

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

2021 Interim Report



belkin

wemo

PHYN

Contents

Corporate Information	2
Financial Highlights	4
Management Discussion and Analysis	5
Report on Review of Interim Financial Information	16
Condensed Consolidated Interim Income Statement	17
Condensed Consolidated Interim Statement of Comprehensive Income	18
Condensed Consolidated Interim Balance Sheet	19
Condensed Consolidated Interim Statement of Changes in Equity	21
Condensed Consolidated Interim Statement of Cash Flows	23
Notes to the Condensed Consolidated Interim Financial Information	24
Other Information	68
Definitions	76



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

	Six months ended June 30,		
	2021	2020	Change
	USD'000	USD'000	
	Unaudited	Unaudited	
Key income statement items			
Revenue	1,982,056	1,916,543	3.4
Gross profit	267,776	261,217	2.5
Operating profit	15,929	31,913	(50.1)
Profit attributable to owners of the Company	9,264	22,173	(58.2)

	Six months ended June 30,		
	2021	2020	Change
	Unaudited	Unaudited	
Key financial ratios			
Gross profit margin	13.5%	13.6%	(0.1)
Operating profit margin	0.8%	1.7%	(0.9)
Margin of profit attributable to owners of the Company	0.5%	1.2%	(0.7)

	Six months	Year ended	Six months
	ended June	December	ended June
	30, 2021	31, 2020	30, 2020
Key operating ratios			
Average inventory turnover days ¹	103	81	83
Average trade receivables turnover days ²	71	76	82
Average trade payables turnover days ¹	63	67	71

(1) Average inventory and trade payables turnover days are based on the average balance of such item divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the year ended December 31, 2020 is 365 days. The number of days for the six months ended June 30, 2021 is 183 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 due from related parties, divided by revenue for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the year ended December 31, 2020 is 365 days. The number of days for the six months ended June 30, 2021 is 183 days.

Management Discussion and Analysis

BUSINESS OVERVIEW AND OUTLOOK

Business Overview

During the six months ended June 30, 2021, 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. Despite the severe outbreak of the COVID-19 pandemic in Vietnam in mid-May 2021, production plants in Vietnam recently fully resumed work. There was improvement in the COVID-19 pandemic in the PRC, Europe and the US, and our results showed a slight growth. As discussed in more details in the “Results of Operations” section below, for the six months ended June 30, 2021, our revenue amounted to US\$1,982 million, and our profit amounted to US\$8 million, representing an increase of 3.4% and a decrease of 60% compared to the same period in 2020, respectively.

Mobile devices continued to be our largest source of revenue by end market. During the six months ended June 30, 2021, 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 28.4% for the six months ended June 30, 2021 compared to the same period in 2020.

For the communications infrastructure end market, there was an increase in our CPU socket and network socket product business due to the work-from-home arrangement and home-based learning during the COVID-19 pandemic. As a result, revenue from the communications infrastructure end market increased by 7.4% for the six months ended June 30, 2021 compared to the same period in 2020.

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 pandemic. Our revenue from the computer and consumer electronics end market for the six months ended June 30, 2021 increased by 22.3% compared to the same period in 2020.

Furthermore, due to the growth in revenue related to our automotive products applications, our revenue from the automotive, industrial and medical end market increased by 30.6% for the six months ended June 30, 2021 compared to the same period in 2020.

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 pandemic. Revenue from the connected home end market increased by 2.4% for the six months ended June 30, 2021 compared to the same period in 2020.

The COVID-19 pandemic in Europe and Americas has improved, and physical channels have gradually opened up. The performance of our smart accessories experienced improvement compared to the same period in 2020. In addition, the performance of our new true wireless bluetooth earphone products also experienced growth. Our revenue from the smart accessories end market for the six months ended June 30, 2021 increased by 79.6% compared to the same period in 2020.

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. Therefore, we have been reviewing and focusing on the trends of different end markets while adjusting 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 the second half of 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 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 the 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 continuous 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 by brand companies for their 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 by brand companies for their 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 growth 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 our 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 rather 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 will 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 design of smart products, thus providing consumers with more comfort and convenience in terms of home living. In the CES 2021 exhibition held online, Linksys demonstrated its latest progress in the areas of Wi-Fi and motion detection technology and launched Linksys AXE8400 Wi-Fi 6E, an intelligent mesh Wi-Fi system. It also launched Linksys Aware and integrated Belkin's switch, Wemo's plug and other Wi-Fi supporting equipment into the network of Aware. Linksys AXE8400 system is expected to be launched in the PRC in the second half of 2021 while Linksys Aware 2 will be rolled out through Linksys' applications in the US and in other countries by stages. In addition, in the CES 2021 exhibition, Phyn and Kohler collaborated to debut two new products, Kohler Whole Home Water Monitors powered by Phyn, one of which is a DIY unit and the other is a Pro version with automatic shut off.
- **Smart accessories.** In the CES 2021 exhibition, we introduced Boost Charge Pro 2-in-1 Wireless Charger Stand with MagSafe and Soundform Freedom True Wireless earphone. With the Belkin 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. In addition, we expect to achieve a relatively larger growth in wireless earphones and wireless chargers products of the brand companies.

RESULTS OF OPERATIONS

Revenue

We derive our revenue mainly from the sale of our interconnect solutions and other products and, to a lesser extent, from the sale of molding parts, sample products, and others. For the six months ended June 30, 2021, our revenue amounted to US\$1,982 million, representing a 3.4% increase from US\$1,917 million in the same period in 2020. Among the six main end markets, our revenue from (1) the mobile devices end market decreased by 28.4%, (2) the communications infrastructure end market increased by 7.4%, (3) the computer and consumer electronics end market increased by 22.3%, (4) the automotive, industrial and medical end market increased by 30.6%, (5) the connected home end market increased by 2.4%, and (6) the smart accessories end market increased by 79.6%. The following table sets forth our revenue by end markets in absolute amounts and as percentages of revenue for the periods indicated:

	For the Six Months Ended June 30,			
	2021		2020	
	US\$	%	US\$	%
	(in thousands, except for percentages)			
Mobile devices	548,340	27.7	766,122	40.0
Communications infrastructure	433,493	21.9	403,507	21.1
Computer and consumer electronics	462,096	23.3	377,742	19.7
Automotive, industrial and medical	85,527	4.3	65,509	3.4
Connected home	123,171	6.2	120,229	6.3
Smart accessories	329,429	16.6	183,434	9.5
Total	1,982,056	100.0	1,916,543	100.0

Mobile devices. The revenue from the mobile devices end market decreased by 28.4%, 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 the communications infrastructure end market increased by 7.4%, which was mainly attributable to an increase in our CPU socket and network socket product business due to the work-from-home arrangement and home-based learning during the COVID-19 pandemic.

Computer and consumer electronics. The revenue from the computer and consumer electronics end market increased by 22.3%, likewise due to the work-from-home arrangement and home-based learning during the COVID-19 pandemic, which drove the increase in revenue from laptops and tablets related products.

Automotive, industrial and medical. The revenue from the automotive, industrial and medical end market increased by 30.6%, which was primarily due to the growth in revenue related to our automotive accessories products.

Connected home. The revenue from the connected home end market increased by 2.4%, likewise due to the work-from-home arrangement and home-based learning during the COVID-19 pandemic, which drove the increase in revenue from routers and network related products.

Smart accessories. The revenue from the smart accessories end market increased by 79.6%, which was mainly due to the growth in our smart accessories performance compared to the same period in 2020, as a result of the improvement of the COVID-19 pandemic in Europe and Americas and physical channels gradually opening up. Furthermore, the performance of our new true wireless bluetooth earphone products also experienced growth.

Cost of Sales, Gross Profit and Gross Profit Margin

Our cost of sales increased by 3.6% from US\$1,655 million for the six months ended June 30, 2020 to US\$1,714 million for the same period in 2021. 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. For the six months ended June 30, 2021, the increase was primarily driven by the expansion of our overall business scale.

Our gross profit increased by 2.7% from US\$261 million for the six months ended June 30, 2020 to US\$268 million for the same period in 2021, primarily due to the increase in revenue. The gross profit margin slightly decreased from 13.6% for the six months ended June 30, 2020 to 13.5% for the same period in 2021.

Distribution Costs and Selling Expenses

Our distribution costs and selling expenses increased by 2.0% from US\$50 million for the six months ended June 30, 2020 to US\$51 million for the same period in 2021, representing an insignificant change.

Administrative Expenses

Our administrative expenses increased by 1.1% from US\$90 million for the six months ended June 30, 2020 to US\$91 million for the same period in 2021, representing an insignificant change.

Research and Development Expenses

Our research and development expenses primarily consist of (1) employee benefit expenses paid to our research and development personnel, (2) molding and consumables expenses relating to the molds used in research and development, (3) depreciation of molds and molding equipment, and (4) other costs and expenses in connection with our research and development activities. Our research and development expenses increased by 13.9% from US\$115 million for the six months ended June 30, 2020 to US\$131 million for the same period in 2021, primarily due to investment in research and development of the advancement and replacement of Lightning cable and high-speed connector products.

Management Discussion and Analysis

Operating Profit and Operating Profit Margin

Although our sales of products continued to increase, our selling expenses, administrative expenses, and research and development expenses increased as a result of operational needs. Hence, our operating profit decreased by 50% from US\$32 million for the six months ended June 30, 2020 to US\$16 million for the same period in 2021. Adding on factors such as suspension of work in Vietnam during the COVID-19 pandemic and the continuous rise in raw precious metal prices, our operating profit margin decreased from 1.7% for the six months ended June 30, 2020 to 0.8% for the same period in 2021.

Income Tax Expenses

We incur income tax expenses primarily relating to our operations in the PRC, Taiwan, the United States, and Vietnam. Our income tax expenses increased by 20.0% from US\$5 million for the six months ended June 30, 2020 to US\$6 million for the same period in 2021. The effective income tax rate of income tax from profit before tax for the period increased from 21.3% to 43.2%, primarily due to the decrease in profit in the first half of 2021 resulting from the impact of the COVID-19 pandemic in Vietnam, which enjoys tax concessions, as compared with the same period of the previous year.

Profit for the Period

As a result of the decrease in operating profit, profit for the period decreased by 60% from US\$20 million for the six months ended June 30, 2020 to US\$8 million for the same period in 2021. Our profit margin decreased from 1.1% for the six months ended June 30, 2020 to 0.4% for the same period in 2021.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity, Working Capital and Borrowings

We finance our operations primarily through the cash generated from our operating activities and bank borrowings. As of June 30, 2021, we had cash and cash equivalents of US\$757 million, compared to US\$766 million as of December 31, 2020. In addition, as of June 30, 2021, we had short-term bank deposits of US\$111 million, compared to US\$126 million as of December 31, 2020.

As of June 30, 2021, we had total bank borrowings of US\$1,184 million, including short-term borrowings of US\$609 million and long-term borrowings of US\$575 million due within one year, as compared to the 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 of December 31, 2020. We incurred short-term bank borrowings mainly for our working capital purpose and for supplementing our capital needs for investment activities. The increase in bank borrowings during the six months ended June 30, 2021 was primarily due to operating activities.

Our current ratio, calculated using current assets divided by current liabilities, was 1.28 times as of June 30, 2021, compared to 1.59 times as of December 31, 2020. Our quick ratio, calculated using current assets less inventories divided by current liabilities, was 0.81 times as of June 30, 2021, compared to 1.06 times as of December 31, 2020. The decrease in our current ratio and quick ratio was primarily due to the increase in long-term borrowings due within one year.

Cash Flow

For the six months ended June 30, 2021, our net cash generated from operating activities was US\$2 million, net cash used in investing activities was US\$65 million, and net cash generated from financing activities was US\$46 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 our IPO proceeds.

For the six months ended June 30, 2021, our capital expenditures amounted to US\$86 million, as compared to US\$143 million for the same period in 2020. The capital expenditures in the six months ended June 30, 2021 were primarily used for upgrading, maintaining, and converting production facilities, including expanding the site and equipment of the factories in Vietnam and converting production facilities for optical products.

Significant Investments, Acquisitions and Disposals

On March 11, 2021, Linksys Holdings, Inc. (a non-wholly owned subsidiary of the Company) (“Linksys”) 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 agreed to acquire and cancel, and the Trust agreed to sell, 463,436 shares of Linksys, 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 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 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”) for 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 issued certain convertible preferred shares to Fortinet Inc. (“Fortinet”) for a cash consideration of US\$75 million. The convertible preferred shares held by Fortinet can be converted into common shares of Linksys which represent 32.6% of its equity interest on a fully converted basis.

Management Discussion and Analysis

On May 31, 2021, the Company, Lumit Corporation Limited (“Lumit Cayman”) and Sound Discovery Limited (“Sound Discovery”, together with Lumit Cayman, the “Vendors”) entered into a sale and purchase agreement, pursuant to which the Company conditionally agreed to acquire, and the Vendors conditionally agreed to sell, 10,000 shares of Sound Legend Limited, representing 100% of its entire issued share capital for a consideration of US\$54,088,303.02, which shall be satisfied by way of allotment and issue of 175,786,984 Shares by the Company to the Vendors under the general mandate credited as fully paid (the “SSI Transaction”). As of the Latest Practicable Date, the SSI Transaction has not been completed yet. For further details, please refer to the Company’s announcement dated May 31, 2021.

Save as disclosed above, we did not have any significant investment, material acquisitions or material disposals during the six months ended June 30, 2021.

Inventories

Our inventories consist primarily of raw materials, work in progress and finished goods. We review our inventory levels on a regular basis to strengthen inventory management. Our average number of inventory turnover days for the six months ended June 30, 2021 was 103 days as compared to 83 days in 2020. The higher inventory turnover days for the six months ended June 30, 2021 was primarily due to the change in product mix, which resulted in longer turnover period.

Our inventories increased from US\$944 million as of December 31, 2020 to US\$994 million as of June 30, 2021, primarily due to the expansion of our business scale in general, as well as increased leveling production activities in anticipation of a greater product demand in the second half of 2021.

Provision for inventory impairment increased from US\$34 million as of December 31, 2020 to US\$55 million as of June 30, 2021, 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 number of trade receivables turnover days decreased from 78 days in 2020 to 71 days for the six months ended June 30, 2021, mainly due to the mix of customers and our continued efforts in enhancing the collection of trade receivables. Our average number of trade receivables turnover days for related parties for the six months ended June 30, 2021 was 96 days as compared to 125 days in 2020.

Our trade receivables decreased from US\$872 million as of December 31, 2020 to US\$668 million as of June 30, 2021, primarily due to our efforts in enhancing the collection and control of trade receivables overdue.

Trade Payables

Our trade payables primarily relate to the procurement of raw materials, work in progress and finished goods. Our average number of trade payables turnover days for the six months ended June 30, 2021 was 63 days, remaining stable as compared to 67 days in 2020.

Our trade payables decreased from US\$674 million as of December 31, 2020 to US\$507 million as of June 30, 2021, primarily due to decreased procurement as a result of the intrinsic seasonality of our businesses.

Major Capital Commitments

As of June 30, 2021, we had capital commitments of US\$22 million, which were primarily connected with the purchase of property, plant, and equipment related to our production facilities and investments.

Contingent Liabilities

As of June 30, 2021, 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 June 30, 2021, 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 13.8% (as of June 30, 2020: 12.3%).

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 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, 2020 (US\$'000)	Utilized between December 31, 2020 and June 30, 2021 (US\$'000)	Unutilized as of June 30, 2021 (US\$'000)
Establish an enhanced management information technology platform including the purchase of enterprise resource planning systems and modules, as well as implementation	1,833	1,833	0

PLEDGE OF ASSETS

As of June 30, 2021, certain bank deposits totaling RMB5 million of 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 of New Wing Interconnect Technology (Bac Giang) Co., Ltd totaling VND6,600 million have been pledged as performance guarantees for power purchase.

HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES

As of June 30, 2021, we had approximately 48,610 employees, as compared to 55,402 employees as of December 31, 2020. Total employee benefit expenses for the six months ended June 30, 2021, including Directors' remuneration, were US\$368 million, as compared to US\$329 million for the same period in 2020. 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 the Share Grant Scheme prior to our IPO. We also adopted the Share Option Scheme and the Restricted Share Award Schemes to offer valuable incentives to attract and retain quality personnel. We have been evaluating, and may adopt, new share incentive schemes that comply with the requirements of the Listing Rules. The remuneration of the Directors is reviewed by the Remuneration Committee and approved by the Board. The relevant Director's experience, duties and responsibilities, time commitment, the Company's performance, and the prevailing market conditions are taken into consideration in determining the emolument of the Directors.

FOREIGN EXCHANGE RISK

We operate in various locations and most of our sales, purchases or other transactions are denominated in U.S. dollars, New Taiwan dollars and Renminbi. Foreign exchange fluctuations may have a significant positive or negative effect on our results of operations. The majority of our Group's entities are exposed to foreign currency risks related to purchasing, selling, financing, and investing in currencies other than the functional currencies in which we operate. As we enter into transactions denominated in currencies other than the functional currencies in which we or our subsidiaries operate, we may face foreign currency transaction risks 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 the 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 the 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 receivable, 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 June 30, 2021, the nominal principal amount of our forward foreign exchange contracts was US\$339 million.

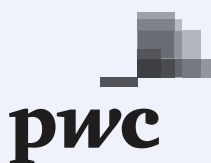
SUBSEQUENT EVENTS

On August 2, 2021, Linksys (a non-wholly owned subsidiary of the Company) entered into a share purchase agreement with Fortinet (a connected person of the Company), pursuant to which Fortinet conditionally agreed to purchase, and Linksys conditionally agreed to allot, issue and sell, 2,400,232 series A preferred shares for a consideration of US\$84,999,990.43 (the “Linksys Transaction”). As of the Latest Practicable Date, the Linksys Transaction has not been completed yet. For further details, please refer to the Company’s announcements dated August 3, 2021 and August 17, 2021.

INTERIM DIVIDEND

The Board did not declare any interim dividend for the six months ended June 30, 2021.

Report On Review of Interim Financial Information



羅兵咸永道

To the Board of Directors of 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")

Introduction

We have reviewed the interim financial information set out on pages 17 to 67, which comprises the condensed consolidated interim balance sheet of FIT Hon Teng Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2021 and the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, August 10, 2021

Condensed Consolidated Interim Income Statement

For the six months ended June 30, 2021

	Note	For the six months ended June 30,	
		2021 US\$'000 (unaudited)	2020 US\$'000 (unaudited)
Revenue	7	1,982,056	1,916,543
Cost of sales	10	(1,714,280)	(1,655,326)
Gross profit		267,776	261,217
Distribution costs and selling expenses	10	(50,623)	(49,831)
Administrative expenses	10	(90,627)	(89,628)
Research and development expenses	10	(131,230)	(115,195)
Reversal/(provision) of impairment loss on financial assets		450	(371)
Other income	8	17,871	11,180
Other gains – net	9	2,312	14,541
Operating profit		15,929	31,913
Finance income		5,889	9,102
Finance costs		(6,446)	(11,814)
Finance costs – net		(557)	(2,712)
Share of results of associates and a joint venture		(1,500)	(3,588)
Profit before income tax		13,872	25,613
Income tax expense	11	(5,992)	(5,468)
Profit for the period		7,880	20,145
Profit attributable to:			
Owners of the Company		9,264	22,173
Non-controlling interests		(1,384)	(2,028)
		7,880	20,145
Earnings per share for profit attributable to owners of the Company (expressed in US cents per share)			
Basic earnings per share	12	0.14	0.33
Diluted earnings per share	12	0.13	0.32

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

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended June 30, 2021

	For the six months ended June 30,	
	2021	2020
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Profit for the period	7,880	20,145
Other comprehensive income/(loss):		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	10,780	(27,645)
<i>Item that will not be reclassified subsequently to profit or loss</i>		
Fair value change in financial assets at fair value through other comprehensive income	5,356	(2,925)
Total other comprehensive income/(loss) for the period, net of tax	16,136	(30,570)
Total comprehensive income/(loss) for the period	24,016	(10,425)
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	25,410	(8,689)
Non-controlling interests	(1,394)	(1,736)
	24,016	(10,425)

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

Condensed Consolidated Interim Balance Sheet

As at June 30, 2021

	Note	As at June 30, 2021 US\$'000 (unaudited)	As at December 31, 2020 US\$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	14	727,560	727,882
Right-of-use assets	14	75,027	77,568
Intangible assets	14	693,442	709,244
Financial assets at fair value through other comprehensive income	15	28,380	23,024
Financial assets at fair value through profit or loss	16	23,331	14,855
Interests in associates and a joint venture	17	22,982	24,426
Deposits and prepayments	18	14,217	27,848
Finance lease receivables	19	43,862	51,235
Deferred income tax assets		141,533	134,742
		1,770,334	1,790,824
Current assets			
Inventories		994,492	944,128
Trade and other receivables	18	803,794	988,447
Finance lease receivables	19	15,672	16,126
Financial assets at fair value through profit or loss	16	–	7,528
Short-term bank deposits		110,607	125,772
Cash and cash equivalents		756,732	766,112
		2,681,297	2,848,113
Total assets		4,451,631	4,638,937
EQUITY			
Equity attributable to owners of the Company			
Share capital	20	134,624	134,623
Treasury shares		(92,092)	(92,092)
Reserves		2,169,849	2,145,341
		2,212,381	2,187,872
Non-controlling interests		72,631	2,504
Total equity		2,285,012	2,190,376

Condensed Consolidated Interim Balance Sheet

As at June 30, 2021

	Note	As at June 30, 2021 US\$'000 (unaudited)	As at December 31, 2020 US\$'000 (audited)
LIABILITIES			
Non-current liabilities			
Bank borrowings	22	–	574,559
Lease liabilities		24,539	28,553
Deferred income tax liabilities		45,456	50,351
Deposit received and other payables	23	5,121	5,136
		75,116	658,599
Current liabilities			
Trade and other payables	23	812,985	1,031,555
Financial liabilities at fair value through profit or loss	16	2,568	–
Contract liabilities		4,403	8,486
Lease liabilities		11,442	17,044
Bank borrowings	22	1,183,516	604,370
Current income tax liabilities		76,589	128,507
		2,091,503	1,789,962
Total liabilities		2,166,619	2,448,561
Total equity and liabilities		4,451,631	4,638,937

The above condensed consolidated interim balance sheet should be read in conjunction with the accompanying notes.

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended June 30, 2021

(Unaudited)	Attributable to owners of the Company							
	Share capital US\$'000	Treasury shares US\$'000	Share premium and capital reserve	Other reserves US\$'000	Retained earnings US\$'000	Sub-total US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
			US\$'000					
Balance as at January 1, 2021	134,623	(92,092)	556,274	152,133	1,436,934	2,187,872	2,504	2,190,376
Comprehensive income								
- Profit for the period	-	-	-	-	9,264	9,264	(1,384)	7,880
Other comprehensive income/(loss):								
- Exchange difference arising on the translation of foreign operations	-	-	-	10,790	-	10,790	(10)	10,780
- Fair value change in financial assets at fair value through other comprehensive income	-	-	-	5,356	-	5,356	-	5,356
Total comprehensive income/(loss)	-	-	-	16,146	9,264	25,410	(1,394)	24,016
Transactions with owners								
- Acquisition of additional interests from non-controlling interest (Note 21(a))	-	-	(4,021)	-	-	(4,021)	(1,979)	(6,000)
- Non-controlling interest arising on change in ownership interests in subsidiaries upon issuance of new shares (Note 21(b))	-	-	1,500	-	-	1,500	73,500	75,000
- Exercise of share option (Note 24(c))	1	-	5	(2)	-	4	-	4
- Senior management and employees' share grant scheme and share option scheme (Note 24(c))	-	-	-	1,256	-	1,256	-	1,256
- Share option scheme (Note 24(c))	-	-	-	360	-	360	-	360
- Appropriation of statutory reserves	-	-	-	3,216	(3,216)	-	-	-
Total transactions with owners, recognized directly in equity	1	-	(2,516)	4,830	(3,216)	(901)	71,521	70,620
Balance at June 30, 2021	134,624	(92,092)	553,758	173,109	1,442,982	2,212,381	72,631	2,285,012

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended June 30, 2021

(Unaudited)	Attributable to owners of the Company							Total equity
	Share capital	Treasury shares	Share premium and capital		Other reserves	Retained earnings	Non-controlling interests	
			reserve	reserves				
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
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/(loss) for the period	-	-	-	-	22,173	22,173	(2,028)	20,145
Other comprehensive loss								
- Currency translation differences	-	-	-	(27,937)	-	(27,937)	292	(27,645)
- Fair value change in financial assets at fair value through other comprehensive income	-	-	-	(2,925)	-	(2,925)	-	(2,925)
Total comprehensive income/(loss)	-	-	-	(30,862)	22,173	(8,689)	(1,736)	(10,425)
Transactions with owners								
- Senior management and employees' share grant schemes (Note 23(a) & (b))	-	-	-	2,450	-	2,450	-	2,450
- Share option scheme (Note 23(c))	-	-	-	672	-	672	-	672
Total transactions with owners, recognized directly in equity	-	-	-	3,122	-	3,122	-	3,122
Balance at June 30, 2020	134,400	(92,930)	550,564	47,000	1,422,146	2,061,180	8,864	2,070,044

The above condensed consolidated interim statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended June 30, 2021

	For the six months ended June 30	
	2021 US\$'000 (unaudited)	2020 US\$'000 (unaudited)
Cash flow from operating activities		
Cash generated from/(used in) operations	55,412	(2,701)
Income tax paid	(53,816)	(28,629)
Net cash generated from/(used in) operating activities	1,596	(31,330)
Cash flow from investing activities		
Payments for the purchase of property, plant and equipment	(81,553)	(138,449)
Payments for the purchase of intangible assets	(3,860)	(668)
Payments for investments in financial assets at fair value through other comprehensive income	–	(10,149)
Payments for investments in financial assets at fair value through profit or loss	(7,326)	–
Payments for investments in a joint venture	–	(3,000)
Payments for acquisition of additional interest in a subsidiary	(6,000)	–
Proceeds from disposal of property, plant and equipment	4,711	5,853
Proceeds from finance lease receivables	7,827	4,442
Decrease in short-term bank deposits	15,165	24,356
Interest received	5,889	9,102
Net cash used in investing activities	(65,147)	(108,513)
Cash flow from financing activities		
Proceeds from bank borrowings	2,140,415	1,605,216
Repayment of bank borrowings	(2,138,876)	(1,581,645)
Principle elements of lease payments	(24,464)	(8,917)
Proceeds from issuance of ordinary shares	4	–
Proceeds from non-controlling interest	75,000	–
Interest paid	(6,446)	(11,222)
Net cash generated from financing activities	45,633	3,432
Net decrease in cash and cash equivalents	(17,918)	(136,411)
Cash and cash equivalents at beginning of the period	766,112	892,111
Exchange difference on cash and cash equivalents	8,538	(12,130)
Cash and cash equivalents at end of the period	756,732	743,570

The above condensed consolidated interim statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Interim Financial Information

1 General information of the Group

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 the 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 condensed consolidated interim financial information is presented in United States Dollar (“US\$”) unless otherwise stated.

2 Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended June 30, 2021 is prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”.

The interim report does not include all the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended December 31, 2020 (“Annual Report”) and any public announcements made by FIT Hon Teng Limited during the interim reporting period.

The accounting policies adopted are consistent with those of the previous financial year and interim reporting period, except for the estimation of income tax which is recognised based on management’s estimate of the weighted average effective annual income tax rate expected for the full financial year.

3 Summary of significant accounting policies

The accounting policies applied are consistent with those as described in the Annual Report, except for the adoption of new and amended standards as set out below.

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

The Group has applied the following amendments which are mandatory for the financial year beginning January 1, 2021 and are relevant to its operations:

Amendments to IAS 39, IFRS 4, IFRS 7,
IFRS 9 and IFRS 16

Interest rate benchmark reform – Phase 2

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

3 Summary of significant accounting policies (continued)

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

The Group has not early adopted the following new standards, amendments and annual improvement that have been issued but are not yet effective for the period:

		Effective for accounting periods beginning on or after
Amendments to annual improvements project	Annual improvements 2018-2020 cycle	January 1, 2022
Amendments to IAS 1	Presentation of financial statements on classification of liabilities	January 1, 2023
Amendments to IAS 1 and Practice Statement 2	Disclosure of accounting policies	January 1, 2023
Amendments to IAS 8	Definition of accounting estimates	January 1, 2023
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 IFRS 16	Covid-19 – Related rent concessions beyond June 30, 2021	January 1, 2022
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
IFRS 17	Insurance contracts	January 1, 2023

4 Estimates

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Annual Report.

5 Financial risk management and financial instruments

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risks management information and disclosures required in the annual financial statements, and should be read in conjunction with the Annual Report.

There have been no changes in the risk management policies since the year ended December 31, 2020.

(b) 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 US\$756,732,000 (2020: US\$766,112,000) 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.

(i) Financing arrangements

As at June 30, 2021 and December 31, 2020, the Group had the following bank borrowings:

	As at June 30, 2021 US\$'000 (unaudited)	As at December 31, 2020 US\$'000 (audited)
Floating rate – unsecured		
Expiring within one year	1,183,516	604,370
Expiring between one to five years	–	574,559
	1,183,516	1,178,929

5 Financial risk management and financial instruments (continued)

(b) Liquidity risk (continued)

(ii) Maturities of financial liabilities

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

At June 30, 2021:

	Less than 1 year US\$'000	From 1 year to 2 years US\$'000	From 2 years to 5 years US\$'000	Over 5 years US\$'000	Total contractual cash flows US\$'000	Carrying amount US\$'000
Trade and other payables	687,670	1,539	329	–	689,538	689,351
Lease liabilities	11,776	7,095	8,606	9,187	36,664	35,981
Borrowings	1,187,591	–	–	–	1,187,591	1,183,516

At December 31, 2020:

	Less than 1 year US\$'000	From 1 year to 2 years US\$'000	From 2 years to 5 years US\$'000	Over 5 years US\$'000	Total contractual cash flows US\$'000	Carrying amount US\$'000
Trade and other payables	894,670	3,796	1,340	–	899,806	899,683
Lease liabilities	17,597	11,104	11,048	8,034	47,783	45,597
Borrowings	610,774	5,835	575,531	–	1,192,140	1,178,929

The amounts disclosed in the table are based on 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.

(iii) Available banking facilities

For details of available banking facilities, please refer to Note 22.

5 Financial risk management and financial instruments (continued)

(c) Fair value estimation

Carrying amounts of the Group's current financial assets, including cash and cash equivalents, short-term bank deposits, trade receivables, deposits and other receivables excluding prepayments, and the Group's current financial liabilities, including trade and other payables and borrowings, approximate their fair values due to their short maturities. 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 June 30, 2021 and December 31, 2020 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 data (that is, unobservable inputs) (level 3).

	Level 1 US\$'000 (unaudited)	Level 2 US\$'000 (unaudited)	Level 3 US\$'000 (unaudited)	Total US\$'000 (unaudited)
As at June 30, 2021				
Financial (liabilities)/assets				
Financial (liabilities)/assets at fair value through profit or loss	–	(2,568)	23,331	20,763
Financial assets at fair value through other comprehensive income	266	–	28,114	28,380
	266	(2,568)	51,445	49,143

5 Financial risk management and financial instruments (continued)

(c) Fair value estimation (continued)

	Level 1 US\$'000 (audited)	Level 2 US\$'000 (audited)	Level 3 US\$'000 (audited)	Total US\$'000 (audited)
As at December 31, 2020				
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

There were no transfers between the levels 1, 2 and 3 during the six months ended June 30, 2021. There were also no changes made to any of the valuation techniques applied as of December 31, 2020.

The changes and movement of financial instruments in level 3 for the six months ended June 30, 2021 and 2020 are as follows:

	For the six months ended June 30,	
	2021 US\$'000 (unaudited)	2020 US\$'000 (unaudited)
Financial assets		
At beginning of period	37,582	74,651
Addition	7,326	10,500
Changes in fair value	6,537	(1,820)
At end of period	51,445	83,331

Notes to the Condensed Consolidated Interim Financial Information

6 Segment information

The operating segment is reported in the manner consistent with the internal reporting provided to the Chief Operating Decision Makers (“CODM”). The CODMs, who are responsible for allocating resources and assessing performance of the operating segment, have been identified as the executive directors that make strategic decisions. CODMs 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, and 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.

Segment revenue and results

For the six months ended June 30, 2021, the Group’s revenue by operating segment is as follows:

	Intermediate products US\$'000 (unaudited)	Consumer products US\$'000 (unaudited)	Total US\$'000 (unaudited)
Revenue	1,614,507	448,967	2,063,474
Inter-segment revenue eliminations	(81,418)	–	(81,418)
Revenue from external customers	1,533,089	448,967	1,982,056
Gross profit			267,776
Unallocated:			
Expenses – net			(272,030)
Other income			17,871
Other gains – net			2,312
Finance costs – net			(557)
Share of results of associates and a joint venture			(1,500)
Profit before income tax			13,872

6 Segment information (continued)

Segment revenue and results (continued)

For the six months ended June 30, 2020, the Group's revenue by operating segment is as follows:

	Intermediate products US\$'000 (unaudited)	Consumer products US\$'000 (unaudited)	Total US\$'000 (unaudited)
Revenue	1,661,106	303,663	1,964,769
Inter-segment revenue eliminations	(48,226)	–	(48,226)
Revenue from external customers	1,612,880	303,663	1,916,543
Gross profit			261,217
Unallocated:			
Expenses – net			(255,025)
Other income			11,180
Other gains – net			14,541
Finance costs – net			(2,712)
Share of results of associates and a joint venture			(3,588)
Profit before income tax			25,613

For the six months ended June 30, 2021 and 2020, revenue by product line is as follows:

	For the six months ended June 30,	
	2021 US\$'000 (unaudited)	2020 US\$'000 (unaudited)
Mobile devices	548,340	766,122
Communication infrastructure	433,493	403,507
Computer and consumer electronics	462,096	377,742
Automotive, industrial and medical	85,527	65,509
Connected Home	123,171	120,229
Smart accessories	329,429	183,434
	1,982,056	1,916,543

6 Segment information (continued)

Segment revenue and results (continued)

For the six months ended June 30, 2021 and 2020, revenue by geographical areas is as follows:

	For the six months ended June 30,	
	2021	2020
	US\$'000	US\$'000
	(unaudited)	(unaudited)
United States of America	798,125	873,026
The PRC	425,660	333,297
Taiwan	265,017	232,514
Hong Kong	129,648	98,608
United Kingdom	102,862	61,157
Singapore	57,695	55,905
Malaysia	70,885	55,355
Others	132,164	206,681
	1,982,056	1,916,543

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

For the six months ended June 30, 2021, there were two customers (2020: two customers), which individually contributed over 10% of the Group's total revenue. During the period, the revenue contributed from these customers are as follows:

	For the six months ended	
	June 30,	
	2021	2020
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Customer A	520,989	653,769
Customer B	270,899	291,644

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.

6 Segment information (continued)

Segment assets and liabilities

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

As at June 30, 2021:

	Intermediate products US\$'000 (unaudited)	Consumer products US\$'000 (unaudited)	Total US\$'000 (unaudited)
Assets			
Segment assets	1,624,647	988,064	2,612,711
Unallocated:			
Property, plant and equipment			727,560
Right-of-use assets			75,027
Intangible assets			34,767
Financial assets at fair value through other comprehensive income			28,380
Financial assets at fair value through profit or loss			23,331
Interests in associates and a joint venture			22,982
Finance lease receivables			59,534
Short-term bank deposits			110,607
Cash and cash equivalents			756,732
Total assets			4,451,631

	Intermediate products US\$'000 (unaudited)	Consumer products US\$'000 (unaudited)	Total US\$'000 (unaudited)
Liabilities			
Segment liabilities	676,985	267,569	944,554
Unallocated			
Financial liabilities at fair value through profit or loss			2,568
Bank borrowings			1,183,516
Lease liabilities			35,981
Total liabilities			2,166,619

6 Segment information (continued)

Segment assets and liabilities (continued)

As at December 31, 2020:

	Intermediate products US\$'000 (audited)	Consumer products US\$'000 (audited)	Total US\$'000 (audited)
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

	Intermediate products US\$'000 (audited)	Consumer products US\$'000 (audited)	Total US\$'000 (audited)
Liabilities			
Segment liabilities	903,211	320,824	1,224,035
Unallocated			
Bank borrowings			1,178,929
Contract Lease liabilities			45,597
Total liabilities			2,448,561

6 Segment information (continued)

Segment assets and liabilities (continued)

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:

	As at June 30, 2021 US\$'000 (unaudited)	As at December 31, 2020 US\$'000 (audited)
The PRC	555,517	543,992
Vietnam	212,146	234,134
United States of America	43,265	50,772
Taiwan	14,199	14,454
Others	14,659	14,372
	839,786	857,724

Notes to the Condensed Consolidated Interim Financial Information

7 Revenue

	For the six months ended June 30	
	2021	2020
	US\$'000 (unaudited)	US\$'000 (unaudited)
Sales of goods	1,921,297	1,879,995
Sales of scrap materials	58,832	28,709
Provisions of services	1,927	7,839
	1,982,056	1,916,543

The Group has recognised the following liabilities related to contracts with customers as at June 30, 2021 and December 31, 2020.

	As at June 30,	As at December 31,
	2021	2020
	US\$'000 (unaudited)	US\$'000 (audited)
Contract liabilities – sales of goods	4,403	8,486

The following table shows the amounts of revenue recognised for six months ended June 30, 2021 and 2020 related to carried-forward contract liabilities.

	For the six months ended June 30,	
	2021	2020
	US\$'000 (unaudited)	US\$'000 (unaudited)
Contract liabilities – sales of goods	8,486	3,174

8 Other income

	For the six months ended June 30	
	2021 US\$'000 (unaudited)	2020 US\$'000 (unaudited)
Government grants	7,278	5,954
Rental income from properties	3,707	2,175
Compensation income (Note)	3,945	–
Others	2,941	3,051
	17,871	11,180

Note: The compensation income represented the penalty payment received from a customer for the termination of contracts.

9 Other gains – net

	For the six months ended June 30	
	2021 US\$'000 (unaudited)	2020 US\$'000 (unaudited)
Net foreign currency exchange (losses)/gains	(3,054)	30,588
Fair value gains/(losses) on financial assets at fair value through profit or loss		
– currency forward contracts	3,587	(17,000)
– unlisted private fund investments	1,150	–
Gains on disposal of property, plant and equipment	695	833
Others	(66)	120
	2,312	14,541

Notes to the Condensed Consolidated Interim Financial Information

10 Expenses by nature

	For the six months ended	
	June 30,	
	2021	2020
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Cost of inventories	1,176,765	1,165,736
Subcontracting expenses	42,451	53,196
Utilities	27,347	21,870
Employee benefit expenses	368,053	329,294
Amortization of intangible assets (Note 14)	20,491	21,174
Depreciation of property, plant and equipment (Note 14)	74,051	72,526
Depreciation of right-of-use assets (Note 14)	13,683	9,839
Mouldings and consumables	85,855	70,428
Legal and professional expenses	32,675	30,899
Delivery expenses	49,891	28,486
Other tax and related surcharges	6,083	8,304
Provision of impairment for inventories	17,856	8,316
Others	71,559	89,912
	1,986,760	1,909,980

11 Income tax expense

The amounts of income tax expense charged to the condensed consolidated interim income statements represent:

	For the six months ended	
	June 30,	
	2021	2020
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Current income tax		
– Tax on profits for the current period	17,678	15,022
Deferred income tax	(11,686)	(9,554)
	5,992	5,468

11 Income tax expense (continued)

(a) PRC corporate income tax

Unless otherwise specified, the corporate income tax ("CIT") is calculated on the statutory profits of PRC subsidiaries in accordance with the PRC tax laws and regulations. The standard PRC CIT rate is 25% (for the six months ended June 30, 2020: 25%).

One (for the six months ended June 30, 2020: one) of the PRC subsidiaries of the Group is qualified for a preferential income tax rate of 15% (for the six months ended June 30, 2020: 15%) under Notice of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on Tax Policy Issues concerning Further Implementing the Western China Development Strategy during the period ended June 30, 2021.

(b) Taiwan profit-seeking enterprise income tax

Taiwan profit-seeking enterprise income tax has been provided for at the rate of 20% on the estimated taxable income during the six months ended June 30, 2021 (for the six months ended June 30, 2020: 20%).

(c) Vietnam corporate income tax

Vietnam corporate income tax is calculated at the rate of 10% on taxable profits of the subsidiary in accordance with Vietnam Income Tax Act for the six months ended June 30, 2021 (for the six months ended June 30, 2020: 10%).

Pursuant to the initial Investment Registration Certificate dated January 19, 2016, and the Investment Registration Certificate dated January 28, 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.

In 2020, the subsidiary in Vietnam received tax incentives for supporting industries in which certain profit is exempted from business income tax for four years from 2020 to 2023, followed by 50% reduction in business income tax for nine years from 2024 to 2032.

11 Income tax expense (continued)

(d) United States of America (“USA”) corporate income tax

USA corporate income tax has been provided for at the statutory rate of 21% for the six months ended June 30, 2021 (for the six months ended June 30, 2020: 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.

(e) Other foreign countries’ income tax

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

12 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue, excluding treasury shares, during the six months ended June 30, 2021 and 2020.

	For the six months ended June 30,	
	2021 (unaudited)	2020 (unaudited)
Net profit attributable to the owners of the Company (US\$'000)	9,264	22,173
Weighted average number of ordinary shares in issue (in thousands)	6,684,993	6,671,083
Basic earnings per share in US cents	0.14	0.33

12 Earnings per share (continued)

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the six months ended June 30, 2021, there were three (for the six months ended June 30, 2020: four) outstanding share-based compensation schemes and only the senior management share grant scheme has dilutive effect on earnings per share (for the six months ended June 30, 2020: same).

	For the six months ended June 30,	
	2021	2020
	(unaudited)	(unaudited)
Net profit attributable to the owners of the Company (US\$'000)	9,264	22,173
Weighted average number of ordinary shares in issue (in thousand)	6,684,993	6,671,083
Adjustments for:		
– impact of the senior management share grant scheme (in thousand)	216,395	184,148
Weighted average number of ordinary shares for diluted earnings per share (in thousand)	6,901,388	6,855,231
Diluted earnings per share in US cents	0.13	0.32

Dilutive potential ordinary shares include shares and options granted under senior management share grant schemes, employee's restricted share scheme, share award and share option schemes as disclosed in Note 24.

During the six months ended June 30, 2021 and 2020, the senior management share grant scheme has been included in the determination of diluted earnings per share to the extent to which 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 issuance to the grantees.

The employees' 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 six months ended June 30, 2021 (for the six months ended June 30, 2020: same). These three schemes could potentially dilute basic earnings per share in the future.

Notes to the Condensed Consolidated Interim Financial Information

13 Dividend

No interim dividend in respect of the six months ended June 30, 2021 has been declared as of the date of this report (for the six months ended June 30, 2020: nil).

14 Property, plant and equipment, right-of-use assets and intangible assets

	Property, plant and equipment US\$'000 (unaudited)	Right-of-use assets US\$'000 (unaudited)	Goodwill US\$'000 (unaudited)	Other intangible assets US\$'000 (unaudited)	Total US\$'000 (unaudited)
For the six months ended June 30, 2021					
Net book value					
At beginning of the period	727,882	77,568	443,355	265,889	709,244
Additions	72,196	10,281	–	3,860	3,860
Disposals	(4,016)	–	–	–	–
Depreciation/amortization	(74,051)	(13,683)	–	(20,491)	(20,491)
Exchange difference	5,549	861	–	829	829
At end of period	727,560	75,027	443,355	250,087	693,442

14 Property, plant and equipment, right-of-use assets and intangible assets (continued)

	Property, plant and equipment US\$'000 (unaudited)	Right-of-use assets US\$'000 (unaudited)	Intangible assets – goodwill US\$'000 (unaudited)	Other intangible assets US\$'000 (unaudited)
			(Note a)	

For the six months ended June 30, 2020

Net book value

At beginning of the period	566,090	62,772	443,355	301,186
Additions	132,958	8,881	–	668
Disposals	(3,493)	–	–	(32)
Depreciation/amortization	(72,526)	(9,839)	–	(21,174)
Exchange difference	(8,727)	(385)	–	(175)
At end of period	614,302	61,429	443,355	280,473

15 Financial assets at fair value through other comprehensive income

	For the six months ended June 30	
	2021 US\$'000 (unaudited)	2020 US\$'000 (unaudited)
At beginning of period	23,024	17,694
Additions	–	10,149
Fair value change	5,356	(2,925)
Exchange difference	–	(11)
At end of period	28,380	24,907

15 Financial assets at fair value through other comprehensive income (continued)

The financial assets at fair value through other comprehensive income (“FVOCI”) represent the Group’s investments in listed and private companies.

(i) Classification of financial assets at FVOCI

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.

(ii) Analysed by geographical areas

Analysis of financial assets at fair value through other comprehensive income by geographical areas is as follows:

	As at June 30, 2021 US\$'000 (unaudited)	As at December 31, 2020 US\$'000 (audited)
Equity investments in a listed company, stated at quoted market price:		
Taiwan	266	297
Equity investments in unlisted private entities:		
United States of America	23,158	17,771
France	2,826	2,826
Taiwan	1,396	1,396
The PRC	734	734
	28,114	22,727
	28,380	23,024

(iii) Dividend

During the six months ended June 30, 2021 and 2020, there was no dividends declared and distribution from the investments.

16 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 financial assets were presented as non-current assets unless they are matured, or management intended to dispose of them within 12 months from the date of consolidated balance sheet date.

(ii) Financial assets/(liabilities) at fair value through profit or loss

	As at June 30, 2021 US\$'000 (unaudited)	As at December 31, 2020 US\$'000 (audited)
Non-current assets		
Unlisted convertible preferred shares (Note (a))	–	–
Unlisted private fund investments (Note (b))	23,331	14,855
	23,331	14,855
Current (liabilities)/assets		
Currencies forward contracts (Note (c))	(2,568)	7,528

Notes:

- (a) On December 25, 2020, Sharp Corporation ("Sharp") announced their discoveries of certain possible improper accounting treatments in the financial statements of Kantatsu Co., Ltd ("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. The Group has engaged a valuer to perform a valuation to assess the fair value of the convertible 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 convertible preferred shares as at December 31, 2020, based on the asset-based approach, was zero.

As at June 30, 2021, considering the latest business development and the latest unaudited financial information indicating that Kantatsu had higher net current liabilities and capital deficiencies as compared to December 31, 2020, management concluded that the fair value of the convertible preferred shares of Kantatsu remained zero.

16 Financial assets at fair value through profit or loss (continued)

(ii) Financial assets/(liabilities) at fair value through profit or loss (continued)

- (b) During the six months ended June 30, 2021, the Group invested a total of US\$23,331,000 (During the year ended December 31, 2020: US\$14,855,000) in several private funds.
- (c) The aggregate notional principal amount of outstanding currency forward contracts as at June 30, 2021 was US\$339,000,000 (as at December 31, 2020: US\$440,000,000). The maturity dates of these currency forward contracts were before September, 2021 (As at December 31, 2020: before February 2021). 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 For the six months ended June 30	
	2021 US\$'000 (unaudited)	2020 US\$'000 (unaudited)
At beginning of period	14,855	56,957
Additions	7,326	749
Fair value change	1,150	718
At end of period	23,331	58,424

(iv) Dividend

During the six months ended June 30, 2021 and the year ended December 31, 2020, there were no dividend declared by unlisted private fund investments.

17 Interests in associates and a joint venture

	As at June 30, 2021 US\$'000 (unaudited)	As at December 31, 2020 US\$'000 (audited)
Associates (Note i)	22,982	24,426
A joint venture (Note ii)	–	–
	22,982	24,426

(i) Movements of interests in associates are analyzed as follows:

	For the six months ended June 30	
	2021 US\$'000 (unaudited)	2020 US\$'000 (unaudited)
At beginning of period	24,426	21,710
Share of results	(1,500)	(588)
Share of other comprehensive income	56	–
At end of period	22,982	21,122

(ii) Movements of interests in a joint venture is analyzed as follows:

	For the six months ended June 30	
	2021 US\$'000 (unaudited)	2020 US\$'000 (unaudited)
At beginning of period	–	–
Additions	–	3,000
Share of results	–	(3,000)
At end of period	–	–

Notes to the Condensed Consolidated Interim Financial Information

18 Trade and other receivables

	As at June 30, 2021 US\$'000 (unaudited)	As at December 31, 2020 US\$'000 (audited)
Trade receivables due from third parties	532,593	725,263
Trade receivables due from related parties (Note 26)	136,903	148,173
Less: loss allowances for impairment of trade receivables	(1,452)	(1,902)
Total trade receivables – net	668,044	871,534
Deposits and prepayments	73,873	76,818
Other receivables	20,800	16,230
Amounts due from related parties (Note 26)	6,068	6,776
Value added tax receivables and recoverable	49,226	44,937
	149,967	144,761
Less: non-current portion		
Deposits and prepayments	(14,217)	(27,848)
	135,750	116,913
	803,794	988,447

For trade receivables, 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, as at June 30, 2021 and December 31, 2020 is as follows:

	As at June 30, 2021 US\$'000 (unaudited)	As at December 31, 2020 US\$'000 (audited)
Within 3 months	636,942	796,323
3 months to 1 year	32,450	75,558
Over 1 year	104	1,555
	669,496	873,436

19 Finance lease receivables

The finance lease receivables are set out below:

	Minimum lease payments		Present value of minimum lease payment	
	As at June 30, 2021 US\$'000 (unaudited)	As at December 31, 2020 US\$'000 (audited)	As at June 30, 2021 US\$'000 (unaudited)	As at December 31, 2020 US\$'000 (audited)
Finance lease receivables comprise:				
Within one year	16,508	18,338	15,672	16,126
In two to fifth years, inclusive	44,872	51,378	43,862	51,235
	61,380	69,716	59,534	67,361
Less: unearned finance income	(1,846)	(2,355)		
Total net finance lease receivables	59,534	67,361		

Notes to the Condensed Consolidated Interim Financial Information

20 Share capital

	Number of Ordinary shares (thousand) (Unaudited)	Amount US\$'000 (Unaudited)
Authorized:		
As at January 1, 2021 and June 30, 2021	15,360,000	300,000
As at January 1, 2020 and June 30, 2020	15,360,000	300,000
Issued and fully paid:		
As at January 1, 2021	6,892,715	134,623
Issuance of ordinary shares upon exercise of share option	7,000	1
As at June 30, 2021	6,899,715	134,624
As at January 1, 2020 and June 30, 2020	6,881,287	134,400

During the six months ended June 30, 2020, there was no issuance of ordinary shares.

21 Reserves

(a) Acquisition of additional interests from non-controlling interest

On March 11, 2021, Linksys Holding Inc. ("Linksys"), a subsidiary of the Group 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 agreed to acquire, and the Trust agreed to sell, 463,436 shares of Linksys, 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 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 ("Purchase"). The Group assessed and evaluated the contingent consideration was of minimal value as the conditions were unlikely to be achievable.

Immediately prior to the Purchase, the carrying amount of the existing 9.57% non-controlling interest in Linksys Holding Inc., was US\$1,979,000. The Group recognised a decrease in non-controlling interests of US\$1,979,000 and a decrease in equity attributable to owners of the Company of US\$4,021,000.

21 Reserves (continued)

(a) Acquisition of additional interests from non-controlling interest (continued)

The effect on the equity attributable to the owners of the Company during the year is summarized as follows.

	For the six months ended June 30	
	2021 (unaudited)	2020 (unaudited)
Carrying amount of non-controlling interest acquired	1,979	–
Consideration paid to non-controlling interest	(6,000)	–
Total amount recognised in the capital reserve within equity	(4,021)	–

(b) Non-controlling interest arising on change in ownership interests in subsidiaries upon issuance of new shares

On March 19, 2021, Linksys issued 2,118,000 convertible preferred shares (“CPS”) to Fortinet Inc. (“Fortinet”), a Delaware corporation listed on the NASDAQ Capital Market for a cash consideration of US\$75,000,000. The major terms of the CPS are set out below:

- (i) The CPS carry voting rights and rank equally with ordinary shares for voting at general meetings.
- (ii) The CPS are non-interest bearing and non-redeemable for cash unless certain conditions are met.
- (iii) The CPS held by the third party are convertible into ordinary shares of the subsidiary on a one to one basis at the options of the holder.

In addition, Fortinet has also been granted an option, but not an obligation, to purchase additional 2,400,232 CPS on the 90th day subsequent to March 19, 2021 at the same subscription price subject to certain conditions. Since the option was not exercised on the 90th day subsequent to March 19, 2021, the option has lapsed since then. The Group evaluated the fair value of the option to be minimal.

Immediately after the issuance of 2,118,000 CPS, the carrying amount of Linksys was US\$146,212,000 and subsequent to the issuance of CPS, the Group’s interest in Linksys was reduced to 67% and the corresponding carrying amount of the 33% non-controlling interest in Linksys was US\$73,500,000. The group recognised an increase in non-controlling interests of US\$73,500,000 and an increase in equity attributable to owners of the parent of US\$1,500,000.

21 Reserves (continued)

(b) Non-controlling interest arising on change in ownership interests in subsidiaries upon issuance of new shares (continued)

The effect on the equity attributable to the owners of the Company during the period is summarised as follows:

	For the six months ended June 30	
	2021 (unaudited)	2020 (unaudited)
Carrying amount of non-controlling interest	(73,500)	–
Consideration received from non-controlling interest	75,000	–
Excess of consideration received and recognised in the capital reserve within equity	1,500	–

On August 2, 2021, Linksys entered into a share purchase agreement with Fortinet, pursuant to which Fortinet conditionally agreed to purchase, and Linksys conditionally agreed to allot, issue and sell, 2,400,232 CPS (“New Shares”) to Fortinet for the consideration of approximately US\$85,000,000.

Upon issuance of the New Shares to Fortinet, Linksys will be held by the Company as to 49.21% and Fortinet as to 50.79%. Linksys will then cease to be a subsidiary of the Company and the financial results of Linksys will cease to be consolidated into the consolidated financial statements of the Company.

22 Bank borrowings

	As at June 30, 2021	As at December 31, 2020
	US\$'000 (unaudited)	US\$'000 (audited)
Non-current		
Bank borrowings, unsecured	–	574,559
Current		
Bank borrowings, unsecured	1,183,516	604,370
	1,183,516	1,178,929

Note: As at June 30, 2021, the maturity date of the bank borrowings of approximately US\$1,183,516,000 are less than 12 months and therefore classified as short-term bank borrowings.

22 Bank borrowings (continued)

As at June 30, 2021, the Group had drawn down US\$1,184,000,000 (As at December 31, 2020: US\$1,178,929,000) of the total borrowing facilities of approximately US\$2,635,000,000 (As at December 31, 2020: US\$2,391,130,000) granted by banks.

As at June 30, 2021, the Group's weighted average interest rates for the unsecured bank borrowings were 0.74% (As at December 31, 2020: 0.91%) per annum.

As at June 30, 2021, 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 (As at December 31, 2020: Same).

23 Trade and other payables

	As at June 30, 2021 US\$'000 (unaudited)	As at December 31, 2020 US\$'000 (audited)
Trade payables due to third parties	426,057	560,710
Trade payables due to related parties (Note 26)	80,473	113,184
Total trade payables	506,530	673,894
Amounts due to related parties (Note 26)	23,296	25,151
Staff salaries, bonuses and welfare payables	107,543	115,509
Deposits received, other payables and accruals	180,737	222,137
	818,106	1,036,691
Less: non-current portion	(5,121)	(5,136)
	812,985	1,031,555

23 Trade and other payables (continued)

As at June 30, 2021 and December 31, 2020, the aging analysis of the trade payables to third parties and related parties of trading in nature based on invoice date is as follows:

	As at June 30, 2021 US\$'000 (unaudited)	As at December 31, 2020 US\$'000 (audited)
Within 3 months	465,430	558,108
3 months to 1 year	40,849	114,407
Over 1 year	251	1,379
	506,530	673,894

24 Share-based payments

The table below summarised the share-based payments expenses charged to the condensed consolidated interim income statement during the six months ended June 30, 2021 and 2020.

	For the six months ended June 30	
	2021 US\$'000 (unaudited)	2020 US\$'000 (unaudited)
Senior management share grant scheme (Note (a))	1,256	2,450
Employees' restricted share scheme (Note (b))	–	–
Share option scheme (Note (c))	360	672
Share award scheme (Note (d))	–	–
Total	1,616	3,122

24 Share-based payments (continued)

(a) Senior management share grant scheme

In January 2015, 21,840,000 restricted shares were granted to the Group's senior management, which was subsequently divided into 349,440,000 shares pursuant to a shareholder's resolution for share split passed on November 3, 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 US\$0.25 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.

	For the six months ended June 30	
	2021 (^{'000}) (unaudited)	2020 (^{'000}) (unaudited)
Number of outstanding restricted shares (^{'000})		
Balance as at beginning and end of period	221,440	221,440
Number of outstanding vested restricted shares to be issued (^{'000})	153,299	107,872

For the six months ended June 30, 2021 and 2020, no share was issued under the senior management share grant scheme.

The share-based payment expense incurred for this scheme for the six months ended June 30, 2021 was US\$1,256,000 (for the six months ended June 30, 2020: US\$2,450,000).

24 Share-based payments (continued)

(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 November 3, 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 US\$0.38 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 and expired in December 31, 2020, subject to performance related adjustments.

Set out below are summaries of options granted under the plan:

	For the six months ended	
	June 30	
	2021	2020
	('000)	('000)
	(unaudited)	(unaudited)
Number of outstanding restricted and unvested shares ('000)		
Balance as at beginning and end of period	-	10,126

24 Share-based payments (continued)

(c) Share options 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 US\$0.47 per share) and vested in June 2018 and are exercisable for a period of three years commencing on June 10, 2018. The fair value of the options determined using the Black-Scholes model at the date of the grant was US\$5,360,000 (approximately US\$0.22 per share).

Set out below are summaries of options granted under the plan:

	For the six months ended June 30	
	2021 (unaudited)	2020 (unaudited)
Number of outstanding exercisable options ('000)		
Exercisable at end of period	–	19,104

During the six months ended June 30, 2021, 7,000 options (For the six months ended June 30, 2020: nil) exercised and the residual 13,752,000 (For the six months ended June 30, 2020: 1,381,000) were lapsed upon expiry of the contractual life.

During the six months ended June 30, 2021, the weighted average share price at the time of exercise of options was HK\$3.93, equivalent to US\$0.44 per share.

Share options outstanding at the end of the six months ended June 30, 2021 and December 31, 2020 have the following expiry date and weighted average exercise prices:

Grant date	Expiry date	As at June 30, 2021 (‘000)	As at December 31, 2020 (‘000)
		Share options	Share options
May 25, 2018	June 11, 2021	–	13,759
Weighted average remaining contractual life of options outstanding at end of period/year		–	0.44 years

24 Share-based payments (continued)

(c) Share options 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 US\$0.44 per share).

Among the 41,763,000 share options granted, 10,000,000 options vested on December 31, 2019, 183,000 options would vest from December 31, 2019 on every December 31 at 33.33% over a 3-year period, and 31,580,000 options would vest from December 31, 2019 on every December 31 at 25% over a 4-year period. The share options granted are subject to performance related adjustments.

The fair value of the options determined using the Black-Scholes model at the date of the grant was approximately US\$6,139,000.

The share-based payment expenses incurred under this scheme for the six month ended June 30, 2021 were approximately US\$360,000 (For the six months ended June 30, 2020: Certain share options were forfeited and lapsed during the vesting period, the share-based payment expenses incurred under this scheme were approximately US\$672,000).

Set out below are summaries of options granted under the plan:

	For the six months ended	
	June 30	
	2021	2020
	Number of	Number of
	shares options	shares options
	('000)	('000)
	(unaudited)	(unaudited)
Balance as at beginning of period	28,883	32,653
Forfeited during the period	–	(120)
Lapsed during the period	(50)	(250)
Balance as at end of period	28,833	32,283
Vested and exercisable at end of period	18,320	14,346

24 Share-based payments (continued)

(c) Share options scheme (continued)

(ii) (continued)

During the six months ended June 30, 2021 and 2020, no share options were exercised or expired.

As at June 30, 2021 and 2020, the outstanding share options had the following expiry dates and exercise prices:

Grant date	Expiry date	As at	As at
		June 30, 2021	December 31, 2020
		Share options	Share options
		('000)	('000)
December 28, 2018	December 29, 2022	7,920	7,970
	December 29, 2024	63	63
	December 29, 2025	20,850	20,850
		28,833	28,883
Weighted average remaining contractual life of options outstanding at end of period/year		3.67 year	4.16 years

24 Share-based payments (continued)

(d) Share award scheme (Treasury shares)

	As at			
	June 30, 2021 Shares ('000) (unaudited)	December 31, 2020 Shares ('000) (audited)	June 30, 2021 USD'000 (unaudited)	December 31, 2020 USD'000 (audited)
Restricted share award scheme	207,641	207,641	91,277	91,277
Second restricted share award scheme	81	81	815	815
	207,722	207,722	92,092	92,092

(i) 2017 scheme

In December 2017, the Company adopted the restricted share award scheme to provide incentive to encourage the participants to contribute 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 Hong Kong Stock Exchange. 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.

During the six months ended June 30, 2021 and 2020, no treasury shares were purchased in the market under the share award scheme. The Group did not award any treasury shares to eligible employees and no share-based payments expense was recognized for the six months ended June 30, 2021 and 2020.

(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 to contribute 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.

24 Share-based payments (continued)

(d) Share award scheme (Treasury shares) (continued)

(ii) 2019 scheme (continued)

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 on 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.

During the six months ended June 30, 2021 and 2020, no treasury shares were purchased in the market under the share award scheme. The Group did not award any treasury shares to eligible employees and no share-based payments expense was recognized for the six months ended June 30, 2021 and 2020.

25 Commitments

(a) Capital commitments

On May 31, 2021, the Company entered into a sale and purchase agreement with the owners of Sound Legend Limited (the "Target Company") to which the Company conditionally agreed to acquire the entire issued share capital of the Target Company for a consideration of approximately US\$54,088,000 which shall be satisfied by way of allotment and issuance of 175,786,984 ordinary shares of the Company (the "Acquisition"). As of June 30, 2021, the Acquisition has not been completed as certain conditions were not fulfilled. In the event that any of the conditions is not fulfilled on or before October 31, 2021, the Acquisition shall lapse and be of no further force.

Other capital commitments contracted for at each balance sheet date but not yet incurred are as follows:

	As at June 30, 2021 US\$'000 (unaudited)	As at December 31, 2020 US\$'000 (audited)
Investments in funds	15,031	12,658
Property, plant and equipment	6,957	7,993
Right-of-use assets	—	1,235
	21,988	21,886

25 Commitments (continued)

(b) Operating leases rental receivables – the Group as lessor

As at June 30, 2021, minimum lease payments receivable under non-cancellable operating lease of properties not recognized are as follows:

	As at June 30, 2021 US\$'000 (unaudited)	As at December 31, 2020 US\$'000 (audited)
No later than 1 year	842	880
Later than 1 year and no later than 2 years	801	868
Later than 2 years and no later than 5 years	1,013	1,232
	2,656	2,980

26 Related-party transactions

In addition to the information disclosed elsewhere in the condensed consolidated interim financial information, the following transactions took place between the Group and its related parties, which are mainly Hon Hai, subsidiaries of Hon Hai and associates of Hon Hai, at terms agreed between the parties.

(a) The following transactions were carried out with related parties:

	For the six months ended June 30	
	2021 US\$'000 (unaudited)	2020 US\$'000 (unaudited)
(i) Sales of goods		
– Subsidiaries of Hon Hai	148,261	211,224
– Associates of Hon Hai	94,474	72,955
– Hon Hai	26,972	6,026
	269,707	290,205

26 Related-party transactions (continued)

(a) The following transactions were carried out with related parties: (continued)

	For the six months ended	
	June 30	
	2021	2020
	US\$'000	US\$'000
	(unaudited)	(unaudited)
(ii) Sales of services		
– Subsidiaries of Hon Hai	1,192	1,074
– Associates of Hon Hai	–	365
	1,192	1,439
(iii) Purchase of goods		
– Subsidiaries of Hon Hai	125,928	186,634
– Associates of Hon Hai	71,730	57,354
– Hon Hai	5,135	4,131
	202,793	248,119
(iv) Purchase of property, plant and equipment and right-of-use assets		
– Subsidiaries of Hon Hai	445	3,265
– Associates of Hon Hai	1,753	4,404
– Hon Hai	1,348	–
	3,546	7,669
(v) Subcontracting expenses		
– Subsidiaries of Hon Hai	225	2,436
– Associates of Hon Hai	220	8
– Hon Hai	10	–
	455	2,444

26 Related-party transactions (continued)

(a) The following transactions were carried out with related parties: (continued)

	For the six months ended	
	June 30	
	2021	2020
	US\$'000	US\$'000
	(unaudited)	(unaudited)
(vi) Molding costs		
– Subsidiaries of Hon Hai	22,855	28,272
– Associates of Hon Hai	16	12
	22,871	28,284
(vii) Rental income		
– Subsidiaries of Hon Hai	43	208
– Associates of Hon Hai	690	698
	733	906
(viii) Rental expenses		
– Subsidiaries of Hon Hai	2,385	2,040
– Hon Hai	587	258
– Associates of Hon Hai	116	89
	3,088	2,387

26 Related-party transactions (continued)

(a) The following transactions were carried out with related parties: (continued)

	For the six months ended	
	June 30	
	2021	2020
	US\$'000	US\$'000
	(unaudited)	(unaudited)
(ix) Acquisition of 9.57% interest in a subsidiary – A director of the Company and a related party	6,000	–
(x) Key management compensation		
Salaries, wages and bonuses	4,958	4,715
Pension, housing fund, medical insurance and other social insurance	20	9
Share-based payment expenses	1,256	2,450
	6,234	7,174

The related party transactions as set out under (i) to (ix) above 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.

26 Related-party transactions (continued)

(b) Balances with related parties:

Amounts due from related parties:

	As at June 30, 2021 US\$'000 (unaudited)	As at December 31, 2020 US\$'000 (audited)
(i) Trade receivables:		
– Hon Hai	5,769	7,306
– Subsidiaries of Hon Hai	77,562	98,670
– Associates of Hon Hai	53,572	42,197
	136,903	148,173
(ii) Other receivables:		
– Subsidiaries of Hon Hai	5,594	6,361
– Associates of Hon Hai	474	415
	6,068	6,776
(iii) Prepayment:		
– Subsidiaries of Hon Hai	2,692	5,507
– Associates of Hon Hai	11,180	11,308
	13,872	16,815
Amounts due to related parties:		
(i) Trade payables:		
– Hon Hai	1,118	65
– Subsidiaries of Hon Hai	53,368	79,629
– Associates of Hon Hai	25,987	33,490
	80,473	113,184

26 Related-party transactions (continued)

(b) Balances with related parties: (continued)

Amounts due from related parties: (continued)

	As at June 30, 2021 US\$'000 (unaudited)	As at December 31, 2020 US\$'000 (audited)
(ii) Other payables:		
– Hon Hai	1,926	369
– Subsidiaries of Hon Hai	19,504	18,140
– Associates of Hon Hai	1,866	6,642
	23,296	25,151
(iii) Payable for acquisition of license:		
– Hon Hai	3,277	3,760

27 Pledge of assets

As of June 30, 2021, bank deposits of RMB4.65 million (December 31, 2020: RMB4.65 million) and VND6,600 million (December 31, 2020: VND6,600 million) were pledged as customs guarantee and as power purchase performance guarantee respectively.

28 Events after Condensed Consolidated Interim Balance Sheet date

On August 2, 2021, Linksys Holdings, Inc., (“Linksys”) a non-wholly owned subsidiary of the Company entered into a share purchase agreement with Fortinet Inc. (“Fortinet”), a Delaware corporation listed on the NASDAQ Capital Market, pursuant to which Fortinet conditionally agreed to purchase, and Linksys conditionally agreed to allot, issue and sell, 2,400,232 preferred shares (“New Shares”) for the consideration of approximately US\$85,000,000.

Upon issuance of the New Shares, Linksys will be held by the Company as to 49.21% and Fortinet as to 50.79%. Linksys will then cease to be a subsidiary of the Company and the financial results of Linksys will cease to be consolidated into the consolidated financial statements of the Company.

Other Information

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

As of June 30, 2021, 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 under the provisions of the SFO) or which were required to be entered in the register required to be kept by the Company under Section 352 of the SFO, or which had otherwise been notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

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

Save as disclosed above, as of June 30, 2021, 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 under 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 under the sub-sections headed "Share Grant Scheme", "Share Option Scheme", and "Restricted Share Award Schemes" of this section, at no time during the six months ended June 30, 2021 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, nor were there any such rights exercised by the Directors; nor 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 June 30, 2021, 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 executive 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 who 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 Shares

Name of Shareholder	Capacity and nature of interest	Number of 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% of the 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:

- 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.
- 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 June 30, 2021, 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 to contribute to the Group and to attract, motivate, and retain skilled and experienced personnel for the further development of the Group. Please refer to the section headed “Statutory and General Information – Share Grant Scheme” in 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 incentives 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 HK\$1.00 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 the 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 by 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) the nominal value of the Shares.

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

Other Information

Name or category of participant	Number of Options					As of June 30, 2021	Date of grant of Options	Exercise period of Options (both dates inclusive)	Closing price of the Shares immediately before the date on which the Options were granted HK\$	Weighted average closing price of the Shares immediately before the Exercise date(s) on which the Options were exercised HK\$	
	As of January 1, 2021	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period						
PIPKIN Chester John	200,000	-	-	-	-	200,000	December 28, 2018	December 28, 2019 to December 28, 2022	3.380	3.422	-
Employees in aggregate	13,759,300	-	7,000	13,752,300	-	-	May 25, 2018	June 11, 2018 to June 10, 2021	3.800	3.690	3.93
	7,770,000	-	-	50,000	-	7,720,000	December 28, 2018	December 28, 2019 to December 28, 2022	3.380	3.422	-
	63,000	-	-	-	-	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	-
	20,850,000	-	-	-	-	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	-
	42,642,300	-	7,000	13,802,300	-	28,833,000 ¹					

Note:

- The total number of Shares available for issuance under the Share Option Scheme is 28,833,000 Shares, representing approximately 0.42% 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 the 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 June 30, 2021, 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 the 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 June 30, 2021, 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

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

Save as disclosed under the section headed "Restricted Share Award Schemes", during the six months ended June 30, 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICE

The Board is committed to maintaining high corporate governance standards.

During the six months ended June 30, 2021, the Company had applied the principles as set out in the CG Code contained in Appendix 14 to the Listing Rules which are applicable to the Company, and had complied with all applicable code provisions as set out in the CG Code, except the code provision as mentioned below.

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. The Company has made specific inquiries to all Directors about their compliance with the Model Code, and they all confirmed that they complied with the standards specified in the Model Code during the six months ended June 30, 2021.

DISCLOSURE OF CHANGES IN DIRECTORS' INFORMATION

There is no 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 annual report.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Messrs. TANG Kwai Chang, CURWEN Peter D, and CHAN Wing Yuen Hubert. The unaudited condensed consolidated interim financial information of our Group for the six months ended June 30, 2021 and this interim report have been reviewed by the Audit Committee.

PricewaterhouseCoopers, the external auditor of the Company, has also reviewed the unaudited condensed consolidated interim financial information for the period in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board.

APPENDIX 16 TO THE LISTING RULES

According to paragraph 40 of Appendix 16 to the Listing Rules headed “Disclosure of Financial Information”, save as disclosed herein, the Company confirms that the Company’s current information in relation to those matters set out in paragraph 32 of Appendix 16 has not been changed significantly from the information disclosed in the Company’s 2020 annual report.

SUFFICIENCY OF 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 Shares 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 made publicly available to the Company and to the best of the Directors’ knowledge, information and belief, the Company had maintained sufficient public float as approved by the Stock Exchange and as permitted under the Listing Rules throughout the six months ended June 30, 2021.

Definitions

“Audit Committee”	the audit committee of the Board;
“Board”	the board of Directors of the Company;
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules;
“China” or “PRC”	The People’s Republic of China; for the purpose of this report only, references to “China” or the “PRC” do not include Taiwan, the Macau Special Administrative Region, and Hong Kong;
“Company”	FIT Hon Teng Limited (鴻騰六零八八精密科技股份有限公司), a company incorporated in the Cayman Islands with limited liability under the name Foxconn Interconnect Technology Limited and carrying on business in Hong Kong as FIT Hon Teng Limited, the Shares of which are listed on the Main Board of the Stock Exchange;
“Director(s)”	director(s) of the Company;
“First Restricted Share Award Scheme”	the restricted share award scheme approved and adopted by the Company on January 31, 2018 and amended on May 15, 2018 (as restated, supplemented and amended from time to time);
“Group”, “our Group”, “we” or “us”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hon Hai”	Hon Hai Precision Industry Co., Ltd. (鴻海精密工業股份有限公司), a limited liability company established in Taiwan and listed on the Taiwan Stock Exchange (Stock Code: 2317), and the controlling Shareholder;
“Hon Hai Group”	Hon Hai and its subsidiaries and (where relevant) 30%-controlled entities and, for the purpose of this report, excluding the Group;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“IFRS”	International Financial Reporting Standards;

“IPO”	the initial public offering of Shares and listing of the Group on the Stock Exchange on July 13, 2017;
“Latest Practicable Date”	August 10, 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this report;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and supplemented from time to time;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules;
“Prospectus”	the prospectus dated June 29, 2017 issued by the Company;
“Remuneration Committee”	the remuneration committee of the Board;
“Restricted Share Award Schemes”	the First Restricted Share Award Scheme and the Second Restricted Share Award Scheme;
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC;
“Second Restricted Share Award Scheme”	the restricted share award scheme approved and adopted by the Company on February 11, 2019 (as restated, supplemented and amended from time to time);
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of US\$0.01953125 each in the issued capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;
“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;



Definitions

“Share Option Scheme”	the share option scheme of the Company, approved and adopted by Shareholders on December 19, 2017 and expired on December 31, 2018;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“U.S.” or “United States”	the United States of America;
“US\$”, “USD” 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;
“YoY”	year-on-year; and
“%”	percent.