not later than five business days after the Option is offered to a Qualified Participant. An amount of HKD1.00 is payable as consideration for acceptance of the grant.

The maximum number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company shall not exceed 130,000,000 Shares, representing approximately 1.9% of the share capital of the Company in issue at the Adoption Date (the "Option Limit") provided that:

(i) the Company may seek approval by Shareholders in a general meeting to refresh the Option Limit; and

(ii) the Company may seek separate Shareholders' approval in a general meeting to grant Options beyond the Option Limit provided that the Options in excess of the Option Limit are granted only to Qualified Participants specifically identified by the Company before such approval is sought,

subject to the limitation that the maximum number of Shares which may be issued or issuable upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

The maximum number of Shares (issued and to be issued upon the exercise of Options) in respect of which Options may be granted under the Share Option Scheme to any one grantee in any 12-month period shall not exceed 1% of the share capital of the Company in issue unless approval of the Shareholders has been obtained in accordance with the Listing Rules.

The Share Option Scheme was in force from the Adoption Date up to (and including) December 31, 2018. As of the Latest Practicable Date, the Share Option Scheme has expired. A grantee may subscribe for Shares during such period as may be determined by the Directors (which shall not be more than 10 years from the date of grant of the relevant Option and may include the minimum period, if any, for which an Option must be held before it can be exercised). The Directors may, at their absolute discretion, specify at the time of the grant, the performance targets (if any) that must be achieved before the Option can be exercised.

The exercise price of an Option shall not be less than the higher of (i) the closing price per Share as stated in the Stock Exchange's daily quotations sheet on the date of the grant of the Option; (ii) the average closing price per Share as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of the grant of the Option; and (iii) nominal value of the Shares.

For further details about the Share Option Scheme, please refer to the Company's circular dated December 4, 2017.

Name or category of participant	Number of share options: As of January 1, 2020	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As of December 31, 2020	Date of grant of share options	Exercise period of share options (both dates inclusive)	Closing price of the Shares immediately before the date on which the share options were granted HK$	Exercise price of share options HK$	Weighted average closing price of share immediately before the date(s) on which options were exercised HK$
PIPKIN Chester John	200,000	–	–	–	–	200,000	December 28, 2018	December 28, 2019 to December 28, 2022	3.380	3.422	–
Employees in aggregate	20,484,800	–	4,863,700	1,861,800	–	13,759,300	May 25, 2018	June 11, 2018 to June 10, 2021	3.800	3.690	4.24
	8,410,000	–	165,000	475,000	–	7,770,000	December 28, 2018	December 28, 2019 to December 28, 2022	3.380	3.422	4.18
	183,000	–	–	–	120,000	63,000	December 28, 2018	33 1/3%: December 28, 2019 to December 28, 2024; 33 1/3%: December 28, 2020 to December 28, 2024; 33 1/3%: December 28, 2021 to December 28, 2024	3.380	3.422	–
	23,860,000	–	135,000	625,000	2,250,000	20,850,000	December 28, 2018	25%: December 28, 2019 to December 28, 2025; 25%: December 28, 2020 to December 28, 2025; 25%: December 28, 2021 to December 28, 2025; 25%: December 28, 2022 to December 28, 2025	3.380	3.422	4.26
	53,137,800	–	5,163,700	2,961,800	2,370,000	42,642,300[1]					

Note:

1. The total number of Shares available for issue under the Share Option Scheme is 42,642,300 Shares, representing approximately 0.62% of the issued Shares as of the Latest Practicable Date.

Save as disclosed above, the Company has not entered into any other share option scheme.

RESTRICTED SHARE AWARD SCHEMES

The First Restricted Share Award Scheme was approved and adopted by the Company on January 31, 2018 and amended on May 15, 2018. The purpose of the First Restricted Share Award Scheme is to recognize the contributions by the selected participants, to give them incentives to achieve performance goals, and to attract suitable personnel for further development of the Group. Please refer to the Company's announcement dated May 21, 2018 for further details of the First Restricted Share Award Scheme.

As of December 31, 2020, the trustee of the First Restricted Share Award Scheme had purchased 213,642,000 Shares on the Stock Exchange for a total consideration of HK$736,383,975.72 and 6,001,000 Shares had been granted to the selected participants.

The Second Restricted Share Award Scheme was approved and adopted by the Company on February 11, 2019. The purpose of the Second Restricted Share Award Scheme is to recognize the contributions by the selected participants, to give them incentives to achieve performance goals, and to attract suitable personnel for further development of the Group. Please refer to the Company's announcement dated March 26, 2019 for further details of the Second Restricted Share Award Scheme.

As of December 31, 2020, the trustee of the Second Restricted Share Award Scheme had purchased 16,484,000 Shares on the Stock Exchange for a total consideration of HK$50,452,622.42 and 16,403,000 Shares had been granted to the selected participants.

As of the Latest Practicable Date, details of the interests of the Director in the Second Restricted Share Award Scheme are set out below:

Name of Director	Date of grant	Number of Shares granted	Vesting schedule
LU Pochin Christopher (盧伯卿)	December 12, 2019	18,000,000	25%: vested on December 12, 2019 25%: vested on December 12, 2020 25%: to vest on December 12, 2021 25%: to vest on December 12, 2022

EQUITY-LINKED AGREEMENT

Other than disclosed in this Annual Report, there was no equity-linked agreement entered into by the Company or any of its subsidiaries during the Reporting Period or subsisted at the end of the year.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES

Save as disclosed under the section headed "Restricted Share Award Schemes", during the Reporting Period none of the Company or any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for the pre-emptive rights under the Articles of Association and the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

NON-COMPETITION UNDERTAKING

To safeguard our Group from any potential competition, Hon Hai Precision Industry Co., Ltd. (the "Covenantor") has provided an irrevocable deed (the "Deed of Non-Competition") to the Company on June 6, 2016, pursuant to which the Covenantor irrevocably undertook to our Company that it shall not, and shall procure that its affiliates and its close associates (as ascribed under the Listing Rules, other than any member of our Group) shall not, directly or indirectly, invest in, participate in, carry on, and/or operate any business (including the design, development, production and sales of connectors, antennas, acoustics component, cables and cable assemblies products) or any other business that the Group plans to engage in as described in the Prospectus which is in any respect in competition with or is likely to be in competition with or benefit from either on its own account, through its representatives or together with any third parties.

For details of the Deed of Non-Competition, please see "Non-Competition Undertaking" under the section headed "Relationship with Our Controlling Shareholders" in the Prospectus.

Based on the information provided by the controlling Shareholders, the independent non-executive Directors have reviewed the implementation of non-competition undertaking during the Reporting Period, and are satisfied that the controlling Shareholders have complied with the Deed of Non-Competition.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this Annual Report, none of the Directors or their associates had any interest in any business which directly or indirectly competes or may compete with the businesses of our Group during the Reporting Period.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the connected transactions and the continuing connected transactions conducted by the Group are described below.

The following entities are our connected persons:

- Hon Hai, a controlling shareholder and hence our connected person; and
- Hon Hai Group, each entity being a subsidiary or associate of our controlling Shareholder and hence our connected persons.

Connected Transaction

On September 15, 2020, Foxconn (Kunshan) Computer Connector Co., Ltd. (a wholly-owned subsidiary of the Company) entered into a partnership agreement with Foshan Huacheng Investment Co., Ltd. (a connected person of the Company), Shenzhen Foxport Technology Corporation Limited (a connected person of the Company), and five independent third parties in relation to the establishment and management of the Guangdong Hongfu Xinghe Hongtu Venture Capital Fund (Limited Partnership) (the "Fund"). The Fund is a limited partnership registered in the PRC and will engage in venture capital investment to facilitate the development of emerging industries. For further details, please refer to the Company's announcement dated September 15, 2020.

Non-Exempt Continuing Connected Transactions with Hon Hai Group

As the applicable "percentage ratios" (other than the profits ratio) for the transactions under each of the below categories (a) to (l) are more than 0.1% but below 5%, the transactions contemplated therein are exempted from the circular (including independent financial advice) and independent shareholders' approval requirements, but subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

Our Directors are of the view that these transactions will be conducted on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders.

(a) Framework Molding Parts Agreement

Our Group entered into a framework molding parts agreement with Hon Hai, pursuant to which we procure various molding parts from Hon Hai Group. The term of the molding parts agreement is three years commencing on the Listing Date. On November 25, 2019, the Company and Hon Hai agreed upon the terms of a framework molding parts agreement for a term from January 1, 2020 to December 31, 2022.

As to the pricing policy, we would run a price quote process to check price quotes from a minimum of three independent third party qualified suppliers for the products of the same specification and quality. If a lower price exists, we would either engage independent third party suppliers to carry out the work or request Hon Hai and its other subsidiaries to lower their fee quote. If no independent third party supplier is available, the price is determined on a cost plus basis, with a mark-up of up to 10%.

For the year ended December 31, 2020, the annual cap of the maximum aggregate annual amount payable to Hon Hai Group was set at US$101 million. The actual aggregate amount was approximately US$67 million.

(b) Framework General Services and Costs Sharing Agreement (as Expenses) with Hon Hai Group

Our Group entered into a framework general services and costs sharing agreement with Hon Hai, pursuant to which our Group will share the costs of certain services and office spaces of subsidiaries of Hon Hai Group including telecommunication, general administrative and IT system support, utility, logistics and other services. The term of the agreement is three years commencing on the Listing Date, and subject to the terms and conditions therein the sharing services expenses are determined based on various factors including usage or costs allocation in proportion of headcount, procurement volume and floor area, as the case may be. On November 25, 2019, the Company and Hon Hai agreed upon the terms of a framework general services and costs sharing (expense) agreement for a term from January 1, 2020 to December 31, 2022.

For the year ended December 31, 2020, the annual cap of the maximum aggregate annual fee payable to Hon Hai Group was set at US$8.1 million. The actual aggregate amount was approximately US$2.7 million.

(c) Framework Equipment Sales Agreement

Our Group entered into a framework equipment sales agreement with Hon Hai for a term from January 1, 2019 to December 31, 2019, pursuant to which we sold to Hon Hai Group equipment and facilities primarily used in connection with the production activities of Hon Hai Group. Such equipment and facilities may include molding machines, stamping machines and computer hardware. On November 25, 2019, the Company and Hon Hai agreed upon the terms of a framework equipment sales agreement for a term from January 1, 2020 to December 31, 2022.

As to the pricing policy, the consideration for transactions contemplated under the framework equipment sales agreement was determined with reference to (i) the net book value of the relevant equipment as recorded in the accounts of the relevant member of the Group; and if inappropriate or inapplicable, (ii) the market price (which is the price offered by independent third parties for acquiring the same or similar equipment or facilities).

For the year ended December 31, 2020, the annual cap of the aggregate annual sales amount to Hon Hai Group was set at US$12 million. The actual aggregate amount was approximately US$0.4 million.

(d) Framework Equipment Purchase Agreement

Our Group entered into a framework equipment purchase agreement with Hon Hai for a term from January 1, 2019 to December 31, 2019, pursuant to which we purchased from Hon Hai Group equipment and facilities primarily used in the Group's production activities in connection with serving the mobile and wireless devices, communications infrastructure, computer and consumer electronics end markets. Such equipment and facilities may include air-conditioning systems, automatic assembly equipment, stamping machines, computer software and molding machines. On November 25, 2019, the Company and Hon Hai agreed upon the terms of a framework equipment purchase agreement for a term from January 1, 2020 to December 31, 2022.

As to the pricing policy, the purchase prices for the equipment and facilities under the framework equipment purchase agreement are determined with reference to (i) the net book value of the relevant equipment as recorded in the accounts of the relevant member of Hon Hai Group; and if inappropriate or inapplicable, (ii) the market price (which is the price required by independent third parties selling the same or similar equipment or facilities).

For the year ended December 31, 2020, the annual cap of the aggregate annual procurement payment to Hon Hai Group was set at US$10 million. The actual aggregate amount was approximately US$6 million.

(e) Framework Property Leasing Agreement

Our Group entered into a framework property leasing agreement with Hon Hai, pursuant to which we may lease the properties of Hon Hai or its subsidiaries for manufacturing facilities and office purpose. The framework property leasing agreement was effective during the period of January 1, 2017 to December 31, 2019. On November 25, 2019, the Company and Hon Hai agreed upon the terms of a framework property leasing agreement for a term from January 1, 2020 to December 31, 2022.

As to the pricing policy, we would negotiate the rent with Hon Hai or its subsidiaries based on the actual area of the leased property and at a price not higher than the current market price, and settle the rental payment by bank transfer.

For the year ended December 31, 2020, the annual cap of the aggregate annual rental payment to Hon Hai Group was set at US$7.2 million. The actual aggregate amount was approximately US$4.4 million.

(f) Framework Logistics Agreement

Our Group entered into a framework logistics agreement with Hon Hai, pursuant to which we may purchase certain transportation, logistics, warehousing and customs clearance services from Hon Hai Group. The framework logistics agreement was effective during the period of January 1, 2019 to December 31, 2019. On November 25, 2019, the Company and Hon Hai agreed upon the terms of a framework logistics agreement for a term from January 1, 2020 to December 31, 2022.

As to the pricing policy, the consideration for transactions contemplated under the framework logistics agreement shall be determined with reference to the market price (which is the price offered by independent third parties for providing the same or similar services) and, in respect of warehousing services, service quality and warehouse locations.

For the year ended December 31, 2020, the annual cap of the aggregate annual logistics services payment to Hon Hai Group was set at US$36 million. The actual aggregate amount was approximately US$18 million.

(g) Framework Pensions Payment Agreement

Our Group entered into a framework pensions payment agreement with Hon Hai for a term from January 1, 2019 to December 31, 2019, pursuant to which we agreed to make pensions payments on behalf of Hon Hai to certain of our Group's employees who were formerly employed by Hon Hai Group in respect of the portion of pensions payment attributable to the relevant employees' employment with Hon Hai Group, and Hon Hai Group agrees to repay the advance pensions payment made by the Group on its behalf. On November 25, 2019, the Company and Hon Hai agreed upon the terms of a framework pensions payment agreement for a term from January 1, 2020 to December 31, 2022.

As to the pricing policy, the consideration for transactions contemplated under the framework pensions payment agreement shall be determined with reference to the actual amounts of advance pensions payment made by the Group on behalf of Hon Hai Group.

For the year ended December 31, 2020, the annual cap of the aggregate annual pensions payment to Hon Hai Group was set at US$4.1 million. The actual aggregate amount was approximately US$0.4 million.

(h) Framework OEM New Equipment Sales Agreement

Our Group entered into a framework OEM new equipment sales agreement with Hon Hai for a term from January 1, 2018 to December 31, 2019, pursuant to which we may sell certain equipment and facilities including newly assembled industrial testing equipment relating to automation and artificial intelligence which would be primarily used in the Hon Hai Group's business and production activities. On November 25, 2019, the Company and Hon Hai agreed upon the terms of a framework OEM new equipment sales agreement for a term from January 1, 2020 to December 31, 2022.

As to the pricing policy, the consideration for the equipment and facilities under the framework OEM new equipment sales agreement shall be determined with reference to the costs of production and assembly, plus a profit margin of not less than 1%; and if inappropriate or inapplicable, with reference to the market price (which is the price required by independent third parties selling the same or similar equipment or facilities).

For the year ended December 31, 2020, the annual cap of the aggregate annual sales amount to Hon Hai Group was set at US$30 million. The actual aggregate amount was US$0.

(i) Framework Rental Income Agreement

Our Group entered into a framework rental income agreement with Hon Hai for a term from January 1, 2018 to December 31, 2019, pursuant to which Hon Hai Group may lease properties of the Group, including but not limited to manufacturing facilities and dormitories. On November 25, 2019, the Company and Hon Hai agreed upon the terms of a framework rental income agreement for a term from January 1, 2020 to December 31, 2022.

As to the pricing policy, the rent for the leased property under the framework rental income agreement shall be determined with reference to the market price (which is the rent required by independent third parties leasing the same or similar property).

For the year ended December 31, 2020, the annual cap of the aggregate annual rental payment from Hon Hai Group was set at US$4.6 million. The actual aggregate amount was approximately US$1.7 million.

(j) Technology License Agreement

FIT Electronics Device Pte. Ltd., a subsidiary of the Company, entered into a technology license agreement with Sharp Corporation, an associate of Hon Hai, pursuant to which Sharp agrees to grant to FIT Electronics Device Pte. Ltd. the right to develop, assemble and manufacture the specified products in the specific territories for sale or distribution using the know-how from Sharp Corporation regarding control plans, manufacturing standards and research and development. The technology license agreement was effective during the period of February 7, 2018 to December 31, 2020.

As to the consideration, the license fee under the technology license agreement was agreed with reference to a valuation report on the fair value of certain patents and technologies constituting the relevant know-how under the technology license agreement.

For the year ended December 31, 2020, the annual cap of the aggregate license fee payment to Sharp Corporation was set at JPY0, the actual aggregate amount was US$0.

(k) Framework General Services and Costs Sharing Agreement (as Income) with Hon Hai Group

Our Group entered into a framework general services and costs sharing agreement with Hon Hai, pursuant to which Hon Hai Group will share the costs of certain services and office spaces of the Group including telecommunication, general administrative and IT system support, utility, logistics and other services. The term of the agreement was three years commencing on the Listing Date, and subject to the terms and conditions therein the sharing services pricing are determined based on various factors including usage or costs allocation in proportion to headcount, procurement volume and floor area, as the case may be. On November 25, 2019, the Company and Hon Hai agreed upon the terms of a framework general services and costs sharing (income) agreement for a term from January 1, 2020 to December 31, 2022.

For the year ended December 31, 2020, the annual cap of the maximum aggregate annual fee payable to the Group was set at US$3.3 million. The actual aggregate amount was approximately US$1.7 million.

(l) Framework Human Resources Support Expense Agreement

On November 25, 2019, the Company and Hon Hai agreed upon the terms of the framework human resources support expense agreement pursuant to which Hon Hai Group has agreed to provide human resources support services to the Group from time to time and subject to the terms and conditions thereof for a term from January 1, 2020 to December 31, 2022.

As to the pricing policy, the consideration for transactions contemplated under the framework human resources support expense agreement shall be determined with reference to comparable third-party prices to the extent independent-third-party suppliers are available, or where such third-party prices are not readily available: with reference to the relevant cost (including direct cost, indirect cost and operating expenses estimated to be allocated) of the relevant human resources support services provided by Hon Hai and its affiliated companies, as well as a comparable profit interval provided by a professional independent third party and in accordance with reasonable business principles.

For the year ended December 31, 2020, the annual cap of the maximum aggregate annual fee payable to Hon Hai Group was set at US$8.2 million. The actual aggregate amount was approximately US$2.2 million.

As one or more of the applicable percentage ratios in relation to the transactions under each of the below categories (m) to (o) are more than 5%, such transactions are subject to the annual reporting, annual review, announcement, circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(m) Framework Sales Agreement

Our Group entered into a framework sales agreement with Hon Hai, pursuant to which the Hon Hai Group purchases various interconnect solutions and other related products from us. Such transactions mainly represent sales to the Hon Hai Group as contract manufacturers, of which more than 50% are designated by the top five brand companies who are the primary decision makers when such sales are made. The term of the framework sales agreement was three years commencing on the Listing Date. On November 25, 2019, the Company and Hon Hai agreed upon the terms of a framework sales agreement for a term from January 1, 2020 to December 31, 2022.

As to the pricing policy, for the sales to the Hon Hai Group that are designated by our brand company customers, the selling prices of our customized interconnect solutions and other products are negotiated and determined between our brand company customers and us. For other sales to the Hon Hai Group where the selling prices are not designated by our customers ("Connected Sales"), the selling prices are determined by referencing the blended profit margin, which is the difference between revenue generated from such sales and historical cost allocated thereto for the preceding month, divided by the corresponding revenue, to that of sales to independent third parties ("Third Party Sales"), on a rolling basis, such that the difference in the blended profit margins between Connected Sales and Third Party Sales in each fiscal year shall not be more than 6.5%, having considered the long-term business relationship, large sales volume to the Hon Hai Group, and the strategic partnership with the Hon Hai Group.

For the year ended December 31, 2020, the annual cap of the aggregate annual sales amount to Hon Hai Group was set at US$1,250 million. The actual aggregate amount was approximately US$494 million.

(n) Framework Purchase Agreement

Our Group entered into a framework purchase agreement with Hon Hai, pursuant to which we purchase from the Hon Hai Group various raw materials, ancillary materials and semi-finished components and assembled products under the following three procurement models: (1) purchase of gold salts from the Hon Hai Group as our raw materials ("Model One"); (2) purchase of ancillary materials from Hon Hai Group ("Model Two"); and (3) purchase of semifinished components and assembled products from the Hon Hai Group to whom we provide certain raw materials and components for their production of semi-finished components and assembled products ("Model Three"). The term of the framework purchase agreement was three years commencing on the Listing Date. On November 25, 2019, the Company and Hon Hai agreed upon the terms of a framework purchase agreement for a term from January 1, 2020 to December 31, 2022.

Model One's pricing policy: for our procurement of gold salts, at the purchase price equivalent to the sum of the commodity spot prices and the processing fees. We will obtain and compare fee proposals provided by the Hon Hai Group and independent third party suppliers on a quarterly basis to the extent practicable. As a risk control measure, we will procure gold salts from more than one supplier, but will allocate at least 70% annual purchase to the supplier with the lowest fee quote.

Model Two's pricing policy: for the procurement of ancillary raw materials from the Hon Hai Group that is designated by our customers, at the purchase price agreed between the Hon Hai Group and our customers, and for other procurement of ancillary raw materials from the Hon Hai Group, at the purchase price determined with reference to comparable third-party prices to the extent independent-third-party suppliers are available.

Model Three's pricing policy: for the procurement of semi-finished goods and assembled products, at the purchase price determined based on (a) the Hon Hai Group's purchase prices of raw materials supplied by us, (b) the Hon Hai Group's purchase prices of other raw materials, (c) the Hon Hai Group's labor costs and overhead, and (d) handling fees up to 8% of relevant material cost, labor cost and overhead, or determined with reference to comparable third party prices to the extent independent third party suppliers are available.

For the year ended December 31, 2020, the annual cap of the aggregate annual procurement amount from the Hon Hai Group was set at US$550 million. The actual aggregate amount was approximately US$331 million.

(o) Framework Sub-contracting Services Agreement

Our Group entered into a framework sub-contracting services agreement with Hon Hai, pursuant to which the Hon Hai Group provides us with subcontracting services from time to time. The term of the framework sub-contracting services agreement was three years commencing on the Listing Date. On November 25, 2019, the Company and Hon Hai agreed upon the terms of a framework sub-contracting services agreement for a term from January 1, 2020 to December 31, 2022.

As to the pricing policy, under the framework sub-contracting services agreement, the sub-contracting fees are determined based on relevant (i) labor costs and overhead and (ii) handling fee of up to 5% of relevant labor costs and overhead. Where such cost break-down is not readily available, the sub-contracting fees are determined with reference to comparable third-party prices.

For the year ended December 31, 2020, the annual cap of the aggregate annual sub-contracting services fee amount to Hon Hai Group was set at US$310 million. The actual aggregate amount was approximately US$27 million.

During the Reporting Period, our independent non-executive Directors have reviewed the above non-exempted continuing connected transactions and have confirmed that such transactions were entered into:

(i) in the ordinary and usual course of business of the Group;
(ii) on normal or better commercial terms; and
(iii) in accordance with the agreements for such transactions, the terms of which are fair and reasonable, and are in the interest of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 37 to 44 of this Annual Report in accordance with paragraph 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Other related party transactions entered into by the Group during the year ended December 31, 2020 as set out in note 34 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Save as disclosed in this Annual Report, there were no connected transactions or continuing connected transactions which are required to be disclosed by the Company during the Reporting Period in accordance with the provisions concerning the disclosure of connected transactions under Chapter 14A of the Listing Rules.

CHARITABLE DONATIONS

During the Reporting Period, the Group has not made any charitable donations.

MATERIAL LEGAL PROCEEDINGS

During the Reporting Period, the Company was not involved in any material legal proceedings or arbitrations. To the best knowledge of the Directors, there is no material legal proceeding or claim which is pending or threatening against the Company.

PERMITTED INDEMNITY PROVISIONS

During the Reporting Period and up to the Latest Practicable Date, there were no permitted indemnity provisions which were or are currently in force, and are beneficial to the Directors (whether they were entered into by the Company or others) or any directors of the Company's connected companies (if they were entered into by the Company).

The Company has purchased appropriate Directors' and officers' liability insurance for its Directors and senior staff.

EVENTS AFTER THE BALANCE SHEET DATE

Details of significant events occurring after the balance sheet date are set out in Note 36 to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and practices adopted by the Company as well as the audited consolidated financial statements for the year ended December 31, 2020.

CODE ON CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining a high level of corporate governance practices. Information about the corporate governance practices adopted by the Company is set out in the corporate governance report on pages 47 to 66 in this Annual Report.

PUBLIC FLOAT

Reference is made to the section headed "Waivers from Compliance with the Listing Rules – Waiver in relation to Public Float" in the Prospectus which states that the Company's minimum public float will be the higher of (a) 15% of the total issued share capital of the Company; (b) such percentage of Shares held by the public immediately after completion of the Global Offering (as defined in the Prospectus) (assuming the Over-allotment Option (as defined in the Prospectus) is not exercised); or (c) such percentage of Share to be held by the public after the exercise of the Over-allotment Option (as defined in the Prospectus), of the enlarged issued share capital of the Company. The applicable minimum public float for the Shares is 20.48%. Based on the information publicly available to the Company and to the best of the Directors' knowledge, information and belief, the Company has maintained sufficient public float as approved by the Stock Exchange and as permitted under the Listing Rules throughout the Reporting Period up to the Latest Practicable Date.

AUDITOR

PricewaterhouseCoopers was appointed as the auditor of the Company for the year ended December 31, 2020.

The consolidated financial statements have been audited by PricewaterhouseCoopers, who retires and, being eligible, offers itself for re-appointment at the forthcoming AGM. A resolution for reappointment of PricewaterhouseCoopers as the auditor of the Company will be proposed at the AGM.

By Order of the Board
Chairman
LU Sung-Ching (盧松青)

Hong Kong, March 29, 2020

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the year ended December 31, 2020.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to upholding a high standard of corporate governance to ensure an effective and transparent operation of the Company with sufficient checks and balances, to safeguard the interests of the Shareholders, and to enhance the value and accountability of the corporation. The Company has adopted the code provisions set out in the Corporate Governance Code under Appendix 14 to the Listing Rules as its governance code. Save as disclosed in this Annual Report, the Company has complied with all the applicable code provisions during the Reporting Period. The Company will continue to review and monitor its own corporate governance practices to ensure compliance with the Corporate Governance Code.

BOARD OF DIRECTORS

Responsibilities

The Board is responsible for the overall leadership of our Group. It oversees our Group's strategic decisions and monitors our business and performance. The Board has delegated the authority and responsibility of day-to-day management and operation of our Group to the senior management of our Group. To oversee particular aspects of the Company' affairs, the Board has established four Board committees namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Environmental, Social and Governance Committee (together, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they execute their duties in good faith, in compliance with applicable laws and regulations and in a manner consistent with the interests of the Company and the Shareholders at all times.

The Company has maintained appropriate liability insurance for legal proceedings against directors and will review the coverage of the insurance annually.

Composition of the Board of Directors

As of the Latest Practicable Date, the Board of Directors comprises three executive Directors and four independent non-executive Directors:

Executive Directors:
LU Sung-Ching (盧松青)
LU Pochin Christopher (盧伯卿)
PIPKIN Chester John

Independent Non-executive Directors:
CURWEN Peter D
TANG Kwai Chang (鄧貴彰)
CHAN Wing Yuen Hubert (陳永源)
TRAINOR-DEGIROLAMO Sheldon

The biographies of the Board of Directors are set out in the "Directors and Senior Management" section in this Annual Report.

During the Reporting Period, the Board has complied with requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules in relation to the appointment of at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with requirements of Rule 3.10A of the Listing Rules in relation to appointing independent non-executive Directors representing at least one-third of the Board of Directors.

The Company considers that all independent non-executive Directors are independent pursuant to the criteria set out in Rule 3.13 of the Listing Rules, and that each of the independent non-executive Directors has confirmed his independence.

Save as disclosed in the biographies of "Directors and Senior Management" in this Annual Report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors or chief executives.

Each of the Directors (including the independent non-executive Directors) has brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee, the Nomination Committee and the Environmental, Social and Governance Committee.

Appointment and Continuous Professional Development

All newly appointed Directors are provided with the necessary induction and information to ensure that they have a proper understanding of the operations and business of the Company and their responsibilities under the relevant statutes, laws, rules and regulations. The Company also arranges regular seminars for Directors to provide updated information on the latest developments and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the performance, position and prospects of the Company to enable each Director and the Board as a whole to discharge their duties.

The Company encourages all Directors to participate in professional development to develop and refresh their knowledge and skills. The joint company secretaries of the Company have updated and provided written training materials on the roles, functions and duties of Directors from time to time.

Based on the information provided by the Directors, a summary of the trainings received by the Directors for the year ended December 31, 2020 is set out below:

Name of Director	Nature of trainings
LU Sung-Ching (盧松青)	A, B
LU Pochin Christopher (盧伯卿)	A, B
PIPKIN Chester John	A, B
CURWEN Peter D	A, B
TANG Kwai Chang (鄧貴彰)	A, B
CHAN Wing Yuen Hubert (陳永源)	A, B
TRAINOR-DEGIROLAMO Sheldon	A, B

Notes:

A: Deliver talks at seminars and/or conferences and/or forums

B: Participate in trainings provided by lawyers and trainings related to the Company's business

Chairman and Chief Executive Officer

Pursuant to the code provision A.2.1 of the Corporate Governance Code, the roles of chairman of the Board and chief executive should be separated and should not be performed by the same individual.

Mr. LU Sung-Ching (盧松青), the chairman and chief executive officer of the Company, is responsible for overall management of the Group and guides the strategic development and business plan of the Group. In view of the current status of the Group's development, the Board considers that the same individual who performs two positions of chairman and chief executive officer can provide a strong and consistent leadership to the Company and be conducive to the implementation and execution of the Group's business strategy. Also, the Board considers that this situation will not impair the balance of power and authority between the Board and the management of the Company because the balance of power and authority is governed by the operations of the Board which comprises experienced and high caliber individuals with demonstrated integrity. Furthermore, decisions of the Board are made by way of majority votes. Nevertheless, we will review the structure from time to time based on changing circumstances. The Board will continue to evaluate the situation and consider the separation of the roles of chairman and chief executive officer when appropriate, taking into account the general conditions of the Group then.

Appointment and Re-election of the Directors

Each of Mr. LU Sung-Ching (盧松青), Mr. LU Pochin Christopher (盧伯卿) and Mr. PIPKIN Chester John, the executive Directors, has entered into a service contract with the Company on April 20, 2020, April 20, 2020 and March 29, 2019, respectively, with an initial fixed term of three years commencing from June 20, 2020, June 20, 2020 and April 1, 2019 respectively. Such contracts shall be subject to termination in accordance with their respective terms and may be renewed in accordance with the Articles of Association and the applicable Listing Rules.

Each of Mr. CURWEN Peter D, Mr. TANG Kwai Chang (鄧貴彰) and Mr. CHAN Wing Yuen Hubert (陳永源), the independent non-executive Directors, has accepted and signed a letter of continuation of appointment issued by the Company on November 19, 2019, with a fixed term of three years commencing from November 4, 2019. Such letters of continuation of appointment shall be subject to termination in accordance with their respective terms.

Mr. TRAINOR-DEGIROLAMO Sheldon, the independent non-executive Director, has signed a letter of appointment with the Company on May 10, 2019 with an initial fixed term of three years. Such letter of appointment shall be subject to termination in accordance with its terms.

Save as disclosed above, none of the Directors has a service contract with the Group which is not determinable by the Group within one year without the payment of compensation (other than statutory compensation).

The Directors are subject to retirement by rotation and re-election at each annual general meeting of the Company in accordance with article 84 of the Articles of Association. Directors appointed as an addition to the Board or to fill a casual vacancy on the Board will be subject to re-election by the Shareholders at the next following annual general meeting or the next following general meeting of the Company respectively after the appointment. Also, when an independent non-executive Director proposed for re-election has served the Company for more than nine years, his or her re-election will be subject to a separate resolution to be approved at the AGM.

Procedures for the appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the composition of the Board of Directors and making recommendations to the Board of Directors on the appointment, re-election and succession plans of the Directors.

Board Meetings

The Company holds Board meetings regularly for at least four times a year at approximately quarterly intervals. Notices of not less than 14 days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board meetings and Board Committee meetings, not less than 48 hours' notice is generally given. The agenda and accompanying Board papers are generally dispatched to the Directors or Board committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting. The joint company secretaries of the Company should keep a record of the meeting and provide a copy of the meeting record to all Directors for their reference and record.

Minutes of the Board meetings and Board Committee meetings have recorded in sufficient detail the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by Directors.

During the Reporting Period, the Board held 4 Board meetings and 1 general meeting. Details of the Directors' attendance in Board meetings and general meetings are set out in the following table:

Directors	Board meetings attended/held	General meeting attended/held
Mr. LU Sung-Ching (盧松青)	3/4	1/1
Mr. LU Pochin Christopher (盧伯卿)	4/4	1/1
Mr. PIPKIN Chester John	4/4	1/1
Mr. CURWEN Peter D	4/4	1/1
Mr. TANG Kwai Chang (鄧貴彰)	4/4	1/1
Mr. CHAN Wing Yuen Hubert (陳永源)	4/4	1/1
Mr. TRAINOR-DEGIROLAMO Sheldon	4/4	1/1

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct for securities transactions by the Directors. After making specific enquiry to all Directors, they have confirmed that they have fully complied with the requirements set out in the Model Code during the Reporting Period.

BOARD AUTHORIZATION

The Board reserves the right to make decisions on all substantial affairs of the Company, including: to approve and oversee all policies and related matters, overall strategy and budgeting, internal control and risk management systems, substantial transactions (particularly those involving potential conflicts of interests), financial data, appointment of Directors and other major financial and operational issues. The Directors may, at the Company's expense, seek independent professional advice when performing their duties. They are also encouraged to independently consult with the senior management of the Company.

The day-to-day management, administration and operation of the Group are delegated to senior management. The Board regularly reviews the functions and responsibilities delegated. The management needs to obtain the approval of the Board prior to entering into any substantial transaction.

CORPORATE GOVERNANCE FUNCTIONS

The Board confirms that corporate governance should be a joint responsibility of the Directors and their corporate governance functions include:

(a) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors of the Company;

(d) to develop and review the Company's policies and practices on corporate governance, and to recommend their opinions and report related affairs to the Board;

(e) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report; and

(f) to review and monitor the Company's compliance with the Company's reporting policies.

BOARD COMMITTEES

Audit Committee

The Audit Committee is composed of three members, namely Mr. TANG Kwai Chang (鄧貴彰) (Chairman), Mr. CURWEN Peter D and Mr. CHAN Wing Yuen Hubert (陳永源), all of whom are independent non-executive Directors.

The main duties of the Audit Committee are as follows:

1. be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and addressing any questions related to its resignation or dismissal;

2. review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

3. develop and implement policies on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm, or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

4. where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board has taken a different view;

5. monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:–

   (i) any changes in accounting policies and practices;

   (ii) major judgmental areas;

   (iii) significant adjustments resulting from audit;

   (iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

(vi) compliance with the Listing Rules and legal requirements in relation to financial reporting.

6. regarding (5) above:–

   (i) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditors; and

   (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts; it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officers or auditors.

7. review the systems on financial controls of the Company, and unless expressly addressed by a separate Board risk committee, or by the Board itself, review the Company's risk management and internal control systems;

8. discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

9. consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative, and management's response to these findings;

10. where an internal audit function exists, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and review and monitor its effectiveness;

11. review the financial and accounting policies and practices of the Company and its subsidiaries;

12. review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

13. ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

14. review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

15. act as the key representative body for overseeing the Company's relations with the external auditor;

16. report to the Board on the matters set out herein;

17. establish a whistleblowing policy and system for employees and those who deal with the Company to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company; and

18. consider other topics, as defined by the Board.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Audit Committee held 4 meetings to discuss and consider the following:

- Review of the annual results of the Company and its subsidiaries and the environmental, social and governance report for the year ended December 31, 2019;

- Review of the Company's certain financial information for the three months ended March 31, 2020 and for the nine months ended September 30, 2020;

- Review of the interim results of the Company and its subsidiaries for the six months ended June 30, 2020; and

- Review of the financial reporting systems, compliance procedures, internal controls, risk management systems and procedures, continuing connected transactions and re-appointment of external auditors. The Board did not deviate from any recommendation made by the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors.

The attendance of each member of the Audit Committee at Audit Committee meetings is set out in the following table:

Name	Audit Committee meetings attended/held
Mr. TANG Kwai Chang (鄧貴彰)	4/4
Mr. CURWEN Peter D	4/4
Mr. CHAN Wing Yuen Hubert (陳永源)	4/4

Nomination Committee

The Nomination Committee is composed of three members, namely, one executive Director, Mr. LU Sung-Ching (盧松青) (Chairman) and two independent non-executive Directors, Mr. TRAINOR-DEGIROLAMO Sheldon and Mr. CURWEN Peter D.

The main duties of the Nomination Committee are as follows:

1. review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. formulate a policy of selection and nomination of Directors and the procedures for the sourcing of suitably qualified Directors for consideration by the Board and implement such plan and procedures approved;

3. identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

4. ensure sufficient biographical details of nominated candidates are provided to the Board and Shareholders to enable them to make a decision regarding the selection of the Board members;

5. assess the independence of independent non-executive Directors;

6. make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive; and

7. conform to and abide by any requirement, direction and regulation that may be prescribed by the Board or contained in the constitutional documents of the Company or imposed by the Listing Rules or applicable laws.

The Nomination Committee assesses candidates or incumbents on the basis of integrity, experience, skills, time and effort devoted to the performance of their duties. The recommendations of the Nominating Committee will then be submitted to the Board for decision. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Nomination Committee held 2 meetings to discuss and consider the following:

- Review of the structure, size and composition of the Board;

- Review of the independence of the independent non-executive Directors;

- Consideration of the re-election of the retiring Directors; and

- Consideration of establishment of the Environmental, Social and Governance committee and adoption of its terms of reference.

The attendance of each member of the Nomination Committee at Nomination Committee meetings is set out in the following table:

Name	Nomination Committee meetings attended/held
Mr. LU Sung-Ching (盧松青)	1/2
Mr. CHAN Wing Yuen Hubert (陳永源) *(ceased to be a member of the Nomination Committee with effect from March 29, 2021)*[1]	2/2
Mr. CURWEN Peter D	2/2
Mr. TRAINOR-DEGIROLAMO Sheldon *(appointed as a member of the Nomination Committee with effect from March 29, 2021)*[1]	–

Note:

1. With effect from March 29, 2021, Mr. TRAINOR-DEGIROLAMO Sheldon was appointed as a member of the Nomination Committee and Mr. CHAN Wing Yuen Hubert ceased to be a member of the Nomination Committee. The two Nomination Committee meetings were held before the above changes of the Nomination Committee members.

The Company has adopted a director nomination policy, pursuant to which in evaluating and selecting any candidate for directorship, the following criteria should be considered:

- Character and integrity.

- Qualifications including professional qualifications, skills, knowledge, experience and diversity aspects under the board diversity policy of the Company that are relevant to the Company's business and corporate strategy.

- Any measurable objectives adopted for achieving diversity on the Board.

- Requirement for the Board to have independent Directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.

- Any potential contributions the candidate can bring to the Company and/or the Board in terms of qualifications, skills, experience, independence, gender and racial diversity.

- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board Committee(s) of the Company.

- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for the nomination of Directors and succession planning.

As regards the selection and appointment of a new Director:

- The Nomination Committee and/or the Board should, upon receipt of a proposal on the appointment of a new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

- If the process yields more than one desirable candidate, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and the reference check of each candidate (where applicable).

- The Nomination Committee should then recommend the Board to appoint the most appropriate candidate for directorship, as applicable.

- For any person who is nominated by a Shareholder for election as a Director at a general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

- Where appropriate, the Nomination Committee and/or the Board should make recommendations to Shareholders with respect to the proposed election of Directors at a general meeting.

As regards the re-election of Directors at a general meeting:

- The Nomination Committee and/or the Board should review the overall contribution and service to the Company of each Director and his/her level of participation and performance on the Board.

- The Nomination Committee and/or the Board should also review and determine whether the Director continues to meet the criteria as set out above.

- The Nomination Committee and/or the Board should then make recommendations to Shareholders in respect of the proposed re-election or replacement of Directors at a general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as a Director at a general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or the explanatory statement that accompanies the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

Board Diversity Policy

The Company believes that Board diversity will have a substantial benefit towards improving its performance. Therefore, the Company has adopted a board diversity policy to ensure that the diversity of Board members be considered from a number of perspectives. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. A summary of the board diversity policy is set out below:

The Board continuously seeks to enhance its effectiveness and to maintain the highest standards of corporate governance, and recognizes diversity at the Board level as an essential element in maintaining competitive advantage and sustainable development.

In designing the Board's composition, Board diversity is considered from a number of perspectives, including but not limited to gender, age, ethnicity, cultural and educational background, regional and industry experience, technical and professional skills and/or qualifications, knowledge, length of service and time to be devoted as a Director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board strives to ensure that it has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategies in order for the Board to be effective. The Board will take the opportunity to achieve Board diversity when selecting and making recommendations on suitable candidates for Board appointments.

Remuneration Committee

The Remuneration Committee is composed of three members, namely three independent non-executive Directors, Mr. CHAN Wing Yuen Hubert (陳永源) (Chairman), Mr. TANG Kwai Chang (鄧貴彰) and Mr. TRAINOR-DEGIROLAMO Sheldon.

The main duties of the Remuneration Committee are as follows:

1. make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. determine the policy for the remuneration of executive Directors, assess performance of executive Directors and approve the terms of executive Directors' service contracts;

3. review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

4. either: (i) determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management; or (ii) make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

5. make recommendations to the Board on the remuneration of non-executive Directors;

6. consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

7. review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

8. review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

9. ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Remuneration Committee held 2 meetings to discuss and consider the following:

- Assessment of the performance of the Directors and senior management;
- Review of the remuneration of the Directors;
- Review of the remuneration package of the proposed Directors and making recommendations to the Board; and
- Review of the remuneration policy and structure and making recommendations to the Board.

The attendance of each member of the Remuneration Committee at Remuneration Committee meetings is set out in the following table:

Name	Remuneration Committee meetings attended/held
Mr. CHAN Wing Yuen Hubert (陳永源)	2/2
Mr. TANG Kwai Chang (鄧貴彰)	2/2
Mr. TRAINOR-DEGIROLAMO Sheldon	2/2

Environmental, Social and Governance Committee

The Environmental, Social and Governance Committee is composed of three members, namely, one executive Director, Mr. PIPKIN Chester John and two independent non-executive Directors Mr. CHAN Wing Yuen Hubert (陳永源) and Mr. CURWEN Peter D (Chairman).

The main duties of the Environmental, Social and Governance Committee are as follows:

1. receive regular reports from the social & environmental responsibility committee (the "SER Committee");

2. monitor how the Company communicates with its stakeholders and ensure that there is an appropriate communications policy that effectively promotes the relationship between the Group and its stakeholders;

3. review of the work of the SER Committee; and

4. review important environmental, social and governance (ESG) initiatives and suggest to the Board for approval, including but not limited to: (i) ESG-related risk assessment; (ii) material ESG-related risks and issues; (iii) strategic plan; (iv) policies; (v) ESG-related targets; (vi) annual ESG report; (vii) annual budget; and (viii) incident responses.

During the Reporting Period, the Environmental, Social and Governance Committee held 1 meeting to discuss and consider the following:

- Review of the revised Environmental, Social and Governance Management System; and

- Review of the materials about the ESG-related work to be conducted in 2021.

The attendance of each member of the Environmental, Social and Governance Committee at Environmental, Social and Governance Committee meeting is set out in the following table:

Name	Environmental, Social and Governance Committee meeting attended/held
Mr. CHAN Wing Yuen Hubert (陳永源)	1/1
Mr. PIPKIN Chester John	1/1
Mr. CURWEN Peter D	1/1

Senior Management's Remuneration

For the year ended December 31, 2020, the remuneration by band of members of the senior management of the Company (whose biographies are set out on page 23 of this Annual Report) is set out below:

Remuneration band	Number of individuals
US$1 – US$300,000	1
US$300,001 – US$600,000	1

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended December 31, 2020, to truly and fairly reflect the situation of the Company and the Group and the results and cash flow of the Group.

The management of the Company provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial statements of the Company which were presented to the Board for approval. The Company has provided monthly updates on the performance and prospects of the Company to all members of the Board.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The auditor's responsibilities for the audit of the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 72 to 73 of this Annual Report.

RISK MANAGEMENT

The risk management organizational structure of the Company consists of three levels: supervision level, operation level, and management level. The Board and the Audit Committee, which belong to the supervision level, are the highest decision-making body of the Company's risk management system, and the Board shall take ultimate responsibility for the sound and effective implementation of the Company's risk management systems and be responsible for reviewing their effectiveness. All departments of the Company are at the operation level and responsible for the execution of day-to-day risk management tasks. The management team of the Company is at the management level, and continuously monitors the scope and quality of risk management tasks. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and only provide reasonable and not absolute assurance against material misstatement or loss.

The Internal Audit Department discusses with the management team every year to identify and evaluate the potential risks regarding strategy, market, external environment and internal operation in the near future, and suggest remediation plans. Also, the Internal Audit Department tracks the status of the remediation plans proposed in the previous year and analyzes the risk trends in recent years. All the information mentioned above will be presented to the Audit Committee and the Directors for discussion and approval.

The Internal Audit Department has finished the 2020 risk management report and presented such report to the Audit Committee. The Board has also reviewed the effectiveness of the risk management system.

INTERNAL AUDIT

The Company has established an Internal Audit Department, which deploys several full-time internal auditors based on the Company's scale and business operation, to perform internal audit activity independently and objectively. The Internal Audit Department assists the Board and the management team of the Company to examine and review the effectiveness of the design and implementation of the Company's internal control systems, as well as to measure the effectiveness and efficiency of the Company's operations. Accordingly, the Internal Audit Department provides timely improvement suggestions to ensure the continuous and effective implementation of internal controls, the suggestions of which also serve as a reference for review and amendment of the internal control systems.

To ensure effective utilization of resources and focus on high-risk issues, the Internal Audit Department drafts an annual audit plan based on the results of the annual risk assessment. The annual audit plan sets out the audit areas with schedule, and will be performed after approval by the Audit Committee. The Internal Audit Department will audit the control mechanism of finance, operation, and compliance in the Company and its subsidiaries in China, the U.S., Vietnam, Singapore, Japan, etc. In addition, the Internal Audit Department will conduct project audits on specific issues according to the operation and business needs, and initiate fraud investigation after a tip-off is received.

The Internal Audit Department has completed the 2020 annual audit plan, attached relevant information, summarized the audit results in a report and presented it to the Audit Committee. The Board has reviewed the effectiveness of the internal control system. The Internal Audit Department has provided suggestions for the internal control deficiencies found in the auditing and will keep tracking the improvement to ensure that the inspected department takes appropriate improvement measures.

PROCESSING AND PUBLISHING OF INSIDE INFORMATION

The Company has established the mechanism for inside information processing and publication. The company secretary and Legal Department are authorized to act as the responsible authority for insider information processing. After all the inside information has been reviewed by the company secretary and Legal Department, the Company judges whether it must be reviewed by the chairman of the Board and/or the Board. The matters, which do not require the approval of the Board, would be disclosed after the company secretary's and the chairman of the Board's approvals. For matters subject to approval by the Board and/or general meeting of Shareholders, information would be disclosed after performing the corresponding review and approval in accordance with the Articles of Association, the Listing Rules and relevant rules of procedure.

AUDITOR'S REMUNERATION

The approximate remuneration of the auditor for its audit and non-audit services provided to the Company during the Reporting Period is set out in the following table:

Services rendered	Amount (US$)
Audit services including interim review	1,170,000
Non-audit services – tax compiance and consulting services	335,020
Total	1,505,020

JOINT COMPANY SECRETARIES

Mr. WONG Kenneth Tak-Kin (黃德堅) is one of the joint company secretaries of the Company, who is responsible for advising the Board on corporate governance matters and ensuring the Company's compliance with the policies and procedures of the Board, applicable laws, rules and regulations.

To maintain good corporate governance and ensure compliance with the Listing Rules and the applicable laws of Hong Kong, the Company has also appointed Ms. NG Sau Mei (伍秀薇), an associate director of TMF Hong Kong Limited (a supplier providing corporate secretarial services), to act as another joint company secretary of the Company and to provide assistance to Mr. Wong for the performance of his duties as a company secretary of the Company, and her main contact person in our Company is Mr. Wong.

During the year ended December 31, 2020, each of Mr. Wong and Ms. Ng has taken no less than 15 hours of relevant professional training in compliance with the requirements of Rule 3.29 of the Listing Rules.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"). According to the Dividend Policy, in considering the declaration and payment of dividends, the Board shall take into account the following factors of the Group:

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of the Shareholders;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

The payment of dividend is also subject to compliance with applicable laws and regulations including the laws of the Cayman Islands and the Articles of Association. The Board will review the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with our Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of timely and non-selective disclosure of corporate information which enables Shareholders and investors to make properly informed investment decisions. The investor relations website is updated on a timely basis to ensure that investors are able to have access to the Company's information, latest news and reports.

To promote effective communication, the Company adopted the shareholders communication policy to establish mutual relationship and communication between the Company and the Shareholders, and maintains a website (http://www.fit-foxconn.com), where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

Separate resolutions are proposed at general meetings for each substantially separate issue, including the election of Directors. Poll voting has been adopted for decision-making at Shareholders' meetings. Details of poll voting procedures are included in the circular dispatched to the Shareholders. The circular also includes relevant details of proposed resolutions and/or biographies of the Directors standing for election. The results of the voting will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting of the Shareholders.

CONVENING OF EXTRAORDINARY GENERAL MEETING ON REQUISITION OF SHAREHOLDERS

Pursuant to the Articles of Association, the Shareholders may put forward proposals for consideration at general meetings. Any one or more shareholder(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or any joint company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in accordance in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

For the matters regarding the proposal of a person to stand for election as a Director, please refer to the relevant procedures on the website of the Company.

PUTTING FORWARD ENQUIRIES TO THE BOARD

For enquiries to the Board, Shareholders may contact the joint company secretaries of the Company at the Company's place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong or by email to fit-ir@fit-foxconn.com. The Company will endeavor to respond to their queries in a timely manner. Shareholders may also submit enquiries to the Directors at the general meetings of the Company.

In addition, the Shareholders can contact Computershare Hong Kong Investor Services Limited, the share registrar of the Company in Hong Kong, if they have any enquiries about their shareholdings and entitlements to dividend.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company adopted the revised and restated Memorandum and Articles of Association on June 19, 2017 with immediate effect on the Listing Date. There were no changes in the Memorandum and Articles of Association of the Company during the Reporting Period.

Independent Auditor's Report

To the Shareholders of FIT Hon Teng Limited

(incorporated in Cayman Islands with limited liability under the name of Foxconn Interconnect Technology Limited and carrying on business in Hong Kong as "FIT Hon Teng Limited")

Opinion

What we have audited

The consolidated financial statements of FIT Hon Teng Limited (incorporated in the Cayman Island with limited liability under the name of Foxconn Interconnect Technology Limited and carrying on business in Hong Kong as "FIT Hon Teng Limited") (the "Company") and its subsidiaries (the "Group") set out on pages 74 to 201, which comprise:

- the consolidated balance sheet as at December 31, 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in our audit are summarized as follows:

- Impairment assessment on goodwill arising from acquisition of Belkin International Inc. ("Belkin") and its subsidiaries
- Fair value measurement of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income
- Income tax provisions

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment on goodwill arising from acquisition of Belkin International Inc. ("Belkin") and its subsidiaries	
Refer to Notes 4.2 and 17 to the Group's consolidated financial statements. The Group has a significant amount of goodwill arising from the acquisition of Belkin, which amounted to approximately USD441.5 million as at December 31, 2020. Goodwill is subject to impairment assessment annually. In carrying out the impairment assessment, significant judgements are required to estimate the recoverable amount, taking into consideration the future cash flows of Belkin based on the latest approved financial budget for the next five years and a number of other assumptions, including growth rate, gross margin and the discount rate, applied to the future cash flows. Based on the results of the impairment assessment conducted, the Group determined that there is no impairment of goodwill. This judgment is based on the recoverable amount, being the higher of the fair value less costs of disposal and value in use, exceeding the book carrying amount of Belkin, including goodwill and other operating assets. We focused on this area because the judgements and assumptions adopted in the impairment assessments are subject to high degree of uncertainties.	Our procedures to evaluate the Group's impairment assessment of goodwill included: • Assessing the appropriateness of the valuation methodology used in determining the recoverable amount. • Assessing the reasonableness of key assumptions, including growth rate, gross margin and the discount rate used in the estimation of the recoverable amount based on our knowledge of the underlying business and industry and with the involvement of our valuation specialists. • Testing input data to supporting evidence, such as approved budget and available market data, on a sample basis. • Performing sensitivity analysis on the key assumptions to evaluate the potential impacts on the recoverable amounts, where we flexed the growth rate, gross margin and discount rate as these are the key assumptions to which the valuation models are the most sensitive. Based on the above procedures we have performed, we found the assumptions adopted in relation to the impairment assessment to be supportable by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value measurement of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income	
Refer to Notes 3.5, 4.4, 20 and 21 to the Group's consolidated financial statements. As at December 31, 2020, the Group had unlisted investments in convertible preferred shares, funds and equity investments, which were classified as financial assets at fair value through profit or loss ("FVPL") with carrying amount of USD14.9 million (after recording fair value loss of USD57.6 million during the year ended December 31, 2020) and financial assets at fair value through other comprehensive income ("FVOCI") with carrying amount of USD22.7 million (after recording fair value loss of USD4.7 million during the year ended December 31, 2020). These financial assets were measured based on significant unobservable inputs and are classified as "Level 3 financial instruments". The Company's Directors and the Group's management determined the fair value of these unlisted investments by taking reference to statements provided by the respective fund managers, or adopting applicable valuation methodologies, assumptions and estimates, including, where applicable, by reference to valuations performed by independent external valuers. We focused on this area because significant judgement and assumptions are required to determine the respective fair value of these unlisted investments, in particular, those that were based on valuations.	Our procedures in relation to the fair value measurements of the unlisted financial instruments included: • Evaluating the appropriateness of estimations, assumptions and other considerations used by the Company's Directors and the Group's management in the fair value valuations of the unlisted investments. • Comparing fair value of unlisted investments to statements issued by the respective fund managers or valuation reports, where appropriate, prepared by independent external valuers, provided by the Group's management. • Assessing, with involvement of our valuation specialists, the appropriateness of the valuation techniques based on our industry knowledge and market practices; verifying key inputs and information identified by management that were used in the valuation against the underlying source documentation, including external reports relevant for valuation, where applicable; and assessing the need of key valuation adjustments by challenging management on the appropriateness of key estimations and assumptions employed based on available information and facts and circumstances of these unlisted financial assets. Based on the above procedures we have performed, we found the estimations and assumptions adopted in relation to the fair value measurement of these unlisted investments to be supportable by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Income tax provisions	
Refer to Notes 4.5 and 12 to the Group's consolidated financial statements. During the year ended December 31, 2020, the Group recognised income tax expense of approximately USD74.0 million. Significant judgement and estimations are required in determining the provision for income taxes as tax treatments and practices are subject to different interpretations which may also vary over time. We focused on this area due to the inherent complexity, judgment and estimation uncertainties to determine the amounts of tax provisions required.	Our procedures in relation to income tax provisions included: • Understanding and evaluating the Group's processes and controls for identifying and calculating tax provisions. • Assessing, with involvement of our tax specialists, the reasonableness of the judgment and estimates used by the management based on our knowledge of the underlying business and industry as well as our experience in similar situations. • Assessing, with involvement of our tax specialists, whether the calculations of tax provisions were supported by relevant tax regulations, data and the judgment and estimates adopted by management, taking into consideration the potential exposure and the likelihood of a payment being required. Based on the above procedures we have performed, we considered management's judgment and estimations in relation to the provisions for income tax to be supportable available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in management analysis and discussion (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the financial highlights, chairman's statement, directors' report and corporate governance report, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the financial highlights, chairman statement, directors' report and corporate governance report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the audit committee and take appropriate action considering our legal rights and obligations.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Chiu Kong, Edmond.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, March 29, 2021

Consolidated Income Statement

Year ended December 31, 2020

	Note	2020 USD'000	2019 USD'000
Revenue	6	**4,314,661**	4,372,382
Cost of sales	9	**(3,734,889)**	(3,618,187)
Gross profit		**579,772**	754,195
Distribution costs and selling expenses	9	**(96,638)**	(110,531)
Administrative expenses	9	**(133,853)**	(158,722)
Research and development expenses	9	**(235,143)**	(249,787)
(Recognition)/reversal of impairment losses on financial assets – net	3.2(b)	**(220)**	1,219
Other income	7	**13,380**	24,143
Other (losses)/gains – net	8	**(2,541)**	14,653
Operating profit		**124,757**	275,170
Finance income	11	**17,610**	21,837
Finance costs	11	**(16,992)**	(29,333)
Finance income/(costs) – net	11	**618**	(7,496)
Share of results of associates and a joint venture	19	**(8,851)**	(1,764)
Profit before income tax		**116,524**	265,910
Income tax expense	12	**(73,949)**	(32,615)
Profit for the year		**42,575**	233,295
Profit attributable to:			
Owners of the Company		**42,509**	235,414
Non-controlling interests		**66**	(2,119)
		42,575	233,295
Earnings per share for profit attributable to owners of the Company during the year (expressed in US cents per share)			
Basic earnings per share	13	**0.64**	3.57
Diluted earnings per share	13	**0.62**	3.49

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

Year ended December 31, 2020

	2020 USD'000	2019 USD'000
Profit for the year	**42,575**	233,295
Other comprehensive income/(loss):		
Items that may be reclassified subsequently to profit or loss		
Exchange difference arising on the translation of foreign operations	**74,337**	(37,511)
Realization of currency translation difference upon disposals of subsidiaries (Note 32(d))	**9**	–
Items that may not be reclassified subsequently to profit or loss		
Fair value change in financial assets at fair value through other comprehensive income (Note 20)	**(4,820)**	3,524
Total other comprehensive income/(loss) for the year, net of tax	**69,526**	(33,987)
Total comprehensive income for the year	**112,101**	199,308
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	**112,024**	201,458
Non-controlling interests	**77**	(2,150)
	112,101	199,308

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at December 31, 2020

	Note	2020 USD'000	2019 USD'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**727,882**	566,090
Right-of-use assets	16	**77,568**	62,772
Intangible assets	17	**709,244**	744,541
Financial assets at fair value through other comprehensive income	20	**23,024**	17,694
Financial assets at fair value through profit or loss	21	**14,855**	56,957
Interests in associates and a joint venture	19	**24,426**	21,710
Deposits and prepayments	24	**27,848**	17,973
Finance lease receivables	25	**51,235**	62,452
Deferred income tax assets	22	**134,742**	114,931
		1,790,824	1,665,120
Current assets			
Inventories	23	**944,128**	702,587
Trade receivables	24	**871,534**	930,223
Deposits, prepayments and other receivables	24	**116,913**	76,446
Finance lease receivables	25	**16,126**	15,645
Financial assets at fair value through profit or loss	21	**7,528**	6,886
Short-term bank deposits	26	**125,772**	118,011
Cash and cash equivalents	26	**766,112**	892,111
		2,848,113	2,741,909
Total assets		**4,638,937**	4,407,029
EQUITY			
Equity attributable to owners of the Company			
Share capital	27	**134,623**	134,400
Treasury shares	31(d)	**(92,092)**	(92,930)
Reserves	28	**2,145,341**	2,025,277
		2,187,872	2,066,747
Non-controlling interests		**2,504**	10,600
Total equity		**2,190,376**	2,077,347

	Note	2020 USD'000	2019 USD'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	29	**574,559**	574,176
Lease liabilities	16	**28,553**	22,582
Deferred income tax liabilities	22	**50,351**	60,995
Deposits received and other payables	30	**5,136**	9,751
		658,599	667,504
Current liabilities			
Trade and other payables	30	**1,031,555**	1,086,463
Contract liabilities	6	**8,486**	3,174
Lease liabilities	16	**17,044**	16,389
Bank borrowings	29	**604,370**	493,546
Current income tax liabilities		**128,507**	62,606
		1,789,962	1,662,178
Total liabilities		**2,448,561**	2,329,682
Total equity and liabilities		**4,638,937**	4,407,029

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 74 to 201 were approved by the Board of Directors on March 29, 2021 and are signed on its behalf by:

Mr. Sung-ching Lu

Mr. Pochin Christopher Lu

Consolidated Statement of Changes in Equity

Year ended December 31, 2020

	Note	Share capital USD'000	Treasury shares USD'000	Share premium and capital reserve (Note 28) USD'000	Other reserves (Note 28) USD'000	Retained earnings USD'000	Sub-total USD'000	Non-controlling interests USD'000	Total equity USD'000
		Attributable to owners of the Company							
Balance as at January 1, 2020		134,400	(92,930)	550,564	74,740	1,399,973	2,066,747	10,600	2,077,347
Comprehensive income									
– Profit for the year		–	–	–	–	42,509	42,509	66	42,575
Other comprehensive income/(loss)									
– Exchange difference arising on the translation of foreign operations		–	–	–	74,326	–	74,326	11	74,337
– Realization of currency translation difference upon disposals of subsidiaries		–	–	–	9	–	9	–	9
– Fair value change in financial assets at fair value through other comprehensive income		–	–	–	(4,820)	–	(4,820)	–	(4,820)
Total comprehensive income for the year		–	–	–	69,515	42,509	112,024	77	112,101
Transactions with owners									
– Exercise of share grant plan		122	–	2,227	(2,349)	–	–	–	–
– Exercise of share options		101	–	3,483	(1,132)	–	2,452	–	2,452
– Shares purchased for share award scheme	31(d)	–	(1,297)	–	–	–	(1,297)	–	(1,297)
– Shares granted under share award scheme	31(d)	–	2,135	–	–	–	2,135	–	2,135
– Senior management and employees' share grant scheme and share option scheme	31	–	–	–	5,811	–	5,811	–	5,811
– Appropriation of statutory reserves		–	–	–	5,548	(5,548)	–	–	–
Total transactions with owners, recognized directly in equity		223	838	5,710	7,878	(5,548)	9,101	–	9,101
Disposal of subsidiaries	32(d)	–	–	–	–	–	–	(8,173)	(8,173)
Balance at December 31, 2020		134,623	(92,092)	556,274	152,133	1,436,934	2,187,872	2,504	2,190,376

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

		Attributable to owners of the Company							
	Note	Share capital USD'000	Treasury shares USD'000	Share premium and capital reserve (Note 28) USD'000	Other reserves (Note 28) USD'000	Retained earnings USD'000	Sub-total USD'000	Non-controlling interests USD'000	Total equity USD'000
Balance as at January 1, 2019		131,708	(72,072)	518,946	128,903	1,227,093	1,934,578	12,750	1,947,328
Comprehensive income/(loss)									
– Profit/(loss) for the year		–	–	–	–	235,414	235,414	(2,119)	233,295
Other comprehensive (loss)/income									
– Exchange difference arising on the translation of foreign operations		–	–	–	(37,480)	–	(37,480)	(31)	(37,511)
– Fair value change in financial assets at fair value through other comprehensive income		–	–	–	3,524	–	3,524	–	3,524
Total comprehensive (loss)/income for the year		–	–	–	(33,956)	235,414	201,458	(2,150)	199,308
Transactions with owners									
– Exercise of share grant plan		2,680	–	31,198	(33,878)	–	–	–	–
– Exercise of share options		12	–	420	(136)	–	296	–	296
– Shares purchase for share award scheme	31(d)	–	(25,580)	–	–	–	(25,580)	–	(25,580)
– Shares vested under share award scheme	31(d)	–	4,722	–	–	–	4,722	–	4,722
– Senior management and employees' share grant scheme and share award scheme	31	–	–	–	10,014	–	10,014	–	10,014
– Appropriation of statutory reserves		–	–	–	3,793	(3,793)	–	–	–
– Dividends paid	14	–	–	–	–	(58,741)	(58,741)	–	(58,741)
Total transactions with owners, recognized directly in equity		2,692	(20,858)	31,618	(20,207)	(62,534)	(69,289)	–	(69,289)
Balance at December 31, 2019		134,400	(92,930)	550,564	74,740	1,399,973	2,066,747	10,600	2,077,347

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

Year ended December 31, 2020

	Note	2020 USD'000	2019 USD'000
Cash flow from operating activities			
Cash generated from operations	32	**153,579**	386,792
Income tax paid		**(38,503)**	(73,752)
Net cash generated from operating activities		**115,076**	313,040
Cash flow from investing activities			
Payment for the purchase of property, plant and equipment	15	**(351,544)**	(252,556)
Proceeds from disposal of property, plant and equipment	32(b)	**16,762**	12,993
Payment for the purchase of intangible assets	17	**(15,302)**	(2,185)
Investments in financial assets at fair value through other comprehensive income		**(10,150)**	(3,343)
Investments in financial assets at fair value through profit or loss		**(12,847)**	(70,822)
Proceeds from disposals of financial assets at fair value through profit or loss		**–**	664
Investments in associates and a joint venture		**(4,500)**	(11,000)
Proceeds from disposal of subsidiaries, net of cash and cash equivalents disposed of	32(d)	**2,923**	–
Proceeds from finance lease receivables		**11,823**	1,258
Increase in short-term bank deposits		**(7,761)**	(113,731)
Interest received		**14,998**	21,399
Net cash used in investing activities		**(355,598)**	(417,323)
Cash flow from financing activities			
Exercise of share options		**2,452**	296
Shares purchased for share award scheme		**(1,297)**	(25,580)
Proceeds from bank borrowings	32(c)	**3,189,510**	2,691,941
Repayment for bank borrowings	32(c)	**(3,082,585)**	(2,611,063)
Interest paid		**(16,992)**	(27,592)
Principal elements of lease payments	32(c)	**(19,837)**	(33,718)
Dividends paid		**–**	(58,741)
Net cash generated from/(used in) financing activities		**71,251**	(64,457)

	Note	2020 USD'000	2019 USD'000
Net decrease in cash and cash equivalents		**(169,271)**	(168,740)
Cash and cash equivalents at beginning of the year		**892,111**	1,064,824
Exchange difference on cash and cash equivalents		**43,272**	(3,973)
Cash and cash equivalents at end of the year	26	**766,112**	892,111

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes

Notes to the Consolidated Financial Statements

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 Dollar ("USD") unless otherwise stated.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), interpretations issued by the IFRS Interpretations Committee ("IFRS IC") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income ("FVOCI") and financial assets at fair value through profit and loss ("FVPL") that are measured at fair values.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Amended standards and revised conceptual framework adopted by the Group

The Group has applied the following amendments and revised conceptual framework for the financial year beginning January 1, 2020 and are relevant to its operations.

Amendments to IAS 1 and IAS 8	Definition of material
Amendments to IAS 39, IFRS 7 and IFRS 9	Interest rate benchmark reform
Amendments to IFRS 3	Definition of a business
Amendments to IFRS 16	COVID-19 related rent concessions
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting

The Group has early adopted the amendments to IFRS 16 during the year. The amendments and conceptual framework 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.

(b) New standard, amendments and annual improvement which are not yet effective for this financial period and have not been early adopted by the Group

Certain new accounting standards, amendments to existing standards and annual improvements have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
Amendments to annual improvements project	Annual improvements 2018-2020 cycle	January 1, 2022
Amendments to IAS 16	Property, plant and equipment: Proceeds before intended use	January 1, 2022
Amendments to IAS 37	Onerous contracts: Costs of fulfilling a contract	January 1, 2022
Amendments to IFRS 3	Reference to the conceptual framework	January 1, 2022
Amendments to IAS 1	Presentation of financial statements on classification of liabilities	January 1, 2023
IFRS 17	Insurance contracts	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2 Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries and consolidation

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interests in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

2 Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting (continued)

2.2.1 Subsidiaries and consolidation (continued)

(a) Business combination (continued)

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interests recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated income statement.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2.2.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights and/or participate in the entities' operations decision making process. Investments in associates are accounted for using the equity method of accounting (see Note 2.2.4 below), after initially being recognized at cost.

2.2.3 Joint arrangements

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has joint venture only.

Interests in a joint venture is accounted for using the equity method (see Note 2.2.4 below), after initially being recognized at cost in the consolidated balance sheet.

2.2.4 Equity method

Under the equity method of accounting, interests in associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investees in profit or loss, and the Group's share of movements in other comprehensive income of the investees in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount.

2 Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting (continued)

2.2.4 Equity method (continued)

Where the Group's share of losses equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interests in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of interests in associates and a joint venture is tested for impairment in accordance with the policy described in Note 2.7.

2.2.5 Disposal of subsidiaries

The Group ceases to consolidate or equity account for an investment because of a loss of control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.2.6 Separate financial information

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 Summary of significant accounting policies (continued)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Group that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in USD which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are generally recognized in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

2 Summary of significant accounting policies (continued)

2.4 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each consolidated balance sheet presented are translated at the closing rate at the date of that consolidated balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

(d) Partial disposal of foreign operation

On the partial disposal of a foreign operation that involves loss of control over the subsidiaries, all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated income statement during the year in which they are incurred.

2 Summary of significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	Shorter of 6 to 51 years or remaining lease term
Machinery and equipment	2 to 9 years
Furniture, fixtures and office equipment	2 to 6 years
Molds and molding equipment	1 to 6 years
Leasehold improvement	2 to 6 years

Construction in-progress represents property, plant and equipment under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for the intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the consolidated balance sheet dates.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized within 'Other (losses)/gains – net' in the consolidated income statement.

2.6 Intangible assets

(a) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring the specific software into usage. Computer software is carried at cost less accumulated amortization and impairment, if any (Note 2.7). These costs are amortized over their estimated useful lives of 3 years.

2 Summary of significant accounting policies (continued)

2.6 Intangible assets (continued)

(b) Trademarks, Trade names and licenses

Separately acquired trademarks, trade names and licenses are stated at historical cost. Trademarks, trade names and licenses acquired in a business combination are recognized at fair value at the acquisition date. Trademarks, trade names and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks, trade names and licenses over their estimated useful lives of 3 to 20 years.

(c) Technical knowhow

Technical knowhow, including developed technology, are stated at cost less accumulated amortization and any accumulated impairment losses. Developed technology acquired in a business combination are recognized at fair value at the date of acquisition. Amortization for technical knowhow with finite useful life is recognized on a straight-line basis over the estimated useful life of 4 to 10 years. The estimated useful life and amortization method are reviewed at the consolidated balance sheet date, with the effect of any changes in estimate being accounted for on a prospective basis.

(d) Goodwill

Goodwill is measured as described in Note 2.2.1(a) and Note 2.7. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(e) Customer relationships

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The customer relationships are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of 12 years.

(f) Supplier relationships

Supplier relationships acquired in a business combination are recognized at fair value at the acquisition date. The supplier relations are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected useful lives of 5 years.

2 Summary of significant accounting policies (continued)

2.7 Impairment of non-financial assets

Goodwill that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the consolidated balance sheet date.

2.8 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or profit or loss), and

- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and de-recognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 Summary of significant accounting policies (continued)

2.8 Investments and other financial assets (continued)

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recorded in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Any gain or loss arising on de-recognition is recognized directly in profit or loss and presented in 'Other (losses)/gains – net' together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement. Interest income from these financial assets is included in finance income using the effective interest method.

- Fair value through profit or loss: Derivatives and other debt instruments are initially recognized at fair value on the date a contract is entered into and are subsequently remeasured to their fair value at the end of balance sheet date. Changes in the fair value of any derivative and debt instruments that does not qualify for hedge accounting are recognized immediately in profit or loss and presented net in the consolidated income statement within "Other (losses)/gains – net" in the year in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVOCI are recognized in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 Summary of significant accounting policies (continued)

2.8 Investments and other financial assets (continued)

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.2 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see Note 3.2 for further details.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

As at December 31, 2020 and 2019, there are no financial instruments that have offsetting arrangements.

2.10 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable costs of completion and variable selling expenses.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for products sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See Note 2.8 (d) for a description of the Group's impairment policies.

2 Summary of significant accounting policies (continued)

2.12 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognized directly in equity at cost. Equity instruments granted are directly debited to equity measured at fair value at the date of the grant. No gain or loss is recognized in the consolidated income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within twelve months after the consolidated balance sheet date (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2 Summary of significant accounting policies (continued)

2.16 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fees are deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fees are capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the consolidated balance sheet date.

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in consolidated income statement in the year in which they are incurred.

2.18 Current and deferred income tax

The income tax expense is the tax payable on the current year's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

2.18.1 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 Summary of significant accounting policies (continued)

2.18 Current and deferred income tax (continued)

2.18.2 Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, and the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the consolidated balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences and losses can be utilized.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not be reversed in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2 Summary of significant accounting policies (continued)

2.19 Employee benefits

2.19.1 Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Employees of the Group are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the staff leave the Group.

The contributions are recognized as employee benefit expenses when they are due. Amounts not paid are shown in accruals as a liability in the consolidated balance sheet. The assets of the plans are held separately from the Group in independently administered funds.

2.19.2 Housing funds, medical insurances and other social insurances

The employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period, and recognized as employee benefit expense when they are due.

2.19.3 Employee leaves entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the consolidated balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2 Summary of significant accounting policies (continued)

2.20 Equity-settled share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (shares or options) of the Group. The fair value of the employee services received in exchange for the grant of the shares and options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the shares granted:

- including any market performance conditions (for example, an entity's share price);

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining as an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the consolidated balance sheet date, the Group revises its estimates of the number of shares and options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

In addition, in some circumstances, employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

When the shares are issued, the directly attributable transaction costs are credited to share capital and share premium.

2 Summary of significant accounting policies (continued)

2.21 Provisions and contingent liabilities

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

2.22 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

2 Summary of significant accounting policies (continued)

2.23 Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable, and represents amounts receivable for goods supplied or service performed, stated net of value-added tax, sales incentives, rebates and returns. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of returns on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

Sales of goods

Revenue from the sale of goods directly to the customers is recognized at the point in time that the control of the goods has passed to the customers, which is primarily upon the acceptance of the products by the customers. Revenue from sale of goods is recognized, net of value-added tax, allowances for estimated returns, sales incentives, rebates, and discounts when the customers have full discretion over the goods, and there is no unfulfilled obligation that could affect the customers' acceptance of the goods.

Where goods are sold with retrospective sales incentives and discounts, revenue from these sales is recognized based on the price specified in the contract, net of the estimated sales incentives and discounts. Accumulated experience is used to estimate and provide for the discount, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability (contra to the trade receivables) is recognized for expected discounts entitled to customers in relation to sales made until the consolidated balance sheet date. No element of financing is deemed present as the sales are made with a credit term of less than 180 days, which is consistent with market practice.

Sales of scrap materials

Revenue from sale of scrap materials arising from production is recognized at the point in time when the control of the scrap materials passes to the customers.

Sales of service

Service income is recognized when services are provided over time.

2.24 Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

2 Summary of significant accounting policies (continued)

2.25 Rental income from operating lease

Rental income from operating leases is recognized in the consolidated income statement on a straight-line basis over the term of the lease. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.26 Leases

The Group as a lessee

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, which is generally the case for leases in the Group. The lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2 Summary of significant accounting policies (continued)

2.26 Leases (continued)

The Group as a lessee (continued)

To determine the incremental borrowing rate, the Group:

(a) where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;

(b) uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and,

(c) makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

(a) the amount of the initial measurement of lease liability;

(b) any lease payments made at or before the commencement date less any lease incentives received;

(c) any initial direct costs; and

(d) restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in consolidated income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

2 Summary of significant accounting policies (continued)

2.26 Leases (continued)

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding of the leases.

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term.

2.27 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.28 Research and development costs

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects relating to design and testing of new or improved products are recognized as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

3.1 Market risk

(a) Foreign exchange risk

The Group operates in several countries and is exposed to foreign exchange risk, primarily Renminbi ("RMB"), New Taiwan Dollar ("NTD"), Japanese Yen ("JPY") and Vietnam Dong ("VND"). Certain cash and cash equivalents, short-term bank deposits, trade and other receivables, trade and other payables, bank borrowings and lease liabilities are denominated in foreign currencies, which expose the Group to foreign exchange risk. The Group purchased certain currency forward contracts to reduce the foreign exchange risk; however, those contracts are accounted for as financial assets at fair value through profit or loss with (losses)/gains recognized in profit or loss.

	2020 **USD'000**	2019 USD'000
Net profit (decrease)/increase		
NTD against USD		
– Strengthened 5%	**(1,533)**	(8,412)
– Weakened 5%	**1,533**	8,412
Net profit increase/(decrease)		
RMB against USD		
– Strengthened 5%	**7,816**	3,860
– Weakened 5%	**(7,816)**	(3,860)

3 Financial risk management (continued)

3.1 Market risk (continued)

(a) Foreign exchange risk (continued)

	2020 USD'000	2019 USD'000
Net profit increase/(decrease)		
JPY against USD		
– Strengthened 5%	**–**	2,711
– Weakened 5%	**–**	(2,711)
Net profit increase/(decrease)		
VND against USD		
– Strengthened 5%	**1,916**	3,415
– Weakened 5%	**(1,916)**	(3,415)

(b) Cash flow and fair value interest rate risk

Financial assets and liabilities mainly include cash and cash equivalents, short-term deposits, finance lease receivables, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and bank borrowings which expose the Group to cash flow and fair value interest rate risks.

The Group's borrowings and receivables are carried at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

For the details of analysis by maturities, please refer to note 3.3(b).

As at December 31, 2020, if the interest rates on bank balances and bank borrowings had been 100 basis points higher/lower with all other variables held constant, the profit before tax for the year would have been approximately USD2,870,000 lower/higher (2019: approximately USD576,000 lower/higher), mainly as a result of higher/lower net interest expense on bank balances and bank borrowings.

3 Financial risk management (continued)

3.1 Market risk (continued)

(c) Price risk

The Group's exposure to equity securities price risk arises from equity instruments held by the Group and classified in the consolidated balance sheet as financial assets at FVPL and FVOCI. The Group maintains the equity investments for long-term strategic purposes.

The majority of the Group's investment as at year end date is not publicly traded, the management is of the opinion that the fair values of the equity instruments affected by changes in the market price of the underlying equity instruments is immaterial except for the investment in convertible preferred shares as disclosed in note 21. Accordingly, no sensitivity analysis is required.

3.2 Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, short-term bank deposits, trade receivables, deposits and other receivables, financial lease receivables, and financial assets at FVPL. The carrying amounts of these financial assets represent the Group's maximum exposure to credit risk.

The Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(a) Cash and cash equivalents and short-term bank deposits

(i) Risk management

Cash and bank deposits were deposited in banks rated by independently parties with high credit rating.

(ii) Impairment of cash and bank deposits

Cash and bank deposits are also subject to impairment requirement of IFRS 9. Management is of the view that the Group's cash and bank deposits are placed in those banks which are independently rated with a high credit rating. Management does not expect any material losses from non-performance by these banks as they have no default history in the past.

3 Financial risk management (continued)

3.2 Credit risk (continued)

(b) Trade receivables

(i) Risk management

The Group assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Company's Board of Directors. The compliance with credit limits by customers is regularly monitored by the management.

(ii) Impairment of trade receivables

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 all trade receivables. As the Group's historical credit loss experience indicates different loss patterns for different customer segments, the loss allowance is calculated based on days past due from various customer segments which are grouped with similar patterns (i.e. by geographic region and external credit grading).

The expected credit losses on trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, internal categorizations with reference to the credit ratings of individual debtors available from external credit rating agents and/or the debtors' credit history with the Group and ageing profile as at the end of reporting period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

As at December 31, 2020 and 2019, the loss allowance for trade receivables was determined as follows, the expected credit losses below also incorporated forward looking information.

3 Financial risk management (continued)

3.2 Credit risk (continued)

(b) Trade receivables (continued)

(ii) Impairment of trade receivables (continued)

	Current	Overdue within 3 months past due	Overdue 4 – 6 months	Overdue 7 – 12 months	Overdue over 1 year	Total
December 31, 2020						
Intermediate products						
Weighted average expected loss rate	**0.05%**	**0.33%**	**0.38%**	**0.43%**	**58.76%**	
Gross carrying amount – trade receivables (USD'000)	**760,294**	**21,679**	**2,455**	**948**	**485**	**785,861**
Loss allowance (USD'000)	**354**	**72**	**9**	**4**	**285**	**724**
Consumer products						
Weighted average expected loss rate	**0.05%**	**0.84%**	**3.61%**	**100.0%**	**100.0%**	
Gross carrying amount – trade receivables (USD'000)	**61,461**	**24,692**	**499**	**380**	**543**	**87,575**
Loss allowance (USD'000)	**30**	**207**	**18**	**380**	**543**	**1,178**
December 31, 2019						
Intermediate products						
Weighted average expected loss rate	0.05%	0.15%	0.22%	0.26%	16.37%	
Gross carrying amount – trade receivables (USD'000)	808,501	35,161	12,104	3,949	1,313	861,028
Loss allowance (USD'000)	372	51	27	10	215	676
Consumer products						
Weighted average expected loss rate	0.04%	0.71%	3.29%	100%	100%	
Gross carrying amount – trade receivables (USD'000)	41,129	22,402	6,735	265	346	70,877
Loss allowance (USD'000)	15	158	222	265	346	1,006

3 Financial risk management (continued)

3.2 Credit risk (continued)

(b) Trade receivables (continued)

(ii) Impairment of trade receivables (continued)

The loss allowances for trade receivables as at December 31, 2020 and 2019 reconcile to the opening loss allowances as follows:

	2020 **USD'000**	2019 USD'000
At beginning of the year	**1,682**	2,901
Recognition/(reversal) of loss allowance for impairment of trade receivables recognized in profit or loss during the year	**220**	(1,219)
At the end of the year	**1,902**	1,682

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(c) Deposits, other receivables, amounts due from related parties (non-trade) and finance lease receivables ("Other Receivables")

(i) Risk management

The Group has considered the probability of default upon initial recognition of assets and whether there has been significant increase in credit risk on an ongoing basis throughout each year. To assess whether there is a significant increase in credit risk, the Group considered the actual or expected significant adverse changes in business, and financial economic conditions that are expected to cause a significant change to the third party's ability to meet its obligations.

(ii) Impairment of Other Receivables

Other Receivables are subject to the impairment requirement of IFRS 9. The credit quality of the Other Receivables has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. The management are of the opinion that the credit risk of Other Receivables is low due to the sound collection history and financial stability of the counterparties. Therefore, the expected credit loss rate of the Other Receivables is assessed to be immaterial as of December 31, 2020 and 2019.

3 Financial risk management (continued)

3.2 Credit risk (continued)

(d) Financial assets at FVPL

The Group has investments in unlisted private funds and securities and currency forward contracts. The Group monitors the credit risks of its investments in unlisted private funds and securities through evaluation of financial and operational data provided by the investees. There are inherent risks in the reliability of information available to the Group that the Group could be misled and under-evaluate the credit risks of the underlying investments. The currency forward contracts were entered with banks with sound credit ratings and the Group did not consider there was material exposure to credit risks.

3.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the balance sheet date, the Group held deposits at banks of USD766,112,000 (2019: USD892,111,000) that are expected to readily generate cash inflows for managing liquidity risk.

The Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The Group expects to fund the future cash flow needs through internally generated cash flows from operations, and borrowings from banks.

(a) Financing arrangements

The Group had the following bank borrowings at the consolidated balance sheet date:

	2020 **USD'000**	2019 USD'000
Expiring within one year	**604,370**	493,546
Expiring between one to five years	**574,559**	574,176
	1,178,929	1,067,722

3 Financial risk management (continued)

3.3 Liquidity risk (continued)

(b) Maturities of financial liabilities

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows, including interest payments computed using contractual rates. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year USD'000	From 1 year to 2 years USD'000	From 2 years to 5 years USD'000	Over 5 years USD'000	Total contractual cash flows USD'000	Carrying amount USD'000
At December 31, 2020						
Trade and other payables (excluding employees benefits related payable and other taxes payable)	**894,670**	**3,796**	**1,340**	**–**	**899,806**	**899,806**
Lease liabilities	**17,597**	**11,104**	**11,048**	**8,034**	**47,628**	**45,597**
Bank borrowings	**610,774**	**5,835**	**575,531**	**–**	**1,192,140**	**1,178,929**
At December 31, 2019						
Trade and other payables (excluding employees benefits related payable and other taxes payable)	970,903	5,991	3,760	–	980,654	980,654
Lease liabilities	17,442	13,098	8,912	1,653	41,105	38,971
Bank borrowings	508,641	13,495	589,921	–	1,112,057	1,067,722

(c) Available banking facilities

For details of available banking facilities, please refer to Note 29.

3 Financial risk management (continued)

3.4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Group's monitors capital by regularly reviewing the capital structure. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return on capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debts divided by total capital. Net debts are calculated as total borrowings less cash and cash equivalents and short term bank deposits. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debts.

The gearing ratios at December 31, 2020 and 2019 were as follows:

	2020 USD'000	2019 USD'000
Bank borrowings (Note 29)	**1,178,929**	1,067,722
Less: cash and cash equivalents and short-term bank deposits (Note 26)	**(891,884)**	(1,010,122)
Net debt	**287,045**	57,600
Total equity	**2,190,376**	2,077,347
Total capital	**2,477,421**	2,134,947
Gearing ratio	**11.6%**	2.7%

3 Financial risk management (continued)

3.5 Fair value estimation

The carrying amounts of the Group's cash and cash equivalents, short-term bank deposits, finance lease receivables, trade receivables, deposits, other receivables, amounts due from related parties (non-trade) and financial assets at FVPL and FVOCI, trade and other payables (excluding employees benefits related payable and other taxes payable) and bank borrowings approximate their fair values due to their short maturities and/or bear interest rate at market. The nominal value less estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

The table below analyses the Group's financial instruments carried at fair values as at December 31, 2020 and 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market date (that is, unobservable inputs) (level 3).

	2020			
	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Financial assets				
Financial assets at fair value through profit or loss	–	7,528	14,855	22,383
Financial assets at fair value through other comprehensive income	297	–	22,727	23,024
	297	7,528	37,582	45,407

3 Financial risk management (continued)

3.5 Fair value estimation (continued)

	2019			
	Level 1	Level 2	Level 3	Total
	USD'000	USD'000	USD'000	USD'000
Financial assets				
Financial assets at fair value through profit or loss	–	6,886	56,957	63,843
Financial assets at fair value through other comprehensive income	–	–	17,694	17,694
	–	6,886	74,651	81,537

There were no transfers between level 1, 2 and 3 during the years. The transfers in and out of level 3 measurements which presents the changes of financial instruments in level 3 for the years ended 31 December 2020 and 2019 are as follows:

	2020	2019
	USD'000	USD'000
Financial assets		
At begining of year	**74,651**	17,102
Addition	**22,700**	59,975
Accrued coupon on convertible preferred shares	**2,612**	325
Transfer to interest in associates	**–**	(6,275)
Charges in fair value	**(62,381)**	3,524
At end of year	**37,582**	74,651

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required for evaluating the fair value of a financial instrument are observable, the instrument is included in level 2.

3 Financial risk management (continued)

3.5 Fair value estimation (continued)

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3. Specific valuation techniques used to value financial instruments mainly include:

- The use of quoted market prices for similar instruments;
- The use of asset-based approach;
- Other techniques, including discounted cash flow analysis, are used to determine fair value for financial instruments.

The Group has a team of personnel who monitor the valuation of the investments on these level 3 instruments for financial reporting purposes. The team would assess the fair value of each investments at least once semi-annually, which coincides with the Group's reporting dates. On an annual basis, the team would adopt various valuation techniques to determine the fair value of the Group's level 3 instruments with the assistance of external valuation experts.

The level 3 instruments mainly include investments in unlisted companies classified as FVPL or FVOCI. As these investments and instruments are not traded in an active market, the majority of their fair values have been determined using applicable valuation techniques including comparable transactions approach and other option pricing approach. These valuation approaches require significant judgment, assumptions and inputs, including risk-free rates, expected volatility, relevant underlying financial projections, and market information of recent transactions (such as recent fund raising transactions undertaken by the investees) and other exposure, etc.

3 Financial risk management (continued)

3.5 Fair value estimation (continued)

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements of other investments in unlisted preferred shares of private companies.

	Fair value at December 31 2020 USD'000	2019 USD'000	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Description				
Equity investments in unlisted private entities	**19,497**	14,826	Expected volatility: 39% – 44%	The higher the expected volatility, the lower the fair value
Unlisted private fund investments	**14,855**	2,405	Recent transaction prices	The higher the transaction prices, the higher the fair value
Unlisted convertible preferred shares	**–**	54,552	Refer to Note 21(ii)	
Others	**3,130**	2,715		
	37,582	74,651		

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

4.1 Estimated useful lives and residual values of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. The estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charges where useful lives are different from those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in future periods.

4.2 Estimations in goodwill impairment assessment

The Group tests annually whether goodwill has suffered any impairment. For the purposes of impairment reviews, the recoverable amount of goodwill is determined based on the higher of fair value less costs of disposal or value in use calculations. The recoverable amount calculations primarily use cash flow forecast based on financial budgets and forecasts covering a period of five years approved by management and estimated terminal value at the end of the forecast period.

There are a number of assumptions and estimates involved in the preparation of cash flow forecast for the period covered by the approved budgets. Key assumptions include the growth rates and discount rates to reflect the risks involved. Management prepares the financial budgets and forecasts reflecting actual and prior year performance and market development expectations. Judgement is required to determine key assumptions adopted in the cash flow forecast and changes to key assumptions could affect the cash flow forecast and therefore the results of the impairment reviews. For details, see Note 17.

4 Critical accounting estimates and judgements (continued)

4.3 Estimated useful lives of intangible assets excluding goodwill

The Group's intangible assets are mainly from several businesses acquisitions completed by the Group in prior years. The Group estimates the useful life of the intangible assets based on the current contracted or expected usages periods, and the expected obsolescence of such assets. However, the actual useful life may be shorter or longer depending on technical innovations and competitor actions. The estimated economic useful lives reflect the Group's expectation of the period over which the Group will continue to receive economic benefit from the intangible assets. The economic useful lives are periodically reviewed taking into consideration such factors as changes in technology and markets. Any changes to economic lives might have a material impact to the Group's results and financial position.

4.4 Fair value measurement of financial assets at FVPL and FVOCI

The fair values of the financial assets at FVPL and FVOCI that are not traded in an active market are determined using valuation techniques. The Group determined the fair value of these unlisted investments by taking reference to statements provided by the respective fund managers, or adopting applicable valuation methodologies, assumptions and estimates, including, where applicable, valuations performed by independent external valuers. For details of the key assumptions used and the impact of changes to these assumptions see Note 3.5.

4.5 Current and deferred income taxes

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the year in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the year in which such estimate is changed.

Deferred income tax liabilities have not been established for the withholding taxation that would be payable on the undistributed profits of certain subsidiaries which were under certain jurisdictions as the directors consider that the timing of the reversal of related temporary differences can be controlled, and it is probable that the temporary differences will not be reversed in the foreseeable future. For details, see Note 22.

4 Critical accounting estimates and judgements (continued)

4.6 Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. The estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. Impairment of inventories are recorded where events or changes in circumstances indicate that the balances may not be realized. The identification of impairment requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and provision for impairment of inventories in the year in which such estimate has been changed. Management reassesses these estimates at each consolidated balance sheet date.

5 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 are responsible for allocating resources and assessing performance of the operating segment, have been identified as the executive directors that make strategic decisions. CODM assess the performance of the operating segment based on revenue.

The Group was organized into two main operating segments namely (i) intermediate products and (ii) consumer products. Intermediate products relate to the manufacturing and sales of mobile and wireless devices, connectors applied in the communication, computer and automotive markets. The Group's intermediate products are mainly manufactured through its production complexes in the PRC and Vietnam. Consumer products refers to trading and distribution of routers and mobile device related products. The Group's consumer products are mainly manufactured by its production complexes or other third party manufacturers in the PRC and Vietnam and distributed globally.

5 Segment information (continued)

Segment revenue and results

The following is an analysis of the Group's revenue by operating segments:

For the year ended December 31, 2020

	Intermediate products USD'000	Consumer products USD'000	Total USD'000
Revenue	3,594,418	838,755	4,433,173
Inter-segment revenue eliminations	(118,512)	–	(118,512)
Revenue from external customers	3,475,906	838,755	4,314,661
Gross profit			579,772
Unallocated:			
Operating expenses			(465,854)
Other income			13,380
Other losses – net			(2,541)
Finance income – net			618
Share of results of associates and a joint venture			(8,851)
Profit before income tax			116,524

5 Segment information (continued)

Segment revenue and results (continued)

For the year ended December 31, 2019

	Intermediate products USD'000	Consumer products USD'000	Total USD'000
Segment Revenue	3,639,543	824,170	4,463,713
Inter-segment revenue eliminations	(91,331)	–	(91,331)
Revenue from external customers	3,548,212	824,170	4,372,382
Gross profit			754,195
Unallocated:			
Operating expenses			(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			(1,764)
Profit before income tax			265,910

Revenue by geographical areas is as follows:

	2020 USD'000	2019 USD'000
United States of America	**2,258,966**	1,908,404
The PRC	**738,352**	1,034,694
Taiwan	**492,026**	370,850
Hong Kong	**288,640**	340,799
Singapore	**111,559**	222,543
Malaysia	**104,147**	101,961
Others	**320,971**	393,131
	4,314,661	4,372,382

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

5 Segment information (continued)

Segment revenue and results (continued)

During the year ended December 31, 2020, there were two customers (2019: two customers) which individually contributed over 10% of the Group's total revenue. The revenue contributed from these customers are as follows:

	2020 USD'000	2019 USD'000
Customer A	1,431,721	1,440,769
Customer B	594,156	843,534

Customer A refers to a cluster of customers consisting of a brand company and its nominated contract manufacturers; Customer B is a group of related companies (Note 34(a)).

Segment assets and liabilities

At December 31, 2020

	Intermediate products USD'000	Consumer products USD'000	Total USD'000
Assets			
Segment assets	1,703,802	1,075,222	2,779,024
Unallocated:			
Property, plant and equipment			727,882
Right-of-use assets			77,568
Intangible assets			25,385
Financial assets at fair value through other comprehensive income			23,024
Financial assets at fair value through profit or loss			22,383
Interests in associates and a joint venture			24,426
Finance lease receivables			67,361
Short-term bank deposits			125,772
Cash and cash equivalents			766,112
Total assets			4,638,937

5 Segment information (continued)

Segment revenue and results (continued)

Segment assets and liabilities (continued)

At December 31, 2020

	Intermediate products USD'000	Consumer products USD'000	Total USD'000
Liabilities			
Segment liabilities	**903,211**	**320,824**	**1,224,035**
Unallocated			
Bank borrowings			**1,178,929**
Lease liabilities			**45,597**
Total liabilities			**2,448,561**

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

5 Segment information (continued)

Segment revenue and results (continued)

Segment assets and liabilities (continued)

	Intermediate products USD'000	Consumer products USD'000	Total USD'000
Liabilities			
Segment liabilities	944,574	278,415	1,222,989
Unallocated			
Bank borrowings			1,067,722
Lease liabilities			38,971
Total liabilities			2,329,682

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:

	2020 USD'000	2019 USD'000
The PRC	**543,992**	460,279
Vietnam	**234,134**	125,875
United States of America	**50,772**	39,867
Taiwan	**14,454**	11,346
Singapore	**6,445**	689
Others	**7,927**	30,489
	857,724	668,545

6 Revenue

	2020 USD'000	2019 USD'000
Sales of goods	**4,244,661**	4,300,167
Provision of services	**21,157**	15,845
Sales of scrap materials	**48,843**	56,370
	4,314,661	4,372,382

Sales of goods and scrap materials are recognized at point in time and provision of services is recognized over time as disclosed in Note 2.23.

The Group has recognized the following liabilities relating to contracts with customers as at December 31, 2020 and 2019:

	2020 USD'000	2019 USD'000
Contract liabilities – Sales of goods	**8,486**	3,174

The amounts of revenue recognized during the years ended December 31, 2020 and 2019 and related to carried-forward contract liabilities are:

	2020 USD'000	2019 USD'000
Sales of goods	**3,174**	6,025

7 Other income

	2020 USD'000	2019 USD'000
Rental income from properties	**4,210**	6,838
Government grant income (Note (i))	**6,290**	8,089
Others (Note (ii))	**2,880**	9,216
	13,380	24,143

Notes:

(i) During the year ended December 31, 2020, the Group recognised USD4,352,000 COVID-19 related subsidies.

(ii) For the year ended December 31, 2019, this included USD7,000,000 received from the selling shareholder of Belkin International Inc. ("Belkin") in respect of the early termination of the indemnification period relating to the acquisition of Belkin.

8 Other (losses)/gains – net

	2020 USD'000	2019 USD'000
Net foreign exchange gains	**9,320**	24,713
Fair value (losses)/gains on financial assets at fair value through profit or loss		
– unlisted convertible preferred shares (Note 21(ii)(a))	**(57,164)**	–
– currency forward contracts	**37,575**	(7,787)
– unlisted private fund investments	**(397)**	–
Gains/(losses) on disposal of property, plant and equipment	**2,010**	(2,717)
Gain on disposal of subsidiaries (Note 32(d))	**5,901**	–
Others	**214**	444
	(2,541)	14,653

9 Expenses by nature

	2020 USD'000	2019 USD'000
Cost of inventories	**2,545,166**	2,328,827
Delivery expenses	**69,214**	64,137
Import and export expenses	**27,182**	33,226
Subcontracting expenses	**112,957**	364,266
Employee benefit expenses (Note 10)	**749,582**	621,917
Depreciation of property, plant and equipment (Note 15)	**177,110**	183,155
Depreciation of right-of-use assets (Note 16)	**21,109**	27,480
Moulding and consumables	**198,753**	207,236
Utilities	**48,434**	51,783
Professional expenses	**48,778**	53,185
Short-term and low-value lease expenses (Note 16(ii))	**8,661**	6,081
Repair and maintenance	**34,163**	32,324
Amortization of intangible assets (Note 17)	**42,914**	44,324
Impairment of intangible assets (Note 17)	**–**	4,474
Auditor's remuneration	**1,170**	1,052
Others	**115,330**	113,760
Total cost of sales, distribution costs and selling expenses, administrative expenses and research and development expenses	**4,200,523**	4,137,227

10 Employee benefit expenses (including directors and senior management's emoluments)

	2020 USD'000	2019 USD'000
Salaries, wages and bonuses	**635,848**	517,540
Pension, housing fund, medical insurance and other social insurances	**65,817**	58,469
Share-based payment expenses (Note 31)	**7,946**	14,736
Staff welfare and other benefits	**39,971**	31,172
	749,582	621,917

10 Employee benefit expenses (including directors and senior management's emoluments) (continued)

(a) Directors and chief executive's emoluments

The remuneration of each director of the Company paid/payable by the Group for the years are set out as follows:

For the year ended December 31, 2020

	Director's fee USD'000	Salaries, wages and bonuses USD'000	Pension, housing fund, medical insurance and other social insurances USD'000	Share-based payment expenses USD'000	Total USD'000
Executive Director					
Lu, Sungching	–	3,506	1	4,390	7,898
Lu, Pochin Christopher	–	1,887	–	1,416	3,303
Pipkin Chester John	–	86	39	–	125
Non-Executive Director					
Trainor-Degirolamo Sheldon	75	–	–	–	75
Independent Non-Executive Director					
Curwen Peter D	75	–	–	–	75
Tang, Kwai Chang	75	–	–	–	75
Chan, Wing Yuen Hubert	75	–	–	–	75
	300	5,479	40	5,806	11,626

10 Employee benefit expenses (including directors and senior management's emoluments) (continued)

(a) Directors and chief executive's emoluments (continued)

For the year ended December 31, 2019

	Director's fee USD'000	Salaries, wages and bonuses USD'000	Pension, housing fund, medical insurance and other social insurances USD'000	Share-based payment expenses USD'000	Total USD'000
Executive Director					
Lu, Sungching	–	3,480	1	9,468	12,949
Lu, Pochin Christopher	–	2,000	–	2,308	4,308
William Ralph Gillespie	–	518	31	225	774
Pipkin Chester John	–	844	46	14	904
Non-Executive Director					
Chen, Galane (Note (i))	–	–	–	–	–
Trainor-Degirolamo Sheldon	48	–	–	–	48
Independent Non-Executive Director					
Curwen Peter D	75	–	–	–	75
Tang, Kwai Chang	75	–	–	–	75
Chan, Wing Yuen Hubert	75	–	–	–	75
	273	6,842	78	12,015	19,208

The remuneration shown above represents remuneration received and receivable from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the Company. No directors waived or agreed to waive any emoluments during the year (2019: Nil).

Note:

(i) The emoluments of a director of the Company, Chen Galane, was borne by the Hon Hai Group.

10 Employee benefit expenses (including directors and senior management's emoluments) (continued)

(b) Directors' retirement benefits

Save as disclosed in note (a) above, no retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking during the year ended December 31, 2020 (2019: Nil).

(c) Directors' termination benefits

No payment was made to directors as compensation for early termination of the appointment during the year ended December 31, 2020 (2019: Nil).

(d) Consideration provided to third parties for making available directors' services

No payment was made to third parties for making available directors' services during the year ended December 31, 2020 (2019: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year ended December 31, 2020 (2019: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

There are no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2020 (2019: Nil).

10 Employee benefit expenses (including directors and senior management's emoluments) (continued)

(g) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two directors for the year ended December 31, 2020 (2019: three), and their emoluments are reflected in the analysis shown in Note 10(a). The emoluments payable to the remaining three (2019: two) individuals during the year ended December 31, 2020 are as follows:

	2020 **USD'000**	2019 USD'000
Salaries, wages and bonuses	**1,676**	2,534
Pension, housing fund, medical insurance and other social insurances	**3**	84
Share-based payment expenses (Note 31)	**120**	656
	1,799	3,274

The emoluments fell within the following bands:

	2020	2019
Emoluments bands:		
USD500,001 to USD600,000	**1**	–
USD600,001 to USD700,000	**2**	–
USD1,400,001 to USD1,500,000	**–**	1
USD1,700,001 to USD1,800,000	**–**	1
	3	2

During the year ended December 31, 2020, neither directors nor other members of the five highest paid individuals received any emoluments from the Group as an inducement to join, upon joining the Group, to leave the Group or as compensation for loss of office.

11 Finance income/(costs) – net

	2020 USD'000	2019 USD'000
Finance income:		
– short-term bank deposits and cash equivalents	**14,258**	21,399
– Interest income from finance lease receivables	**740**	113
– Accrued coupon on convertible preferred shares (Note 21(ii)(a))	**2,612**	325
	17,610	21,837
Finance costs:		
– Interest paid for bank borrowings	**(14,977)**	(27,592)
– Interest paid for lease liabilities (Note 16(ii))	**(2,015)**	(1,741)
	(16,992)	(29,333)
Finance income/(costs) – net	**618**	(7,496)

12 Income tax expense

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

	2020 USD'000	2019 USD'000
Current income tax		
– for the current year	**54,745**	57,600
– for prior years (note (i))	**49,659**	(4,812)
Deferred income tax (Note 22)	**(30,455)**	(20,173)
Income tax expense	**73,949**	32,615
Analysis of income tax expenses by jurisdictions:		
The PRC	**58,724**	17,140
Taiwan	**32,883**	35,933
Vietnam	**336**	4,095
Others	**(17,994)**	(24,553)
	73,949	32,615

Notes

(i) PRC corporate income tax

The corporate income tax ("CIT") is calculated based on the statutory profits of PRC subsidiaries in accordance with the PRC tax laws and regulations. The standard PRC CIT rate is 25% (2019: 25%).

During the year ended December 31, 2020, four PRC subsidiaries (2019: Four PRC subsidiaries) were qualified for new/high-technology enterprises status and enjoyed preferential income tax rate of 15% (2019: 15%) during the year. One of the PRC subsidiaries was qualified for a preferential income tax rate of 15% under a Notice of the Ministry of Finance, The General Administration of Customs and the State Administration of Taxation on Taxation Policies for Deepening the Implementation of the Western Development Strategy during the years ended December 31, 2020 and 2019.

Under-provision in prior years

During the year ended December 31, 2020, the Group provided approximately USD49,659,000 relating to tax liabilities of two wholly owned subsidiaries in respect of profits earned over a number of years prior to the completion of the Group reorganization in 2015.

12 Income tax expense (continued)

Notes (continued)

(ii) Taiwan profit-seeking enterprise income tax

Taiwan profit-seeking enterprise income tax has been provided for at the rate of 20% (2019: 20%) on the estimated taxable profits during the year.

(iii) Vietnam corporate income tax

Vietnam corporate income tax is calculated at the rate of 10% on the taxable profits of the subsidiary in accordance with Vietnam Income Tax Act for the year ended December 31, 2020 (2019: 10%).

Pursuant to the initial Investment Registration Certificate dated 19 January 2016, and the Investment Registration Certificate dated 28 January 2019, a subsidiary incorporated in Vietnam is exempted from business income tax for two years from 2017 to 2018 and is entitled to 50% reduction in business income tax for four consecutive years from 2019 to 2022.

For the year ended December 31, 2020, the Company received tax incentives for supporting industries in which certain profit is exempted from business income tax for four years from 2020 to 2023 and followed by 50% reduction in business income tax for nine years from 2024 to 2032.

(iv) United States of America ("USA") corporate income tax

USA corporate income tax has been provided for at the statutory rate of 21% (2019: 21%) on the estimated taxable profits of the subsidiaries incorporated in the USA.

The Group is entitled to research and development credits for the qualified research expenses incurred in the USA which could be used to reduce its tax liabilities.

The corporate income taxes imposed by the United States possessions and foreign countries are generally allowed as a foreign tax credit on the related foreign sourced income under Internal Revenue Code Section 901 of the USA. The foreign tax credit is limited to the USA corporate income tax on foreign-sourced income.

(v) Other foreign countries income tax

Taxes on profits in other foreign countries, including United Kingdom, Hong Kong and Australia, 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.

12 Income tax expense (continued)

The tax on the Group's profit before income tax which differs from the theoretical amount that could arise using the weighted average tax rates applicable to profits during the year is as follows:

	2020 USD'000	2019 USD'000
Profit before income tax	**116,524**	265,910
Tax calculated at domestic tax rate applicable to profits in the respective countries	**23,786**	48,057
Tax effect of:		
Expenses not deductible for tax purpose	**9,877**	464
Income not subject to income tax	**(2,265)**	(6,238)
Recognition of tax credit benefits relating to qualified expenses	**(7,548)**	(7,211)
Utilization of previously unrecognized tax losses	**(95)**	–
Tax losses not recognized	**535**	2,355
Under/(over)-provision in prior years – net	**49,659**	(4,812)
	73,949	32,615

13 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 (Note 31(d)), during the years ended December 31, 2020 and 2019.

	2020	2019
Net profit attributable to the owners of the Company (USD'000)	**42,509**	235,414
Weighted average number of ordinary shares in issue (in thousands)	**6,673,629**	6,585,524
Basic earnings per share (US cents)	**0.64**	3.57

(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. As at December 31, 2020, there were four outstanding share-based compensation schemes and only the senior management share grant scheme has dilutive effect to the earnings per share (2019: same).

	2020	2019
Net profit attributable to the owners of the Company (USD'000)	**42,509**	235,414
Weighted average number of ordinary shares in issue (in thousands)	**6,673,629**	6,585,524
Adjustments for:		
– impact of the senior management schemes (in thousands)	**212,904**	169,469
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	**6,886,533**	6,754,993
Diluted earnings per share (US cents)	**0.62**	3.49

13 Earnings per share (Continued)

(b) Diluted earnings per share (Continued)

Dilutive potential ordinary shares include shares and options granted under senior management and employees' share grant schemes, share award and share option schemes as disclosed in Note 31.

During the years ended December 31, 2020 and 2019, the senior management share grant scheme has been included in the determination of diluted earnings per share to the extent they are dilutive. 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.

The employees' share restricted share scheme, share option scheme and share award schemes (Treasury shares) are not included in the calculation of diluted earnings per share because they are anti-dilutive for the year ended December 31, 2020 (2019: same). These three schemes could potentially dilute basic earnings per share in the future.

14 Dividends

No dividend in respect of the year ended December 31, 2020 (2019: Nil) has been declared as of the date of approval of these consolidated financial statements.

15 Property, plant and equipment

	Buildings USD'000	Machinery and equipment USD'000	Furniture, fixtures and office equipment USD'000	Molds and molding equipment USD'000	Leasehold improvements USD'000	Construction in progress USD'000	Total USD'000
As at January 1, 2020							
Cost	494,120	659,551	230,391	262,322	18,129	77,393	1,741,906
Accumulated depreciation	(296,377)	(470,724)	(190,635)	(206,167)	(11,913)	–	(1,175,816)
Net book amount	197,743	188,827	39,756	56,155	6,216	77,393	566,090
Year ended December 31, 2020							
Opening net book amount	197,743	188,827	39,756	56,155	6,216	77,393	566,090
Transfers	39,667	6,816	5,360	34,513	153	(86,509)	–
Additions	8,382	76,573	83,252	21,897	11,814	138,824	340,742
Disposals	–	(4,346)	(9,282)	(410)	(1,801)	–	(15,839)
Disposal of subsidiaries (Note 32(d))	–	(1,967)	(1,598)	(350)	–	–	(3,915)
Depreciation	(24,779)	(60,201)	(48,990)	(36,674)	(6,466)	–	(177,110)
Currency translation difference	5,874	8,452	1,276	1,774	108	430	17,914
Closing net book amount	226,887	214,154	69,774	76,905	10,024	130,138	727,882
As at December 31, 2020							
Cost	544,180	742,082	309,400	319,746	28,401	130,138	2,073,947
Accumulated depreciation	(317,293)	(527,928)	(239,626)	(242,841)	(18,377)	–	(1,346,065)
Net book amount	226,887	214,154	69,774	76,905	10,024	130,138	727,882

15 Property, plant and equipment (continued)

	Buildings USD'000	Machinery and equipment USD'000	Furniture, fixtures and office equipment USD'000	Molds and molding equipment USD'000	Leasehold improvements USD'000	Construction in progress USD'000	Total USD'000
As at January 1, 2019							
Cost	474,824	688,218	230,487	218,500	16,774	53,861	1,682,664
Accumulated depreciation	(276,838)	(459,897)	(187,693)	(150,973)	(7,927)	–	(1,083,328)
Net book amount	197,986	228,321	42,794	67,527	8,847	53,861	599,336
Year ended December 31, 2019							
Opening net book amount	197,986	228,321	42,794	67,527	8,847	53,861	599,336
Transfers	11,347	48,290	1,718	47,038	1,355	(109,748)	–
Additions	10,568	66,105	43,917	1,641	–	134,008	256,239
Disposals	–	(88,249)	(6,425)	(278)	–	–	(94,952)
Depreciation	(19,539)	(58,534)	(41,957)	(59,141)	(3,984)	–	(183,155)
Currency translation difference	(2,619)	(7,106)	(291)	(632)	(2)	(728)	(11,378)
Closing net book amount	197,743	188,827	39,756	56,155	6,216	77,393	566,090
As at December 31, 2019							
Cost	494,120	659,551	230,391	262,322	18,129	77,393	1,741,906
Accumulated depreciation	(296,377)	(470,724)	(190,635)	(206,167)	(11,913)	–	(1,175,816)
Net book amount	197,743	188,827	39,756	56,155	6,216	77,393	566,090

15 Property, plant and equipment (continued)

Depreciation of property, plant and equipment has been charged to the consolidated income statement as follows:

	2020 USD'000	2019 USD'000
Cost of sales	**152,931**	158,150
Distribution costs and selling expenses	**461**	477
Administrative expenses	**10,564**	10,924
Research and development expenses	**13,154**	13,604
	177,110	183,155

16 Right-of-use assets

The Group has lease contracts for land and buildings and various items of motor vehicles, machinery and equipment used in its operations. The movements during the year are set out below:

	Land-use-rights USD'000	Office premises, warehouse and staff quarters USD'000	Motor vehicles, machinery and equipment USD'000	Total USD'000
Net book value at January 1, 2019	20,144	53,565	1,043	74,752
Additions	11,077	4,999	264	16,340
Depreciation	(701)	(26,205)	(574)	(27,480)
Exchange differences	(272)	(635)	67	(840)
Net book value at December 31, 2019 and January 1, 2020	**30,248**	**31,724**	**800**	**62,772**
Additions	**8,211**	**32,078**	**493**	**40,782**
Termination of leases	**–**	**(8,171)**	**–**	**(8,171)**
Depreciation	**(1,186)**	**(19,267)**	**(656)**	**(21,109)**
Exchange differences	**1,308**	**1,890**	**96**	**3,294**
Net book value at December 31, 2020	**38,581**	**38,254**	**733**	**77,568**

16 Right-of-use assets (continued)

(i) Amounts recognized in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	2020 USD'000	2019 USD'000
Right-of-use assets		
Land use rights	38,581	30,248
Office premises, warehouse and staff quarters	38,254	31,724
Motor vehicles, machinery and equipment	733	800
	77,568	62,772
Lease liabilities		
Current	17,044	16,389
Non-current	28,553	22,582
	45,597	38,971

16 Right-of-use assets (continued)

(i) Amounts recognized in the consolidated balance sheet (continued)

Analysis of lease liabilities:

	Minimum lease payments		Present value of minimum lease payment	
	2020	2019	**2020**	2019
	USD'000	USD'000	**USD'000**	USD'000
Lease liabilities comprise:				
Within first year	**17,597**	17,442	**17,044**	16,389
In second to fifth years, inclusive	**22,152**	22,010	**21,171**	21,042
After fifth year	**8,034**	1,653	**7,382**	1,540
	47,628	41,105	**45,597**	38,971
Less: future interest expenses	**(2,031)**	(2,134)		
Total net lease liabilities	**45,597**	38,971		

During the year ended December 31, 2020, the Group did not receive any COVID-19 related rental concession.

16 Right-of-use assets (continued)

(ii) Amounts recognized in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	2020 USD'000	2019 USD'000
Depreciation charge of right-of-use assets		
Land-use-rights	**1,186**	701
Office premises, warehouse and staff quarter	**19,267**	26,205
Motor vehicles, machinery and equipment	**656**	574
	21,109	27,480
Interest expenses (included in finance costs)	**2,015**	1,741
Expenses relating to short-term leases (included in cost of goods sold and administrative expenses)	**8,630**	6,057
Expenses relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	**31**	24

The total cash outflow for leases in the year ended December 31, 2020 was approximately USD30,513,000 (2019: USD38,662,000).

Depreciation of property, plant and equipment has been charged to the consolidated income statement as follows:

	2020 USD'000	2019 USD'000
Cost of sales	**7,442**	7,706
Administrative expenses	**13,667**	19,774
	21,109	27,480

16 Right-of-use assets (continued)

(iii) The Group's leasing activities and how these are accounted for

The Group leases various land, offices, warehouses, retail stores, machinery, equipment and vehicles. Lease contracts are typically made for fixed periods, but may have extension options as described in (iv) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

(iv) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The Group recognizes right-of-use assets with extension and termination options that are exercisable only by the Group and not by the respective lessor only if the Group is highly likely to exercise the options. As at December 31, 2020, the Group did not recognize extension and termination options as they were not expected to exercise.

17 Intangible assets

	Trademarks and tradenames	Customer and supplier relationships	Computer software	Licenses	Technical knowhow	Goodwill (Note a)	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
As at January 1, 2020							
Cost	143,600	58,200	6,951	32,593	128,906	443,355	813,605
Accumulated amortization and impairment provision	(9,881)	(7,090)	(3,234)	(17,874)	(30,985)	–	(69,064)
Net book amount	133,719	51,110	3,717	14,719	97,921	443,355	744,541
Year ended December 31, 2020							
Opening net book amount	133,719	51,110	3,717	14,719	97,921	443,355	744,541
Additions	–	–	15,274	28	–	–	15,302
Disposal of subsidiaries (Note 32(d))	–	–	(301)	(8,193)	–	–	(8,494)
Amortization	(7,750)	(5,549)	(3,410)	(2,945)	(23,260)	–	(42,914)
Currency translation difference	–	–	83	229	497	–	809
Closing net book amount	125,969	45,561	15,363	3,838	75,158	443,355	709,244
As at December 31, 2020							
Cost	143,600	58,200	19,171	19,939	129,041	443,355	813,306
Accumulated amortization and impairment provision	(17,631)	(12,639)	(3,808)	(16,101)	(53,883)	–	(104,062)
Net book amount	125,969	45,561	15,363	3,838	75,158	443,355	709,244

17 Intangible assets (continued)

	Trademarks and tradenames USD'000	Customer and supplier relationships USD'000	Computer software USD'000	Licenses USD'000	Technical knowhow USD'000	Goodwill (Note a) USD'000	Total USD'000
As at January 1, 2019							
Cost	143,600	58,200	4,976	32,593	130,305	446,430	816,104
Accumulated amortization	(2,131)	(542)	(1,392)	(14,135)	(6,946)	–	(25,146)
Net book amount	141,469	57,658	3,584	18,458	123,359	446,430	790,958
Year ended December 31, 2019							
Opening net book amount	141,469	57,658	3,584	18,458	123,359	446,430	790,958
Additions	–	–	2,185	–	–	–	2,185
Disposals	–	–	(210)	–	–	–	(210)
Amortization	(7,750)	(6,548)	(1,851)	(3,804)	(24,371)	–	(44,324)
Impairment loss	–	–	–	–	(1,399)	(3,075)	(4,474)
Currency translation difference	–	–	9	65	332	–	406
Closing net book amount	133,719	51,110	3,717	14,719	97,921	443,355	744,541
As at December 31, 2019							
Cost	143,600	58,200	6,951	32,593	128,906	443,355	813,605
Accumulated amortization and impairment provision	(9,881)	(7,090)	(3,234)	(17,874)	(30,985)	–	(69,064)
Net book amount	133,719	51,110	3,717	14,719	97,921	443,355	744,541

17 Intangible assets (continued)

Amortization of intangible assets has been charged to the consolidated income statement (Note 9) as follows:

	2020 USD'000	2019 USD'000
Cost of sales	**1,151**	1,574
Distribution costs and selling expenses	**4,409**	5,089
Administrative expenses	**37,101**	37,357
Research and development expenses	**253**	304
	42,914	44,324

(a) Impairment assessment for Goodwill

Goodwill is allocated to the Group's cash-generating unit ("CGU") that are expected to benefit from business combination and impairment testing is performed annually on goodwill allocated to its respective CGUs. The balance mainly includes the goodwill of approximately USD441,509,000 arising from the acquisition of Belkin International, Inc. ("Belkin") in 2018. Belkin is principally engaged in trading and distribution of routers and mobile device related products.

The recoverable amount of a CGU is determined based on higher of its fair value less costs of disposal and value-in-use calculations. The recoverable amount of the CGU relating to the goodwill arising from the acquisition of Belkin was determined based on value-in-use calculation. The calculation uses cash flow projected based on financial budgets of five year period which reflects the medium term plan of management in expanding the customer based and market share. Cash flows beyond the 5-year period are extrapolated using the estimated growth rates.

17 Intangible assets (continued)

(a) Impairment assessment for Goodwill (continued)

The key assumptions used for the value-in-use calculation are as follows:

	Note	**2020**	2019
Five-year compound revenue growth rate	(i)	**10.0%**	12.1%
Long term growth rate	(ii)	**2.0%**	2.0%
Pre-tax discount rate	(iii)	**16.5%**	13.6%

Notes:

(i) The five-year revenue growth rate is based on past performance and management's expectations of market development.

(ii) The long term growth rate is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.

(iii) The pre-tax discount rate reflects specific risks relating to the relevant segments and the countries/territories in which they operate.

As a result of the impairment review, the recoverable amounts of the CGU in which goodwill has been allocated are higher than their carrying amounts as at December 31, 2020 (2019: same). Consequently, no impairment loss was charged during the year ended December 31, 2020 (2019: Nil).

The recoverable amount calculated based on the value-in-use calculation exceeded carrying amount by approximately USD9,580,000 (the headroom) as at December 31, 2020 (2019: USD112,000,000). If the key assumptions decrease by the following percentages, all considered in isolation, it would remove the headroom.

	2020
Five-year revenue growth rate	**0.2%**
Gross profit margin	**0.2%**
Pre-tax discount rate	**0.5%**

18 Interests in subsidiaries

The Company's subsidiaries at December 31, 2020 are set out below. The proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2020	2019	2020	2019
				%	%	%	%
富士康(昆山)電腦接插件有限公司("Foxconn Computer Connectors (Kunshan) Co., Ltd.")*	PRC, limited liability company**	Production of interconnect solutions and related products in PRC	USD44,600,000	100	100	-	-
富士康電子工業發展(昆山)有限公司 ("Foxconn Electronics Industry Development (Kunshan) Co., Ltd.")*	PRC, limited liability company**	Production of interconnect solutions and related products in PRC	USD124,000,000	100	100	-	-
富頂精密組件(深圳)有限公司 ("Fu Ding Precision Component (Shenzhen) Co., Ltd.")*	PRC, limited liability company**	Production of interconnect solutions and related products in PRC	USD48,000,000	100	100	-	-
富鼎精密工業(鄭州)有限公司 ("Fu Ding Precision Industry (Zhengzhou) Co., Ltd.")*	PRC, limited liability company**	Production of interconnect solutions and related products in PRC	USD40,000,000	100	100	-	-
淮安市富利通貿易有限公司 ("Huaian Fu Li Tong Trading Co., Ltd.")*	PRC, limited liability company****	Sale of interconnect solutions and related products in PRC	RMB30,000,000	100	100	-	-
富譽電子科技(淮安)有限公司("Fu Yu Electronics Technology (Huaian) Co., Ltd.")*	PRC, limited liability company**	Production of interconnect solutions and related products in PRC	USD266,200,000	100	100	-	-
淮安鴻裕電子科技有限公司("Huaian Hong Yu Electronics Technology Co., Ltd.")*	PRC, limited liability company****	Sale of interconnect solutions and related products in PRC	RMB10,000,000	100	100	-	-
重慶市鴻騰科技有限公司 ("Chongqing Hong Teng Technology Co., Ltd.")*	PRC, limited liability company**	Production of interconnect solutions and related products in PRC	USD3,000,000	100	100	-	-
富盟電子科技(菏澤)有限公司("Fu Meng Electronics Technology (Heze) Co., Ltd.")*	PRC, limited liability company***	Production of interconnect solutions and related products in PRC	USD5,000,000	100	100	-	-
Foxconn Interconnect Technology Singapore Pte Ltd.# ("FIT Singapore")	Singapore, limited liability company	Sale of interconnect solutions and related products in Singapore	USD1,066,509,441	100	100	-	-

18 Interests in subsidiaries (continued)

Name of entity	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest held by the Group 2020 %	2019 %	Ownership interest held by non-controlling interests 2020 %	2019 %
New Beyond Maximum Industrial Ltd.#	Samoa, limited liability company	Consolidation and allocation of purchase orders in Samoa	USD1	**100**	100	**–**	–
FIT Electronic Inc.#	USA, limited liability company	Sale, research and development of interconnect solutions and related products in the USA	USD500,000	**100**	100	**–**	–
In-Output Precision Industrial Ltd.#	British Virgin Islands, limited liability company	Consolidation and allocation of purchase orders in British Virgin Islands	USD1	**100**	100	**–**	–
Grand Occasion International Ltd.	British Virgin Islands, limited liability company	Investment holding in British Virgin Islands	USD65,200,400	**100**	100	**–**	–
Best Gold Trading Ltd.	British Virgin Islands, limited liability company	Investment holding in British Virgin Islands	USD55,588,000	**100**	100	**–**	–
Foxconn Interconnect Technology Japan Co Ltd.	Japan, limited liability company	Sale of interconnect solutions and related products in Japan	Japanese Yen ("JPY") 10,000,000	**100**	100	**–**	–
Foxteq (UK) Ltd.	United Kingdom, limited liability company	Sale of interconnect solutions and related products in the UK	GBP100,000	**100**	100	**–**	–
Foxconn Korea Ltd.	Korea, limited liability company	Sale of interconnect solutions and related products in Korea	USD780,000	**100**	100	**–**	–
Foxconn OE Technologies Singapore Pte. Ltd. (Previously known as Foxconn Optical Interconnect Technologies Singapore Pte. Ltd.)#	Singapore, limited liability company	Sale of interconnect solutions and related products in Singapore	USD88,000,000	**100**	100	**–**	–
Foxteq (UK) Ltd.	United Kingdom, limited liability company	Sale of interconnect solutions and related products in the UK	Great British Pound ("GBP") 100,000	**100**	100	**–**	–
FIT Optoelectronica de Mexico S. De Mexico S. de R.L. de C.V.	Mexico, limited liability company	Production of interconnect solutions and related products in Mexico	Mexican Peso 10,095,897	**100**	100	**–**	–

18 Interests in subsidiaries (continued)

Name of entity	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2020	2019	**2020**	2019
				%	%	**%**	%
Foxconn OE Technologies Inc	USA, limited liability company	Sale, research and development of interconnect solutions and related products in the USA	USD1,500,000	**100**	100	**–**	–
FIT Electronics Device Pte. Ltd	Singapore, limited liability company	Production, research and development of automotive cameras and electronic mirrors	USD28,173,000	**–**	51	**–**	49
New Wing Interconnect Technology (Bac Giang) Co., Ltd	Vietnam, limited liability company	Production of interconnect solutions and related products in Vietnam	Vietnam Dong ("VND") 1,802,100,000	**100**	100	**–**	–
Retrofit One Limited Partnership#	Cayman Islands, limited liability company	Investment holding	3,800,001 ordinary shares of USD1 each	**100**	100	**–**	–
XingFox Energy (Cayman) Technology Co., Ltd#	Cayman Islands, limited liability company	Research and development and manufacturing of batteries	2,478,185 ordinary shares of USD1 each	**100**	100	**–**	–
Belkin International, Inc.#	USA, corporation	Sale of consumer electronics and connectivity solutions products in North America	93,667 shares of USD0.0001 each	**100**	100	**–**	–
Belkin, Inc.	USA, corporation	Sale of consumer electronics and connectivity solutions products in North America	10,000 shares of USD0.0001 each	**100**	100	**–**	–
Belkin Limited	UK, limited liability company	Sale of consumer electronics and connectivity solutions products in EMEA.	2,010,000 shares of GBP 1 each	**100**	100	**–**	–
Belkin Limited	Australia, limited liability company	Sale of consumer electronics and connectivity solutions products Australia	7,100,000 shares of Australian dollar 1 each	**100**	100	**–**	–
Belkin B.V.	Netherland, corporation	Investment holding	EURO ("EUR") 20,000	**100**	100	**–**	–
Belkin Hong Kong Limited	Hong Kong, limited liability company	Sourcing center in Asia Pacific	2 shares of HKD1,200,000	**100**	100	**–**	–

18 Interests in subsidiaries (continued)

Name of entity	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2020 %	2019 %	2020 %	2019 %
Belkin Asia Pacific Limited Ltd.	Hong Kong, limited liability company	Sale of consumer electronics and connectivity solutions products in Asia Pacific	USD99,851	**100**	100	**-**	–
貝爾金電器(常州)有限公司 ("Belkin Electronics (Changzhou) Co, Ltd")	PRC, limited liability company****	Production of interconnect solutions and related products in PRC	USD1,425,000	**100**	100	**-**	–
Linksys Pte. Ltd.	Singapore, limited liability company	Sale of consumer electronics and connectivity solutions products in Singapore	USD17,033,794	**100**	100	**-**	–
Hong Yang Intelligent Technology Co., Ltd.#	Taiwan, limited liability company	Manufacturing of metal processing machinery and equipment	USD800,000	**70**	70	**30**	30
Linksys Holdings, Inc. (Previously known as FIT-CHB Holdco, Inc.)#	Cayman Islands, limited liability company	Sales of smart home products in Taiwan	USD3,229,811	**90**	90	**10**	10

* English translation for identification purpose only

** Registered as wholly foreign owned enterprises under PRC law

*** Registered as sino-foreign equity joint ventures under PRC law

**** Registered as limited liability companies under PRC law

Directly held by the Company

19 Interests in associates and a joint venture

	2020 USD'000	2019 USD'000
Associates	**24,426**	21,710
A joint venture	**–**	–
	24,426	21,710

19 Interests in associates and a joint venture (continued)

(a) Associates

	2020 USD'000	2019 USD'000
At beginning of the year	**21,710**	6,199
Transfer from financial assets at fair value through other comprehensive income (Note (ii))	**–**	6,275
Transfer from subsidiaries (Note (iii))	**7,067**	–
Additions	**–**	9,500
Share of results	**(4,351)**	(264)
At end of the year	**24,426**	21,710

Set out below are the particulars of the associates of the Group as at December 31, 2020 and 2019. The entities listed below are private entities. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of incorporation	% of interests as at December 31, 2020	% of interests as at December 31, 2019	Nature of business	Carrying amount 2020 USD'000	Carrying amount 2019 USD'000
Blu-castle, S.A.	Luxembourg	**35.00%**	35.00%	Supply of telecommunication equipment and software	**2,012**	2,124
Prenosis Inc.	United States of America	**25.51%**	25.51%	Development of health care related solution	**4,004**	3,964
Origin Wireless Inc. ("Origin Wireless") (Note i)	United States of America	**16.90% (Note i)**	17.42%	Development of advanced wireless sensing technologies for a wide range of applications	**11,975**	12,896
Kantatsu Co., Ltd. ("Kantatsu") (Note 34(a)(xii))	Japan	**4.6% (Note ii)**	4.6% (Note ii)	Manufacturing and design of high magnification micro-lends in smartphone, automotive, medical and industrial application	**–**	2,726
FIT Electronics Device Pte. Ltd	Singapore, limited liability company	**25% (Note iii)**	–	Production, research and development of automotive cameras and electronic mirrors	**6,435**	–
					24,426	21,710

19 Interests in associates and a joint venture (continued)

(a) Associates (continued)

Notes:

(i) During the year ended December 31, 2019, the Group entered into an investment agreement to subscribe and invest in convertible preferred shares, newly issued by Origin Wireless, for USD9,500,000. The preferred shares are non-refundable and non-redeemable for cash, therefore, it is recognized as equity instruments which represents 17.42% of the issued share capital of Origin Wireless. Under the investment agreement, the Group is entitled to appoint a director to the Board of directors of Origin Wireless. Accordingly, the Group has significant influence over the investee and has recognized the investment as interest in an associate.

During the year ended December 31, 2020, Origin Wireless has issued 500,000 new convertible preferred shares at the consideration of approximately USD3,500,000. The transaction diluted the Group's ownership interest from 17.42% to 16.90% on a fully converted basis as if all the existing and newly issued convertible preferred shares had been fully converted into common shares of the investee. The Group has recognized a dilution gain of approximately USD212,000 during the year ended December 31, 2020, which was recorded as other gain.

(ii) In January 2019, the Group acquired 10,000 shares or 4.6% of Kantatsu's issued common shares from a third party (equivalent to 1.53% equity interest on a fully diluted basis) for a cash consideration of USD2,700,000 and initially classified them as financial assets at fair value through other comprehensive income. Subsequently, the Group acquired certain issued convertible preferred shares of Kantatsu. Under the terms of the convertible preferred shares (Note 21), the Group is entitle to appoint two directors to the Board of directors of Kantatsu. Accordingly, the Group has significant influence over Kantatsu and has recognized the common shares of Kantatsu as interest in an associate. Therefore, the investment was transferred from financial assets at fair value through other comprehensive income to interest in an associate at the then carrying amount of USD2,700,000.

During the year ended December 31, 2020, the Group recognized a share of loss from Kantatsu of USD2,726,000; and the carrying amount of the interests in the associate of Kantatsu was nil as of December 31, 2020. For further details, please refer to Note 21.

(iii) On July 31, 2020, the Group completed the disposal of 7,347,989 ordinary shares of FIT Electronics Device Pte. Ltd, representing 26% interests held by the Group at that time to an independent third party at a cash consideration of USD7,350,000 (the "Disposal"). Upon completion of the Disposal, the equity interests held by the Group decreased from 51% to 25%; FIT Electronics Device Pte. Ltd ceased to be a subsidiary and became an associate to the Group. Please refer Note 32(d) for further details.

(iv) There were no other significant contingent liabilities and capital commitment relating to the Group's interests in associates.

19 Interests in associates and a joint venture (continued)

(b) Joint ventures

	2020 USD'000	2019 USD'000
At beginning of the year	–	–
Additions	4,500	1,500
Share of results	(4,500)	(1,500)
At end of the year	–	–

Set out below are the particulars of the joint venture of the Group as at December 31, 2020 and 2019. The entity listed below is a private entity and has share capital consisting solely of ordinary shares. The country of incorporation or registration is also its principal place of business.

Name of entity	Place of incorporation	% of interests as at December 31,		Nature of business	Carrying amount	
		2020	2019		2020 USD'000	2019 USD'000
Phyn, LLC ("Phyn") (Note (i))	United States of America	50%	50%	Provisions of solution for safe drinking water delivery, energy-efficient radiant heating and cooling, and reliable infrastructure	–	–

Note:

(i) In 2019, the Group entered into an investment agreement with the joint venture partner in which each of the parties committed to contribute USD6,000,000 into Phyn. During the year ended December 31, 2020, the Group has contributed USD4,500,000 to Phyn (2019: USD1,500,000).

As at December 31, 2020, the Group have no outstanding capital commitment (2019: USD4,500,000).

(ii) There were no other significant contingent liabilities and capital commitment relating to the Group's interest in a joint venture.

20 Financial assets at fair value through other comprehensive income

	2020 USD'000	2019 USD'000
At beginning of the year	**17,694**	17,102
Additions	**10,150**	3,343
Transfer to interest in associates (Note 19(a)(ii))	**–**	(6,275)
Fair value change	**(4,820)**	3,524
At end of the year	**23,024**	17,694

The financial assets at fair value through other comprehensive income represent the Group's investments in listed and private companies.

(i) Classification of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognize in this category. These are strategic investments and the Group considers this classification to be more relevant.

The financial assets are presented as non-current assets unless they are matured, or management intends to dispose of them within 12 months from the date of consolidated balance sheet date.

20 Financial assets at fair value through other comprehensive income (continued)

(ii) Analysed by geographical areas

Analysis of financial assets through other comprehensive income by geographical areas is as follows:

	2020 USD'000	2019 USD'000
Equity investments in a listed company, stated at quoted market price:		
Taiwan	**297**	–
Equity investments in unlisted private entities:		
United States of America	**17,771**	13,000
France	**2,826**	2,826
Taiwan	**1,396**	1,151
The PRC	**734**	717
	22,727	17,694
	23,024	17,694

(iii) Dividend

During the years ended December 31, 2020 and 2019, there was no dividend declared or distribution from the unlisted equity securities.

20 Financial assets at fair value through other comprehensive income (continued)

(iv) Fair value measurement and risk exposure

Information about the relevant accounting policy and fair value estimation is provided in Note 2.8 and Note 3.5, respectively. For an analysis of the Group's exposure to the price risk, please refer to Note 3.1(c).

The financial assets at fair value through other comprehensive income are denominated in the following currencies:

	2020 **USD'000**	2019 USD'000
USD	**17,771**	13,000
EUR	**2,826**	2,826
NTD	**1,693**	1,151
RMB	**734**	717
	23,024	17,694

21 Financial assets at fair value through profit or loss

(i) Classification of financial assets at fair value through profit or loss

Financial assets designated at fair value through profit or loss comprise unlisted convertible preferred shares, private fund investments and currency forward contracts. The Group has irrevocably elected at initial recognition to recognize in this category.

The financial assets were presented as non-current assets unless they are matured, or management intended to dispose of them within 12 months from the consolidated balance sheet date.

21 Financial assets at fair value through profit or loss (continued)

(ii) Financial assets at fair value through profit or loss

	2020 USD'000	2019 USD'000
Non-current assets		
Unlisted convertible preferred shares (Note (a))	–	54,552
Unlisted private fund investments (Note (b))	14,855	2,405
	14,855	56,957
Current assets		
Currency forward contracts (Note (c))	7,528	6,886

Notes:

a) In October 2019, the Group acquired three series of convertible preferred shares (the "Preferred Shares") of Kantatsu Co., Ltd ("Kantatsu") from a related company, Sharp Corporation ("Sharp"), for a total cash consideration of USD54,226,000, comprising face value amounts of USD42,000,000 (equivalent of JPY4,500,000,000), cumulative unpaid compound dividend of USD6,000,000 (equivalent of JPY655,000,000) and a premium of USD6,226,000. The Preferred Shares do not carry any voting rights, with compound dividend of 5% to 6% per annum, and are redeemable for cash or common shares of Kantatsu at the option of the holder subject to certain financial position of Kantatsu. The Group is also entitled to nominate two directors to the Board of Kantatsu under the terms relating to the purchase of the Preferred Shares. The Preferred Shares are convertible into 175,000 ordinary shares of Kantatsu, representing approximately 26.83% equity interest of Kantatsu as of December 31, 2020, on a fully converted basis. The Preferred Shares are classified as financial assets at fair value through profit and loss, and had a nil carrying amount as at December 31, 2020, after recording a fair value loss of USD57,164,000 during the year ended December 31, 2020.

   In addition, as disclosed in Note 19(a)(ii), the Group holds 4.6% equity interest of Kantatsu as of December 31, 2020 on an actual basis and 1.53% of equity interest of Kantatsu on a fully diluted basis after conversion of all preferred shares issued by Kantatsu.

   Kantatsu is majority owned by Sharp, which is 42% owned by Hon Hai. It is engaged in the manufacturing and design of high magnification micro-lens in smartphone, automotive, medical and industrial applications. On December 25, 2020, Sharp announced their discoveries of certain possible improper accounting treatments in the financial statements of Kantatsu and the establishment of an investigation committee to perform an investigation (the "Investigation") of the facts and the possible improper accounting treatments of Kantatsu. On March 12, 2021, Sharp published an investigation report relating to Kantatsu, which covers, amongst others, certain fraudulent transactions and improper accounting treatments undertaken by Kantatsu during the period from 2018 to 2020. Kantatsu also provided the Group with its latest unaudited financial information of Kantatsu as at and for the year ended December 31, 2020, claiming that it had reflected the correction of errors resulting from the fraudulent transactions and improper accounting treatments as identified by the Investigation. Such unaudited financial information indicates that Kantatsu had net current liabilities and capital deficiencies as at December 31, 2020.

21 Financial assets at fair value through profit or loss (continued)

(ii) Financial assets at fair value through profit or loss (continued)

Notes: (Continued)

a) (Continued)

The Group has engaged a valuer to perform a valuation to assess the fair value of the Preferred Shares as of December 31, 2020. The valuation has taken into consideration the Investigation and its findings as at the date of the valuation, the latest available unaudited financial information of Kantatsu as at December 31, 2020, and the uncertainties about the future business operations of Kantatsu. According to the valuation report dated March 22, 2021, the fair value of the Preferred Shares as at December 31, 2020, based on the asset-based approach, was zero. The Company's Directors and the Group's management have considered the assumptions and methodologies adopted by the valuer and are satisfied that the fair value as determined by the valuer is appropriate. Consequently, the Group recognized a fair value loss of USD57,164,000 during the year ended December 31, 2020 against the entire carrying amount of the Preferred Shares (Note 8). In addition, based on the latest available unaudited financial information of Kantatsu as at and for the year ended December 31, 2020, the Group recorded a share of loss of associates of USD2,726,000 from Kantatsu for the year ended December 31, 2020 with corresponding carrying amount of the interest in the associates of Kantatsu became zero as of December 31, 2020 (Note 19(a)(ii)).

At present, the Group is exploring different options to recover all or part of its investment cost in the Preferred Shares. It has engaged legal advisor to consider its contractual and other related rights and entitlements against relevant parties to recover the cost of its investment in the Preferred Shares. It has also engaged in discussion with Sharp for a potential settlement.

2. During the year ended December 31, 2020, the Group invested a total of USD12,847,000 (2019: USD2,406,000) in several private funds.

3. The aggregate notional principal amount of outstanding currency forward contracts as at December 31, 2020 was USD440,000,000 (2019: USD851,870,000). The maturity dates of these currency forward contracts were before February 2021 (2019: March 2020). They are presented as current assets or liabilities if they are expected to be settled within 12 months after the consolidated balance sheet date.

(iii) Movement of financial instruments excluding currency forward contracts.

	Non-current financial assets	
	2020	2019
	USD'000	USD'000
At beginning of the year	**56,957**	–
Additions	**12,847**	56,632
Accrued coupon (Note (iv))	**2,612**	325
Fair value changes in the investment in convertible preferred shares	**(57,164)**	–
Other fair value changes	**(397)**	–
At end of the year	**14,855**	56,957

21 Financial assets at fair value through profit or loss (continued)

(iv) Dividend

During the year ended December 31, 2020, the Group recognised USD2,612,000 coupon dividend (2019: USD325,000) from the unlisted convertible preferred shares.

During the years ended December 31, 2020 and 2019, there was no dividend declared by unlisted private fund investments.

(v) Fair value measurement and risk exposure

Information about the relevant accounting policy and fair value estimation is provided in Note 2.8 and Note 3.5, respectively. For an analysis of the Group's exposure to the price risk and credit risk, please refer to Notes 3.1(c) and 3.2(d).

The Group's financial assets at fair value through profit or loss are denominated in the following currencies:

	2020 **USD'000**	2019 USD'000
JPY	**–**	54,552
RMB	**9,721**	8,169
USD	**8,387**	1,122
NTD	**4,275**	–
	22,383	63,843

22 Deferred income tax assets and liabilities

Deferred income tax is calculated in full on temporary differences under the liability method using the tax rates enacted or substantively enacted by the consolidated balance sheet date.

Deferred income tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes related to the same fiscal authority.

The net movements in the deferred income tax account are as follows:

	2020	2019
	USD'000	USD'000
As at January 1	**53,936**	33,763
Credited to the consolidated income statement (Note 12)	**30,455**	20,173
Deferred tax assets – net	**84,391**	53,936

Movement in deferred income tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Tax losses	Foreign tax credit	Research and development credit	Unrealized profits	Impairment provision	Decelerated tax depreciation	Provision for employee benefits	Others	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
As at January 1, 2019	11,948	15,002	18,067	4,751	6,315	17,089	27,505	8,109	108,786
Recognized in the consolidated income statement	9,367	2,103	6,467	(2,982)	863	(4,251)	(4,201)	(1,221)	6,145
At December 31, 2019	21,315	17,105	24,534	1,769	7,178	12,838	23,304	6,888	114,931
Recognized in the consolidated income statement	14,719	(503)	11,892	137	(345)	(9,536)	2,357	1,090	19,811
At December 31, 2020	**36,034**	**16,602**	**36,426**	**1,906**	**6,833**	**3,302**	**25,661**	**7,978**	**134,742**

22 Deferred income tax assets and liabilities (continued)

Deferred income tax liabilities

	Accelerated tax depreciation USD'000	Fair value adjustment on non-current assets arising from acquisition USD'000	Total USD'000
As at January 1, 2019	(1,206)	(73,817)	(75,023)
Recognized in the consolidated income statement	1,206	12,822	14,028
At December 31, 2019	–	(60,995)	(60,995)
Recognized in the consolidated income statement	–	10,644	10,644
At December 31, 2020	**–**	**(50,351)**	**(50,351)**

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC. As at December 31, 2020, deferred income tax liabilities of approximately USD71,639,000 (2019: approximately USD67,451,000) has not been recognized for the withholding tax that would be payable on the remittance of earnings of PRC subsidiaries. The related unremitted earnings amounted to approximately USD716,394,000 as at December 31, 2020 (2019: approximately USD671,451,000) and the Group does not intend to remit these unremitted earnings from the relevant subsidiaries to the Company in the foreseeable future.

Deferred income tax assets are recognized for tax loss carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. Tax losses in Taiwan and the PRC can be carried forward to offset against future taxable profits for 10 and 5 years, respectively. Tax losses in the USA and Singapore can be carried forward to offset against future taxable profits without expiry date.

22 Deferred income tax assets and liabilities (continued)

Deferred income tax liabilities (continued)

As at December 31, 2020 and 2019, the Group had the following recognized and unrecognized tax losses available for offsetting against future taxable profits.

	2020 USD'000	2019 USD'000
Recognized tax losses expiring:		
Within five years	**21,940**	2,748
Without expiry	**147,713**	98,229
	169,653	100,977
Unrecognized tax losses expiring:		
Within five years	**5,816**	3,676
Over five years	**7,181**	7,656
	12,997	11,332

23 Inventories

	2020 USD'000	2019 USD'000
Raw materials	**199,170**	198,068
Work in progress	**168,878**	95,262
Finished goods	**610,224**	434,342
	978,272	727,672
Less: provision for impairment	**(34,144)**	(25,085)
	944,128	702,587

The cost of inventories recognized as expenses and included in "cost of sales" amounted to approximately USD2,545,166,000 for the year ended December 31, 2020 (2019: approximately USD2,328,827,000), including provision for impairment of inventories amounted to approximately USD9,059,000 for the year ended December 31, 2020 (2019: reversal of provision for impairment of inventories amounted to approximately USD3,495,000).

24 Trade receivables, deposits, prepayments and other receivables

	2020 USD'000	2019 USD'000
Trade receivables due from third parties	**725,263**	673,711
Trade receivables due from related parties (Note 34(b))	**148,173**	258,194
Total trade receivables – gross	**873,436**	931,905
Less: loss allowance for impairment of trade receivables (Note 3.2(b))	**(1,902)**	(1,682)
Total trade receivables – net	**871,534**	930,223
Deposits and prepayments	**76,818**	48,945
Other receivables	**16,230**	11,805
Amounts due from related parties (Note 34(b))	**6,776**	5,690
Value-added tax recoverable	**44,937**	27,979
	144,761	94,419
Less non-current portion:		
– Deposits and prepayments	**(27,848)**	(17,973)
	116,913	76,446
Current portion	**988,447**	1,006,669

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 firstly shared credit risk characteristics and then aging from billing.

24 Trade receivables, deposits, prepayments and other receivables (continued)

See Note 3.2 for credit risk exposure and expected credit loss provision for trade receivables, deposits, and other receivables. See Note 2.8(d) for information about how impairment losses are calculated. Movements of the Group's loss allowance for impairment of trade receivables are detailed in Note 3.2(b)(ii).

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

As at December 31, 2020 and 2019, due to the short term nature of trade receivables, deposits, prepayments and other receivables, the carrying amounts of trade receivables, deposits, and other receivables, except for the prepayments and value-added tax recoverable which are not financial assets, approximated their fair values.

As at December 31, 2020 and 2019, the carrying amounts of trade receivables, deposits, prepayments and other receivables before loss allowance for impairment of trade receivables are denominated in the following currencies:

	2020 **USD'000**	2019 USD'000
USD	**770,856**	937,521
RMB	**168,485**	47,112
GBP	**37,232**	6,735
NTD	**13,591**	14,640
Others	**28,033**	20,316
	1,018,197	1,026,324

Information about the Group's exposure to foreign currency risk can be found in Note 3.1(a).

24 Trade receivables, deposits, prepayments and other receivables (continued)

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

	2020 USD'000	2019 USD'000
Trade receivables – gross		
– Within 3 months	**796,323**	823,827
– 3 to 4 months	**53,951**	74,537
– 4 to 6 months	**17,657**	28,975
– 6 to 12 months	**3,950**	2,904
– Over 1 year	**1,555**	1,662
	873,436	931,905

25 Finance lease receivables

The lease receivables are set out below:

	Minimum lease payments		Present value of minimum lease payment	
	2020	2019	**2020**	2019
	USD'000	USD'000	**USD'000**	USD'000
Finance lease receivables comprise:				
Within first year	**18,338**	16,564	**16,126**	15,645
In second to fifth years, inclusive	**51,378**	64,775	**51,235**	62,452
	69,716	81,339	**67,361**	78,097
Less: unearned finance income	**(2,355)**	(3,242)		
Total net finance lease receivables	**67,361**	78,097		
Analysis for reporting purpose as:				
Current assets	**16,126**	15,645		
Non-current assets	**51,235**	62,452		
	67,361	78,097		

In 2019, the Group entered into a lease agreement with a third party under which the Group leased out its property, plant and equipment with carrying values amounted to approximately USD82,597,000 for a term of five years. The sum of lease payments is fixed and approximates the carrying values of the leased assets. Interest rate applied to the above finance lease receivables is 1.6% per annum.

As at December 31, 2020 and 2019, the finance lease receivables are denominated in USD.

26 Cash and cash equivalents and short-term bank deposits

	2020 USD'000	2019 USD'000
Cash and cash equivalents	**766,112**	892,111
Short-term bank deposits (Note)	**125,772**	118,011
	891,884	1,010,122

Note:

Term deposits are presented as cash and cash equivalents if they have a maturity of three months or less from the date of acquisition.

As at December 31, 2020, the Group's bank balances of approximately USD392,687,000 and USD49,665,000 were deposited with banks in the PRC and Vietnam, respectively (2019: USD445,582,000 and USD96,737,000 deposited with banks in the PRC and Vietnam). The remittance of these funds out of the PRC and Vietnam is subject to the rules and regulations of foreign exchange control promulgated by the governments in the PRC and Vietnam.

As at December 31, 2020, short-term bank deposits of USD10,131,000 (2019: USD2,121,000) were pledged as customs guarantee and restricted for general use.

The carrying amounts of the cash and cash equivalents and short-term bank deposits are denominated in the following currencies:

	2020 USD'000	2019 USD'000
USD	**525,661**	657,008
RMB	**280,671**	219,447
VND	**47,492**	96,737
GBP	**9,725**	7,789
NTD	**6,567**	7,998
JPY	**4,906**	5,750
EUR	**4,025**	4,831
Others	**12,837**	10,562
	891,884	1,010,122

27 Share capital

	Number of ordinary shares (in thousand)	Amount USD'000
Authorized:		
As at January 1, 2019, December 31, 2019, January 1, 2020 and December 31, 2020	15,360,000	300,000
Issued and fully paid:		
As at January 1, 2019	6,743,436	131,708
Issuance of ordinary shares upon exercise of share option and under share grant plans (Note 31)	137,851	2,692
As at December 31, 2019 and January 1, 2020	**6,881,287**	**134,400**
Issuance of ordinary shares upon exercise of share option and under share grant plans (Note 31)	**11,428**	**223**
As at December 31, 2020	**6,892,715**	**134,623**

The ordinary shares have a par value of approximately USD0.02 per share.

The ordinary shares entitle the holders to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held. The ordinary shares entitle the holders to one vote per share at meetings in person or by proxy.

Information relating to the share option plans, including details of options issued, exercised and lapsed during the years ended December 31, 2020 and 2019 and options outstanding as at December 31, 2020 and 2019, is set out in Note 31.

28 Reserves

	Share premium and capital reserve (Note a) USD'000	Statutory Reserves (Note b) USD'000	Other reserves: Share-based payments reserve (Note c) USD'000	Other reserves: Currency translation differences (Note d) USD'000	Other reserves: Revaluation reserve (Note e) USD'000	Other reserves: Sub-total USD'000	Retained earnings USD'000	Total USD'000
At January 1, 2020	550,564	63,666	89,437	(79,429)	1,066	74,740	1,399,973	2,025,277
Comprehensive income								
Profit for the year	–	–	–	–	–	–	42,509	42,509
Other comprehensive income/(loss)								
Exchange difference arising on the translation of foreign operations	–	–	–	74,326	–	74,326	–	74,326
Realization of currency translation difference upon disposals of subsidiaries	–	–	–	9	–	9	–	9
Fair value change in financial assets at fair value through other comprehensive income	–	–	–	–	(4,820)	(4,820)	–	(4,820)
Total comprehensive income/(loss) for the year	–	–	–	74,335	(4820)	69,515	42,509	112,024
Transactions with owners								
Issuance of shares under share grant plan (Note 31(b))	2,227	–	(2,349)	–	–	(2,349)	–	(122)
Issuance of shares upon exercise of share options (Note 31(c))	3,483	–	(1,132)	–	–	(1,132)	–	2,351
Recognition of share based payment benefits in respect of senior management share grant scheme (Note 31(a))	–	–	4,390	–	–	4,390	–	4,390
Recognition of share based payment benefits in respect of share option scheme (Note 31(c))	–	–	1,421	–	–	1,421	–	1,421
Appropriation of statutory reserves	–	5,548	–	–	–	5,548	(5,548)	–
	5,710	5,548	2,330	–	–	7,878	(5,548)	2,330
At December 31, 2020	556,274	69,214	91,767	(5,094)	(3,754)	152,133	1,436,934	2,145,341

28 Reserves (continued)

	Other reserves							
	Share premium and capital reserve (Note a) USD'000	Statutory Reserves (Note b) USD'000	Share-based payments reserve (Note c) USD'000	Currency translation differences (Note d) USD'000	Revaluation reserve (Note e) USD'000	Sub-total USD'000	Retained earnings USD'000	Total USD'000
At January 1, 2019	518,946	59,873	113,437	(41,949)	(2,458)	128,903	1,227,093	1,874,942
Comprehensive income								
Profit for the year	–	–	–	–	–	–	235,414	235,414
Other comprehensive (loss)/income								
Exchange difference arising on the translation of foreign operations	–	–	–	(37,480)	–	(37,480)	–	(37,480)
Fair value change in financial assets at fair value through other comprehensive income	–	–	–	–	3,524	3,524	–	3,524
Total comprehensive (loss)/income for the year	–	–	–	(37,480)	3,524	(33,956)	235,414	197,934
Transactions with owners								
Issuance of shares under share grant plan (Note 31(a))	31,198	–	(33,878)	–	–	(33,878)	–	(2,680)
Issuance of shares upon exercise of share options (Note 31(c))	420	–	(136)	–	–	(136)	–	284
Recognition of share based payment benefits in respect of senior management share grant scheme (Note 31 (a))	–	–	6,272	–	–	6,272	–	6,272
Recognition of share based payment benefits in respect of share option scheme (Note 31(c))	–	–	3,742	–	–	3,742	–	3,742
Dividends paid (Note 14)	–	–	–	–	–	–	(58,741)	(58,741)
Appropriation from retained earnings	–	3,793	–	–	–	3,793	(3,793)	–
	31,618	3,793	(24,000)	–	–	(20,207)	(62,534)	(51,123)
At December 31, 2019	550,564	63,666	89,437	(79,429)	1,066	74,740	1,399,973	2,025,277

28 Reserves (continued)

Notes:

(a) Share premium and capital reserve

Share premium represents the excess of the issuance price of the Company's shares over its nominal value. Capital reserve represents reserve arose during the Group's reorganisation completed in 2015.

(b) Statutory reserves

Under the relevant PRC laws and regulations, PRC companies are required to allocate 10% of the companies' net profit to the reserve until such reserve reaches 50% of the companies' registered capital. The statutory reserve can be utilised, upon approval by the relevant authorities, to offset against accumulated losses or to increase registered capital of the companies, provided that such reserve is maintained at a minimum of 25% of the companies' registered capital.

(c) Shared-based payments reserve

Share-based payments reserve relates to the outstanding options and share awards and represents the fair value of such options at respective grant dates. Please refer to Note 31 for further details.

(d) Currency translation differences

Exchange differences arising from the translation of the foreign controlled entity are recognized in other comprehensive income as described in Note 2.4(c) and accumulated in a separate reserve within equity. The cumulative amount is to be transferred to profit or loss when the respective foreign controlled entities are disposed.

(e) Revaluation reserve

The Group has elected to recognize changes in the fair value of certain equity investments in other comprehensive income, as explained in Note 2.8. These changes are accumulated within the revaluation reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity investments are derecognized.

29 Bank borrowings

	2020 USD'000	2019 USD'000
Non-current		
Bank borrowings, unsecured	**574,559**	574,176
Current		
Bank borrowings, unsecured	**604,370**	493,546
	1,178,929	1,067,722

The borrowings are denominated in the following currencies:

	2020 USD'000	2019 USD'000
USD	**1,068,325**	977,662
NTD	**110,604**	90,060
	1,178,929	1,067,722

The exposure of the borrowings to interest rate changes or maturity date whichever is earlier are as follows:

	2020 USD'000	2019 USD'000
Within one year	**604,370**	493,546
One to five years	**574,559**	574,176
	1,178,929	1,067,722

29 Bank borrowings (continued)

The weighted average interest rates per annum at each balance sheet date were as follows:

	2020	2019
Bank borrowings, unsecured	**0.91%**	2.41%

As at December 31, 2020, the Group had drawn USD1,178,929 thousands (2019: USD1,067,722 thousands) of the total borrowing facilities of approximately USD2,391,130 thousands (2019: USD3,231,682 thousands) granted by banks.

The long term bank borrowing of USD574,559 thousands (2019: 574,176 thousands) is subject to certain restrictive financial covenants.

The carrying amount of bank borrowings approximate their fair value as the interest payable on these borrowings is either close to current market rates or the borrowings are of a short-term nature.

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in Note 3.1(b).

30 Trade and other payables

	2020 USD'000	2019 USD'000
Trade payables to third parties	**560,710**	527,394
Trade payables to related parties (Note 34(b))	**113,184**	164,104
Total trade payables	**673,894**	691,498
Amounts due to related parties (Note 34(b))	**25,151**	78,590
Staff salaries, bonuses and welfare payables	**115,509**	110,999
Deposits received, other payables and accruals	**222,137**	215,127
	1,036,691	1,096,214
Less: Non-current portion	**(5,136)**	(9,751)
Current portion	**1,031,555**	1,086,463

30 Trade and other payables (continued)

As at December 31, 2020, all trade and other payables of the Group were non-interest bearing, and their carrying amounts approximated their fair values due to short maturities.

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

	2020 **USD'000**	2019 USD'000
USD	**512,350**	750,428
RMB	**445,831**	285,737
NTD	**19,002**	10,986
VND	**49,184**	38,776
Others	**10,324**	10,287
	1,036,691	1,096,214

Aging analysis of the trade payables to third parties and related parties is as follows:

	2020 **USD'000**	2019 USD'000
Within 3 months	**558,108**	579,691
3 to 4 months	**70,602**	63,911
4 to 6 months	**34,762**	37,378
6 to 12 months	**9,043**	9,913
Over 1 year	**1,379**	605
	673,894	691,498

31 Share-based payments

The Group has four share-based compensation schemes. The table below summarised the share-based payments expenses charged to the consolidated income statement during the years ended December 31, 2020 and 2019.

	2020 **USD'000**	2019 USD'000
Senior management share grant scheme (Note (a))	**4,390**	6,647
Employees' share restricted share scheme (Note (b))	**–**	(375)
Share option scheme (Note (c))	**1,421**	3,742
Share award scheme (Note (d))	**2,135**	4,722
Total	**7,946**	14,736

(a) Senior management share grant scheme

In January 2015, 21,840,000 restricted shares were granted to the Group's senior management, which were subsequently divided into 349,440,000 shares pursuant to a shareholder's resolution for share split passed on 3 November 2016. Such equity instruments were measured at fair value at the grant date and recognized as compensation cost over the vesting period. The weighted average fair value of shares granted under this plan was approximately USD0.25 per share. The restricted shares are vested and issued over the grantees' service periods. The restricted shares were vested on every March 31, June 30, September 30 and December 31 at 12% in each quarter of 2018 and were/will be vested at 3.25% in each quarter from 2019 to 2022.

	2020	2019
Number of outstanding restricted shares ('000)		
Balance as at beginning of year	**221,440**	349,440
Issued during the year	**–**	(128,000)
Balance as at end of year	**221,440**	221,440
Number of outstanding vested restricted shares to be issued ('000)	**130,585**	85,158

For the year ended December 31, 2020, no share was issued under the senior management share grant scheme. (2019: 128,000,000 shares were issued to a grantee, which were worth USD56,320,000 at the date of the issuance based on the weighted average market price of USD0.44 per share.)

31 Share-based payments (continued)

(a) Senior management share grant scheme (continued)

The share-based payment expense incurred for this plan for the year ended December 31, 2020 was approximately USD4,390,000 (2019: approximately USD6,647,000).

(b) Employees' restricted share scheme

In January 2016, 4,101,500 restricted shares were granted which were subsequently divided into 65,624,000 shares pursuant to a shareholder's resolution for share split passed on 3 November 2016. These restricted shares were measured at the fair value on the grant date and recognized as compensation cost over the vesting period. The weighted average fair value of shares granted was USD0.38 per share. Issuance of shares is vested over the grantees' service periods and is subject to performance indicators. These restricted shares were vested on every December 31 at 25% over the 4-year period starting from December 31, 2016, subject to performance related adjustments. All shares were vested by December 31, 2019.

	2020	2019
Number of outstanding restricted shares ('000)		
Balance as at beginning of year	**10,126**	22,408
Forfeited during the year	**(3,862)**	(3,052)
Issued during the year	**(6,264)**	(9,230)
Balance as at end of year	**–**	10,126
Number of outstanding vested restricted shares to be issued ('000)	**–**	–

During the year ended December 31, 2020, 6,264,000 shares were issued, which were worth USD2,506,000 (2019: USD4,061,000) at the date of issuance based on the weighted average market price of USD0.40 per share (2019:USD0.44 per share).

31 Share-based payments (continued)

(c) Share option scheme

(i) In May 2018, 24,440,600 new share options were granted to certain eligible employees at an exercise price of HK$3.69 per share (equivalent to USD0.47 per share) and vested in June 2018 and are exercisable for a period of three years commencing on June 10, 2018 with the condition that the grantees must be employed by the Group at the time of exercise. The fair value of the options determined using the Black-Scholes model at the date of the grant was USD5,360,000 (approximately USD0.22 per share option).

Set out below are summaries of options granted under the plan:

	2020	2019
Number of outstanding exercisable options ('000)		
Exercisable at end of year	**13,759**	20,485

During the year ended December 31, 2020, 4,864,000 options were exercised. Share options outstanding at the end of the year have the following expiry date and weighted average exercise prices:

Grant date	**Expiry date**	**Share options 2020 ('000)**	Share options 2019 ('000)
May 25, 2018	June 11, 2021	**13,759**	20,485
Weighted average remaining contractual life of options outstanding at end of year		**0.44 years**	1.44 years
Weighted average share price at the time of exercise of options during the year		**USD0.54 (HK$4.24)**	USD0.63 (HK$4.95)

31 Share-based payments (continued)

(c) Share option scheme (continued)

(ii) In December 2018, the Company granted certain eligible employees an aggregated 41,763,000 share options at an exercise price of HK$3.422 per share (equivalent to USD0.44 per share).

Among the 41,763,000 share options granted, 10,000,000 options were vested on December 31, 2019, 183,000 options were/will be vested from December 31, 2019 on every December 31 at 33.33% over a 3-year period, and 31,580,000 options were/will be vested from December 31, 2019 on every December 31 at 25% over a 4-year period. The share options granted are subject to performance related adjustment.

The fair value of the options determined using the Black-Scholes model at the date of the grant was approximately USD6,139,000.

Certain share options were forfeited and lapsed during the vesting period. The share-based payment expenses incurred under this scheme for the year ended December 31, 2020 were approximately USD1,421,000 (2019: approximately USD3,742,000).

Set out below are summaries of options granted under the plan:

	2020 Number of shares options ('000)	2019 Number of shares options ('000)
Balance as at beginning of year	**32,653**	41,763
Exercised during the year	**(300)**	–
Forfeited during the year	**(2,370)**	–
Lapsed during the year	**(1,100)**	(9,110)
Balance as at end of year	**28,883**	32,653
Vested and exercisable at end of year	**18,370**	14,636

31 Share-based payments (continued)

(c) Share option scheme (continued)

(ii) (continued)

No options expired during the periods. Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant date	Expiry date	Share options 2020 ('000)	Share options 2019 ('000)
December 28, 2018	December 29, 2022	**7,970**	8,610
	December 29, 2024	**63**	183
	December 29, 2025	**20,850**	23,860
		28,883	32,653
Weighted average remaining contractual life of options outstanding at end of year		**4.16 years**	5.2 years
Weighted average share price at the time of exercise of options during the year		**USD0.54 (HK$4.21)**	N/A

31 Share-based payments (continued)

(d) Share award scheme (Treasury shares)

	2020 Shares ('000)	2019 Shares ('000)	2020 USD'000	2019 USD'000
Restricted share award scheme	**207,641**	208,551	**91,277**	91,607
Second restricted share award scheme	**81**	1,653	**815**	1,323
	207,722	210,204	**92,092**	92,930

	Restricted share award scheme		Second restricted share award scheme	
	Number of shares ('000)	USD'000	Number of shares ('000)	USD'000
Opening balance as at January 1, 2019	158,863	72,072	–	–
Acquisition of shares by trustee during the year	51,841	20,430	12,483	5,150
Shares granted during the year	(2,153)	(895)	(10,830)	(3,827)
Balance as at December 31, 2019 and January 1, 2020	208,551	91,607	1,653	1,323
Acquisition of shares by trustee during the year	–	–	4,001	1,297
Shares granted during the year	(910)	(330)	(5,573)	(1,805)
Balance as at December 31, 2020	207,641	91,277	81	815

31 Share-based payments (continued)

(d) Share award scheme (Treasury shares) (continued)

(i) 2017 scheme

In December 2017, the Company adopted the restricted share award scheme to provide incentive to encourage the participants for their contribution to the Group. The restricted share award scheme shall be subject to the terms of the scheme and the listing rules of the Main Board of The Stock Exchange of Hong Kong Limited. Existing shares of the Company will be purchased by an independent trustee from the market out of cash contributed by the Group and be held in trust until such shares are awarded and vested in accordance with the provisions of the share award scheme.

No shares shall be purchased pursuant to the share award scheme if as a result of such purchase, the number of shares administered under the share award scheme shall exceed 10% of the issued capital of the Company. The maximum number of shares which may be granted to a participant at any one time or in aggregate may not exceed 1% of the issued capital of the Company at the adoption date.

Subject to any early termination as may be determined by the board, the share award scheme shall be valid and effective for a period of 10 years commencing on December 19, 2017.

In 2020, no treasury shares were purchased on the market under the share award scheme. (2019: 51,841,000 treasury shares were purchased at a consideration of approximately USD20,430,000). In 2020, the Group awarded 910,000 treasury shares to eligible employees (2019: 2,153,000 treasury shares) and the share-based payments expense of approximately USD330,000 was recognized for the year (2019: approximately USD895,000).

In 2020, the weighted average market price at the date of the award was USD0.36 (2019: USD0.41).

31 Share-based payments (continued)

(d) Share award scheme (Treasury shares) (continued)

(ii) 2019 scheme

In March 2019, the Company adopted the second restricted share award scheme (the "Second Scheme") to provide incentive to encourage the participating employees for their contribution to the Group. The Second Scheme shall be subject to the administration of the administration committee and the Trustee in accordance with the scheme rules and the trust deed. The Trustee shall hold the trust fund in accordance with the terms of the Trust Deed.

No shares shall be purchased pursuant to the Second Scheme if as a result of such purchase, the number of Shares administered under the Second Scheme shall exceed 674,353,688 shares, being 10% of the issued share capital of the Company at the date of the adoption of the Second Scheme, or such other limit as determined by the administration committee at its sole discretion. The maximum number of award shares which may be granted to a selected participant at any one time or in aggregate may not exceed 67,435,368 shares, being 1% of the issued share capital of the Company at the same date.

Subject to any early termination as may be determined by the board, the Second Scheme shall remain valid and effective for a period of ten years commencing on March 26, 2019.

In 2020, 4,001,000 treasury shares (2019: 12,483,000 treasury shares) were purchased on the market under the second restricted share award scheme at a consideration of approximately USD1,297,000 (2019: USD5,150,000). In 2020, the Group awarded 5,573,000 treasury shares (2019: USD10,830,000) to eligible employees and the share-based payments expense of approximately USD1,805,000 was recognized (2019: USD3,827,000).

In 2020, the weighted average market price for the treasury shares granted at the date of grant was USD0.35 (2019: USD0.34).

32 Cash generated from operations

(a) Reconciliation of profit before income tax to net cash generated from operations.

	2020 USD'000	2019 USD'000
Profit before income tax	**116,524**	265,910
Adjustments for:		
– Amortization of intangible assets (Note 17)	**42,914**	44,324
– Depreciation of property, plant and equipment (Note 15)	**177,110**	183,155
– Depreciation of right-of-use assets (Note 16)	**21,109**	27,480
– Losses on disposal of intangible assets	**–**	210
– (Gains)/loss on disposal of property, plant and equipment, net (Note (b))	**(2,010)**	2,717
– Impairment of inventories	**9,059**	(3,495)
– Recognition/(reversal) of impairment losses on financial assets – net	**220**	(1,219)
– Impairment of intangible assets	**–**	4,474
– Finance income	**(17,610)**	(21,837)
– Finance costs	**16,992**	29,333
– Share of results of an associate and a joint venture	**8,851**	1,764
– Gain on disposal of subsidiaries	**(5,901)**	–
– Changes in fair value of financial assets at fair value through profit or loss	**56,919**	7,787
– Share based payment expenses (Note 31)	**7,946**	14,736
Changes in working capital:		
– Inventories	**(222,263)**	(41,933)
– Trade and other receivables	**164,009**	18,381
– Trade and other payables	**(225,602)**	(133,588)
– Contract liabilities	**5,312**	(2,851)
– Other non-current liabilities	**–**	(8,556)
Cash generated from operations	**153,579**	386,792

32 Cash generated from operations (continued)

(b) In the consolidated statement of cash flows, proceeds from the disposal of properties, plant and equipment comprise:

	2020 USD'000	2019 USD'000
Net book amount (Note 15)	**15,839**	94,952
Gains/(losses) on disposal of property, plant and equipment (Note 8)	**2,010**	(2,717)
	17,849	92,235
Less: Finance lease receivable	**(1,087)**	(79,242)
Proceeds from disposal	**16,762**	12,993

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt during the years ended December 31, 2020 and 2019.

	2020 USD'000	2019 USD'000
Cash and cash equivalents	**766,112**	892,111
Bank borrowings	**(1,178,929)**	(1,067,722)
Lease liabilities	**(45,597)**	(38,971)
Net debts	**(458,414)**	(214,582)
Cash and cash equivalents	**766,112**	892,111
Gross debts – variable interest rates	**(1,178,929)**	(1,067,722)
Gross debts – fixed interest rates	**(45,597)**	(38,971)
Net debts	**(458,414)**	(214,582)

32 Cash generated from operations (continued)

(c) Net debt reconciliation (continued)

	Borrowings due within 1 year USD'000	Borrowings due after 1 year USD'000	Lease liabilities due within 1 year USD'000	Lease liabilities due after 1 year USD'000
At January 1, 2020	(493,546)	(574,176)	(16,389)	(22,582)
Cash movements:				
Proceeds from bank borrowings	(3,189,510)	–	–	–
Repayment for bank borrowings	3,082,585	–	–	–
Repayment for principal element of lease liabilities	–	–	19,837	–
Payment for interest expenses	14,977	–	2,015	–
	(91,948)	–	21,852	–
Non-cash movements:				
Accretion of interest expenses	(14,977)	–	(2,015)	–
Acquisition of leases	–	–	(7,152)	(27,039)
Termination of leases	–	–	8,171	–
Reclassification	–	–	(21,308)	21,308
Effect on exchange difference arising on the translation of foreign operations	(3,899)	(383)	(203)	(240)
	(18,876)	(383)	(32,384)	13,737
At December 31, 2020	(604,370)	(574,559)	(17,044)	(28,553)

32 Cash generated from operations (continued)

(c) Net debt reconciliation (continued)

	Borrowings due within 1 year USD'000	Borrowings due after 1 year USD'000	Lease liabilities due within 1 year USD'000	Lease liabilities due after 1 year USD'000
At January 1, 2019	(989,401)	–	(17,723)	(36,319)
Cash movements:				
Proceeds from bank borrowings	(2,117,765)	(574,176)	–	–
Repayment for bank borrowings	2,611,063	–	–	–
Repayment for principal element of lease liabilities	–	–	31,977	–
Payment for interest expenses on lease liabilities	–	–	1,741	–
	493,298	(574,176)	33,718	–
Non-cash movements:				
Acquisition of leases	–	–	(13,688)	(2,652)
Reclassification	–	–	(16,389)	16,389
Effect on exchange difference arising on the translation of foreign operations	2,557	–	(2,306)	–
	2,557	–	(32,384)	13,737
At December 31, 2019	(493,546)	(574,176)	(16,389)	(22,582)

(d) Cash flow from disposal of a subsidiary

In July 2020, the Group completed the disposal of 7,347,989 ordinary shares of FIT Electronics Device Pte. Ltd to a third party at a cash consideration of USD7,350,000 (the "Disposal"). FIT Electronics Device Pte. Ltd and its subsidiaries ("FIT Electronic Group") are engaged in the production, research and development of automotive cameras and electronic mirrors in Singapore. Upon completion of the Disposal, the equity interests held by the Group decreased from 51% to 25%, FIT Electronic Group ceased to be a subsidiary and became an associate company of the Group.

32 Cash generated from operations (continued)

(d) Cash flow from disposal of a subsidiary (continued)

The following table summarizes the carrying value of the net assets disposed at the date of the disposal and the consideration received, as well as the net cash flow relating to the disposal.

	July 31 2020 USD'000
Net assets of the FIT Electronic Group at the disposal date	
Property, plant and equipment	3,915
Intangible assets	8,494
Cash and cash equivalents	4,427
Trade and other receivables	3,076
Inventories	2,603
Trade and other payables	(5,835)
Net assets disposed of	16,680
Less: Net assets attributable to non-controlling interest	(8,173)
Net assets attributable to the Group	8,507
Cash consideration received	7,350
Add: Fair value of 25% equity interest retained as interest in an associate (Note 19(a))	7,067
Less: Net assets disposed of	(8,507)
Less: Realization of currency translation difference upon disposal	(9)
Gain on disposal of subsidiaries	5,901
Inflow of cash arising on the Disposal, net of cash disposed	
Cash consideration received	7,350
– Less: Cash and cash equivalents disposed of	(4,427)
Net cash inflow from the disposal	2,923

33 Commitments

(a) Capital commitments

Capital commitments contracted for at consolidated balance sheet date but not yet incurred are as follows:

	2020 USD'000	2019 USD'000
– Investments in funds	**12,658**	21,596
– Property, plant and equipment	**7,993**	39,287
– Right-of-use assets	**1,235**	731
	21,886	61,614

(b) Operating leases rental receivables – the Group as lessor

At the consolidated balance sheet date, minimum lease payments receivable under non-cancellable operating lease of properties not recognized in the consolidated financial statements were as follows:

	2020 USD'000	2019 USD'000
No later than 1 year	**880**	94
Later than 1 year and no later than 2 years	**868**	59
Later than 2 years and no later than 5 years	**1,232**	23
	2,980	176

34 Related-party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, has joint control over the party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

In addition to those disclosed elsewhere in the consolidated financial statements, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended December 31, 2020 and 2019 and balances arising from related party transactions as at December 31, 2020 and 2019.

(a) The following transactions were carried out with the principal related parties:

Name of entities	Relationship with the Group
富士康精密電子(太原)有限公司 ("Foxconn Precision Electronics (Taiyuan) Co., Ltd.")*	Subsidiary of Hon Hai
富泰華工業(深圳)有限公司("Futaihua Industrial (Shenzhen) Co., Ltd.")*	Subsidiary of Hon Hai
鴻富錦精密工業(武漢)有限公司("Hongfujin Precision Industry (Wuhan) Co., Ltd.")*	Subsidiary of Hon Hai
鴻富錦精密電子(成都)有限公司("Hongfujin Precision Electronics (Chengdu) Co., Ltd.")*	Subsidiary of Hon Hai
鴻富錦精密電子(鄭州)有限公司("Hongfujin Precision Electronics (Zhenzhou) Co., Ltd.")*	Subsidiary of Hon Hai
鴻富錦精密電子(天津)有限公司("HongFuJing Precision Electronics (TianJin) Co., Ltd.")*	Subsidiary of Hon Hai
Foxconn Technology Pte. Ltd.	Associate of Hon Hai
IRIS World Enterprises Limited	Associate of Hon Hai
FUHONG Precision Component (Bac Giang) Limited	Subsidiary of Hon Hai
鴻富錦精密工業(深圳)有限公司("Hongfujin Precision Industry (Shenzhen) Co., Ltd.")*	Subsidiary of Hon Hai
新海洋精密組件(江西)有限公司("New Ocean Precision Component (Jiangxi) Co., Ltd.")*	Associate of Hon Hai
富準精密模具(淮安)有限公司("Fuzhun Precision Tooling (Huaian) Co., Ltd.")*	Subsidiary of Hon Hai
新海洋精密組件(贛州)有限公司("New Ocean Precision Component (Ganzhou) Co., Ltd.")*	Associate of Hon Hai
鴻海精密工業股份有限公司("Hon Hai Precision Industry Co., Ltd.")*	Ultimate Holding Company
富葵精密組件(深圳)有限公司("Fukwai Precisioin Component (Shenzhen) Co., Ltd")*	Associate of Hon Hai
深圳富能新能源科技有限公司("Shenzhen Fox-Energy Technology Co., Ltd")*	Subsidiary of Hon Hai
Sharp Corporation	Associate of Hon Hai
Carston Limited	Subsidiary of Hon Hai
Success Rise Enterprises Limited	Subsidiary of Hon Hai

* for identification purpose only

34 Related-party transactions (continued)

(a) The following transactions were carried out with the principal related parties: (continued)

		2020 USD'000	2019 USD'000
(i)	Sales of goods		
	– Hon Hai	**18,864**	9,301
	– Subsidiaries of Hon Hai	**404,581**	649,906
	– Associates of Hon Hai	**165,526**	181,861
		588,971	841,068
(ii)	Sales of services		
	– Hon Hai	**1,162**	–
	– Subsidiaries of Hon Hai	**3,714**	947
	– Associates of Hon Hai	**309**	1,519
		5,185	2,466
(iii)	Purchase of goods		
	– Hon Hai	**7,804**	12,997
	– Subsidiaries of Hon Hai	**304,067**	424,984
	– Associates of Hon Hai	**158,223**	156,277
		470,094	594,258
(iv)	Purchase of property, plant and equipment and right-of-use assets		
	– Hon Hai	**1,579**	34
	– Subsidiaries of Hon Hai	**5,094**	4,265
	– Associates of Hon Hai	**9,367**	25,775
		16,040	30,074

34 Related-party transactions (continued)

(a) The following transactions were carried out with the principal related parties: (continued)

		2020 USD'000	2019 USD'000
(v)	Subcontracting expenses		
	– Hon Hai	**13**	12
	– Subsidiaries of Hon Hai	**34,301**	82,876
	– Associates of Hon Hai	**284**	164
		34,598	83,052
(vi)	Shared services expenses		
	– Hon Hai	**–**	89
	– Subsidiaries of Hon Hai	**246**	2,380
	– Associates of Hon Hai	**–**	430
		246	2,899
(vii)	Molding costs		
	– Hon Hai	**10**	4
	– Subsidiaries of Hon Hai	**66,339**	67,131
	– Associates of Hon Hai	**394**	1,575
		66,743	68,710
(viii)	Rental income		
	– Subsidiaries of Hon Hai	**785**	1,203
	– Associates of Hon Hai	**1,743**	1,373
		2,528	2,576

34 Related-party transactions (continued)

(a) The following transactions were carried out with the principal related parties: (continued)

		2020 USD'000	2019 USD'000
(ix)	Payments for lease contracts		
	– Hon Hai	**–**	885
	– Subsidiaries of Hon Hai	**2,119**	3,792
	– Associates of Hon Hai	**17**	82
		2,136	4,759
(x)	Payments for licenses		
	– Hon Hai	**1,450**	1,270
(xi)	Disposal of property, plant and equipment		
	– Subsidiaries of Hon Hai	**323**	586
	– Associates of Hon Hai	**51**	989
		374	1,575
(xii)	Acquisition of preferred shares		
	– An associate of Hon Hai (Note 18(a)(ii))	**–**	54,226
(xiii)	Key management compensation		
	Salaries, wages and bonuses	**7,934**	10,315
	Pension, housing fund, medical insurance and other social insurances	**178**	196
	Share-based payment expenses	**5,860**	12,256
		13,972	22,767

The above related party transactions were carried out on terms mutually agreed between the parties. In the opinion of the directors of the Company, these transactions are in the ordinary course of business of the Group and in accordance with the terms of the underlying agreements.

34 Related-party transactions (continued)

(b) Balances with related parties:

	2020 USD'000	2019 USD'000
Amounts due from related parties:		
(i) Trade receivables:		
– Hon Hai	**7,306**	2,747
– Subsidiaries of Hon Hai	**98,670**	188,138
– Associates of Hon Hai	**42,197**	67,309
	148,173	258,194
(ii) Other receivables:		
– Subsidiaries of Hon Hai	**6,361**	5,523
– Associates of Hon Hai	**415**	167
	6,776	5,690
(iii) Prepayments:		
– Subsidiaries of Hon Hai	**5,507**	4,092
– Associates of Hon Hai	**11,308**	12,553
	16,815	16,645

34 Related-party transactions (continued)

(b) Balances with related parties: (continued)

Amounts due to related parties:

		2020 USD'000	2019 USD'000
(i)	Trade payables:		
	– Hon Hai	**65**	1,479
	– Subsidiaries of Hon Hai	**79,629**	123,681
	– Associates of Hon Hai	**33,490**	38,944
		113,184	164,104
(ii)	Other payables:		
	– Hon Hai	**369**	134
	– Subsidiaries of Hon Hai	**18,140**	65,349
	– Associates of Hon Hai	**6,642**	13,107
		25,151	78,590
(iii)	Payable for acquisition of licenses:		
	– Hon Hai	**3,760**	5,190

Note:

The above balances with related parties were unsecured, interest-free and repayable on demand. The carrying amounts of these balances approximated their fair values.

For trade receivables with related parties, the Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance.

For amounts due from related parties, the Group applies the IFRS 9 general approach to measure expected credit losses which uses a 3-stage model to measure loss allowance.

As at December 31, 2020 and 2019, management considered that the expected credit loss for intercompany receivables was immaterial; thus no loss allowance was made.

The amounts due from related companies do not contain impaired assets. The Company does not hold any collateral as security.

35 The COVID-19 Pandemic's impact

During 2020, the outbreak of COVID-19 has expanded globally and various prevention and control measures to combat the disease have been implemented by different countries/territories. The Group's manufacturing plants were closed from February to March 2020 and have resumed operations. There are still adverse effects on international transportation of the Group's products and sales because of mandatory closure of retail shops and some other restrictive measures.

The Directors will continue to closely monitor the development of COVID-19 and assess its impact on the Group's financial position and operating results. The Group does not foresee any material change in its exposures to credit risk and liquidity risk. The Group has remained financially stable as at December 31, 2020 as the Group has low gearing ratio and experienced no material collectability problem.

36 Events after the consolidated balance sheet date

(i) On March 11, 2021, the Group entered into an agreement with the non-controlling shareholder to purchase its entire 463,436 shares, representing 9.57% interest, in a non-wholly owned subsidiary of the Group at a consideration of USD12,000,000, which consisted of a base purchase price of USD6,000,000 and a contingent consideration of USD6,000,000. Immediately after the completion of the acquisition, the subsidiary has become a wholly-owned subsidiary of the Group.

(ii) On March 18, 2021, a subsidiary of the Company entered into lease agreements with a related company to acquire land use rights for lands in Vietnam at a total considerations of approximately USD1,367,000.

(iii) On March 19, 2021, a wholly-owned subsidiary of the Group issued convertible preferred shares to a third party for a cash consideration of USD75,000,000. The convertible preferred shares are non-interest bearing and non-redeemable. They rank equally with ordinary shares for voting at general meetings. The convertible preferred shares held by the third party are convertible into ordinary shares of the subsidiary which represents 32.6% equity interest of the subsidiary on a fully converted basis.

37 Balance sheet and reserve movement of the Company

	Note	2020 USD'000	2019 USD'000
ASSETS			
Non-current assets			
Property, plant and equipment		**12,381**	15,088
Intangible assets		**12,870**	12,930
Interests in subsidiaries		**2,090,683**	2,105,051
Interests in associates		**18,506**	21,710
Financial assets at fair value through other comprehensive income		**19,643**	14,460
Financial assets at fair value through profit or loss		**8,387**	2,730
Deposits, prepayments and other receivables		**1,107**	5,219
Deferred income tax assets		**31,915**	21,760
		2,195,492	2,198,948
Current assets			
Inventories		**161,708**	414,553
Trade and other receivables		**1,189,320**	878,637
Financial assets at fair value through profit or loss		**7,086**	6,545
Cash and cash equivalents		**162,732**	247,923
		1,520,846	1,547,658
Total assets		**3,716,338**	3,746,606
EQUITY			
Equity attributable to owners of the Company			
Share capital		**134,623**	134,400
Treasury shares		**(92,092)**	(92,930)
Reserves	(a)	**1,673,283**	1,544,091
Total equity		**1,715,814**	1,585,561

37 Balance sheet and reserve movement of the Company (continued)

	Note	2020 USD'000	2019 USD'000
LIABILITIES			
Non-current liability			
Bank borrowings		**574,559**	574,176
Deposits received and other payables		**3,020**	805
		577,579	574,981
Current liabilities			
Trade and other payables		**1,181,895**	1,277,665
Contract liabilities		**2,358**	1,084
Bank borrowings		**200,604**	285,060
Current income tax liabilities		**38,088**	22,255
		1,422,945	1,586,064
Total liabilities		**2,000,524**	2,161,045
Total equity and liabilities		**3,716,338**	3,746,606

37 Balance sheet and reserve movement of the Company (continued)

(a) Reserve movement of the Company

	Retained earnings USD'000	Other reserves USD'000	Total USD'000
Balance as at January 1, 2019	363,850	1,110,281	1,474,131
Comprehensive income			
– Profit for the year	133,007	–	133,007
Other comprehensive income			
– Currency translation differences	–	(15,448)	(15,448)
– Fair value change in available-for-sale financial assets	–	3,524	3,524
Total comprehensive income for the year	133,007	(11,924)	121,083
Transaction with owners			
– Exercise of share grant plan	–	(2,680)	(2,680)
– Exercise of share option	–	284	284
– Senior management and employees' share grant scheme and share award scheme	–	10,014	10,014
– Dividends paid	(58,741)	–	(58,741)
Total transactions with owners, recognized directly in equity	(58,741)	7,618	(51,123)
Balance at December 31, 2019	438,116	1,105,975	1,544,091

37 Balance sheet and reserve movement of the Company (continued)

(a) Reserve movement of the Company (continued)

	Retained earnings USD'000	Other reserves USD'000	Total USD'000
Balance as at January 1, 2020	438,116	1,105,975	1,544,091
Comprehensive income			
– Profit for the year	88,062	–	88,062
Other comprehensive income/(loss)			
– Currency translation differences	–	36,143	36,143
– Fair value change in financial assets at fair value through other comprehensive income	–	(2,089)	(2,089)
Total comprehensive income for the year	88,062	34,054	122,116
Transaction with owners			
– Exercise of share grant plan	–	(122)	(122)
– Exercise of share option	–	2,351	2,351
– Senior management and employees' share grant scheme and share award scheme	–	4,847	4,847
Total transactions with owners, recognized directly in equity	–	7,076	7,076
Balance at December 31, 2020	526,178	1,147,105	1,673,283

Definitions

"AGM"	the forthcoming annual general meeting of the Company to be held on June 25, 2021;
"Articles of Association"	the articles of association of the Company;
"Audit Committee"	the audit committee of the Board;
"Board" or "Board of Directors"	the board of Directors of the Company;
"China" or "PRC"	the People's Republic of China; for the purpose of this Annual Report only, references to "China" or the "PRC" do not include Taiwan, the Macau Special Administrative Region or 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;
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules;
"Director(s)"	director(s) of the Company;
"Environmental, Social and Governance Committee"	the environmental, social and governance committee of the Board;
"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;
"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), which is the controlling shareholder of the Company;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"IFRSs"	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
"Latest Practicable Date"	April 22, 2021, being the latest practicable date prior to the printing of this Annual Report for the purpose of ascertaining certain information contained in this Annual Report;
"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;
"Nomination Committee"	the nomination committee of the Board;
"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"	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);
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share (s)"	ordinary share(s) with nominal value of US$0.01953125 each in the issued capital of the Company or if there has been a subsequent 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);

Definitions

"Share Grant Scheme"	the share grant scheme approved and adopted by the Company on January 5, 2015, and the rules and interpretations thereof further adopted by the Board on November 4, 2016;
"Share Option Scheme"	the share option scheme conditionally approved and adopted by our Shareholders on December 19, 2017;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"U.S." or "United States"	the United States of America;
"US$" or "U.S. dollar(s)"	United States dollars, the lawful currency of the United States;
"Vietnam"	the Socialist Republic of Vietnam;
"VND"	Vietnamese dong, the lawful currency of Vietnam; and
"%"	percent.