FIH 富智康

FIH Mobile Limited
富智康集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2038

2024
ANNUAL REPORT

Contents

This annual report is printed on environmentally friendly paper

CORPORATE INFORMATION

as of 7 March 2025

FIH MOBILE LIMITED (THE "COMPANY", AND TOGETHER WITH ITS SUBSIDIARIES, THE "GROUP")
(References to "we", "our" and "us" are references to "the Company" or "the Company's" (as the case may be).)

EXECUTIVE DIRECTORS

CHIH Yu Yang *(Chairman of the Board)*
LIN Chia-Yi (also known as Charles LIN) *(Chief Executive Officer)*
KUO Wen-Yi

NON-EXECUTIVE DIRECTOR

CHANG Chuan-Wang

INDEPENDENT NON-EXECUTIVE DIRECTORS

LAU Siu Ki
CHEN Shu Chuan (also known as Nadia CHEN)
CHIU Yen-Tsen (also known as CHIU Yen-Chen, Dennis)

COMPANY SECRETARY

WONG Kin Yan, Vanessa

REGISTERED OFFICE

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Hibiscus Way
802 West Bay Road
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Cayman Islands

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Taiwan

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8th Floor, Peninsula Tower
538 Castle Peak Road
Cheung Sha Wan
Kowloon
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

LEGAL ADVISORS

Dentons Hong Kong LLP
Johnson Stokes & Master

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of Beijing
Bank of China
Bank of Communications
China Guangfa Bank
China Merchants Bank
Chinatrust Commercial Bank
Citibank
DBS Bank
Deutsche Bank
Industrial Bank
ING Bank
Mizuho Corporate Bank
Santander Bank
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation
Taipei Fubon Bank
The Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D
P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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WEBSITE

https://www.fihmobile.com

STOCK CODE

2038

CHAIRMAN'S STATEMENT

Dear Shareholders,

The broader macroeconomic environment in 2024 remained complex, with global uncertainties, geopolitical tensions, and shifts in the EMS (Electronics Manufacturing Services) industry. However, rather than being hindered by these external factors, we embraced change and adapted decisively. The Group recorded revenue of US$5,702.9 million, reflecting a measured decline of 11.5% from 2023, due to the realignment of our customer portfolio to maximize the overall profit. Through a reduction in administrative expenses, enhanced operational efficiencies, the implementation of automation, and a minimal negative impact from Expected Credit Loss on non-operating income, we achieved an improvement in financial performance. The loss attributable to owners of the Company for 2024 was US$20.3 million, a notable recovery from the US$120.7 million loss in 2023. Encouragingly, the second half of 2024 witnessed a return to profitability, reinforcing the effectiveness of our strategic initiatives and our ability to adapt to evolving market conditions. Maintaining financial stability remains a top priority, and our strong cash flow, prudent resource management, and disciplined approach to investment have enabled us to navigate external challenges while seizing strategic opportunities.

Looking ahead to 2025, we are optimistic about future opportunities. While the traditional EMS sector remains fiercely competitive, our diversification strategy is paying off. We have reduced reliance on the volatile handset market by leveraging our expertise in communication technology to expand into high-growth industries such as smart manufacturing, automotive electronics, and manufacturing equipment/robotics. The momentum in automotive electronics, in particular, has been encouraging, reinforcing our confidence in the sector's long-term potential. Innovation remains at the heart of our strategy. Under our "2+2" (industry and technology) framework, we continue to invest heavily in R&D (Research and Development) to drive technological advancement and unlock new revenue streams. By strengthening our integrated capabilities in both hardware and software, we are positioning ourselves to capitalize on emerging opportunities and drive sustainable growth and develop new core competences.

On behalf of the board of directors of the Company (the "Board"), I extend my sincere gratitude to our investors, customers, business partners, and government officials for their unwavering support. I also want to acknowledge the dedication and contributions of our management and staff. Your hard work and belief in our vision have been instrumental in our progress. In conclusion, 2024 has been a year of transformation and resilience. With our strategic initiatives taking effect and a clear path to sustained profitability, we are entering 2025 with confidence and momentum. Together, we will continue building a more diversified and prosperous future while remaining committed to ESG (Environmental, Social and Governance) initiatives for the Group and our shareholders' long-term value. We will prioritize sustainability across our operations and supply chains, all while maintaining the highest governance standards. Thank you for your continued trust and support.

With best regards,

CHIH Yu Yang
Chairman of the Board

7 March 2025

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

as of 7 March 2025

DIRECTORS

CHIH Yu Yang (Mr.), Chinese (Taiwan) and aged 66, executive director and Chairman of the Board of the Company. Mr. Chih joined the Company as an executive director in August 2009 and acted as the chief executive officer of the Company during the period from July 2012 to June 2024 and acted as the acting chairman of the Board during the period from January 2017 to June 2024 respectively. He is also the chairman of the corporate governance committee of the Company. Mr. Chih is an executive director and chief executive officer of Mobile Drive Netherlands B.V. (a joint venture incorporated in the Netherlands indirectly 50%-owned by the Company) ("Mobile Drive Netherlands"). He is the chairman of FIH Co., Ltd., a director of Chiun Mai Communication Systems, Inc. ("CMCS") and Transluck Holding Limited (formerly known as Transworld Holdings Limited), and also a non-executive director of Bharat FIH Limited (formerly known as Rising Stars Mobile India Private Limited and then Bharat FIH Private Limited) ("BFIH"), all being subsidiaries of the Company. Mr. Chih was the chairman of CMCS during the period from August 2018 to February 2024 and the chairman of BFIH during the period from November 2021 to January 2024 and a director of Evenwell Digitech Inc. from September 2009 to February 2024, all being subsidiaries of the Company. He was also a director of iCare Diagnostics International Co. Ltd. (a start-up company incorporated in Taiwan) from September 2020 to August 2023. Mr. Chih joined the Group in 2005 when the Group acquired CMCS. Before joining the Group, Mr. Chih was the founder of CMCS since its establishment in 2001. Moreover, he is a director of a subsidiary and an associate of 鴻海精密工業股份有限公司 (Hon Hai Precision Industry Co. Ltd. ("Hon Hai"), for identification purposes only, being the Company's ultimate controlling shareholder). He has more than 45 years of extensive experience in the communication industries and also possesses experience in risk management. From 1997 to 2000, Mr. Chih was the vice president and general manager of Communication B.U. in Acer Communications and Multimedia, Inc. (now known as BenQ) where he was responsible for BenQ's cellular phone business. Prior to that, he held various engineering and managerial positions in companies including ITT Corporation, GTE Corporation and Rockwell Semiconductor Systems. Mr. Chih obtained a Bachelor of Science degree in Electrical Engineering from National Tsing Hua University in Taiwan in 1980.

DIRECTORS *(Continued)*

LIN Chia-Yi (also known as Charles LIN) (Mr.), Chinese (Taiwan) and aged 54, executive director and the chief executive officer of the Company. Mr. Lin has acted as an executive director of the Company since March 2023 and has been appointed as the chief executive officer of the Company since 1 July 2024. Mr. Lin has over 28 years of experience in communication and computer industries, he brings extensive expertise and experience in research and development (R&D) engineering, new product introduction (NPI), and manufacturing management. Mr. Lin is the chairman (previously, a director during the period from August 2018 to February 2024) of CMCS and a director of Executar International Limited, both being subsidiaries of the Company. Mr. Lin has been appointed as a non-executive director of Mobile Drive Netherlands with effect from 15 July 2024. During the period from January to June 2024, Mr. Lin was a director of 深圳富泰宏精密工業有限公司 (Shenzhen Futaihong Precision Industrial Co., Ltd., for identification purposes only), a subsidiary of the Company. Mr. Lin exhibits entrepreneurial mindset with outstanding skills in strategic planning, business development, and leadership. He has proven experience in resource optimization, operational efficiency, P&L management, risk control, and talent development. Mr. Lin has excellent communication skill, is adept at building trusting relationship with stakeholders, and is dedicated to delivering successful products to customers. In addition, Mr. Lin is currently leading the team in building artificial intelligent core technology based on current core technologies, and has been actively participating in the Group "3+3" (three key industries "electric vehicles, digital health, and robotics industries" and three key technologies "artificial intelligence, semiconductors and next-generation communication technologies") strategy's new business development in robotics segment as an upfront investment for its long-term development. He joined the Group in 2005 and was in charge of the original design manufacturing (ODM) business operation when the Group acquired CMCS. Mr. Lin has led the team to transform feature phone ODM business to smartphone (SP) ODM business successfully in 2012. Furthermore, he has performed multi-functional roles across business operation, R&D engineering, NPI engineering, and manufacturing and built highly trusted partnerships with customers in launching a series of premium SP products since 2017. Before joining the Company, Mr. Lin was the product manager of BenQ (formerly known as Acer Communications and Multimedia, Inc.) and Quanta Computer Inc. from 1996 to 2001. He also worked with Acer as a strategic sourcing officer in which he had been delegated to Netherlands for 2 years and leading of the procurement management team. Mr. Lin joined CMCS in 2001, mainly responsible for product management. Mr. Lin obtained a master's degree in business (MBA) from National Taiwan University in 1994 and a bachelor's degree in marine environmental engineering from National Sun Yat-sen University in 1992.

DIRECTORS *(Continued)*

Dr. KUO Wen-Yi (Mr.), Chinese American and aged 59, was appointed as an executive director of the Company on 29 June 2018. He is also a member of the corporate governance committee of the Company. Dr. Kuo joined the Group in December 2014 and is currently the vice president of the Group. Dr. Kuo is a director of Nextpert Inc. (a subsidiary of the Company incorporated in Taiwan) and ICI Cayman Limited and a supervisor of 深圳市富宏訊科技有限公司 (Shenzhen Fu Hong Xun Technology Co., Ltd., for identification purposes only) and a supervisor of 益富可視精密工業(深圳)有限公司 (InFocus Precision Industry (Shenzhen) Co., Ltd., for identification purposes only) respectively, all being wholly-owned subsidiaries of the Company. Dr. Kuo has more than 30 years of extensive experiences in wireless communication product research and development, international business development, start-up business, corporate management and risk management. Before joining the Company in December 2014, Dr. Kuo was the founder and the chief executive officer of BandRich Inc. ("BandRich") from March 2006 to December 2014. The core businesses of BandRich were product development and sales of 3.5G (also known as High Speed Downlink Packet Access (HSDPA)) and 4G LTE (the Fourth Generation of Mobile Phone Mobile Communication Technology Standards Long-Term Evolution) wireless routers and communication modules for home, vehicle and outdoor applications. BandRich partnered with the world's dominant wireless infrastructure suppliers Ericsson and Alcatel-Lucent and sold products to worldwide operators. From April 2003 to February 2006, Dr. Kuo was the senior director (department head) of Compal Electronics Inc. (a listed company in Taiwan) and was in charge of the business in 3G (the Third Generation of Wireless Mobile Telecommunications Technology) mobile phone. From May 2000 to July 2002, Dr. Kuo was the co-founder and the chief technology officer of Wiscom Technologies ("Wiscom") in New Jersey, the United States of America ("U.S." or the "United States"). Wiscom was focusing on development of 3G mobile phone baseband chip. Wiscom's intellectual property rights were later acquired by Intel Corporation. From April 1999 to May 2000, Dr. Kuo was the principal technical staff member of AT&T Labs, engaged in 3G WCDMA (Wideband Code Division Multiple Access) system researches. From January 1995 to April 1999, Dr. Kuo worked in Bell Laboratories of Lucent Technologies on CDMA (Code Division Multiple Access) and WCDMA research and development on network infrastructures. Dr. Kuo is the inventor of 42 U.S. wireless communications patents. He received the IEEE (Institute of Electrical and Electronics Engineers) Leonard G. Abraham Prize in 2001. He was an adjunct professor at New Jersey Institute of Technology in 1998. Dr. Kuo received a Bachelor Degree of Science in Communications Engineering from National Chiao Tung University, Taiwan in 1987, a Master Degree of Science in Electrical Engineering from National Taiwan University in 1989, and a Doctoral Degree of Philosophy in Electrical Engineering from Purdue University, U.S. in 1994.

DIRECTORS *(Continued)*

CHANG Chuan-Wang (Mr.), Chinese (Taiwan) and aged 55, was appointed as a non-executive director of the Company on 29 June 2023. Mr. Chang has over 31 years' experience in the information and communication technology industry. In May 2009, Mr. Chang joined Hon Hai and the Hon Hai Technology Group (comprising Hon Hai, its subsidiaries and associates), focusing on group business strategy, operation control and performance analysis management. Mr. Chang is currently an assistant vice president of the strategic controlling division in Hon Hai. He currently serves as the executive director of ENNOCONN Corporation (principally operating the business of industrial computer design, manufacture, processing and sale, whose shares are listed on the Taiwan Stock Exchange Corporation) on behalf of Hon Hai. Since April 2023, Mr. Chang is the chairman of the board of directors, a non-executive director and a member of the remuneration committee of CircuTech International Holdings Limited (whose ultimate controlling shareholder is Hon Hai and whose shares are listed on GEM board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), principally operating the business of IT product sale and distribution). Mr. Chang has respectively served as the chairman of the board of directors, an executive director, a chairman of the nomination committee and a member of the remuneration committee of Maxnerva Technology Services Limited since March 2024 and served as a non-executive director and a member of the remuneration committee of FIT Hon Teng Limited since June 2024 (both companies' ultimate controlling shareholder is Hon Hai and whose shares are listed on the Main Board of the Stock Exchange). Mr. Chang obtained a Bachelor's degree in Automatic Control Engineering from Feng Chia University in 1992 and a Master's degree in Business Administration from the Graduate Institute of Management at Feng Chia University in 2007. In 2007, he was awarded the honorary membership of Phi Tau Phi Scholastic Honor Society for his outstanding academic achievements.

DIRECTORS *(Continued)*

LAU Siu Ki (Mr.), Chinese (Hong Kong) and aged 66, joined the Company as an independent non-executive director in December 2004. He is the chairman of the audit committee, remuneration committee and nomination committee respectively of the Company. He has over 40 years of experience in corporate governance, corporate finance, financial advisory and management, accounting, auditing and risk management. Mr. Lau is currently a financial advisory consultant running his own management consultancy firm, Hin Yan Consultants Limited. Previously, Mr. Lau worked at Ernst & Young for over 15 years. He graduated from Hong Kong Polytechnic in 1981. Mr. Lau is a fellow member of both the Association of Chartered Certified Accountants ("ACCA") and Hong Kong Institute of Certified Public Accountants. Mr. Lau was a member of the World Council of ACCA from 2002 to 2011 and was the chairman of ACCA Hong Kong in 2000/2001. During these years, he has helped raising the profile of ACCA. He serves as an independent non-executive director of Binhai Investment Company Limited, Embry Holdings Limited and TCL Electronics Holdings Limited, whose shares are listed on the Stock Exchange. Mr. Lau also serves as company secretary of Yeebo (International Holdings) Limited, Hung Fook Tong Group Holdings Limited and Expert Systems Holdings Limited (whose shares are listed on the Stock Exchange). In addition, he was an independent non-executive director of Comba Telecom Systems Holdings Limited from 20 June 2003 to 29 December 2023 and IVD Medical Holding Limited from the period from 21 June 2019 to 28 March 2024 (the shares of both companies are listed on the Stock Exchange). He was also an independent non-executive director of Samson Holding Ltd. during the period from 24 October 2005 to 7 November 2024, whose listing on the Stock Exchange was withdrawn with effect from 7 November 2024. On 31 October 2019, the Securities and Futures Commission (the "SFC") announced that it had started Market Misconduct Tribunal ("MMT") proceedings against China Medical & Healthcare Group Limited ("CMHGL") and six individuals who were CMHGL directors at the relevant time, including Mr. Lau, for failing to disclose inside information as soon as reasonably practicable. On 12 May 2021, the SFC announced the conclusion of those proceedings and the MMT's findings, including those against Mr. Lau. The Company carefully assessed the MMT's findings, and concluded that it remained in the Company's best interests to retain Mr. Lau as an independent non-executive director and as chairman of its audit, remuneration and nomination and independent board committees. Please see the Company's announcements of 12 and 20 May 2021 and page 119 of the Company's 2021 interim report (as issued and published on 15 September 2021) for further details of the Company's assessment.

DIRECTORS *(Continued)*

CHEN Shu Chuan (also known as Nadia CHEN) (Ms.), Chinese (Taiwan) and aged 56, was appointed as an independent non-executive director of the Company on 19 May 2023. She is also a member of each of the audit committee, remuneration committee and nomination committee of the Company. She has over 36 years of experience in the financial sector, professional knowledge in operational judgement, accounting and financial analysis, operation and management, and also accumulated rich experience in risk management. Ms. Chen has been a board member and speaker of the ACAMS Taiwan Chapter (focusing on providing education and training on AML (Anti-Money Laundering)/CFT (Combating Financing of Terrorism) in Taiwan) since 2018. Since November 2019, she has also been the chairlady of the Female Leadership Committee of the Taiwan Listed Companies Association which is one of Taiwan's most important economic and trade associations aiming to combine outstanding entrepreneurs and professionals to build a platform for mutual exchange and brainstorming and share learning to expand participants' broader and far-reaching horizons and more substantial competitiveness. The total market value of all association members accounts for 20% of the total market value of the Taiwan stock market. Ms. Chen has been appointed as a non-executive director of EasyCard Corporation (a company providing contactless smartcard payment system (EasyCard) service in Taiwan, whose shares are listed on the Emerging Stock Market of Taipei Exchange) with effect from 27 June 2023. She has also been appointed as the chairlady of EasyCard Investment Holding Co., Ltd. (parent company to EasyCard Corporation) with effect from 30 June 2023. Ms. Chen serves as an independent director of IBF Financial Holdings Co., Ltd. (which is a financial holding company engaged mainly in bills finance, securities, and venture capital services, whose shares are listed on the Taiwan Stock Exchange Corporation) and Shieh Yih Machinery Industry Co., Ltd. (which is the world's top five servo punch manufacturer and the world's top 20 machine tools equipment leader with a global presence, whose shares are listed on Taipei Exchange) with effect from 12 June 2020 and 27 May 2022 respectively. She is also an independent director of International Bills Finance Corporation (a wholly-owned subsidiary of IBF Financial Holdings Co., Ltd., which mainly provides bill finance services in Taiwan) with effect from 28 August 2020. Ms. Chen was a board director of Aegis Custody Co., Ltd. (a company providing one-stop blockchain based custodial solutions) during the period from November 2020 to December 2021. Prior to the foregoing, Ms. Chen held certain leadership and senior managerial positions in the banking and financial industry, including a country executive and managing director (Taiwan) in The Bank of New York Mellon Taipei Branch from August 2007 to October 2019, and a chief representative and country manager for Commerzbank AG Taipei Representative Office from November 2002 to August 2007. Ms. Chen received an Executive Master of Business Administration degree with an emphasis in International Finance Management and an International Executive Master of Business Administration degree in International Finance and Investment from National Taipei University in 2000 and 2006 respectively.

DIRECTORS *(Continued)*

CHIU Yen-Tsen (also known as CHIU Yen-Chen, Dennis) (Mr.), Chinese (Taiwan) and aged 60, was appointed as an independent non-executive director of the Company on 29 June 2023. He is also a member of each of the audit committee, remuneration committee and nomination committee of the Company. Mr. Chiu has over 32 years' experience in leading foreign banks, large corporate, consulting firm and academy. In recent years, Mr. Chiu proactively engaged in sustainable finance, offshore wind and solar power project finance and advisory business. He has been an advisor and a lecturer of Taiwan Academy of Banking and Finance, focusing on international advanced banking training program and sustainable finance, project finance, international loan syndication and acquisition finance in Taiwan since April 2022 and he will continue to focus on the development of sustainability strategy and management. Mr. Chiu worked at BNP Paribas Taipei Branch during the period from 1997 to 2009 and from 2016 to February 2022, where he held various senior managerial positions such as the interim head of Taiwan branches, managing director and head of Corporate Banking, head of Loan Syndication, Trust and Custodian and also Correspondent Banking. He was also a director of Structured Finance Loan Syndication (Greater China) in BNP Paribas Hong Kong Branch during the period from 2009 to 2011. He was a consultant of E-United Group (a Taiwan company in the steel industry) and was a lecturer at the Banking and Finance Department of the China University of Technology in 2016. Prior to the foregoing, Mr. Chiu held certain leadership and senior managerial positions in the banking and financial industry, including an executive director and head of Global Corporate Banking in J. P. Morgan Taipei Branch during the period from 2012 to 2015, and a director of Fixed Income in Credit Suisse Taipei Branch during the period from 2011 to 2012. In his senior management positions, Mr. Chiu has acted as chairperson or a member of the Business Continuity Planning (BCP) Committee and Internal Control Committee (ICC). He was also a credit approver and a member of Credit Committee at BNP Paribas and has accumulated rich knowledge and experience in risk management. Mr. Chiu received a Bachelor of Science, Industrial Engineering degree from Chung-Yuan Christian University in 1987 and a Master of Business Administration degree from The University of Connecticut in 1994.

SENIOR MANAGEMENT

CHEN Hui Chung, John (Mr.), Chinese (Taiwan) and aged 63, joined the Company as senior director of finance division in August 2013. He is responsible for treasury, financial investment and financial risk management of the Group. Mr. Chen has over 35 years of experience in finance areas in Taiwan listed companies. Before joining the Company, he was the chief financial officer of Taiwan Synthetic Rubber Corp and Wan Hai Lines Ltd. respectively. Mr. Chen is the chairman of the board of BFIH and a director of FIH Co., Ltd., both being subsidiaries of the Company. He received a Bachelor of Transportation and Communication from National Cheng Kung University, Taiwan in 1983 and a MBA from University of California Irvine, U.S. in 1987.

HSIUNG Nai-Pin, Paul (Mr.), Chinese (Taiwan with U.S. nationality) and aged 60, joined the Company as director of business development in January 2003. He is responsible for operations in America region including production, logistics and after-market service since 2012. Prior to that, Mr. Hsiung held various functions and positions in mobile phone industry with the Company. From 2003 to 2008, he was responsible for business development and project management in Florida, U.S. From 2009 to 2012, he was responsible for mobile phone design and development in Florida, U.S., and also product manufacturing at Langfang, China. Before joining the Company, Mr. Hsiung was a director at Test Research, Inc. (a Taiwan listed company) for 8 years and responsible for international sales and marketing. Mr. Hsiung was a director of iCare Diagnostics, Inc. and DirectMDx, Inc. (both of which are incorporated in Delaware, U.S.) between 28 December 2020 to 20 January 2021 respectively. Mr. Hsiung is also a director of certain subsidiaries of the Company, namely Excel Loyal International Limited, FIH Mexico Industry SA de CV, Prospect Right Limited, S&B Industry, Inc. and Sutech Holdings Limited respectively. He was a director of FIH (Tian Jin) Precision Industry Co., Ltd. (a subsidiary of the Company incorporated in China) from June 2011 to November 2021. He obtained a Bachelor degree of Applied Physics from Tamkang University, Taiwan and a Master degree of Computer Science from New York Institute of Technology, U.S.

TAM Kam Wah, Danny (Mr.), Chinese (Hong Kong with British nationality) and aged 61, joined the Company as senior manager of financial control in October 2004. Mr. Tam is the chief financial officer of the Company. He is responsible for accounting and internal and external financial reporting, financial planning, taxation, investment management, internal control, investor relations, corporate governance, risk management and performance review of the Group. He is a non-executive director of BFIH and was a non-executive director of Mobile Drive Netherlands during the period from December 2021 to July 2024. Mr. Tam has over 37 years of experience in accounting and finance in Hong Kong listed companies and multinational companies. Prior to joining the Company, he worked as a financial controller for ITT Industries and Hutchison Harbour Ring Ltd. (now known as China Oceanwide Holdings Limited) and he also worked as an accounting manager for Coates Brothers (HK) Co., Ltd. Mr. Tam is a fellow of the Taxation Institute of Hong Kong and an associate of Hong Kong Institute of Certified Public Accountants. He is also a certified tax adviser. Mr. Tam received a BBA from Chinese University of Hong Kong in 1988, a Master of Applied Finance from Macquarie University, Australia in 1994, a Master of Business Administration degree from University of Ottawa, Canada in 1996, and a Master of Arts degree in Information System and a Master of Arts degree in Electronic Business from City University of Hong Kong in 1999 and 2002 respectively. Mr. Tam also received a Master of Accounting from Jinan University, the People's Republic of China in 2005.

REPORT OF THE DIRECTORS

The board of directors of the Company (the "Board") hereby announces the Company's 2024 annual report incorporating this report of the directors, particularly the audited consolidated results of the Group for the year ended 31 December 2024 (the "current period", "current year", the "year", "reporting year" or "reporting period").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in the consolidated financial statements on pages 149 and 150. The Group is principally engaged as a vertically integrated manufacturing services provider for the handset industry worldwide. It provides a wide range of manufacturing services to its customers in connection with production of handsets. For more details, please refer to the section headed "Business Review — Discussion and Analysis — Introduction" below of this report of the directors.

RESULTS

The results of the Group for the current period are set out in the consolidated financial statements on pages 81 and 82.

BUSINESS REVIEW

Important

The consolidated final results of the Group for the current year, as set out in this report, have been reviewed and audited in accordance with the relevant accounting and financial standards. The Group's results of operations in the past have fluctuated and may continue to fluctuate (possibly significantly) in the future from one period/quarter to another. Accordingly, the Group's results of operations for any period/quarter should not be considered indicative of the results expected for any future periods/quarters. In particular, the Chinese New Year holiday (especially a long break in mainland China, Vietnam, and Taiwan) in the first quarter of each year generally leads to a low season post-Chinese New Year for the industry in which the Group operates. Therefore, the Group's performance in the first quarter is usually weaker and less comprehensive or representative compared to the other quarters. Additionally, the demand from some customers is subject to seasonality.

The Company refers to its profit warning announcement of 6 November 2024, which provided (among other things) certain updates on its expected 2024 annual performance and included information about the various factors that contributed to the Group's consolidated net loss for the current period. The various factors described in the following "Discussion and Analysis" section, are expected to continuously impact the Group's performance in the first half of 2025 ("1H 2025") and ultimately the full year ending 31 December 2025 ("FY 2025"). In this respect, please also refer to "Outlook and Industry Dynamics" below.

This report contains forward-looking statements regarding the Company's expectations and outlook on the Group's order book, cost structure, business policies, operations, performance, financial conditions, opportunities, risks, threats, and prospects. Such forward-looking statements are subject to known and unknown risks, uncertainties, and other uncontrollable factors, and therefore do not constitute guarantees of the future performance and order book of the Group. They are influenced by factors that could cause the Group's actual results and order book to differ (possibly materially or significantly) from those expressed in the forward-looking statements. For details of the risks and uncertainties, please refer to the "Risk and Opportunities in 2025" section.

BUSINESS REVIEW *(Continued)*

Important *(Continued)*

Although the Group believes these statements are based on and derived from reasonable assumptions, they involve risks, uncertainties, and assumptions that are beyond the Group's ability to influence, control, or predict, relating to operations, markets, and the broader business and macro environment generally. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual outcomes, including the future results of the Group's business and operations, may vary materially/significantly from those indicated. Additionally, new and unpredictable risks, challenges, and threats may emerge from time to time, and it is not possible for management to predict all such factors or to assess the impacts of such factors on the Group's business. For more details, please see "Outlook and Industry Dynamics" below. The Company undertakes no obligation to update or revise any such forward-looking statements to reflect any subsequent events or circumstances, except as otherwise required by applicable requirements laid down by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO").

Accordingly, shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

Discussion and Analysis

Introduction

The Company was activated in 2003 and listed on the Main Board of the Stock Exchange in 2005 (Stock code: 2038.HK). The Company is one of the subsidiaries of Hon Hai Technology Group, which is the world's largest electronics manufacturer and a leading technological solution provider whose shares are listed on the Taiwan Stock Exchange Corporation (Stock code: 2317.TW).

The Group is customer-oriented and offers one-stop solutions that encompass the entire product lifecycle. Its services range from initial design conceptualisation and product development to high-volume manufacturing, providing a seamless end-to-end experience for its clients. The Group's wide array of services includes innovative product development and design, precision casings and components manufacturing, PCBA (Printed Circuit Board Assembly), full-system assembly integration, supply chain services and solutions, and after-market support which includes return management and product repair/refurbishment solutions. The Group excels in both Original Equipment Manufacturing ("OEM") and Original Design Manufacturing ("ODM") capabilities, catering to meet specific market and customer product lifecycle requirements.

Owing to constant market change, the Group has adopted a comprehensive operating strategy emphasising diversification, innovation, and operational resilience. This approach involves exploring new market opportunities, cultivating new customer relationships, and reinforcing ties with existing clients. The core strategies encompass the following key initiatives:

(I) Optimising capacity utilisation while focusing on cost-cutting, consolidating sites, re-organising operations, and terminating unprofitable, low-margin, or underperforming operations due to the shrinkage of the Chinese business.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Introduction *(Continued)*

(II) Dedicating resources to make mid-term and long-term investment in technological competence and building long-term relationships with leading companies by providing high value-added, high-quality products, and services at competitive prices. The Group aims to expand these relationships to include more product lines and services.

(III) Expanding overseas production capacity to meet customers' regional needs. The Group has successfully capitalised on the growth of domestic markets in some countries and have continued to actively develop new customers across different industries, thereby diversifying both the Group's customer and product base, capitalising on the Group's core competence in telecommunications.

(IV) Addressing low demand visibility, the Group is strategically positioning key account managers in diverse regions to enhance client proximity, improving communication, and insight into demand patterns. The Group is also expanding its service and product offerings to increase contract wins and improve demand visibility. Clear demand visibility is vital for efficient production and enterprise resource planning.

(V) Exploring new projects, products, industry sectors, and customer development in different countries, leveraging the Group's existing products, services, and expertise.

For exploring new industry sectors, the Group has implemented its "2+2" industry and technology strategy, actively expanding into automotive electronics, robotics, Artificial Intelligence ("AI"), and next-generation communication technologies in recent years. This lies in its core strength of providing hardware and software design, development and manufacturing, and integration solutions of high complexity that require strong engineering, technical, and design proficiency. In the reporting period, to effectively execute the strategy and promote better governance and long-term sustainability, the Group separated the Chairman and CEO roles and revamped its Mission and Values, which can be found in the "Corporate Vision, Mission and Values" section of the Company's 2024 corporate governance report, which forms part of the Company's 2024 annual report, to drive growth, stay responsive to changes in industry trends and, most importantly, meet customer expectations. Additionally, the Group has realigned its resources and focus into three key business categories: smart manufacturing, automotive electronics, and manufacturing equipment/robotics. In smart manufacturing, the Group has revisited its customer portfolio to maximise the overall profit. As for automotive electronics, The Telematics Box ("T-BOX") developed by the Group has already started mass production and shipment, with customers including leading global automakers, achieving a crucial milestone of entering the global automotive supply chain. In the manufacturing equipment/robotics category, the Group's AI recycling robots have begun their services in large recycling sites in the U.S, accelerating sustainable growth by addressing complex tasks with efficiency and providing a safer working environment.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Introduction *(Continued)*

In terms of the Group's global presence, it operates a network of sites strategically located in mainland China, India, Vietnam, Taiwan, Mexico and the U.S., utilising the geographical advantages of each site to maximise the production values. By leveraging the Group's geographically diverse, large-scale manufacturing infrastructure and the ability to serve a wide range of end markets, its customers gain significant advantages including meeting their product requirements at every stage, reducing manufacturing costs, enhancing their supply chain management and efficiency, reducing inventory obsolescence, and accelerating both time-to-volume and time-to-market, with better production flexibility to respond to rapid market changes and maintain a competitive edge in their respective industries.

With efforts to implement a diversified product strategy and develop global operational bases, the Group made significant progress and enhanced its resilience. However, the industry landscape in 2024 still presented several challenges, prompting the Group to continue making adjustments. For the Electronics Manufacturing Services ("EMS") industry, even with the decline in material costs after market normalisation and restocking, the deteriorating pricing resulted from excess manufacturing capacity at many of its peers still put competitive pressure on the EMS industry. In addition, political factors have led some customers to prioritise local suppliers, impacting the Group's orders as they align with local regulations and seek stability amid uncertainties. The customers' increasing sustainability requests also posed a challenge. Incorporating renewable energy and lowering down carbon emission are expected, forcing the EMS industry to adjust its production model to meet the requirement.

Regarding the global economy in 2024, inflation has been a major theme. However, instead of raising rates to dampen inflation, The Federal Reserve System ("FED") cut rates for three times starting from September 2024 to bolster domestic labour market, causing spillover effects to the rest of the world. Also, the uncertainties brought about by elections in a number of countries resulted in fluctuation in the economy, posing challenges not only for domestic business operation but also cross-border business investment decisions. Regarding the major economy, the U.S. has demonstrated a solid growth, with strong consumer spending and productivity help counter inflation. In mainland China, the economic growth has slowed down, caused by the continuing weakness in real estate market and sluggish consumption. Emerging markets showed varied growth across countries, with Asia gaining influence due to robust exports, higher investments, and stable consumption.

Other factors impacting global trade and investment decisions would be geopolitical tensions. Trade disputes between large economies, escalating conflicts both regionally and globally, and the evolving scope of national security – now encompassing energy resources, supply chains, and cybersecurity – have been redefining international relations and the business landscape, further intensifying uncertainty in the market.

Though facing more complicated and fast-changing external conditions, the Group upholds its principles to navigate the evolving market landscape. This means continuous commitment to innovation and excellence to empower possibilities through technology, as well as placing customers at heart of its business to provide exceptional values. The Group's technological capabilities and agility, coupled with strong industry partnerships and diversified manufacturing bases, position it well to maintain competitiveness in a rapidly changing environment, capitalise on new opportunities, and drive sustainable growth.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Key Relationships with Customers, Suppliers and Employees

Key Relationships with Customers

The Group's top five customers during the current period accounted for approximately 86.54% of the Group's total revenue. In 2024, most of the Group's customers encountered uncertainties from macroeconomic and market challenges. Regarding the smartphone market, while 2024 saw encouraging signs of recovery globally as inventory replenishment took place, yet, the fierce competition in the Chinese market and geopolitical issues led one of the Group's major customers to adjust its manufacturing strategy. This customer has actively sought new manufacturing partners in mainland China and India, significantly reducing its outsourcing to the Group. As a result, the Group's sales to this customer have been substantially impacted. However, the impact from this Chinese customer has been lessened by the success of winning a new automotive brand company. At the same time, the Group maintains its long-standing relationship with an established U.S.-based Internet company, with a long history of cooperation, the Group provides comprehensive engineering and production services to deliver superior, reliable, and trustworthy premium smartphones that meet the customer's demands. This U.S.-based leading Internet company has continued to put effort into integrating more advanced AI capabilities into its devices, achieving notable progress, while also experiencing a modest growth in sales.

Two of the Group's major customers are members of Hon Hai Technology Group: Hon Hai and Sharp Corporation ("Sharp"). The revenue generated from sales of goods and services to Hon Hai and Sharp accounted for approximately 17.07% and 4.39%, respectively, of the Group's total revenue from goods and services. In the current period, revenue attributable to Hon Hai Technology Group accounted for approximately 23.15% of the Group's total revenue:

(I) Hon Hai acquired Ensky Technology Pte. Ltd. ("Ensky") on 1 January 2020 as a wholly-owned subsidiary of Hon Hai. Ensky has a long-established relationship with U.S. customers and sells consumer electronic products to them, and the Group has been the strategic supplier and manufacturer of consumer electronic products such as eReaders, tablets, and voice interaction products for Ensky for a sustained period of time. Due to the change of its business model since 2022, the buying entity was gradually transitioned from Ensky to Hon Hai and therefore Hon Hai has become a major customer of the Group.

(II) Sharp is a connected person of the Group as it is an associate of Hon Hai, pursuant to the Listing Rules. Sharp offers a variety of electronic products including smartphones, home appliances, displays and other Internet of Things ("IoT") devices. In addition to mobile phone products, Sharp continues to explore the non-mobile phone business and has offered other electronic devices such as MiFi routers and tablets, leveraging the Group's Research and Development ("R&D") resources and capabilities. However, in 2024, demand for Sharp smartphones has weakened significantly due to the success of a Chinese competitor who has introduced a wide range of entry level smartphones into the Japanese handset market, capturing a substantial portion of market share. As an important manufacturing partner to Sharp, Sharp's shrinking market share has directly impact the Group's sales this year.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Key Relationships with Customers, Suppliers and Employees *(Continued)*

Key Relationships with Customers *(Continued)*

Previously, the Group has relied heavily on a limited number of customers, products, and geographical markets, which has introduced significant impacts to its performance especially when the world is facing intensified geopolitical risks. With the goal to mitigate market concentration risks and ensure a steady recovery and sustainable growth, the Group has adopted a comprehensive strategy as mentioned above. At the same time, the Group remains committed to enhancing its core competencies and gaining a competitive edge. This is achieved through continuous innovation in the three key business categories outlined in the introduction and by acquiring new clients to drive sustainable growth. For instance, in automotive electronics business, the Group's proficiency in antenna design, thermal management, and hardware/software integration has already resulted in supplying products to a world-class automobile manufacturer. Furthermore, the Group's T-BOX has started mass production and shipments, with plans for further expansion in this sector. Regarding smart manufacturing, the Group's automotive electronics production lines have been fully automated, improving manufacturing efficiency and stability. In the field of manufacturing equipment/robotics, the FIH Robotics AI recycling robot was officially unveiled last year at WasteExpo 2024 and has begun operating at several recycling sites across the U.S..

In addition to its efforts in product diversification strategy, the Group also continues optimising its capabilities to meet the unique needs of different customers. The Group's customer-focused factories are flexible and adaptable and can be reconfigured as needed to meet customer-specific product requirements and volume fluctuations. The commitment is pivotal to its success, achieved by strengthening competitiveness in its business categories, maintaining customer retention, and ensuring long-term sustainability in a dynamic and highly competitive industry.

Key Relationships with Suppliers

In collaboration with internal engineering teams, the Group sources components and materials from Hon Hai and 1,206 reputable suppliers globally, fostering stable business relationships and employing a dedicated team to monitor supply-demand balances and market risks. A key aspect of the Group's supply chain risk management strategy involves maintaining on-time delivery of quality materials at competitive prices while avoiding over-reliance on certain key supply source. This is a continuous challenge for the procurement team, which also manages the cost of critical materials and takes necessary actions to balance inventory, outstanding purchase orders, and working capital. To manage material cost increases without raising prices, the Group keeps a substantial cash reserve, ensuring operational resilience and stability.

The Group's supply partners, who provide basic materials and components such as chipsets, memory, electronic parts, display modules, camera modules, batteries, connectors, enclosures, and packaging material, are selected through a clear set of requirements developed over a long history of supply management. Vendors are required to undergo a thorough evaluation and qualification process within the Group and vendor performance is measured using the Technology, Quality, Supply, Cost, and ESG ("TQSCE") framework.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Key Relationships with Customers, Suppliers and Employees *(Continued)*

Key Relationships with Suppliers *(Continued)*

The Group continuously monitors supply availability and price fluctuations, and its diversified procurement strategy has proven effective in minimising supply disruption risk. The Group may occasionally struggle to secure sufficient supply to meet production schedules, which can result in challenges with publishing order books and shipment volume forecasts on a regular basis. The top five suppliers account for approximately 42.80% of the Group's total purchases, reflecting a deliberate consolidation strategy to ensure ease of procurement, supply continuity, and favourable commercial terms, particularly in pricing. The Group has cultivated long-standing, well-developed business partnerships with these top suppliers, however none of which are contractually obligated to maintain manufacturing capacity or guarantee minimum supply. This arrangement helps manage liability exposure effectively. Despite securing best-in-class pricing through purchase consolidation, the Group plans and maintains a safety buffer above demand to mitigate supply disruption risks. Customers are kept informed of ongoing supply challenges, and contingency plans are in place to be activated as needed. The Group also maintains a roster of alternative sources to ensure flexibility in its supply chain.

The Group does not foresee significant market fluctuations affecting material costs or supply delays when engaging with new supply sources. The Group's capacity to secure industry-leading material pricing showcases its procurement expertise and commercial strength, which are core competencies built upon the benefits leveraged through the scale of operations, bulk purchase volumes, and continuous market engagement.

Hon Hai Technology Group is a major supplier of the Group, accounting for approximately 6.90% of the Group's total purchases in the current period. Hon Hai is the ultimate controlling shareholder of the Company and hence a connected person of the Company pursuant to the Listing Rules.

Maintaining an agile balance between demand and supply is vital for the Group's business success. For an in-depth understanding, please refer to "The Group's Value Chain" section of the Company's separate 2024 environmental, social and governance report ("2024 ESG Report") as issued and published simultaneously upon the issuance and publication of the Company's 2024 annual report incorporating this report of the directors. In light of the risks stemming from reliance on major customers and suppliers, the Group has devised and adhered to a business plan aimed at diversifying its customer base, product categories, and supply mix. Robust internal control systems and Enterprise Risk Management ("ERM") are in place to evaluate and mitigate such risks. Further information can be found in the "Accountability and Audit" section of the Company's 2024 corporate governance report, which forms part of the Company's 2024 annual report.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Key Relationships with Customers, Suppliers and Employees *(Continued)*

Key Relationships with Suppliers *(Continued)*

The Group maintains close partnership with strategic suppliers to ensure timely and cost-effective procurement of materials and components, and to keep potential supply chain risk at manageable level. Key activities include,

(I) **Supplier Relationships and Risk Management**: The Group employs suitable engineering capacity together with supply chain management resources to source components and materials from Hon Hai and other 1,000 or so reputable suppliers worldwide, with focus on maintaining stable business relationships and best in class supply chain efficiency conducted through its professional supply chain organisation.

(II) **Supplier Evaluation and Performance**: Suppliers are selected based on a rigorous evaluation and qualification process, while regular day-to-day performance measurements are made following industry accepted TQSCE framework practices, all with the goal to ensure the provision of essential materials and components in long term.

(III) **Procurement Strategy and Contingency Plans:** The Group formulates and adopts a diversified procurement strategy based on market dynamics to minimise supply disruptions. This involves consolidating purchases with top suppliers, maintaining a safety buffer, and having alternative sources to ensure flexibility and supply continuity.

The consumer electronics and mobile handset market in 2024 is poised for significant challenges. As the demand for innovative and high-performance devices continues to grow, manufacturers are increasingly focused on enhancing their supply chain strategies and maintaining robust partnerships with key suppliers.

Forecasts for mobile handset growth in 2024 indicate modest growth, while 2025 presents a less optimistic outlook. The demand landscape remains polarised, with significant growth in ultra-low or low-tier devices. Nonetheless, mobile handset market continues to witness rapid technological advancements, with 5G technology becoming more ubiquitous and the introduction of 6G on the horizon. Enhanced connectivity, improved processing power, and advanced camera systems are being offered from the latest devices with key focus on AI capability and services. Manufacturers are also exploring new form factors, such as foldable and rollable displays, to differentiate their products and capture market share. Emerging technologies such as on-device AI and new form factors are gaining market traction.

Consumer preferences in 2024 are heavily influenced by the desire for seamless integration of devices within the broader ecosystem of smart homes and Internet of Things (“IoT”) applications. There is a growing emphasis on sustainability, with consumers favouring brands that prioritise eco-friendly practices and offer devices with longer lifespans.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Key Relationships with Customers, Suppliers and Employees *(Continued)*

Key Relationships with Suppliers *(Continued)*

Overview in 2024 indicates a stable supply of materials, with companies leveraging their procurement expertise and commercial strength to secure industry-leading material pricing. While occasional challenges in securing sufficient supply may arise, strategic initiatives and robust internal control systems are in place to address and mitigate such risks effectively. No supply constraint is expected in the first quarter of 2025 ("Q1 2025"), with stable or decreasing cost trends. Key suppliers maintain a cautious outlook for 1H 2025, with varying performance across different sectors. Mixed performance with some suppliers seeing growth, while others face subdued demand in automotive and industrial sectors. In memory, weak TV, PC, and smartphone demands were observed in the fourth quarter of 2024 ("Q4 2024"), and this trend is expected to continue into Q1 2025. DRAM/NAND prices started to reverse and decline in Q4 2024, with potential further drops or flat prices in Q1 2025. Major DRAM suppliers are accelerating move to advanced process nodes and investing in high-margin High Bandwidth Memory (HBM) technology.

Key Relationships with Employees

Employees are valuable assets to the Group. Therefore, the long-term strategy of the Group is to cultivate and develop employees internally and to recruit outside professionals and build up the competencies. Product development and manufacture are both complicated process and require professionals and experts. Therefore, the Group pays attention to keep enhancing the quality and quantity of staff force in order to secure its leadership and competency. The Group has been working diligently in different countries to attract and retain talents. As to talent development, the Group recognises that its future success will be highly dependent on its continuity to attract and retain qualified and brilliant employees by offering more equal employment opportunities, competitive compensation and benefits, more favourable working environment, broader customer reach, bigger scale in resources, training and job rotation and enrichment and diversification, coupled with better career prospect across various products and programs and business lines and promotion opportunities.

The Group places great emphasis on career planning and talent development for employees in different countries by encouraging employees to attend internal and external training programs. Internal training programs include courses for core competency and professional competency and technical development to enhance employees' capabilities, while external training programs include hands-on courses and workshops and seminars or conferences organised by external parties that provide excellent training and professional development opportunities for employees that bring theory and practice together to improve the competency of the Group. Furthermore, much of the training that had started as face-to-face in classroom environments has been pursued online. The Group prides itself on providing a safe, effective and congenial working environment and it values the health and well-being of its staff.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Key Relationships with Customers, Suppliers and Employees *(Continued)*

Key Relationships with Employees *(Continued)*

The success of the Group is dependent on its talents, with its focus on human capital initiatives and strategic workforce planning in terms of talent acquisition, training and development, knowledge building, motivations, rewards and retention, as well as localisation. The Group complies with relevant labour laws and regulations to protect employees' rights and interests. The Group always emphasises employee benefits as well as harmonious labour relations, and highly values employees' opinions and feedbacks. In order to communicate effectively with staff, the Group provides channels like e-meetings, emails, or mailboxes for employees to reflect on their thoughts. Currently, the communication between the Group and employees is well conducted and employees can fully express their opinions, raising any labour issues to promote and maintain a positive labour relationship. Pursuing sustainable corporate development and embracing integrity is the Group's highest guiding principle, and the Group has established relevant business ethic guidelines. Based on the guidelines, employees are required to follow the moral and ethical standards and advocate integrity, honesty and confidentiality to protect the rights and interests of the Group and its shareholders as a whole and enhance the Group's competitiveness and long-term sustainability.

During the reporting period, in view of the Group's changes in product portfolio and excess capacity, it has undertaken initiatives to restructure its business operations with the intention of diversification, improving utilisation and realising cost savings and remaining as an asset-light and lean group. These initiatives included the restructuring of the underperforming parts of its manufacturing operations and disposing idle assets, moving production between facilities and reducing the level of staff, realigning its business process and reorganising its management, largely to align its capacity and infrastructure with current and anticipated customer demand. During the change, the Group is transparent to employees about the current situation and the improvement action must been taken to earn their understanding and trust. Remaining transparent also helps keep rumours to a minimum to reduce retained employees' worry on job security. By understanding the Group's Vision, which can be found in the "Corporate Vision, Mission and Values" section of the Company's 2024 corporate governance report, which forms part of the Company's 2024 annual report, let the staff know exactly where they stand, and new job responsibilities they may have, employees will likely stay engaged and be more positive during restructuring.

(I) China sites: The number of employees in China is reduced due to organisation restructure of Beijing R&D and Longhua Shenzhen manufacturing business, but the goals are to retain key talents for business transformation and maintain optimise headcount for more efficient operation.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Key Relationships with Customers, Suppliers and Employees *(Continued)*

Key Relationships with Employees *(Continued)*

(II) Vietnam site: After a period of growth and development, 2024 marks a year of significant transformation for Fushan Technology (Vietnam) Limited Liability Company ("Fushan"). Fushan proudly welcomes more customers and launch numerous new projects. While maintaining excellence in production and business operations to consistently satisfy its customers, Fushan also prioritises the development of its people and its commitment to social and environmental responsibility. Equal opportunities are provided to everyone, ensuring a fair and inclusive working environment. To strengthen team cohesion, 95% of indirect labour (IDL) had joined team-building programs twice a year. Furthermore, Fushan continues to run the Kaizen Campaign and Kaizen Sharing sessions to promote innovation and creativity, there are 369 participants to accomplish 16 Kaizen sessions and 60 Kaizen activities in 2024.

"Shop-floor tour" program is one of major approaches that Fushan listens to front line employee voice. It had already conduct 86 tours with 520 feedback and responded/closed 98%. Fushan encourages employees to share, build mutual understanding, and embody the ESG spirit by organising employee activities including the celebration on International Women's Day, "Drawing Contest – Living Green with Fushan," celebrates International Children's Day and World Environment Day, inviting employees' children to express their vision for a greener future.

Moreover, Fushaners exemplify the spirit of community and social responsibility through meaningful activities like "a call to support workers' families facing difficult circumstances, highlights the solidarity and mutual care within our organisation" and blood donation, etc. In addition, Fushan fosters a self-learning culture such as Manager Roles Course, Line Leader Training Program, Shift Leader Training Program, Customer Service Mindset and to promote a culture of self-learning and knowledge sharing by introducing initiatives like the Fushan Trainer program, which has conducted 35 sessions, attracting 671 attendees. Human Resources ("HR") remains committed to continuously optimising its human capital and works for the success of organisation and employees.

(III) India site: Bharat FIH Limited ("BFIH") has successfully navigated a transformative year in 2024, completing significant leadership transitions and organisational consolidation. These changes have laid a strong foundation for streamlined operations and enhanced strategic focus. As part of the restructuring, HR has continued efforts to optimise manpower headcount to achieve an ideal balance. Although this remains a work in progress, the organisation is steadily progressing toward its goals. Managing employee morale during this period of change has been a challenge, but the motivational level of the workforce has been maintained through Learning and Engaging sessions, including an 100% participation rate in Code of conduct compliance programs. Shopfloor celebrations and awareness campaigns further contributed to keeping employees engaged and informed during this crucial time. The organisational consolidation also involved adjustments at specific sites, ensuring business continuity while realigning resources. BFIH's efforts to establish a robust talent pipeline have continued through partnerships with universities and virtual hiring events, enabling quicker access to pre-screened candidates. HR remains 100% compliant with employee financial obligations, ensuring timely contributions to Employee Provident Fund and Employee State Insurance Contributions, and has maintained its commitment to resolving all grievances promptly and efficiently. As the year concludes, BFIH remains dedicated to building a resilient, growth-oriented organisation ready to seize emerging opportunities.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Key Relationships with Customers, Suppliers and Employees *(Continued)*

Key Relationships with Employees *(Continued)*

As of 31 December 2024, the Group had a total of 31,568 (31 December 2023: 36,657) employees. Total staff costs incurred during the year amounted to US$269 million (31 December 2023: US$270 million). The Group offers a comprehensive and competitive remuneration policy which is reviewed by the management on a regular basis. In general, the Group's merit-based remuneration policy rewards its employees for good performance, contributions and productivity. The Group treats all employees equally and fairly, and evaluates employee performance (including determining promotions and wage increments) objectively based on merit, ability, and competence. To encourage employee retention, the Group has implemented annual bonuses, time-based/performance-based incentives and other incentive programs. Employee retention is always a big challenge for all corporations. In a highly competitive global economy and as product development and manufacture are both complicated processes and require professionals and experts, retaining qualified and skilled key employees is essential for the sustainable competitive advantage. Offering competitive compensation and benefits, favourable working environment, broader customer reach, bigger scale in resources, training and job rotation coupling with better career prospect across various products and programs and business lines are undertaken as actions for the Group to increase the employee loyalty and retention rate. Both the Existing Share Scheme (as defined below) and the Existing Share Option Scheme (as defined below) comply with the requirements of Chapter 17 of the Listing Rules. Employees also enjoy insurance coverage provided by the Group. The emoluments payable to the directors of the Company are determined by the Board from time to time with reference to the Directors' Remuneration Policy of the Company as amended from time to time (for details, please refer to the section headed "Remuneration Committee – Directors' Remuneration Policy" of the Company's 2024 corporate governance report, forming part of the Company's 2024 annual report) as well as the recommendations of the Company's remuneration committee. Key ESG HR issues concern how a company engages with its workforce, with a strong focus on a culture incorporating inclusion and diversity, and how it looks at issues of pay and equality. The Group focused on ensuring it is inclusive and socially conscious. For more details about the Group's key relationships with its employees, please refer to the "People-Oriented" section of the Company's separate 2024 ESG Report as issued and published simultaneously upon the issuance and publication of the Company's 2024 annual report incorporating this report of the directors.

Review of Results and Operations

Financial Performance

The financial KPIs (Key Performance Indicators) include year-on-year changes in sales, gross margins, net margin, and return on equity. However, peer analysis is inherently complex due to differences in histories, backgrounds, company goals, business strategies, customer bases, market dynamics, organisational cultures, leadership, risk profiles, shareholder structures, business models, client profiles, revenue streams, product mixes, operational scales, product and service strategies, differentiation, market positioning and presence, geographical research and footprints, government support, ESG compliance, tax incentives, competitive advantages, diversification, growth stages, core competencies, R&D capabilities, asset utilisation, cash flow positions, creditworthiness, dividend policies, capital structures, economic conditions, regulatory frameworks and cost structures. Accordingly, direct comparisons at the consolidated group account level may present significant challenge.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Review of Results and Operations *(Continued)*

Profit and Loss Account

The global handset market continues to be adversely affected by various headwinds, including prolonged geopolitical tensions, slowdown of the general economy and slow economic recovery, market saturation and intense competition, changing consumer preference, limited visibility, inflationary pressure, high interest rates, commoditisation and increasing life cycle of smartphones. The Group reported consolidated revenue of US$5,702.9 million in the current period, a decrease of US$742.9 million or 11.5% from US$6,445.8 million for the same period last year. The year-over-year decrease in revenue was primarily driven by key factors including the composition of customers, changes in the outsourcing strategies of the customer, intense competition in the mobile phone EMS/OEM industry, the termination of the low-margin businesses, and uncertainties in the macroeconomic environment. Apart from its sales to one major customer, which remained flat, the Group's sales to other major customers declined during the current period as some customers adjusted their outsourcing strategy, and the competition intensified. Despite the revenue decline, the Group has continued focusing on expanding non-mobile phone businesses, enhancing customer penetration, recruiting talent, promoting ESG, diversifying its customer bases, optimising customer portfolio, implementing cost optimisation and expense-reduction measures, and managing potential risks to navigate the challenging business environment effectively. For details, please refer to the above "Introduction" and "Key Relationships with Customers".

The net loss attributable to owners of the Company for the current period was US$20.3 million, compared to US$120.7 million for the same period last year. The net loss has improved due to enhanced operational efficiency effective execution. The Group consistently adjusts its operations and workforce to align with its business needs while closely manages costs and expenses. Contributing factors include:

(I) Gross Profit: The Group recognised a gross profit of US$134.6 million in the current period, representing an increase of US$24.8 million compared to US$109.8 million for the same period last year. The gross profit margin for the current period was 2.36%, compared to 1.70% for the same period last year. With strong execution, the Group successfully defended against margin erosion pressure. The improvement in gross profit was primarily due to concentration on high-margin businesses.

(II) Operating Expenses: Regarding operating expenses, they amounted to US$142.3 million for the current period, compared to US$219.4 million for the same period last year, marking a decrease of US$77.1 million. Thanks to rightsizing and restructuring efforts implemented over the past few years, the Group has streamlined its operations. However, there remains a need to continuously adjust its scale of operation to align with the actual business needs. Company-wide cost reduction initiatives and headcount reductions have resulted in annual savings, contributing to long-term cost and overhead reductions. The Group underwent rightsizing and restructuring, specifically in Northern China, which incurred losses, costs, and expenses totalling US$8.7 million in the current period, and US$26.3 million for the same period last year. The Group remains committed to further reducing operating expenses

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Review of Results and Operations *(Continued)*

Profit and Loss Account *(Continued)*

by prioritising spending on future business initiatives, lowering indirect labour costs, preventing cost overruns, and reducing general and administrative ("G&A") expenses across the board. These efforts are expected to yield gradual favourable outcomes, reflecting the Group's dedication to enhancing efficiency and maintaining financial resilience amid evolving market conditions. However, addressing low asset utilisation remains a significant challenge for the Group. As for R&D expenses, the year-on-year decrease is primarily due to reduction in professional service fees. This was partially offset by heightened R&D activities for new projects.

(III) Other income, gains and losses: Other income, gains and losses for the current period were US$91.3 million, representing a decrease of US$138.2 million from that for the same period last year. It is mainly attributable to several factors, including the following:

(i) In 2023, the Group recorded a before-tax gain of US$78.5 million from the disposal of certain land and building in Hangzhou, while making provision for compensations to lessees and the service providers amounting to US$12.8 million. Additionally, the Group recorded a before-tax gain of US$23.1 million from the disposal of certain land, buildings and structures in Hungary and Beijing. However, in the current period, there were no such capital gains.

(ii) There was an increase in foreign exchange gain by US$9.6 million, amounting to a gain of US$15.1 million for the current period, compared to a gain of US$5.5 million for the same period last year. Sharp fluctuations in the Renminbi ("RMB") during the first half of 2023 resulted in foreign exchange losses for the Group. However, during the corresponding period in 2024, the FED's continued interest rate hikes to combat inflation led to sustained depreciation of the RMB against the USD. This resulted in increased foreign exchange gains in the 2024 from the forward contracts the Group had entered into, as well as increased revaluation gains on trade receivables denominated in USD.

(iii) There was a decrease in interest income by US$2.2 million, totalling US$50.3 million for the current period, compared to US$52.5 million for the same period last year. Despite a slowdown in inflation over the past year, significant interest rate hikes by the FED have kept inflation considerably high relative to the FED's 2% target, indicating persistent inflationary pressures. Despite efforts by the Group to reduce borrowing in US dollars, interest expenses have decreased by US$3 million, totalling US$57.6 million for the current period, compared to US$60.6 million for the same period last year. The Group will repay the external borrowings to reduce the interest expenses. Conversely, a decrease in RMB deposit interest rate has also contributed to a similar decrease in interest income, resulting in lower interest income for this period compared to the same period last year.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Review of Results and Operations *(Continued)*

Profit and Loss Account *(Continued)*

(IV) There was a reduction in the 'Expected Credit Loss' allowance of US$124.1 million. By the end of 2023, the Group had already booked an accumulated 'Expected Credit Loss' allowance of US$225.3 million, primarily due to overdue accounts receivable of HMD Global Oy ("HMD") amounting to US$215.3 million and we have fully provided for all accounts receivable from HMD. As a result, an additional "Expected Credit Loss" allowance of US$133.8 million was recorded for the year of 2023. Considering the relatively low risk from other customers, the Group only booked an additional "Expected Credit Loss" allowance of US$9.8 million during the year of 2024. The Group will continue to monitor the cash position of certain customers and collectively assess credit risk to ensure adequate expected credit loss allowances are recorded in the books, reflecting both actual and potential collection risks.

(V) There was also a year-on-year increase in the share of profit from the Group's associates and a decrease in the share of loss from the Group's joint venture, both of which are accounted for using the equity method in the Group's consolidated financial statements. In the current period, the Group recorded a share of profit of US$9.1 million from associates and a share of loss of US$3.8 million from a joint venture, compared to losses of US$0.3 million and US$20.2 million, respectively, for the same period last year. One of the associates improved its profitability primarily due to the recovery of one major Chinese customer. The joint venture incurred a significant loss in 2023, primarily due to impairment of goodwill of US$32.4 million caused by the challenging conditions in hardware sales and intense competition in mainland China's EV market. This adversely affected both sales volume and pricing, significantly intensified margin erosion pressures.

(VI) Income tax expense during the current period was US$25.7 million, compared to US$20.9 million for the same period last year. In 2023, the Group recognised US$16.5 million in income tax on the gain from the disposal of land and properties in Hangzhou. In 2024, the Group recognised US$19.9 million in income tax for withholding tax on dividends declared in mainland China.

Despite gradual recovery in most major world economies, the Group continues to face numerous challenges. Persistent weak demand and market saturation, coupled with a tough, dynamic, and volatile macroeconomic, intense market competition, and a complex geopolitical landscape, create ongoing uncertainties that may impact our performance. Past and current operating results and earnings may not accurately reflect future outcomes, given the variability in quarterly performance and the complexities of long-term forecasting. In response to these challenges, the Group remains lean, asset-light and vigilant and prepared to react decisively. This includes shifting the focus toward high-margin industries and clients across all subsidiaries, building long-term partnerships with international players, terminating unprofitable operations, restructuring under-performing operations, aggressively reducing operating expenses, and external borrowings, generally suspending capital expenditure on non-critical investments and/or capital assets, and cutting headcount as necessary. On the basis of a preliminary review of the Group's latest unaudited management accounts and other information currently available, the Company currently expects that: (a) the Group's financial resources (including cash, cash flow, banking facilities and liquidity positions) and working capital remain sufficient to finance its continuing operations and capital commitments; (b) the Group would have sufficient funds to satisfy its working capital and capital expenditure requirements for the forthcoming 18-month period; and (c) no significant events nor circumstances might adversely affect the Group's ability to fulfill its financial obligations or meet its debt covenants in a material respect.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Review of Results and Operations *(Continued)*

Profit and Loss Account *(Continued)*

During the current period, Return on Equity ("ROE"), which measures a company's profitability by indicating how effectively it utilises equity investors' resources and accumulated profits to generate income, was -1.4%, compared to -7.7% for the same period last year. The improvement in ROE was primarily due to decreased losses. Basic loss per share for the current period was US0.26 cent.

Dividends

The Company has adopted the following dividend policy to enhance transparency and assist shareholders and potential investors in making informed decisions. The policy does not prescribe a predetermined dividend distribution ratio. The form, frequency, and amount of dividends declared each year, as well as the payout ratio, will depend on various factors including the Group's business outlook and strategy, prevailing economic and market conditions, financial performance, cash flow from operations, projected working capital needs, capital structure, future expansion plans, capital expenditures, liquidity position, and other relevant considerations as determined by the Board from time to time. The Group's performance has been volatile in recent years due to economic slowdown, sluggish demand for handsets, geopolitical tensions, change in customer portfolio, inflation, high interest rate, and a strong USD, creating uncertainties for the upcoming periods. The Group requires time to recover (please refer to the "Outlook and Industry Dynamics" below) and to maintain a robust capital structure, repay external borrowings, and generate a healthy return on available cash. Therefore, the Company will continue to closely monitor the situation and adjust or enhance its dividend policy as deemed necessary.

On 7 March 2025, the Board resolved not to recommend the payment of a final dividend for the current period.

Diversification

Given the dynamic market landscape, shifting customer preferences, and ongoing product innovations, diversification has become an imperative move while planning the Group's business strategy. Beyond its core focus on smart manufacturing, automotive electronics, and manufacturing equipment/robotics, the Group has actively expanded into next-generation communication technologies, other AI-enabled solutions. These initiatives not only help reduce the Group's reliance on the mobile phone business but also continually enhance and optimise its product mix.

In the field of smart manufacturing, the Group has accumulated decades of experience in independent design, high-quality manufacturing, and system integration. As the market evolves at an unprecedented pace, manufacturers are seeking to increase production speed and quality while mitigating the risk of labour shortages and ensuring flexibility, making the adoption of automation solutions a priority. Leveraging the Group's deep expertise in manufacturing and extensive client knowledge, it has made significant strides in automation. The Group's automotive electronics production lines have been fully automated, reducing reliance on labour to eliminate human errors and improving manufacturing efficiency and stability. This automation also frees up human resources to focus on more value-added tasks, accelerating the sustainable transformation from a social perspective.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Review of Results and Operations *(Continued)*

Diversification *(Continued)*

In the field of automotive electronics, the Group has developed diversified solutions, including T-BOX, In-Vehicle Infotainment ("IVI") systems, Central Control Units (CCUs), Zonal Control Units (ZCUs), Electronic Smart Mirrors (E-Mirrors), Power Distribution Centres (PDCs), Smart Keyless Entry Systems, as well as various display screens and camera monitoring products. With autonomous driving gaining momentum and AI playing a central role, the Group has expanded its product portfolio to include Advanced Driver Assistance Systems ("ADAS") and High-Performance Computing ("HPC"), demonstrating its ability to integrate advanced AI technologies. This year, the Group's T-BOX, equipped with certified emergency call systems, began mass production and shipments and received the ASPICE CL2 certification since the second half of 2024, underscoring the Group's excellence in automotive hardware and software development, recognised by international standards. Additionally, the Group participated in Automechanika Frankfurt, the world's leading trade fair for the automotive service industry, and made its debut at Consumer Electronics Show ("CES") 2025, one of the biggest global technology exhibitions. By attending these internationally renowned events, the Group showcased its diverse solutions on the global stage while strengthening connections with its partners and customers.

In the field of manufacturing equipment/robotics, as the world moves towards Industry 5.0 and smart factory, robots play a crucial role in the automation industry. In recent years, the Group has begun to develop robot hardware and software solutions for human-machine collaboration, real-time communication, autonomous planning, and inspection. The Group is actively seeking opportunities in the smart automation manufacturing sector, targeting widespread adoption in the automotive and electronics manufacturing industries. In addition to applications in industrial fields, the Group has also made important contributions to global sustainable development. The FIH Robotics AI recycling robot, developed in collaboration with environmental companies, was officially announced last year and made a significant impact at the WasteExpo 2024, one of the largest trade exhibitions for waste, recycling and organics in North America. Moreover, the AI recycling robots have begun operating at several recycling sites in the U.S., tackling complex tasks with efficiency and contributing to a safer working environment. Leveraging the Group's expertise in automation and AI accumulated over many years, FIH Robotics uses AI recognition and big data analysis to transform labour-intensive recycling work, supporting the development of a circular economy and accelerating the global transition to net-zero emissions.

In the field of next-generation communication technologies, the Group has concentrated on developing solutions to integrate into the Low Earth Orbit ("LEO") satellite ecosystem. LEO has garnered significant attention, not only for its versatile applications – such as communications, telemetry, and meteorological monitoring – but also due to growing momentum from major international vendors and increased investments from governments worldwide. In December 2024, the low-orbit satellite user terminal (UT), co-developed by the Group and Sharp, was showcased at the Taiwan International Assembly of Space Science, Technology, and Industry ("TASTI"), underscoring the Group's key achievements and capabilities. The LEO UT is poised for substantial growth in the coming years, as it plays an indispensable role in the satellite communications industry. Given this momentum, next-generation communication technologies are set to be one of the Group's primary growth drivers.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Review of Results and Operations *(Continued)*

Diversification *(Continued)*

In the field of AI, the Group has leveraged the extensive software development capabilities to apply AI to various products. In addition to the aforementioned intelligent recycling robot, the Group has also utilised generative AI technology to enable its joint venture, Mobile Drive Netherlands B.V. ("Mobile Drive"), to successfully achieve software-defined cars. Mobile Drive has actively developed ADAS solutions and has made significant progress. Mobile Drive began mass production and shipment of Taiwan's first fully self-developed ADAS in mid-2023. Besides entering the passenger vehicle market, in the first half of 2024, Mobile Drive has expanded further into the commercial vehicle sector by integrating AI and its proprietary "vision and radar multi-sensor fusion" technology, aiming to enhance transportation efficiency and ensure driving safety, providing higher-quality solutions to major automotive manufacturers. Furthermore, to promote automotive intelligence upgrade, Mobile Drive established strategic partnership with Autolink, who focuses on intelligent cockpit, to jointly develop for accelerating market launch of innovative products and create smarter in-vehicle experience for users.

In addition to diversifying the business, the Group is also diversifying the operational bases to mitigate supply chain risks. In recent years, increasing geopolitical tensions and frequent trade disputes have significantly impacted supply chains. The rising raw material prices, labour shortages, and logistics delays have further compelled companies to build more resilient supply chains and adjust their strategies accordingly. To reduce over-reliance on a few countries, companies worldwide have adopted strategies such as "China Plus One", aiming to diversify beyond mainland China, while some have more recently embraced the "Taiwan Plus One" strategy to mitigate risks related to the potential escalation of geopolitical tensions involving Taiwan. Among the most viable alternatives are India and the Association of Southeast Asian Nations (ASEAN). These countries are improving the business environment, implementing tax reductions, providing fiscal incentives for economic zones/industrial parks, and increasing infrastructure spending to stimulate new investments. Currently, Vietnam is the focal point for the Group's expansion, as Vietnam is located near key global manufacturing hubs in Southeast Asia and excellent proximity to global markets.

Vietnam's electronics manufacturing industry is currently experiencing a significant migration trend, creating abundant opportunities for the Group's subsidiary, Fushan, to diversify its operations. In 2022, Fushan launched its own sales operations to capture both local and international business opportunities, achieving promising responses. Throughout 2023 and the first half of 2024, the Group has consistently increased its investment in Fushan to better address diverse customer demands and improve operational efficiency. Overall, the Group seeks to mitigate risks associated with single-product reliance and geopolitical factors by actively expanding its product portfolio and operational sites to enhance competitiveness on a broader scale. The Group is expected to continue investing in Fushan in 2025 to further meet evolving customer demands.

In India, BFIH, a part of the Group, has been a major EMS provider since 2015, specialising in mobile phone manufacturing, aiming to dominate India's EMS and ODM markets by offering comprehensive "one-stop" ODM services, covering design, development, manufacturing, logistics, and after-sales support. This strategy is designed to cut costs, improve supply chain management, and expedite time-to-market. Since 2021, BFIH has diversified into telecommunications, mechanical components, electric vehicles, televisions, and hearables, reducing risk exposure from single segment of mobile phones and create further opportunities for revenue diversification.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Review of Results and Operations *(Continued)*

Geographical Segments

The Group determines its operating segments based on management-reviewed reports used for resource allocation and performance assessment. The global smartphone market exhibits diverse regional trends, each driven by unique dynamics. The Group operates three geographical segments based on customer location, which typically reflect market conditions, customer and consumer behaviour, demand, assets, costs, competition, or operational considerations, thereby revealing regional economic risk exposure and opportunities. Segment profit (or loss) represents the gross profit earned (or loss incurred) by each segment, along with service income and certain gains and losses (classified under other income, gains, and losses). This is calculated after deducting all selling expenses and impairment losses under the expected credit loss model, net of reversal. Currently, the smartphone market operates in a globalised environment that is increasingly vulnerable to economic and geopolitical fluctuations. With handset demand constrained, competitive and margin erosion pressures are intensifying amid market slowdowns. OEMs and ODMs are fiercely competing for market share while adopting stricter inventory controls. The market is also crowded with regional players introducing low-cost products to gain a competitive edge.

Among the three geographical segments, the performance of the Asia segment is the weakest. This is due to a shift in outsourcing strategies by customers, weak market demand, and intense cost competition from local players in mainland China and India. While mainland China remains a significant smartphone market, it is experiencing a slowdown in growth. Economic challenges in mainland China are expected to further dampen global smartphone sales growth. Saturation in the high-end segment and ongoing economic uncertainties are prompting a shift toward affordable phone upgrades and longer replacement cycles. In response, market players are refining product specifications and pricing strategies to maintain profitability.

Asia Segment

The Group's Asia segment includes its primary regional markets: mainland China, Taiwan, and India, all of which faced significant challenges during the period. Revenue for the Asia segment in the current period was US$2,597.5 million, a substantial decline of US$1,200.8 million or 31.6% compared to US$3,798.3 million for the same period last year. Profit for the period was US$38.6 million, representing a decrease of US$31.5 million from the prior year, primarily due to reduced shipments caused by weak demand and a shift in outsourcing strategies by a major customer who opted for new manufacturing partners in mainland China and India. In India, margin erosion was pronounced due to increasing competition from domestic EMS providers, which benefit from relaxed Production Linked Incentive (PLI) criteria unavailable to the Group as a multinational company. Additionally, in 2023, the Group's Indian operations produced a significant volume of routers for a major customer. However, in 2024, major telecom operators in India shifted their focus to 5G monetisation, reducing capital expenditure after completing nationwide rollouts. This shift led to a dramatic decline in router shipments, further straining revenue streams. In mainland China, the saturated handset market, weak

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Review of Results and Operations *(Continued)*

Geographical Segments *(Continued)*

Asia Segment *(Continued)*

end consumer confidence, consumption downgrading, and broader economic uncertainties have constrained discretionary spending and increased price sensitivity. Subdued demand reflects end consumers' reluctance to upgrade smartphones frequently and a preference for more affordable devices. Intensified competition has prompted customers to adopt a more cautious procurement approach, focused on risk mitigation. Highly cost-competitive local competitors in mainland China have resulted in some lost orders for the Group and lower visibility of orders. For Sharp's phone business, the Japanese smartphone market remains highly saturated with strong competition. Inflation and yen devaluation have increased domestic prices, reducing consumer willingness to upgrade devices frequently. To address rising labour costs, Sharp is actively seeking production partners outside mainland China. For Hon Hai's consumer electronics manufacturing business, the macroeconomic environment remains challenging due to weak consumer spending on electronic devices. High inventory levels and carrying costs have compelled a U.S. customer for e-books and smart speakers to tighten budget controls and procurement. Market stagnation has further intensified competition, with Hon Hai's competitors adopting more aggressive pricing and investment strategies to secure this customer. As a result, Hon Hai has been compelled to reduce the purchase price offered by the Group.

The decline in demand of the Asia segment has directly impacted capacity utilisation and assets, necessitating ongoing restructuring, and asset sales. During this period, the Group implemented widespread workforce reductions in different countries to reduce indirect labour. These challenging conditions have persisted into 2024, impacting the performance and recovery of the Asia segments.

Europe Segment

The recorded revenue of the Europe segment in the current period was US$1,174.6 million, representing an increase of US$123.7 million or 11.8% compared to US$1,050.9 million for the same period last year. The segment recorded a profit of US$25.6 million, compared to a loss of US$127.5 million for the same period last year. The increase in revenue was mainly due to new customers developed in previous years, and it is partly offset by the cessation of business with HMD (a Finnish company) and a decline in sales of phones to a major customer. In 2023, the Group booked an Expected Credit Loss allowance of US$137.8 million (US$54.6 million for the first half of 2023 and US$83.2 million for the second half of 2023) for accounts receivable from HMD. However, due to the dramatic decrease in sales of feature phones to HMD and repayment from HMD during the current period, there is a reversal of Expected Credit Loss allowance for HMD of US$1.3 million, which led to the turnaround of the result performance of the Europe Segment during the current period.

Since June 2023, in addition to requesting HMD to prepay before shipment, the Group has refrained from initiating new projects with HMD. The sharp decline in feature phone shipment to HMD has affected the sales in Europe segment. As phone shipments to HMD becomes minimal, HMD is no longer a major customer of the Group.

On the other hand, another major customer of the Group, a U.S.-based Internet company with a strong presence in the U.S. expanded its sales into Europe. Although demand weakened in the current period, the long-term outlook remains positive.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Review of Results and Operations *(Continued)*

Geographical Segments *(Continued)*

America Segment

For the America segment, core businesses include selling phones manufactured in mainland China and Vietnam to a prominent U.S.-based Internet customer which is a major customer, as well as providing robust after-market services. These services encompass reverse logistics, repair, and refurbishment for OEMs and carriers, along with manufacturing services in the North American region. These offerings deliver integrated solutions, providing American customers with end-to-end value-added manufacturing services and after-market services that cover the entire product life cycle through the Group's entities in the U.S. and Mexico. This major customer's focus on expanding its geographical reach and enhancing its product line up has resulted in increased market presence and growth across various markets, contributing to significant growth in shipments despite industry-wide challenges. The Group has a longstanding partnership with this customer and delivers comprehensive engineering and production services to provide premium smartphones that meet its demand for reliability and performance. To mitigate regional concentration risks, the Group leverages its competitive geographical advantages and operational excellence to support this customer.

Due to improved phone shipments to this customer, the recorded revenue of the Group's America segment in the current period was US$1,930.9 million, marking an increase of US$334.4 million or 20.9% compared to US$1,596.5 million for the same period last year. In 2024, sales of phones of this major customer showed significant growth in the U.S. market despite a general decline in overall phone sales. The North American handset market is mature, with longer replacement cycles. Due to the growth in sales, the profit for the current period was US$55.3 million, representing an increase of US$7.4 million compared with the profit for the same period last year. However, the performance of this segment was affected by the underperformance of the operation in Mexico.

Additionally, the Group provides robust after-market services, including reverse logistics, repair/refurbishment services, and manufacturing services in the North American region. These offerings deliver integrated solutions, offering American customers end-to-end value-added manufacturing services and after-market services that cover the entire product life cycle. Over the past several years, the Group has invested in and upgraded various manufacturing capabilities at the Mexico site to prepare for potential demand growth over the next five years. However, due to the market downturn, the business volume of major accounts dropped, and low-margin accounts became burdensome. High inflation also increased operational costs. The underperformance of this part of the business offset the positive contributions from the U.S.-based Internet customer. To reduce the losses of the after-market service business, we are reducing headcount to align with the needed size and capacity, improving operational efficiency and productivity. Additionally, we will rebuild our North American operations by highlighting the advantages and benefits to customers seeking regional solutions to differentiate with Asian supply chain solutions. Besides, aiming at medical industry, starting from providing EMS services and becoming FDA Certified site at CUU. And eventually be able to provide an end-to-end total solution service to medical industry customers.

Due to abovementioned favourable factors, the performance of the America segment had a positive impact on the Group's sales performance during current period. The Group will closely monitor the future development of this segment and assess the impact of this segment on the Group's overall performance and cash flow.

For more details, please refer to note 5 of "Revenue and Segment Information" to the consolidated financial statements.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Review of Results and Operations *(Continued)*

Peers

In the midst of the Group's transformation, the mobile phone business remains the major source of revenue. For better understanding, the Group has divided the peers into casing business and EMS business. In recent years, mainland China domestic labour costs and turnover rate have risen sharply, yet the efficiency of factory operations has not increased correspondingly, and the cost advantage of mainland China is no longer comparable with other countries in Southeast Asia like Vietnam and India. Besides, the smartphone market has already become very competitive and saturated. As a matter of fact, the Group's peers have already shifted their business to non-mobile phone products to improve profit margins and reduce operational and dependency risks.

Notably, affected by the adverse operating environment in the casing business and weak consumer electronics market, how quickly the Group's peers adapt to business changes has become a major criterion of success. One of the Group's peers has swiftly relocated its resource from smartphone component to new energy vehicle electronics components in 2023, and such change has kept this peer a stable revenue performance with a better profit margin. At the time of 2024 smartphone market recovery, this peer enjoyed the revenue and profitability growth from its phone business and new energy business.

As for the system assembly business of the OEM business model, it has a lower barrier to entry and lower profit margins compared to the casing business, and the capital required for operations is relatively high. In the highly competitive Chinese market, some peers are actively establishing production capacities outside of mainland China and are putting more effort into other high-margin and high-growth businesses, even leveraging their resources to expand into new industries. Most of the peers in the EMS business recorded better revenue growth in 2024. This was not only due to the recovery of the smartphone market but also benefited from their expansion into the high-growth, high-margin business, including automotive electronics, batteries, related components, intelligent cockpit systems, intelligent driving systems, photovoltaic inverters, new energy storage, AR/VR devices and servers. In summary, due to various external influences such as political tensions and sluggish demand, many of the Group's peers have adjusted their product and customer mix, as well as their overall business strategies. They have gradually reduced their dependence on the mobile phone business and developed alternative sales engines to adapt to the changing market conditions.

The Group has been closely monitoring market movements and continually optimising capacity utilisation in mainland China, India, and Vietnam, with enhancing the Group's vertical integration capabilities and aggressively developing new products and services for diverse customer segments including automotive electronics, robotics, AI, and next-generation communication technologies. In the casing business, the Group aims to diversify customers, products, and manufacturing sites, and is enhancing technology, processes, and materials, focusing on mechanical engineering strengths crucial for success, aiming to improve quality, efficiency, and customer responsiveness, while cutting mold cycle times and costs. As for EMS business, while currently there are only a few peers with existing overseas capacities or overseas capacities that are just being established, the Group can utilise the existing capacities in India, Vietnam, and other countries to capture first-mover advantages.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Review of Results and Operations *(Continued)*

Investments

On the basis that the value of each of the investments mentioned below as of 31 December 2024 was less than 5% of the Group's total assets as at 31 December 2024, the Company does not consider any such investment as a significant investment for the purposes of the Listing Rules.

Investments in Business relating to Nokia-branded Products

On 18 May 2016, the Group entered into an agreement with Microsoft Corporation (as seller) and HMD (as other purchaser) to acquire certain assets of the Nokia-branded feature phone business then operated by Microsoft Corporation, comprising a manufacturing facility in Vietnam and certain other assets that were optimise in the conduct of such feature phone business at a total consideration of US$350 million (US$20 million of which being payable by HMD). This transaction resulted to a goodwill of US$79.4 million. Due to the unsatisfactory performance in 2018 and based on the valuation carried out by an independent professional valuer, the Group has fully impaired the goodwill of US$79.4 million in its financial statements of 2018.

In August 2020, the Group purchased US$38.3 million worth of HMD's convertible bonds (the payment of which was deemed to be made through outstanding receivables of an equivalent amount). The convertible bonds were fully converted and currently, with the previous investments, the Group's total investment represented 14.38% of HMD's total issued shares.

With reference to the valuation carried out by independent professional valuers, the management has assessed the fair value of the investment in HMD as at 31 December 2024.

The investment team will continue to monitor the progress of its fund raising and business performance and liquidity.

Other Investments

As the Group has been expanding in different industries in recent years, strategic investment is one of the movements to develop new businesses and diversify the dependency on mobile phone and single customer.

For exploring more opportunity and business in Vehicle-to-Everything ("V2X") industry, the Group has made significant development. On 31 December 2021, the Group has closed the deal and introduced Stellantis N.V. ("Stellantis"), world's number 4 leading automakers and mobility provider, to invest US$40 million in Mobile Drive Group, which was automotive technology focused and wholly-owned by the Group. After closing, Mobile Drive Group has become a joint venture which is equally owned by the Group and Stellantis. The investment in Mobile Drive Group and the subsequent share of profits/losses of Mobile Drive Group will be accounted for by equity method in the Group's consolidated financial statements. Combining with wide resource and solid experience from both sides, Mobile Drive Group would rely on the expertise in wireless communication and automotive industry to focus on the software and hardware integration in smart cockpit and in-vehicle infotainment system, delivering the disruptive in-vehicle V2X solution to the entire industry, and the Group would become the strongest anchor partner to provide all the supports from the hardware manufacturing side.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Review of Results and Operations *(Continued)*

Investments *(Continued)*

Other Investments *(Continued)*

The Group invested US$1 million in CloudMinds Inc. ("CloudMinds"), a cloud-based AI robots operator in mainland China, founded in 2015. CloudMinds filed an IPO application with the U.S. Securities and Exchange Commission) in December 2019. However, due to the impact of COVID-19, global economic downfall, and U.S. sanctions, CloudMinds adjusted its IPO plan, and has completed recapitalisation and several financing rounds to enhance its technology development and financial status. In the reporting period, CloudMinds has completed its pre-IPO financing round, and is undergoing a new round to enhance its liquidity and overall financial stability. Despite the overall economic downturn in mainland China negatively impacting the robotics industry in 2024, CloudMinds continued to increase its sales efforts, implemented stricter budget management systems, and rigorously controlled R&D and G&A expenses, significantly improving its financials. Based on the recent performance, the management assessed the fair value of the investment in CloudMinds as at 31 December 2024.

Augentix Inc ("Augentix"), founded in 2014 in Taiwan, is a fabless multimedia System on Chip ("SoC") design company offering proprietary algorithms products with efficient intelligent vision applications. Thus, since the product introduction, it has been widely used in the field of home IoT, professional IP camera, and consumer surveillance by leading brands around the globe. Additionally, Augentix is extending its product offering to SoC solutions for automotive cameras, actively expanding the product mix. The Group invested around US$0.7 million in Augentix by subscribing Augentix's convertible note in December 2019 and the note has been fully converted to common shares in November 2020. Through this investment, the Group expects a deeper collaboration with Augentix to further develop in IoT and V2X industry. In the end of 2024, Augentix has successfully completed an anchor round of financing to reinforce its cash position and financial strength. With the financing support, Augentix is expected to expand its business scope and show notable growth this year. Augentix is actively working on the IPO process, aiming at listing in Taiwan in 2025. As at 31 December 2024, the Group's stake in Augentix is 0.97% on the fully diluted basis.

Gengde Electronics Co., Ltd. ("Gengde"), founded in 2009 in mainland China, specialises in design and processing of components and molds for smartphones, laptops, and wearable devices. With exceptional design capabilities and advanced processing techniques, Gengde has become a key supplier for leading smartphone brands in mainland China, leveraging extensive production resources across the country. In 2015, the Group invested approximately US$4 million in Gengde through equipment valuation, sharing resources to expand the consumer electronic product business in mainland China. In 2023, with increased orders from major customers, Gengde experienced substantial revenue growth and successfully turned a profit. In 2024, Gengde experienced significant growth in revenue and profit, and successfully secured an investment from its strategic partner.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Review of Results and Operations *(Continued)*

Investments *(Continued)*

Other Investments *(Continued)*

Kai Hong Energy Co. ("Kai Hong") is a green energy investment platform established in Taiwan in 2024 by CDIB Capital Group and Hon Hai. It is the pioneer of cross-industry collaboration between the financial and technology sectors in Taiwan. The primary investment targets are in the fields of solar energy, wind energy, and energy storage, aiming to assist enterprises in achieving net-zero carbon emission goals. Kai Hong has attracted the favour of many investors, including companies from the panel, memory, automotive, semiconductor foundry, electronic manufacturer and financial industries. The Group committed to investing US$3.85 million in Kai Hong and completed the second capital injection in the second half of 2024. By stepping into the sustainable development of the green energy industry, the Group hopes to secure a stable supply of green electricity to achieve the RE100 (100% renewable electricity) goal in the coming years. For further details, please refer to the announcement of the Company dated 26 April 2024.

The Group also made certain investments in other companies designated as fair value through other comprehensive income ("FVTOCI") mainly in mainland China, India and the U.S. in the past few years. In mainland China, the Group's investments primarily focused on the smart home, smart healthcare, AR, and robotics fields, including a smart home company that provides smart door locks and other IoT products, a technology company that provides educational robots, a company that provides medical devices for people with myopia, and a company that provides AR glasses and components. In India, the Group's investments mainly include a data-driven advertising technology company. In the U.S., the Group's investments mainly include a digital photography company that has developed a multi-lens and multi-sensor camera designed for embedding in automotive fields, and a high-end Android smartphone company led by a group of experienced experts in the mobile industry.

Among the characteristics that the Group looks for in determining the attractiveness of investment candidates are complementary technology ancillary to and in support of the Group's business operations and new business including IoV; favourable long-term growth prospects; and cultural fit with the Group. The Group has an experienced investment team and has prioritised investments of comparatively low risks and with long-term growth prospect which may take years before the investment can be realised. As a whole, the Group will be cautious on expanding its investment portfolio to create synergies but at the same time to cope with the possible uncertain economic environment and volatility of the capital market. At this stage, the Group does not currently have any plan for a significant investment contemplated by the Listing Rules.

As at 31 December 2024, the fair value of the Group's equity investments designated as FVTOCI was US$56.7 million, which represented 1.5% of the Group's total assets.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Review of Results and Operations *(Continued)*

Compliance with Relevant Laws and Regulations

During the current period, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the Group, examples of which include those relating to foreign investment, taxation, import and export, foreign exchange control and currency conversion restrictions and repatriation controls on foreign earnings and intellectual property in the principal jurisdictions in which the Group's operations and investments are situated, and (as the shares of the Company have been listed and traded on the Stock Exchange) applicable requirements under the Listing Rules and the SFO.

The Group has been operating multi-nationally (coupled with investments) in its principal operating segments, namely Asia, America and Europe. In particular, the Group's legal structures, investment structures, funding arrangements, business models, supply chain and general operations have been structured and optimised in a tax efficient, cost-effective and robust manner, taking into account (among other things) commercial and financial perspectives and applicable legal/regulatory requirements in the relevant jurisdictions. The Group's major operating subsidiaries fall under different tax regimes in mainland China, Taiwan, India, Vietnam, Mexico and the U.S., where different tax laws and regulations as well as specific concessionary incentives apply.

During the current period, as advised by the relevant local legal and tax departments of the Group, the newly promulgated local laws and regulations applicable to the Group's operations in the mainland China, India and Vietnam (being the jurisdictions which are considered, in terms of the scale of businesses and operations as well as the number of employees, factory units and office units, to reflect the comparatively significant impacts of the Group's overall business unit/group operations) that have a significant impact on the Group are highlighted and summarised as follows:

Mainland China

In relation to the mainland China value-added tax ("VAT"), please refer to the background and previous developments as described in page 116 of the Company's 2023 interim report as issued and published on 14 September 2023. On 25 December 2024, the VAT of the People's Republic of China was passed by the Standing Committee of the 13th session of the 14th National People's Congress and will take effect on 1 January, 2026. Major changes in the new VAT law compared to previous regulations include incorporating the protection of taxpayers' rights into the legislative purpose, clarifying the standards for defining "taxable transactions within mainland China" and statutory non-taxable situations, promoting the implementation of electronic invoicing, requiring that VAT amounts be separately listed on transaction vouchers per the State Council's regulations, allowing the option to retain or refund excess input VAT over output VAT, and specifying the scope of non-deductible input tax. The implementation of the new law may impact certain business operations, such as the deductibility of loan services and the simplified taxation for legacy real estate projects. Ongoing attention to supplementary and detailed regulations will be necessary. In light of the foregoing, during the transition period, the Group's subsidiaries in mainland China must thoroughly study the VAT law, closely monitor subsequent detailed rules, and promptly adjust execution strategies to ensure compliance with the new legal framework.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Review of Results and Operations *(Continued)*

Compliance with Relevant Laws and Regulations *(Continued)*

Mainland China *(Continued)*

The revised Company Law of the mainland China (hereinafter referred to as the "New Company Law") and the "Regulations of the State Council on the Implementation of the Registered Capital Registration Management System of the 'Company Law of the People's Republic of China'" (hereinafter referred to as the "Regulations") have been implemented on 1 July 2024. The New Company Law and the Regulations will bring a universal impact on all mainland China companies (including foreign-invested entities), covering substantial changes in areas such as corporate governance, capital contribution, management responsibilities, corporate information disclosure, corporate litigation and registrations. In particular, the governance structures and constitutional documents of the Group's mainland China subsidiaries being foreign-invested entities (Group FIEs), together with their respective business, legal or compliance models and practices, shall be adjusted to accommodate the corresponding requirements under the New Company Law, which may imply additional costs of legal/regulatory compliance. Pursuant to the New Company Law and the Regulations, the Group will take into account the actual circumstances, and ensure that the Company's operations would comply with the New Company Law and the Regulations through measures such as revising the articles of association of the Company in force for the time being (the "Articles"), optimising the governance structure, and strengthening the responsibilities of directors, supervisors, and senior executives etc. At the same time, it is also necessary to pay close attention to subsequent legislative trends and detailed regulations of the regulatory authorities, and adjust implementation strategies in a timely manner to ensure a smooth transition.

In respect of the mainland China Foreign Investment Law which took effect on 1 January 2020 (FIL), please refer to the background and previous developments as described in page 116 of the Company's 2023 interim report as issued and published on 14 September 2023. In particular, the governance structures and constitutional documents of the Group FIEs, together with their respective business, legal or compliance models and practices, shall be adjusted to accommodate the corresponding requirements under the mainland China Company Law, which may imply additional costs of legal/regulatory compliance. According to the Company Law, group foreign-invested enterprises in the form of companies with limited liability registered and established before 30 June 2024, are granted a 8-year transition period (i.e. 1 July 2024 to 30 June 2032) for compliance with the mainland China Company Law in effect at that time; group foreign-invested enterprises in the form of companies limited by shares registered and established before 30 June 2024, are granted a 3-year transition period (i.e. 1 July 2024 to 30 June 2027) for compliance with the mainland China Company Law in effect (currently the New Company Law. With effect from 1 July 2024, if a newly established group foreign-invested enterprises is established in the form of a company with limited liability, the capital contribution shall be paid in full within five years from the date of establishment of the company; if it is established in the form of a company limited by shares, the founders should pay the full amount of the shares subscribed by them before the establishment of the company, in order to comply with the mainland China Company Law currently in effect (currently the New Company Law). As mentioned above, the Group FIEs have been assessing the impacts of the FIL and (as mentioned above) the New Company Law and (as appropriate) will devise and implement appropriate corporate initiatives and actions.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Review of Results and Operations *(Continued)*

Compliance with Relevant Laws and Regulations *(Continued)*

India

In July 2024, the Indian government promulgated the "Vivad Se Vishwas" (the "VSV") Scheme 2.0 to tackle the growing backlog of pending tax disputes. This scheme offers taxpayers an opportunity to resolve disputes with the Income Tax Department by paying a specified percentage of the disputed amount – typically 110% or 120% – depending on the nature of the case. The initiative aims to promote faster dispute resolution, reduce litigation, and provide relief by allowing settlement of disputes with waivers on penalties and interest along with the principal tax amount. Accordingly, the Company has filed an application for some pending cases regarding income tax in accordance with the VSV to reduce the penalties and interest.

Vietnam

On 29 November 2023, the Vietnam National Assembly issued the Resolution No. 107/2023/QH15 on application of additional corporate income tax in accordance with the Global Base Erosion (GloBE) Rules on Global Minimum Tax (GloBE Rules), becoming effective from 1 January 2024. As appropriate, additional taxes will be imposed on the taxable income (if any) of the Group's Vietnamese subsidiaries and paid by the end of 2025. This may increase tax costs of the Group's Vietnamese subsidiaries. However, the Vietnamese government is also developing policies to amend the local corporate income tax law to support businesses (including those of the Vietnamese subsidiaries) which have been adversely affected by the imposition of the aforesaid additional corporate income tax pursuant to the GloBE Rules.

In relation to the policy of reduction of VAT from 10% to 8% which took effect from 1 July 2023, please refer to the background and previous development as described in pages 116 and 117 of the Company's 2023 interim report as issued and published on 14 September 2023. According to the Vietnamese Assembly's Decree Resolution No. 174/2024/QH15 dated 30 November 2024, the said policy will continue to be applicable from 1 January 2024 till 30 June 2025. It follows that the Group's Vietnamese subsidiaries and their customers could continue to enjoy the cost-saving benefits derived from such VAT reduction for a longer period.

In addition, on 30 June 2024, the Vietnamese government issued Decree 74/2024/ND-CP ("Decree No. 74"), regulating the regional minimum wage ("RMW") for employees working under labour contracts, effective 1 July 2024. Decree No. 74 establishes different minimum hourly and monthly wages for the four designated areas in Vietnam. The Group's Vietnamese subsidiary, Fushan has implemented Decree No. 74. Consequently, as Fushan is located in Area II, it has adopted the RMW of 4,410,000 Vietnamese Dong ("VND") per month and 21,200 VND per hour, resulting in an approximate 6% increase in labour costs. The rise in labour costs constitutes a minimal proportion of the total annual employment expenses.

Apart from the above, the Group also takes into account the relevant laws and regulations regarding global transfer pricing, in order to ensure efficiency and sustainability of the operating models and global tax footprint as well as sufficient tax risk management. During the current period, apart from the above, there were no major changes in applicable tax laws and regulations which have a significant impact on the Group's tax expenses, and the Group will continue to monitor possible impacts and implications arising from applicable

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Review of Results and Operations *(Continued)*

Compliance with Relevant Laws and Regulations (Continued)

new and/or revised tax laws and regulations. Also, the Group has been closely following the global and local level developments following the Base Erosion and Profit Shifting ("BEPS") Action Plans of the Organisation for Economic Cooperation and Development ("OECD"). The Group is committed to duly comply with applicable laws and regulations introduced or updated in relation to the BEPS Action Plans (including Pillar II, which is further elaborated in the section 'Risk and Opportunities in 2024 – Other Risk Factors'), as well as fulfilling the relevant documentation requirements stipulated by the local transfer pricing rules and Country-by-Country Reporting ("CbCR") obligations in the jurisdictions where the Group operates. The Group falls within the CbCR scope of the Company's ultimate controlling shareholder, Hon Hai, for such purposes.

The Group will continue to monitor compliance with all these relevant laws and regulations on an on-going basis.

Liquidity and Financial Resources

The Group centrally manages its funding and treasury activities in accordance with corporate policies. The primary objectives are to ensure appropriate levels of liquidity, maintain adequate funds available for working capital or other investments at reasonable costs required to grow business growth, balance exposures to market risks, uncertainties, and volatilities. Additionally, the Group implements hedging strategies to mitigate foreign exchange risk. It also focuses on reducing external borrowings to lower interest expenses, preserving a healthy capital structure, staying updated on regulations affecting treasury operation, and ensure compliance with financial reporting standards.

As at 31 December 2024, the Group had a cash balance of US$1,516 million (31 December 2023: US$1,845 million) and a bank deposit of US$169 million (31 December 2023: US$50 million). Free cash flow, representing the net cash from operating activities of US$362 million (31 December 2023: net cash from operating activities of US$103 million) minus capital expenditure of US$125 million (31 December 2023: US$93 million), was US$237 million inflows (31 December 2023: US$10 million inflows). This inflow was primarily due to collections from trade receivables exceeding payments on trade payables. The Group possesses ample cash to finance its operations and investments. The Group's gearing ratio, calculated as a percentage of interest-bearing external borrowings of US$341 million (31 December 2023: US$704 million) over total assets of US$3,822 million (31 December 2023: US$4,319 million), stood at 8.9% (31 December 2023: 16.3%). All external borrowings were denominated in USD (31 December 2023: USD). The Group borrowed as per actual demand and there were no bank committed borrowing facilities and no seasonality of borrowing requirements. To reduce our bank loan amount (and thereby lower interest expenses), we will increase engagement in global cash management. This involves repatriating funds from subsidiaries that have no new investment plans back to the parent company. Before repatriating profits from Chinese or overseas subsidiaries, we will comply with the respective local laws and pay the required taxes. The outstanding interest-bearing external borrowings were all at a fixed rate ranging from 4.90% to 5.15% (31 December 2023: fixed rate ranging from 5.96% to 6.25%) per annum, with an original maturity of one month (31 December 2023: one to seven months). As at

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Liquidity and Financial Resources *(Continued)*

31 December 2024, the Group's cash and cash equivalents were predominantly held in USD, RMB and INR. Net cash from operating activities during the current period totalled US$362 million. Net cash used in investing activities during the current period was US$221 million, of which, mainly, US$125 million represented the expenditures on property, plant and equipment related to the facilities at the Group's major sites in mainland China, Vietnam and India, US$120 million represented net cash outflow to bank deposits, US$2 million represented purchase of equity instruments at fair value through other comprehensive income, US$16 million represented proceeds from disposal of property, plant and equipment, and US$10 million represented dividend income from an associate. Net cash used in financing activities during the current period was US$428 million, primarily due to a net decrease in bank borrowings of US$362 million, payments for repurchase of ordinary shares of US$1 million, interest paid on bank borrowings of US$62 million, and repayment of lease liabilities of US$3 million.

Exposures to Currency Risks and Related Hedges

As inflation has reached a 40-year high in U.S., the FED has consistently raised interest rates to counter the negative impacts of inflation. Consequently, the USD has strengthened against all other major currencies around the world. To mitigate foreign exchange risks, the Group actively employs both natural hedging technique and financial methods to manage its foreign currency exposures. This includes entering into short-term forward foreign exchange contracts (usually with tenors of less than four months) from time to time to hedge against the currency risks arising from its operations and investments denominated in foreign currencies.

Capital Commitments

As at 31 December 2024, the capital commitments of the Group were US$22 million (31 December 2023: US$32 million). Typically, the capital commitments were funded by cash generated from operations.

Pledge/Charge of Assets

There was no pledge nor charge on the Group's assets as at 31 December 2024 and 31 December 2023.

Contingent Liability

There was no material contingent liability for the Group as at 31 December 2024 and 31 December 2023.

Donations

For the year ended 31 December 2024, the Group made donations for charitable or other purposes to a total amount of approximately US$8,600.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Outlook and Industry Dynamics

Industry Dynamics

Macroeconomic Headwinds

The global economic outlook for 2025 demonstrated modest growth in spite of significant risks. According to United Nation's World Economic Situation and Prospects published in January 2025, global economic growth is forecast at 2.8% for 2025, a slower pace than the pre-pandemic average of 3.2%. Several factors are projected to influence the global economy in 2025, most importantly, the new U.S. administration starting to deliver on its election promises, such as announcing reciprocal tariffs on trade. Meanwhile, inflation continues to normalise yet the progress might be slow and may vary across countries, and the FED is expected to move more cautiously on interest rate cuts in 2025. Additionally, mainland China is confronting the possibility of a gradual slowdown in economic growth. Although recent policy easing measures are anticipated to offer some modest support, low consumer spending and continuing weakness in property sector will exert downward pressure on growth in 2025. Furthermore, geopolitical tensions, including ongoing conflicts and trade disputes, continue to pose risks to global stability and trade flows.

ODM/OEM/EMS Industry Review and Challenges

The ODM, OEM, and EMS industry, a cornerstone of the global technology supply chain, continues to navigate a complex and challenging landscape. Characterised by low entry barriers, razor-thin profit margins, and intense competition, the industry faces relentless pressure to innovate while maintaining cost efficiency. This pressure is exacerbated by mainland China's formidable low-cost manufacturing capabilities, which compel OEMs worldwide to reduce profit margins to secure contracts with major brands. As a result, scale has become a critical factor for survival, particularly during market downturns.

The growing emphasis on sustainability and green manufacturing has further driven the industry to reassess its production methods, adopt renewable energy solutions, implement waste management practices, and invest in new equipment to meet evolving customer demands. Geopolitical tensions have compounded these challenges with government implementing export bans, sanctions, and tariffs, leading to supply chains disruption and causing production delays as well as limited access to essential components. These tensions further necessitate the industry's swift responses to maintain production capacity. In addition to these pressures, the industry faces rising domestic production costs, a shortage of skilled labour, and growing consumer demands for customised products and rapid technological advancements. These factors, combined with an insufficient supply of grassroots employees and rising wages, have created significant bottlenecks in the sector's development.

To address these challenges, the Group has implemented a comprehensive strategy to sustain its competitive edge. This includes accelerating automation efforts, developing advanced industrial robotics, and constructing smart factories to boost production efficiency. The Group's global footprint allows it to mitigate geopolitical risks by flexibly adapting its production strategies. Furthermore, the Group has intensified efforts to monitor economic conditions and consumption trends while enforcing stringent cost management measures.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Outlook and Industry Dynamics *(Continued)*

Industry Dynamics *(Continued)*

Smartphone Market Outlook

According to the International Data Corporation ("IDC") report published in January 2025, global smartphone shipments in 2024 beat all previous estimates, which have been revised five times, starting from 3.8% in November 2023 to 6.2% in November 2024, ending up with a year-over-year 6.4% growth to 1.24 billion units, despite 2024 being a tumultuous year marked by significant challenges. The growth was led by brand companies who heavily implement marketing campaigns, including promotion, interest-free financing, introduction of more low-end devices for the emerging markets, and aggressive trade-ins to boost consumer demand. For 2025 smartphone market estimate, IDC remains optimistic as it believes the refresh cycles and pent-up demands is still left to be fulfilled. However, IDC also highlighted that the new U.S. administration poses uncertainties for brand companies as new or increased tariffs might be introduced. This uncertainty materialised when the newly inaugurated U.S. government announced reciprocal tariffs on trade, adding further challenges and fluctuations to the smartphone market.

The fierce competition, particularly from ODM/OEM/EMS peers, has created additional pressure on the Group's business. This competitive landscape may slow new customer acquisition, especially among rapidly growing smartphone vendors. Furthermore, the Group faces competition from the manufacturing operations of its current and potential customers, who constantly evaluate the advantages of in-house manufacturing versus outsourcing, and OEM versus ODM models. Moreover, the smartphone industry's dynamic and competitive nature has led to industry consolidation. This consolidation has resulted in larger, more geographically diverse competitors with significant combined resources, intensifying competition against the Group and potentially pressuring the supply chain. These developments have impacted the Group's sales, sales mix, and customer mix, potentially leading to margin pressure, reduced market acceptance of its services, profit compression, and loss of market share.

To address these challenges and mitigate the impact of price erosion on gross margins, the Group has implemented several strategies. It has maintained a lean and agile structure through restructuring and organisation optimisation. Additionally, the Group has shortened the cycle time of new product development to align with customers' product launch schedules and reduce time to market. Moreover, it has focused on the "2+2" strategy and continued to develop three key business categories to prioritise new customer development and cost optimisation. The Group will continually monitor market competition conditions to respond effectively to industry changes.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Outlook and Industry Dynamics *(Continued)*

Risk and Opportunities in 2025

Macroeconomic Risk Factors

(I) The Group's success depends on its customers; however, its customers' outsourcing strategies continue to change in response to the general economy, government policy and end consumer demand. The prolonged high interest rates and shifts in consumer confidence have dampened consumer spending, affecting demand for consumer electronic goods, particularly for mobile phones, a market that is already saturated.

(II) The geopolitical landscape remains fraught with tensions that continue to impact global trade. Ongoing disputes between major economies and escalating regional and global conflicts are reshaping international relations and business environments. The Russia-Ukraine conflict, U.S.-China tensions, and instability in the Middle East, all have influenced and continue to impact global trade, energy supplies and investor confidence. The sanctions, trade barriers, and shifts in global alliances also push supply chain issues and further strain global markets. These factors are destabilising economies, influencing supply chains, and reducing consumer purchasing power thereby dampening overall demand and adding a layer of uncertainty to market dynamics.

Industry-Specific Risk Factors

(I) As mobile phones have become commoditised and highly homogenised with standardised specifications, the low entry barriers have made the contract manufacturing industry crowded with numerous global and regional players. Mobile phone ODM/OEM is now coupled with keen market competition, surplus capacity among peers, and the ability to bargain with the shrinking number of brand customers is challenged. All of these factors have kept pricing pressure high and led to unprecedented gross margin erosion to the Group.

(II) The sales recovery of the Group has been limited by already challenging smartphone market conditions, which have been worsened by sluggish demand due to the threat of inflation, prolonged high interest rate, consumption downgrade, extended phone replacement cycles, and the incremental upgrades in hardware and features make differentiation harder, intensifying competition.

Customer Related Risk Factors

(I) Some customers may insource previously outsourced business or future productions to optimise capacity and save costs. Increased frequency of customers diverting business to competitors, insourcing, or price erosion pressures lead to sales drop and further restructuring or organisation optimisation. Maintaining bargaining power with these existing customers is challenging in a competitive market with surplus manufacturing capacity, weak and shrinking demand. Competitive pricing pressures from peers in mainland China and India reduced market revenue potential, keeping pricing pressure high.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Outlook and Industry Dynamics *(Continued)*

Risk and Opportunities in 2025 *(Continued)*

Customer Related Risk Factors *(Continued)*

(II) Customer concentration poses risks. In recent years, one of the Group's major customers switched to new manufacturing partners in mainland China and India, causing a dramatic drop in sales to this customer. In addition, as the Group strategically works to improve its customer portfolio, the Group also lost customers. Those changes led its factories to become increasingly underutilised and severely idle, and the Group has already been consolidating the sites.

The Group is developing new customers and products, diversifying beyond mobile phones into areas like automotive electronics and manufacturing equipment/robotics. Building relationships with new customers presents risks, as their untested products may fail to gain market acceptance, impacting demand forecasting and inventory planning. Additionally, cutting-edge technology fields are often driven by startups; however, the financial condition of startup customers may pose credit risks. The Group actively monitors credit positions, late payments, and potential default risks.

(III) Due to its own capacity planning, Hon Hai may adjust its outsourcing strategy, insource operations, and reduce or even terminate its business with the Group.

Other Risk Factors

(I) Regarding cyber risk, the Group has an information/cyber security policy to protect financial data and business information. Employees must follow an IT department handbook to manage cyber security risks and ensure network control. The IT department also has procedures for immediate response to cyber-attacks. All computer servers are in a Local Network Area (Intranet) with a redundant firewall design. A Global Security Operation Centre (GSOC) monitors networks for attacks, and the IT department reports monthly on cyber incidents. A disaster recovery plan is in place to ensure quick and effective responses to minimise harm and restore operations, ensuring continuous business operations.

(II) The Group faces financial impacts from its under-utilised and unutilised assets. To address this, the Group has been devising plans and implementing measures as part of its ongoing rightsizing/restructuring efforts, including site consolidation or possible disposal of any such assets, with the aim of improving overall financial health of the Group.

(III) Changes in market/legal/regulatory/compliance/government/tax policy and the need to pay dividend withholding tax when remitting dividends to parent companies. The Group remits dividends to parent companies in compliance with applicable tax regulations, ensuring the payment of the relevant withholding tax. Pillar Two is part of the OECD's BEPS 2.0 project, which aims to ensure that multinational enterprises are subject to a minimum tax rate of 15% per jurisdiction regardless of where they operate. In respect of the year ended 31 December 2024, Pillar Two legislation has become effective in certain jurisdictions in which the Group operates, such as Vietnam, and the current income tax exposure is assessed to be immaterial.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Outlook and Industry Dynamics *(Continued)*

Risk and Opportunities in 2025 *(Continued)*

Other Risk Factors *(Continued)*

For the remaining jurisdictions where the Group operates, such as Hong Kong, Pillar Two is effective from 1 January 2025 (i.e. for the year ending 31 December 2025). The Pillar Two effective tax rate and top-up tax are calculated on a jurisdictional basis for the entire group (i.e., the Hon Hai Technology Group). However, if there is any potential top-up tax for the entire Hon Hai Technology Group, it is possible that the Hon Hai Technology Group may further allocate or recharge the relevant tax to the respective entities that contribute to the top-up tax. Due to the complexity in applying the legislation, the Group is in the process of assessing the detailed impact of the rules and thus the quantitative impact of the enacted or substantively enacted (but not yet in effect) legislation is not yet reasonably estimable. The Group would continue to analyse and assess the impact brought about by Pillar Two.

The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Opportunities

With all the efforts implemented in recent years, in 2024, the Group has witnessed promising business progress in smart manufacturing, automotive electronics, and manufacturing equipment/robotics business categories, not to mention the next-generation communication technologies. The Group's presence at CES 2025 was met with great guests, opening doors to numerous collaboration opportunities with leading automotive brands. Beyond the successful mass production and shipment of the T-BOX, the Group has expanded its portfolio of automotive solutions to include cutting-edge products such as IVI systems, CCU, ZCU, HPC, and more.

After the successful implementation of the Group's AI-enabled robotics solution, the FIH Robotics AI recycling Robot, at New Taipei City's first AI-based material recovery in Taiwan, the Group has received significant recognition from international customers. As a result, several implementation project discussions have been initiated in the U.S. in 2024. Undoubtedly, the AI expertise and automation technology the Group has developed over decades of manufacturing experience will provide a competitive advantages as it expands into other industries. Furthermore, the Group's efforts in developing solutions for the LEO satellite ecosystem have paid off with the low-orbit satellite user terminal (UT) successfully showcased at the TASTI. Building on the recent significant achievements across its three business categories, the Group is committed to further leveraging manufacturing expertise, hardware/software integration, automation, AI and communication technology to enhance its customer base and expand our market share.

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Outlook and Industry Dynamics *(Continued)*

1H 2025 Outlook

With the support of the Board and management team, the Group has revisited its core strengths and identified its product, technology, customer, business and operating strategies to overcome the unsubtle environment. Based on currently available information, the Company believes that there is a realistic likelihood of a mild year-on-year decline in FY 2025 sales due to the proactive optimisation of its customer portfolio as it prudently engages with customers aligned with its strategic objectives. However, the changes in customers and products are expected to improve gross margins. Additionally, through operating expense reductions, the Group is improving efficiency and maintaining financial resilience. It is expected that all these initiatives will lead to an improvement in its financial results in 1H 2025 compared to the same period last year. From a business perspective, the Group has actively expanded into automotive electronics, manufacturing equipment/robotics, and next-generation communication technologies. The Group is continuously investing in mid-term and long-term technology advancement, expanding its automation production capacity to meet customers' needs, and actively developing new customers across different industries, thereby diversifying both its customer and product base. All these efforts are expected to lead to positive outcomes in the coming years, including an overall improvement in operational and financial performance.

In the meantime, pursuant to applicable disclosure requirements laid down by the Taiwan Stock Exchange Corporation, Hon Hai is required to disclose in due course (which is currently expected to be in or about May 2025) certain unaudited consolidated financial information of the Group for 1H 2025, and simultaneously upon such disclosure in Taiwan, the Company will announce the same financial information in order to facilitate timely dissemination of information to investors and potential investors in Hong Kong and Taiwan.

The Company wishes to take this opportunity to reiterate and explain that the Group's quarterly performance may vary (possibly significantly) depending on various factors, including without limitation the following, individually and collectively, and some of which are beyond the Company's control: Looking forward, the macro-environment in 1H 2025 will likely remain uncertain and challenging, and consumer demand will likely to remain weak. New and unpredictable risks, challenges and threats emerge from time to time, including unforeseen changes in tariffs impositions, which could further impact costs and market dynamics. It is not possible for the Company's management to predict all such factors or to assess their impact on the Group's business. Additional risks and uncertainties not presently known to the Company or not currently viewed as material might also affect the Group's business, cash flows, results of operations and financial condition.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

BUSINESS REVIEW *(Continued)*

Environmental Policies and Performance

ESG Committee

The ESG Committee, also known as the Sustainability Committee, operates under the authority of the Company's Chairman. The principal duties of the ESG Committee are to monitor ESG-related performance, strategies, policies, targets, regulations and quarterly progress of the Group; to establish and implement the Group's ESG-related development plan which is integrated with its operational strategy; to monitor communications with stakeholders, and coordinate resources integration among the ESG Committee, internal business units and functional units; and to report ESG-related matters to the Board quarterly. Starting from 2024, the ESG Committee has implemented more frequent review of the Group's ESG-related matters, transitioning from an annual basis to a quarterly basis. Additionally, the ESG Committee has increased the frequency of reporting on the Group's ESG-related matters to the Board, also moving from annual reporting to quarterly reporting. Increasing the frequency of review and reporting of ESG-related matters can foster better interactions between the ESG Committee and the Board as well as ensure that the Board could have a better understanding of the Group's ESG-related matters in a timely manner and (as appropriate) provide guidance, instructions and/or comments to the ESG Committee for the latter's further action.

Sustainable Operational Goals and Strategies

The Group's business strategy is firmly grounded on values of sustainable development as awareness of ESG issues arises on the global agenda, including customers' decarbonisation pledges and requests in the supply chain. A robust corporate governance framework is essential to drive sustainable initiatives whilst taking the interests of all significant internal and external stakeholders, namely employees, customers, suppliers, shareholders/investors, government, non-governmental organisations/charities and media into account. The Group is committed to the United Nations Sustainable Development Goals (UNSDGs) and has taken active steps to achieve sustainable management. To this end, the Group has been developing ESG development strategies and plans, as well as enhancing specific targets in the three key areas of "Environment", "Social" and "Governance".

Global Code of Conduct and Responsibility Standards

The Group acknowledges and is committed to fulfilling its social and environmental responsibilities as a responsible corporate citizen and a global industry leader. This commitment involves integrating good governance practices across all facets of its operations and the Group. The overarching objective of the Company's Global Code of Conduct (the "Global CoC"), applying to the Group and concerning ESG and Corporate Social Responsibility ("CSR"), is to serve as a guiding reference for all levels of the Group's management and employees. The Global CoC stands as the cornerstone of the Group, embodying its commitment to ethical business practices, responsible corporate governance, and sustainable operations. Also, the Global CoC is established with the incorporation of international initiatives, including the policies related to business ethics, labour and human rights, health and safety, environment, management systems, responsible sourcing of minerals, anti-corruption, anti-slavery and community engagement.

BUSINESS REVIEW *(Continued)*

Environmental Policies and Performance *(Continued)*

Global Code of Conduct and Responsibility Standards *(Continued)*

To explicitly interpret the requirements of the Global CoC and supplement its definitions, the Group has also set the Responsibility Standards (the "Standards") to ensure that its business is in accordance with ethical, professional, and legal standards in all aspects. This fosters positive relationships with key stakeholders and implements the principles into the Group's daily operations. In alignment with international trends and the Group's commitment to promoting social responsibility, all employees and suppliers are required to conduct business operations and work behaviour in accordance with the Global CoC and the Standards.

As stipulated in the Global CoC, the Group upholds the human rights of employees, and treats them with dignity and respect as understood by the international community. In this respect, the Group has adopted the Chapter on Employee Human Rights (the "Chapter") which covers (among other things) beliefs and key requirements in support of the Company's core commitment to uphold and promote respect for human rights.

Environmental Management

Maintaining environmental sustainability is the Group's primary priority. In order to minimise the negative effects of the Group's operations on the environment and natural resources, the Group has adopted a systematic approach to incorporating green and sustainable practices into its operations. These measures include environmentally friendly product design, greenhouse gas ("GHG") emission reduction, process management, energy and resource management, and supply chain management. The Group aims to meet international standards set forth by the ISO14001 environmental management systems and the European Eco-Management and Audit Scheme.

To make sure that the Group's operations comply with the Global CoC, the Group proactively monitors the following critical areas: air pollution control; energy management; GHG emission reduction; waste management; and water treatment and utilisation. According to the Global CoC, the Group has put in place particular policies and guidelines which are strictly adhered to across its supply chain, which includes the procurement, production and delivery processes.

As a member of the Hon Hai Technology Group, the Group has been included into the Hon Hai Technology Group's climate change-related commitments and targets, including the Science Based Targets initiative ("SBTi") and Climate Action 100+. By joining the SBTi and Climate Action 100+, the Group continues to strengthen its climate change governance, implement GHG emissions reductions throughout the value chain, and disclose information in accordance with the framework of the Task Force on Climate-Related Financial Disclosures ("TCFD", which is incorporated into IFRS S2), and aligning the Hon Hai Technology Group's SBTi target of achieving net-zero GHG emissions by 2050. The Group strives to meet its energy-efficiency targets, which are communicated to the Group's business units and relative departments. Through policies, systems, and measures (such as the implementation and maintenance of the ISO 50001 energy management systems), the Group actively promotes energy efficiency management, the use of renewable energy, and the corresponding reduction of GHG emissions. The Group also monitors, reviews and evaluates the energy use of each business unit/group, rewarding top performers, and utilising a variety of energy-saving and GHG emission reduction technologies.

BUSINESS REVIEW *(Continued)*

Environmental Policies and Performance *(Continued)*

Environmental Management *(Continued)*

The Group strictly controls and monitors any air pollutants which may be produced during the manufacturing and transportation processes. The functioning of air pollutant emission systems is also under regular examination. The Group actively supports the reduction and reuse of wastewater, and uses reclaimed water across its production lines to reduce the environmental impact during operation. Wastewater is characterised, monitored, controlled, and treated as required before discharge or disposal, and the Group would conduct routine monitoring of the performance of its wastewater treatment and containment systems to ensure optimal performance and regulatory compliance. In accordance with the Group's solid waste management principles, solid wastes, chemicals and hazardous materials should be differentiated, controlled, reduced, disposed of, transported, stored and recycled. All relevant waste is treated and disposed of in compliance with related environmental laws and regulations. The Group strives to optimise waste recycling, and convert waste into useful resource inputs by leveraging design and technology. In 2024, the Group's seven operating sites obtained UL 2799 (Zero Waste to Landfill) certificates, demonstrating its commitment to improved waste management.

Sustainable Product Management

To fulfil the environmental requirements set by the regulators, customers, industry, and other stakeholders, the Group has established specialised divisions to ensure compliance with various regulations, including the "Product Quality Law of the People's Republic of China", the European Union's "Restriction on Hazardous Substances Directive" (RoHS) and the European Union's Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) Regulation, restrictions on the use of conflict minerals as well as Halogen-Free (HF) certifications and GHG emission reduction expectations. The outcomes of these endeavours are transformed into practical internal measures that can be effectively incorporated and implemented within the Group's operations.

Climate Change

The Group's Enterprise Risk Management ("ERM") Team and ESG Committee are responsible for monitoring and managing climate-related risks. They oversee the Group's sustainable transition and develop a Net Zero pathway to mitigate the effects of climate-related risks while exploring opportunities. Additionally, they identify, evaluate, and mitigate significant climate risks that could impede the Group's climate-related business and strategic objectives. Furthermore, they support the Board in managing climate-related risks by identifying issues and assessing their impact on the Group.

The Group emphasises the significance of assessing and managing climate-related risks to enhance business resilience. The ERM Team has conducted analyses to identify both physical and transition risks. Moreover, the Group has initiated proactive evaluations of potential impacts and is preparing for risk management measures.

To manage the identified potential climate risks, the Group has taken several measures, such as conducting property damage assessments and upgrading energy management systems. In order to strengthen operational resilience and pursue potential business growth, the Group is actively exploring climate-related opportunities.

BUSINESS REVIEW *(Continued)*

Environmental Policies and Performance *(Continued)*

Climate Change *(Continued)*

The Group has implemented the TCFD framework and will continue to incorporate it into its ESG Report. By conducting both qualitative and quantitative analyses of climate risks, the Group may update its operational strategy and management policies accordingly to mitigate the potential risks and seize emerging business opportunities.

Major Annual Achievements

Due to the Group's efforts, the following major achievements have been realized or are currently underway during the current period:

(a) the Group was rated as "Low Risk" (15.3) in the 2024 Sustainalytics ESG Risk rating;

(b) seven factories – four in the PRC, two in Vietnam, and one in Mexico – have obtained the UL 2799 (Zero Waste to Landfill) certificates at the Platinum level for 6 factories and the Gold level for 1 factory. As of the end of the current period, these certificates remain valid;

(c) the Group has responded to Carbon Disclosure Project (CDP) questionnaires on Climate and Water Security since 2023 and achieved a B grade in both categories during 2024 questionnaire period;

(d) all factories and the Group's headquarters have obtained ISO 14001 (Environmental Management Systems) and ISO 9001 (Quality Management Systems) certifications, respectively;

(e) major factories in the PRC and Vietnam have obtained ISO 50001 (Energy Management Systems) certifications, while major factories in the PRC, Vietnam, India, the U.S., and Mexico have obtained ISO 45001 (Occupational Health and Safety Management Systems) certifications;

(f) major factories in India and headquarters in Taiwan have obtained ISO 27001 (information security management systems) certifications;

(g) the Group's major factories in India and Vietnam have obtained SA 8000 certifications, an auditable certification standard that encourages organisations to develop, maintain, and apply socially acceptable practices in the workplace;

(h) the Company is in the process of obtaining ISO 37001 (Anti-Bribery Management Systems) certifications; and

(i) two of the Group's factories in Vietnam and Mexico have successfully completed the Responsible Business Alliance Validated Assessment Program (RBA VAP) audit program, achieving satisfactory results on their first attempt.

2024 ESG Report

For details, please refer to the Company's separate 2024 ESG report as issued and published simultaneously upon the issuance and publication of the annual report incorporating this report of the directors.

BANK LOANS

Details of bank loans are set out in note 24 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in property, plant and equipment and investment properties of the Group during the current period are set out in notes 13 and 15 to the consolidated financial statements, respectively.

RESERVES

Movements in reserves of the Group during the current period are set out on page 85.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company's reserves available for distribution to shareholders amounted to approximately US$1,148,476,000.

SHARE CAPITAL

Details of movements in share capital during the current period are set out in note 25 to the consolidated financial statements.

During the current period and up to the date of this report of the directors, pursuant to the Buy-back Mandate (as defined in the Company's circular dated 14 April 2023) duly approved by the Company's shareholders at the Company's annual general meeting held on 19 May 2023, the Company bought back in multiple batches a total of 10,700,000 shares on the Stock Exchange in cash. Among these shares so bought back, 4,400,000 shares and 6,300,000 shares were cancelled on 15 January 2024 and 10 April 2024 respectively, in all cases in accordance with the Articles. For details, please refer to the section headed "Purchase, Redemption or Sale of Listed Securities of the Company" below of this report of the directors.

Further, no shares of the Company were allotted or issued during the current period.

FINANCIAL SUMMARY

A financial summary of the results of the Group for the last five financial years is set out on page 152.

REPORT OF THE DIRECTORS

DIRECTORS

The directors of the Company during the current period and up to the date of this report of the directors are:

Executive Directors

CHIH Yu Yang *(Chairman of the Board)*
LIN Chia-Yi (also known as Charles LIN) *(Chief Executive Officer)*
KUO Wen-Yi

Non-executive Director

CHANG Chuan-Wang

Independent Non-executive Directors

LAU Siu Ki
CHEN Shu Chuan (also known as Nadia CHEN)
CHIU Yen-Tsen (also known as CHIU Yen-Chen, Dennis)

For the purposes of corporate governance enhancements and better compliance with Code Provision C.2.1 of Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules ("Code Provision C.2.1"), Mr. CHIH Yu Yang ("Mr. Chih") had been re-designated from acting chairman to Chairman of the Board of the Company and resigned as the chief executive officer of the Company; and Mr. LIN Chia-Yi ("Mr. Lin") had been appointed as the chief executive officer of the Company, both effective from 1 July 2024. For details, please refer to the Company's announcement dated 26 June 2024.

Having received written annual confirmations from each of the independent non-executive directors of their independence pursuant to Rule 3.13 of the Listing Rules, the Company considers each independent non-executive director to be independent.

Pursuant to article 112 of the Articles, one-third of the directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not exceeding, one-third) shall retire from office by rotation at each annual general meeting of the Company provided that every director shall be subject to retirement by rotation at least once every three years. The particulars of Directors who are subject to re-election at the Company's annual general meeting which is currently scheduled to be held on 16 May 2025 (the "2025 AGM"), in accordance to article 112 of the Articles, are set out in the Company's circular to shareholders to be despatched in April 2025.

Pursuant to the approval of the Board on 13 September 2023 and the subsequent finalisations by the Board's delegate, the Company granted 1,366,993 shares to Mr. Lin on the same date and the said share award vested on 13 September 2024 and 1,979,598 shares to Mr. Chih on 6 November 2023 and the said share award vested on 6 November 2024 under the share scheme of the Company (the "Existing Share Scheme") adopted by the Board on 10 March 2023 (which had been subsequently amended by the Board on 7 March 2025) and approved by the shareholders of the Company on 19 May 2023. Please refer to the Company's announcements dated 13 September 2023 and 6 November 2023, respectively, for details.

DIRECTORS *(Continued)*

Pursuant to the approval of the Board on 7 March 2024 and the subsequent finalisations by the Board's delegate, the Company granted 2,627,947 shares to Mr. Chih and 1,778,031 shares to Mr. Lin, both on 8 March 2024 and the said share awards will be vested on 8 March 2025, and pursuant to the approval of the Board on 20 September 2024, the Company granted 1,546,358 shares to Mr. Chih and 1,046,243 shares to Mr. Lin, both on 20 September 2024 and the said share awards will be vested on 20 September 2025, in all cases subject to the satisfaction of the conditions attached to such grants under the Company's Existing Share Scheme.

For details of the directors' remuneration and expense allowances for the current period, please refer to note 8 to the consolidated financial statements.

SERVICE CONTRACTS

None of the directors of the Company has entered into a service contract with the Company which has not expired and which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, its holding company or any subsidiary of the Company's holding company was a party and in which a director of the Company or an entity connected with a director of the Company (as defined in Section 486 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the current period.

PERMITTED INDEMNITY PROVISION

Article 175 of the Articles provides that: (i) every director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a director, auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgement is given in his/her favour, or in which he/she is acquitted; and (ii) subject to the Companies Act of the Cayman Islands (as amended from time to time), if any director of the Company or other person shall become personally liable for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge, or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the director or person so becoming liable as aforesaid from any loss in respect of such liability. Such permitted indemnity provision is in force during the current period and at the time of approval of this report of the directors.

DISCLOSURE OF INTERESTS

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2024, the interests and short positions, if any, of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including interests and short positions which the directors and chief executive were taken or deemed to have under such provisions of the SFO), or which were required to be and were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "Model Code") adopted by the Company were as follows:

Name of director	Name of corporation	Capacity/ Nature of interest	Total number of ordinary shares held	Approximate percentage of interest in the Company/ associated corporation
CHIH Yu Yang (Chairman of the Board)	The Company	Beneficial owner	42,185,102 *(Note 1)*	0.5400%
	BFIH	Other	1 *(Note 2)*	0.00000004%
	CMCS *(Note 3)*	Beneficial owner	500	0.0007%
LIN Chia-Yi (Chief Executive Officer)	The Company	Beneficial owner	6,641,279 *(Note 4)*	0.0842%
KUO Wen-Yi	The Company	Interest of spouse	700,000	0.0089%
	Hon Hai	Beneficial owner	1,848	0.00001%
	Hon Hai	Interest of spouse	13	0.0000001%
CHANG Chuan-Wang	Hon Hai	Beneficial owner	17,000	0.0001%

Notes:

1. On 6 November 2023, Mr. Chih was granted a share award of 1,979,598 shares in the Company under the Existing Share Scheme resulting in him being interested in the 1,979,598 shares as a beneficiary of a trust interested in the Company's shares. The share award of 1,979,598 shares was vested on 6 November 2024. On 8 March 2024 and 20 September 2024, Mr. Chih was granted share awards of 2,627,947 shares and 1,546,358 shares respectively in the Company under the Existing Share Scheme resulting in him being interested in the 4,174,305 shares as a beneficiary of a trust interested in the Company's shares. These share awards will be vested on 8 March 2025 and 20 September 2025 respectively.

2. Mr. Chih holds 1 share of BFIH as a nominee shareholder on behalf of Wonderful Stars Pte. Ltd. (an indirect wholly-owned subsidiary of the Company) without any beneficial interest.

3. The Company indirectly, through its wholly-owned subsidiaries, holds approximately 87.06% of the entire number of issued shares of CMCS, a company incorporated in Taiwan.

4. On 13 September 2023, Mr. Lin was granted a share award of 1,366,993 shares in the Company under the Existing Share Scheme resulting in him being interested in the 1,366,993 shares as a beneficiary of a trust interested in the Company's shares. This share award was vested on 13 September 2024. On 8 March 2024 and 20 September 2024, Mr. Lin was granted share awards of 1,778,031 shares and 1,046,243 shares respectively in the Company under the Existing Share Scheme resulting in him being interested in the 2,824,274 shares as a beneficiary of a trust interested in the Company's shares. These share awards will be vested on 8 March 2025 and 20 September 2025 respectively.

DISCLOSURE OF INTERESTS *(Continued)*

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures *(Continued)*

Save as disclosed above, none of the directors or chief executive of the Company had, as at 31 December 2024, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including interests and short positions which the directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO), or which were required to be and were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

So far as is known to any director of the Company, as at 31 December 2024, shareholders (other than the directors or chief executive of the Company) who had interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under 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 were as follows:

Name of substantial shareholder	Capacity/ Nature of interest	Total number of Shares held	Approximate percentage of interest in the Company
Foxconn (Far East) Limited *(Note 1)*	Beneficial owner	5,081,034,525	64.44%
Hon Hai *(Notes 1 and 2)*	Interest of a controlled corporation	5,081,034,525	64.44%

Notes:

1. Foxconn (Far East) Limited is a direct wholly-owned subsidiary of Hon Hai, and therefore, Hon Hai is deemed or taken to be interested in the 5,081,034,525 shares which are beneficially owned by Foxconn (Far East) Limited for the purposes of the SFO.

2. Mr. Chih, the Chairman of the Board and an executive director of the Company, is a director of a subsidiary and an associate of Hon Hai. Also, Mr. CHANG Chuan-Wang ("Mr. Chang") a non-executive director of the Company, is an employee of the Hon Hai Technology Group, and in particular, he is the chairman of the board of directors, a non-executive director and a member of the remuneration committee of CircuTech International Holdings Limited (a subsidiary of Hon Hai whose shares are listed on GEM of the Stock Exchange); and he is also the chairman of the board of directors and an executive director of Maxnerva Technology Services Limited and a non-executive director of FIT Hon Teng Limited, both are subsidiaries of Hon Hai whose shares are listed on the main board of the Stock Exchange.

Save as disclosed above, as at 31 December 2024, the Company had not been notified by any persons (other than the directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would be required to be disclosed to the Company under 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.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration paid/payable to the three members of senior management of the Company (whose biographical details are disclosed in the section headed "Profile of Directors and Senior Management" of the Company's 2024 annual report incorporating this report of the directors) during the current period was within the following bands:

	Number of senior management
HK$1,500,001 to HK$2,000,000	2
HK$2,500,001 to HK$3,000,000	1

CONNECTED TRANSACTIONS

The connected transactions (as opposed to continuing connected transactions) not falling under Rule 14A.76(1) of the Listing Rules as undertaken by the Group during the current period are summarised as follows:

Joint Venture ("JV") Agreement

On 25 April 2024, FIH Co., Ltd. (富智康國際股份有限公司) ("FIH Co."), a wholly-owned subsidiary of the Company, and other parties (collectively, "JV Parties") (including 鴻海投資管理顧問股份有限公司 (Hon Hai Investment Management Co. Ltd.*) ("HCM") and 富泰國際投資股份有限公司 (Futai International Investment Co. Ltd.*) ("Futai") entered into a JV agreement ("JV Agreement"), pursuant to which (among other things): (a) the JV Parties have agreed to establish 開鴻能源股份有限公司 (Kai-Hong Energy Co., Ltd.) ("Joint Venture") with an authorised share capital of New Taiwan Dollars ("NTD") 6,000 million (equivalent to approximately US$185.8 million); and (b) FIH Co. has agreed to make a total capital contribution in cash of NTD125 million (equivalent to approximately US$3.9 million), representing an interest of approximately 8.08% in the entire issued JV shares upon completion of the first closing and 2.08% upon fulfillment of the minimum target capital amount of the Joint Venture of NTD6,000 million (equivalent to approximately US$185.8 million), in each case upon and subject to the terms and conditions of the JV Agreement.

Hon Hai is the ultimate controlling shareholder of the Company. HCM and Futai are subsidiaries of Hon Hai and therefore are connected persons of the Company under the Listing Rules. It follows that the parties' entering into of the transaction contemplated by the JV Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

For details, please refer to the Company's announcement dated 26 April 2024.

* *For identification purposes only*

CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions not falling under Rule 14A.76(1) of the Listing Rules as undertaken by the Group during the current period are summarised as follows:

For more details, please refer to the Company's announcements relating to continuing connected transactions dated 10 November 2022 and 6 November 2024, circular relating to continuing connected transactions dated 1 December 2022, and announcement dated 23 December 2022 relating to poll results of the extraordinary general meeting.

Purchase Transaction

Pursuant to the framework product supply agreement (formerly known as the framework materials and components supply agreement) entered into among the Company, Hon Hai, Innolux Corporation (formerly known as Innolux Display Corporation and then Chimei Innolux Corporation, whose rights, obligations and liabilities thereunder were subsequently assumed and taken up by Hon Hai) and 鴻準精密工業股份有限公司 (Foxconn Technology Co. Ltd., for identification purposes only, whose rights, obligations and liabilities thereunder were subsequently assumed and taken up by Hon Hai) (both being associates of Hon Hai at the relevant times) on 19 January 2005 (as amended by the respective supplemental agreements among the above parties dated 28 February 2006, 24 October 2007 and 19 November 2010 and the respective supplemental agreements between the Company and Hon Hai dated 17 October 2013, 11 August 2016, 31 July 2017, 9 October 2019 and 10 November 2022) (the "Purchase Agreement"), the Group has purchased from the Hon Hai Technology Group from time to time for a term up to 31 December 2025 products (including but not limited to materials and components, tooling, light-guides and finished goods generally) manufactured, owned or held (coupled with interest) by the Hon Hai Technology Group that may be used in connection with or for the purposes of the businesses of the Group from time to time as well as such other products (including but not limited to any materials and components) as may be agreed between the Group and the Hon Hai Technology Group from time to time upon and subject to the terms and conditions set out therein at a price determined as follows:

(a) in respect of purchases from a supplier of materials, components and other products that may be used in the businesses of the Group from time to time as approved by the Group's customer (the "Approved Vendor"), at the price agreed between the supplier and the Group's customer; if not, at a price to be determined by reference to the average market price; or

(b) where (a) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Technology Group upon the basis of the principle of "cost plus"; or

(c) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Technology Group based on reasonable commercial principles.

Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the transactions contemplated under the Purchase Agreement (the "Purchase Transaction") constitute a continuing connected transaction for the Company, and the Company had set annual caps for the Purchase Transaction for the three years ending 31 December 2025 at US$1,611 million for 2023, US$1,964 million for 2024 and US$2,395 million for 2025.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

Purchase Transaction *(Continued)*

Hon Hai is the leading player in the computer, communication and consumer electronics ("3C") manufacturing services industry. Under the convergence trend of the 3C industries, an increasing number of types of materials, components and other products manufactured by the Hon Hai Technology Group are used for the manufacture of consumer electronic products, in particular handsets. The Company believes that it is an important competitive advantage of the Group that the Group together with the members of the Hon Hai Technology Group can provide a wide range of vertically integrated manufacturing services to the customers.

Product Sales Transaction

Pursuant to the framework product sales agreement entered into among the Company, Hon Hai and Innolux Corporation (an associate of Hon Hai at the relevant times formerly known as Innolux Display Corporation and then Chimei Innolux Corporation, whose rights, obligations and liabilities thereunder were subsequently assumed and taken up by Hon Hoi) on 18 January 2005 (as amended by the respective supplemental agreements among the above parties dated 28 February 2006, 24 October 2007 and 19 November 2010 and the respective supplemental agreements between the Company and Hon Hai dated 17 October 2013, 11 August 2016, 9 October 2019 and 10 November 2022) (the "Framework Product Sales Agreement"), the Group has sold to the Hon Hai Technology Group from time to time for a term up to 31 December 2025 products (including but not limited to materials and components, tooling, light-guides and finished goods generally) manufactured, owned or held (coupled with interest) by the Group that may be used in connection with or for the purposes of the businesses of the Hon Hai Technology Group from time to time as well as such other products (including but not limited to any materials and components) as may be agreed between the Group and the Hon Hai Technology Group from time to time upon and subject to the terms and conditions set out therein at a price determined as follows:

(a) where the Group has been approved or otherwise designated by the relevant customers of the Hon Hai Technology Group, at the price agreed between the Group and such customers; if not, at a price to be determined by reference to the average market price; or

(b) where (a) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Technology Group upon the basis of the principle of "cost plus"; or

(c) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Technology Group based on reasonable commercial principles.

Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the transactions contemplated under the Framework Product Sales Agreement (the "Product Sales Transaction") constitute a continuing connected transaction for the Company, and the Company had set annual caps for the Product Sales Transaction for the three years ending 31 December 2025 at US$3,813 million for 2023, US$4,381 million for 2024 and US$5,034 million for 2025.

The Company considers it in its best interests to generate more income as well as enhance utilisation of its assets by carrying out the Product Sales Transaction in response to the Hon Hai Technology Group's needs from time to time, provided that the Hon Hai Technology Group purchases from the Group at prices comparable to market prices and/or which are considered to be fair and reasonable to the Company.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

Non-real Property Lease Expense Transaction

Pursuant to the framework lease agreement relating to movable non-real properties dated 13 June 2013 (as amended by the respective supplemental agreements dated 17 October 2013, 11 August 2016, 9 October 2019 and 10 November 2022) between the Company and Hon Hai (the "Framework Non-real Property Lease Expense Agreement"), the Group has leased movable non-real properties such as equipment and machines (the "Non-real Properties") from the Hon Hai Technology Group from time to time for a term up to 31 December 2025 upon and subject to the terms and conditions set out therein at a price determined as follows:

(a) the rental payable by the Group under the transactions contemplated under the Framework Non-real Property Lease Expense Agreement (the "Non-real Property Lease Expense Transaction") shall be determined on a fair and reasonable basis with reference to the average market rental of other similar properties in the market; or

(b) if the average market rental is not available, the rental payable under the Non-real Property Lease Expense Transaction shall be determined on a "cost plus" basis; or

(c) if both the average market rental basis and the "cost plus" basis are not appropriate or applicable, the rental payable under the Non-real Property Lease Expense Transaction shall be agreed between the relevant parties based on reasonable commercial principles.

Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the Non-real Property Lease Expense Transaction constitutes a continuing connected transaction for the Company, and the Company had set annual caps for the Non-real Property Lease Expense Transaction for the three years ending 31 December 2025 at US$12 million for 2023, US$12 million for 2024 and US$12 million for 2025.

In carrying out the Group's manufacturing operations, the Group may require the use of the Non-real Properties (including but not limited to specialised equipment and machines). By leasing such Non-real Properties from the Hon Hai Technology Group, the Group may gain access to the use of such Non-real Properties at rental rates agreeable to the Company saving capital expenditures.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

Consolidated Services and Sub-contracting Expense Transaction

Pursuant to the framework consolidated services and sub-contracting agreement entered into among the Company, Hon Hai, PCE Industry Inc. (a former subsidiary of Hon Hai which had been dissolved) and Sutech Industry Inc. (a former subsidiary of the Company which had been dissolved) on 24 October 2007, pursuant to which (among other things) all respective rights, obligations and liabilities of PCE Industry Inc. and Sutech Industry Inc. thereunder were assumed and taken up by Hon Hai and the Company respectively (as amended by the respective supplemental agreements between the Company and Hon Hai dated 19 November 2010, 17 October 2013, 11 August 2016, 9 October 2019 and 10 November 2022) (the "Consolidated Services and Sub-contracting Expense Agreement"), the Hon Hai Technology Group has provided services (including research and development services, design services, repair services and sub-contracting services) to the Group from time to time for a term up to 31 December 2025 upon and subject to the terms and conditions set out therein at a price determined as follows:

(a) where the Hon Hai Technology Group has been approved or otherwise designated by the relevant customers of the Group, at the price agreed between the Hon Hai Technology Group and such customers; if not, at a price to be determined by reference to the average market price; or

(b) where (a) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Technology Group upon the basis of the principle of "cost plus"; or

(c) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Technology Group based on reasonable commercial principles.

Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the transactions contemplated under the Consolidated Services and Sub-contracting Expense Agreement (the "Consolidated Services and Sub-contracting Expense Transaction") constitute a continuing connected transaction for the Company, and the Company had set annual caps for the Consolidated Services and Sub-contracting Expense Transaction for the three years ending 31 December 2025 at US$204 million for 2023, US$204 million for 2024 and US$204 million for 2025.

The Company considers that the services provided by the Hon Hai Technology Group under the Consolidated Services and Sub-contracting Expense Transaction as requested by the Group can enhance the Group's handset manufacturing capabilities and related capacity in its handset manufacturing business, provide the Group with greater flexibility in capacity planning and allow the Group to carry on its business more efficiently.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

Equipment Purchase Transaction

Pursuant to the framework equipment purchase agreement dated 18 January 2005 (as amended by the respective supplemental agreements dated 12 January 2006, 24 October 2007, 19 November 2010, 17 October 2013, 11 August 2016, 9 October 2019 and 10 November 2022) between the Company and Hon Hai (the "Framework Equipment Purchase Agreement"), the Group has purchased from the Hon Hai Technology Group from time to time for a term up to 31 December 2025 baking and coating lines and other equipment manufactured, owned or held (coupled with interest) by the Hon Hai Technology Group which may be used in connection with or for the purposes of the Group's businesses from time to time (including but not limited to new equipment that is manufactured or purchased or procured from third parties by the Hon Hai Technology Group, and used equipment that has previously been used by the Hon Hai Technology Group) as well as such other equipment as may be agreed between the Hon Hai Technology Group and the Group from time to time upon and subject to the terms and conditions set out therein at a price determined as follows:

(a) at the book value of the relevant equipment as recorded in the accounts of the relevant member of the Hon Hai Technology Group; or

(b) if (a) above is not appropriate or applicable, at a price to be determined by reference to the average market price; or

(c) where (a) and (b) above are not appropriate or applicable, at a price to be agreed between the relevant parties on the basis of the principle of "cost plus"; or

(d) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the parties based on reasonable commercial principles.

Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the transactions contemplated under the Framework Equipment Purchase Agreement (the "Equipment Purchase Transaction") constitute a continuing connected transaction for the Company, and the Company had set annual caps for the Equipment Purchase Transaction for the three years ending 31 December 2025 at US$24 million for 2023, US$24 million for 2024 and US$24 million for 2025.

The Hon Hai Technology Group is able to customise standard industry equipment to varying degrees to better suit the production needs of the Group. Purchasing equipment from the Hon Hai Technology Group helps shorten the lead time to deliver the equipment to the Group. The Group in the past also purchased used equipment that was in good condition from the Hon Hai Technology Group at the book value of the equipment in the Hon Hai Technology Group's accounts. It is also more convenient for the Group to obtain the required maintenance services for the customised equipment from the Hon Hai Technology Group.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

Sub-contracting Income Transaction

Pursuant to the framework sub-contracting agreement dated 18 January 2005 (as amended by the respective supplemental agreements dated 12 January 2006, 24 October 2007, 19 November 2010, 26 July 2012, 17 October 2013, 11 August 2016, 9 October 2019 and 10 November 2022) between the Company and Hon Hai (the "Sub – contracting Income Agreement"), the Group has provided certain services (such as handset and in-mould labelling research and development and other research and development services; handset and other design services; handset and mould and other repair services; molding, electroplating, metal stamping for handsets and desktop computers and other services that may form part of or be provided as part of the businesses of the Hon Hai Technology Group from time to time; the use of technical equipment and facilities owned or leased by the Group to support the foregoing; the provision of personnel and other resources as may be required to support the foregoing; and such other services and/or sub-contracting as may be agreed between the Hon Hai Technology Group and the Group from time to time) to the Hon Hai Technology Group from time to time for a term up to 31 December 2025 upon and subject to the terms and conditions set out therein at a price determined as follows:

(a) where the Group has been approved or otherwise designated by the relevant customers of the Hon Hai Technology Group, at the price agreed between the Group and such customers; if not, at a price to be determined by reference to the average market price; or

(b) where (a) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Technology Group upon the basis of the principle of "cost plus"; or

(c) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Technology Group based on reasonable commercial principles.

Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the transactions contemplated under the Sub-contracting Income Agreement (the "Sub-contracting Income Transaction") constitute a continuing connected transaction for the Company, and the Company had set annual caps for the Sub-contracting Income Transaction for the three years ending 31 December 2025 at US$110 million for 2023, US$137 million for 2024 and US$170 million for 2025.

The Company considers it in its best interests to generate more income as well as enhance utilisation of its assets by carrying out the Sub-contracting Income Transaction as long as the services are provided at prices that are fair and reasonable pursuant to the Sub-contracting Income Agreement.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

General Services Expense Transaction

Pursuant to the general services agreement dated 18 January 2005 (as amended by the respective supplemental agreements dated 12 January 2006, 24 October 2007, 19 November 2010, 17 October 2013, 11 August 2016, 9 October 2019 and 10 November 2022) between the Company and Hon Hai (the "General Services Expense Agreement"), the Hon Hai Technology Group has provided general administrative, support, utility and other related services to the Group from time to time for a term up to 31 December 2025 upon and subject to the terms and conditions set out therein at a price determined as follows:

(a) where there is a price determined by the relevant state, at such state-determined price; or

(b) where there is no state-determined price, at the market price; or

(c) where there is no state-determined price or market price, on the principle of "cost plus"; or

(d) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the relevant parties.

Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the transactions contemplated under the General Services Expense Agreement (the "General Services Expense Transaction") constitute a continuing connected transaction for the Company, and the Company had set annual caps for the General Services Expense Transaction for the three years ending 31 December 2025 at US$31 million for 2023, US$34 million for 2024 and US$38 million for 2025.

Certain production facilities of the Group are located at premises owned and managed by the Hon Hai Technology Group and leased to the Group under the Lease Expense Transaction (as defined below). Within such premises, the Hon Hai Technology Group provides a number of general administrative, support, utility and other related services to all tenants, including the Group, which are necessary for the tenants to carry out their operations in such locations. The Company considers it more cost effective for the Group to share some other services provided by the Hon Hai Technology Group, such as product testing, specialist inspection and information technology and communication services.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

Equipment Sale Transaction

Pursuant to the framework equipment sale agreement dated 18 January 2005 (as amended by the respective supplemental agreements dated 12 January 2006, 24 October 2007, 19 November 2010, 17 October 2013, 11 August 2016, 9 October 2019 and 10 November 2022) between the Company and Hon Hai (the "Framework Equipment Sale Agreement"), the Group has sold to the Hon Hai Technology Group from time to time for a term up to 31 December 2025 molding equipment, baking and coating lines and other used equipment that may be manufactured, owned or held (coupled with interest) by the Group and which may be used in connection with or for the purposes of the Hon Hai Technology Group's businesses from time to time upon and subject to the terms and conditions set out therein at a price determined as follows:

(a) at the book value of the relevant equipment as recorded in the accounts of the relevant member of the Group; or

(b) if (a) above is not appropriate or applicable, at a price to be determined by reference to the average market price; or

(c) where (a) and (b) above are not appropriate or applicable, at a price to be agreed between the relevant parties on the basis of the principle of "cost plus"; or

(d) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the parties based on reasonable commercial principles.

Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the transactions contemplated under the Framework Equipment Sale Agreement (the "Equipment Sale Transaction") constitute a continuing connected transaction for the Company, and the Company had set annual caps for the Equipment Sale Transaction for the three years ending 31 December 2025 at US$34 million for 2023, US$48 million for 2024 and US$67 million for 2025.

From time to time certain equipment of the Group no longer meets the production needs of the Group which may be as a result of a number of factors, such as new product specifications required by customers, capacity planning and new production arrangements. However, such equipment may be useful to the Hon Hai Technology Group for its businesses. The Group may sell such equipment to the Hon Hai Technology Group at prices the Company considers to be fair and reasonable generating more income for the Group.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

Lease Expense Transaction

Pursuant to the framework lease agreement dated 18 January 2005 between 深圳富泰宏精密工業有限公司 (Shenzhen Futaihong Precision Industrial Co., Ltd., for identification purposes only) (a wholly-owned subsidiary of the Company) ("FTH", which was subsequently replaced by the Company as the party thereto) and Hon Hai (as amended by the supplemental agreement between FTH and Hon Hai dated 12 January 2006 and the respective supplemental agreements among the Company, FTH and Hon Hai dated 20 September 2006, 24 October 2007 and 19 November 2010 and the respective supplemental agreements between the Company and Hon Hai dated 17 October 2013, 11 August 2016, 9 October 2019 and 10 November 2022) (the "Framework Lease Expense Agreement"), the Hon Hai Technology Group has leased premises owned by it and located worldwide to the Group from time to time as requested by the Group for a term up to 31 December 2025 upon and subject to the terms and conditions set out therein at a price determined as follows:

(a) the rental payable by the Group under the transactions contemplated under the Framework Lease Expense Agreement (the "Lease Expense Transaction") shall be determined on a fair and reasonable basis with reference to the average market rental of other similar local properties in the market; or

(b) if the average market rental is not available, the rental payable under the Lease Expense Transaction shall be determined on a "cost plus" basis; or

(c) if both the average market rental basis and the "cost plus" basis are not appropriate or applicable, the rental payable under the Lease Expense Transaction shall be agreed between the relevant parties based on reasonable commercial principles.

Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the Lease Expense Transaction constitutes a continuing connected transaction for the Company, and the Company had set annual caps for the Lease Expense Transaction for the three years ending 31 December 2025 at US$10 million for 2023, US$10 million for 2024 and US$10 million for 2025.

A part of the Group's operations in certain jurisdictions is located in the Hon Hai Technology Group's industrial parks in such jurisdictions in view of the benefits of locating close to the members of the Hon Hai Technology Group which possess leading capabilities and expertise amid the convergence trend within the 3C industries, and the physical proximity can lead to additional savings and efficiency to the Group if the Group's customers select these members of the Hon Hai Technology Group as the Approved Vendors.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

Lease Income Transaction

Pursuant to the framework lease agreement dated 24 October 2007 (as amended by the respective supplemental agreements dated 19 November 2010, 17 October 2013, 11 August 2016, 9 October 2019, 10 November 2022 and 6 November 2024) between the Company and Hon Hai (the "Framework Lease Income Agreement"), the Group has leased to the Hon Hai Technology Group premises owned by it or any part thereof located worldwide as agreed between the parties from time to time for a term up to 31 December 2025 upon and subject to the terms and conditions set out therein at a price determined as follows:

(a) the rental payable by the Hon Hai Technology Group under the transactions contemplated under the Framework Lease Income Agreement (the "Lease Income Transaction") shall be determined on a fair and reasonable basis with reference to the average market rental of other similar local properties in the market; or

(b) if the average market rental is not available, the rental payable shall be determined on a "cost plus" basis; or

(c) if both the average market rental basis and the "cost plus" basis are not appropriate or applicable, the rental payable under the Lease Income Transaction shall be agreed between the relevant parties based on reasonable commercial principles.

With reference to the announcement of the Company dated 6 November 2024, pursuant to the Framework Lease Income Agreement, the specific lease agreements to be entered into during the term of the Framework Lease Income Agreement shall have a lease term not exceeding 10 years.

Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the Lease Income Transaction constitutes a continuing connected transaction for the Company, and the Company had set annual caps or revised annual caps (as applicable) for the Lease Income Transaction for the three years ending 31 December 2025 at US$11 million for 2023, US$6.1 million for 2024 and US$6.1 million for 2025.

The Group has its own premises (including but not limited to vacant land, bare sites, manufacturing plants, offices, buildings, structures and dormitories, and the related or ancillary facilities), and may have surplus space from time to time. The Company considers it in its best interests to lease out such surplus space and generate additional income for the Group at prices comparable to the market and/or above the costs attributable to the leased premises pursuant to the relevant agreement in respect of the Lease Income Transaction.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

General Services Income Transaction

Pursuant to the framework general services agreement entered into between the Company and Hon Hai on 24 October 2007 (as amended by the respective supplemental agreements dated 19 November 2010, 17 October 2013, 11 August 2016, 9 October 2019 and 10 November 2022) (the "General Services Income Agreement"), the Group has agreed to provide, or procure third parties to provide, to the Hon Hai Technology Group general administrative, support, utility and other services as the Group and the Hon Hai Technology Group may agree from time to time for a term up to 31 December 2025 upon and subject to the terms and conditions set out therein at a price determined as follows:

(a) where there is a price determined by the relevant government authority, at such government-determined price; or

(b) where there is no government-determined price, at the market price; or

(c) where there is no government-determined price or market price, at a price to be agreed between the parties on the basis of the principle of "cost plus"; or

(d) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the relevant parties based upon reasonable commercial principles.

Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the transactions contemplated under the General Services Income Agreement (the "General Services Income Transaction") constitute a continuing connected transaction for the Company, and the Company had set annual caps for the General Services Income Transaction for the three years ending 31 December 2025 at US$3 million for 2023, US$5 million for 2024 and US$7 million for 2025.

Certain production facilities of the Hon Hai Technology Group are located at premises owned and managed by the Group and leased to the Hon Hai Technology Group under the Lease Income Transaction (the lease of premises by the Group to the Hon Hai Technology Group contemplated under the Framework Lease Income Agreement). Within such premises, the Group provides a number of general administrative, support, utility and other related services to all tenants, including the Hon Hai Technology Group, which are necessary for the tenants to carry out their operations in such locations. The Hon Hai Technology Group also utilises some other services provided by the Group, such as product testing, specialist inspection and information technology and communication services. The Company considers it in its best interests to generate more income as well as enhance utilisation of its resources as long as the services are provided at prices that are considered to be fair and reasonable to the Company.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

Annual Consideration

The total consideration of each continuing connected transaction not falling under Rule 14A.76(1) of the Listing Rules as undertaken by the Group during the current period is as follows:

Continuing connected transaction	Paying group	Total consideration for the year ended 31 December 2024 (US$'000)
Purchase Transaction	the Group	324,174
Product Sales Transaction	Hon Hai Technology Group	1,293,168
Non-real Property Lease Expense Transaction	the Group	35
Consolidated Services and Sub-contracting Expense Transaction	the Group	34,953
Equipment Purchase Transaction	the Group	935
Sub-contracting Income Transaction	Hon Hai Technology Group	28,140
General Services Expense Transaction	the Group	4,955
Equipment Sale Transaction	Hon Hai Technology Group	10,809
Lease Expense Transaction	the Group	6,239
Lease Income Transaction	Hon Hai Technology Group	4,649
General Services Income Transaction	Hon Hai Technology Group	–

Annual Review

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to report on the continuing connected transactions of the Group not falling under Rule 14A.76(1) of the Listing Rules. The Company's auditor was engaged to report on such continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of such continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. The auditor has reported its findings and conclusions to the Board.

Following specific enquiries with the Company's chief financial officer (in his own capacity and on behalf of the Company's management designated for the purpose of assisting the Board with the Group's overall policies on enterprise risk management and internal controls) and the recommendation from the Company's audit committee, the independent non-executive directors of the Company have reviewed the transactions and the findings and conclusions and confirmed that the transactions have been entered into:

1. in the ordinary and usual course of business of the Group;

2. on normal commercial terms or better; and

3. in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

Annual Review *(Continued)*

Furthermore, in respect of the continuing connected transactions of the Group for the current period not falling under Rule 14A.76(1) of the Listing Rules, the Company has followed the pricing policies set out in the relevant agreements governing them, and the independent non-executive directors of the Company have confirmed that the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions were conducted in accordance with such pricing policies.

SHARE OPTION SCHEME AND SHARE SCHEME OF THE COMPANY

In order to ensure the continuity of a share option scheme and a share scheme for the Group to attract, reward, motivate and retain the eligible participants which would comply with the new requirements of the existing Chapter 17 of the Listing Rules (which took effect on 1 January 2023), pursuant to the approval of the Board on 10 March 2023 and the approval of the Company's shareholders at its annual general meeting held on 19 May 2023 ("2023 AGM"), the Company adopted the existing share option scheme (the "Existing Share Option Scheme") and the Existing Share Scheme of the Company and consequentially terminated the former Share Option Scheme and the former Share Scheme (which were adopted by the shareholders of the Company at the extraordinary general meeting of the Company held on 26 November 2013).

A summary of the Existing Share Option Scheme and the Existing Share Scheme as required to be disclosed under Chapter 17 of the Listing Rules is set out in note 36 to the consolidated financial statements.

For details, please refer to the Company's circular as issued and published on 13 April 2023, announcement in relation to the poll results of the 2023 AGM as issued on 19 May 2023 and page 109 to page 119 of the Company's 2023 annual report as issued and published on 18 April 2024 as well as note 36 to the consolidated financial statements of the Group for the current period.

Since its adoption, no option has been granted under the Existing Share Option Scheme, and accordingly, no option was exercisable under the Existing Share Option Scheme for the current period under review.

Pursuant to the approval of the Board on 13 September 2023 and the subsequent finalisations by the Board's delegate, the Company granted 1,366,993 shares to Mr. Lin on the same date and the said share award vested on 13 September 2024 and 1,979,598 shares to Mr. Chih on 6 November 2023 and the said share award vested on 6 November 2024 under the Existing Share Scheme. Please refer to the Company's announcements dated 13 September 2023 and 6 November 2023, respectively, for details.

During the current period under review, pursuant to the respective approvals of the Board on 7 March 2024 with subsequent finalisation by the Board's delegate on 8 March 2024 and on 20 September 2024, the Company offered 4,405,978 ordinary shares and 2,592,601 ordinary shares respectively to a total of 2 beneficiaries pursuant to the Existing Share Scheme, of which 4,405,978 ordinary shares were granted with lock-up period up to 7 March 2025 and 2,592,601 ordinary shares were granted with lock-up period up to 19 September 2025 respectively from the grant dates (i.e. 8 March 2024 and 20 September 2024 respectively). No consideration nor purchase price was payable on acceptance of offer of the shares. A total of 6,998,579 ordinary shares were purchased by the trustee of the Existing Share Scheme from the market in 2024. Save as disclosed as aforesaid, no further share was granted under the Existing Share Scheme during the current period under review.

SHARE OPTION SCHEME AND SHARE SCHEME OF THE COMPANY *(Continued)*

Movements of share grants under the Existing Share Scheme during the current period (i.e. 1 January 2024 to 31 December 2024) were as follows:

					Number of shares granted under the Existing Share Scheme								
Name of grantee	Date of grant (dd.mm.yyyy)	Vesting period (dd.mm.yyyy)	Date of vesting (dd.mm.yyyy)	Purchase price	Unvested Award Shares as of 1 January 2024	Granted during the period (Note 1)	Vested during the period	Cancelled/ forfeited during the period	Lapsed during the period	Unvested Award Shares as of 31 December 2024	Closing price of the Shares immediately before the date of grant (HK$)	Fair value of Award Shares at the date of grant (HK$) (Note 2)	Weighted average closing price of the Shares immediately before the date of vesting (HK$)
CHIH Yu Yang (executive director and Chairman of the Board)	06.11.2023	06.11.2023 to 05.11.2024	06.11.2024	Nil	1,979,598	–	(1,979,598)	–	–	0	0.59	0.62	0.92
	08.03.2024	08.03.2024 to 07.03.2025	08.03.2025	Nil	–	2,627,947	–	–	–	**2,627,947**	0.47	0.50	–
	20.09.2024	20.09.2024 to 19.09.2025	20.09.2025	Nil	–	1,546,358	–	–	–	**1,546,358**	0.76	0.77	–
					1,979,598	4,174,305	(1,979,598)	–	–	**4,174,305**			
LIN Chia-Yi (executive director and Chief Executive Officer)	13.09.2023	13.09.2023 to 12.09.2024	13.09.2024	Nil	1,366,993	–	(1,366,993)	–	–	0	0.68	0.71	0.74
	08.03.2024	08.03.2024 to 07.03.2025	08.03.2025	Nil	–	1,778,031	–	–	–	**1,778,031**	0.47	0.50	–
	20.09.2024	20.09.2024 to 19.09.2025	20.09.2025	Nil	–	1,046,243	–	–	–	**1,046,243**	0.76	0.77	–
					1,366,993	2,824,274	(1,366,993)	–	–	**2,824,274**			
Total					**3,346,591**	**6,998,579**	**(3,346,591)**	**–**	**–**	**6,998,579**	**–**	**–**	**–**

Notes:

1. The shares had been granted subject to certain conditions, including the achievement of satisfactory performance targets achievement rating and the clawback mechanism adopted by the Board as more particularly described at page 21 of the Company's circular as issued and published on 13 April 2023. In relation to the above grants, the performance targets set for Mr. Chih and Mr. Lin (both being the Company's executive directors) respectively are generally summarised as follows (in this respect, it should be pointed out that the specific performance targets set for each of the Company's executive directors represent commercially sensitive information of the Company, particularly in the eyes of the Group's industry peers):

Mr. Chih
In respect of the relevant 12-month period applicable to the above grants: (a) Mr. Chih's individual performance in terms of his pre-determined key performance indicators ("KPIs"); (b) the specific functional targets assigned to Mr. Chih in his dual capacities as the Company's executive director and/or Chairman of the Board; (c) the financial and other objectives set for Mr. Chih; (d) the KPIs set for the office of the Company's chief executive officer for that time being to which the global members of the Group's global leadership team directly report; and (e) the additional performance targets as set forth in the Directors' Remuneration Policy of the Company as amended from time to time.

Mr. Lin
In respect of the relevant 12-month period applicable to the above grants: (a) Mr. Lin's individual performance in terms of his pre-determined KPIs; (b) the specific functional targets assigned to Mr. Lin in his dual capacities as the Company's executive director and/or chief executive officer; (c) the financial and other objectives set for Mr. Lin; (d) the KPIs set for the Group's DMS (Design Manufacturing Solutions) business unit headed by Mr. Lin; and (e) the additional performance targets as set forth in the Directors' Remuneration Policy of the Company as amended from time to time.

SHARE OPTION SCHEME AND SHARE SCHEME OF THE COMPANY *(Continued)*

Notes:

2. The fair value of the shares at the date of grant is measured by the quoted market price of the shares at the date of grant. In relation to equity-settled share-based payment transactions:

   - Equity-settled share-based payments to employees and others who provide similar services are measured at the fair value of the equity instruments at the grant date.

   - The fair value of services received determined by reference to the fair value of share options or ordinary shares granted at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period or recognised as an expense in full at the grant date when the share options or ordinary shares granted vest immediately, with a corresponding increase in equity (share compensation reserve). The fair value of the ordinary shares granted shall be measured at the market price of the shares, and the fair value of the share options granted shall be estimated by applying an option-pricing model.

   - At the end of the current period, the Group revises its estimates of the number of options or ordinary shares that are expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to share compensation reserve.

   - When the share options are exercised, the amount previously recognised in share compensation reserve will be transferred to share premium. When the share options are forfeited or cancelled after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share compensation reserve will be transferred to retained profits.

   - When new ordinary shares are issued pursuant to the share scheme, the fair value of the ordinary shares granted that vest immediately or without lock-up period is recognised as an expense in full at the grant date with corresponding increase in equity (share compensation reserve). When the ordinary share awards are granted with lock-up period, which has same meaning as vesting period, the fair value of such amounts granted at the grant date is expensed on a straight-line basis over the lock-up period.

   - The cancellation of share options granted or ordinary shares granted is accounted for as an acceleration of vesting. The amount that would otherwise have been recognised for services received over the remainder of the vesting period is, therefore, recognised immediately.

As at the date of adoption, the total number of shares that may be issued in respect of options and share awards to be granted under the Existing Share Option Scheme and the Existing Share Scheme would not be more than 791,700,000 shares (representing 10% of the total number of shares in issue as at the date of adoption, i.e. 19 May 2023).

Since the adoption of the Existing Share Option Scheme and the Existing Share Scheme on 19 May 2023, no option has been granted under the Existing Share Option Scheme and a total of 10,345,170 Shares were granted pursuant to the Existing Share Scheme, and in this connection, a total of 10,345,170 Shares were purchased by the trustee of the Existing Share Scheme from the market.

As no new shares have been or will be subscribed for by the trustee nor allotted and issued by the Company under the Existing Share Scheme in respect of the above grants and as discussed above, no options have been granted under the Existing Share Option Scheme since its adoption, the total number of shares that might be issued in respect of options and awards that might be granted under the Existing Share Option Scheme and the Existing Share Scheme respectively during the current year had remained 791,700,000 shares (representing 10% of the total number of shares in issue as at 19 May 2023).

BFIH adopted a share option scheme (the "BFIH Share Option Scheme") on 28 May 2021. For details, please refer to page 118 to page 119 of the Company's 2023 annual report as issued and published on 18 April 2024. For the purposes of the Chapter 17 of the Listing Rules, BFIH is not a "principal subsidiary" of the

SHARE OPTION SCHEME AND SHARE SCHEME OF THE COMPANY *(Continued)*

Company on the basis that during the current period and up to the date of this report, the revenue, profits or total assets of BFIH did not, and does not, account for 75% or more of that of the Company under the applicable percentage ratios (as defined in the Listing Rules) in any of the latest three financial years (including the current period). Accordingly, the relevant provisions of the Chapter 17 of the Listing Rules do not apply to the BFIH Share Option Scheme.

Apart from the Existing Share Option Scheme, the Existing Share Scheme and the BFIH Share Option Scheme and potential entitlements pursuant to Hon Hai's articles of incorporation (pursuant to which, among other things, Hon Hai shares may be distributed as part of compensation to employees, including the Company's directors, upon and subject to the terms and conditions set out therein) and also potential entitlements to any and all scrip dividends (which any director of the Company may from time to time have as a shareholder of the Company and/or Hon Hai in respect of the relevant shares then held by him/her) pursuant to any scrip dividend scheme in respect of any dividend as may be announced by the Company and/or Hon Hai from time to time, at no time during the current period was the Company, any of its subsidiaries, its holding company or any subsidiary of the Company's holding company a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisitions of shares in, or debentures of, the Company or any other body corporate.

Further details of the Existing Share Scheme and the Existing Share Option Scheme are set out in note 36 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the current period, revenue from sales of goods and rendering of services to the Group's five largest customers accounted for approximately 86.54% of the Group's total revenue from sales of goods and rendering of services for the current period and revenue from sales of goods and rendering of services to the Group's largest customer amounted to approximately 55.69%. Purchases from the Group's five largest suppliers accounted for approximately 42.80% of the Group's total purchases for the current period and purchases from the Group's largest supplier amounted to approximately 20.27%.

None of the directors of the Company or any of their close associates (as defined in the Listing Rules) or any shareholder (which, to the best knowledge of the directors, owns more than 5% of the total number of issued shares of the Company as at the date of this report of the directors) had any interest in any of the Group's five largest customers and five largest suppliers, except that the Hon Hai Technology Group is one of the Group's five largest suppliers as well as one of the Group's five largest customers, and Dr. KUO Wen-Yi and Mr. Chang, being an executive director and a non-executive director respectively of the Company, have interests in Hon Hai as more particularly described in the section headed "Disclosure of Interests" above of this report of the directors.

For related matters, please refer to the section headed "Business Review — Discussion and Analysis — Key Relationships with Customers, Suppliers and Employees" above of this report of the directors.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company (other than service contracts with any director or any person engaged in the full-time employment of the Company) were entered into or existed during the current period.

SUFFICIENCY OF PUBLIC FLOAT

As at the latest practicable date prior to the issue of the Company's 2024 annual report incorporating this report of the directors, to the best knowledge of the directors and based on the information publicly available to the Company, there was sufficient public float as required by the Listing Rules.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the current period and up to the date of this report of the directors, pursuant to the Buy-back Mandate (as defined in the Company's circular dated 14 April 2023) duly approved by the Company's shareholders at the Company's annual general meeting held on 19 May 2023, the Company bought back in multiple batches a total of 10,700,000 shares on the Stock Exchange in cash for an aggregate consideration (before expenses) of HK$5,725,460.00. Among these shares so bought back, 4,400,000 shares and 6,300,000 shares were cancelled on 15 January 2024 and 10 April 2024 respectively, in all cases in accordance with the Articles. For the year ended 31 December 2024, the Company did not hold any treasury shares as defined under the Listing Rules.

The above share buy-backs are summarised as follows:

Date of buy-back	No.of shares bought back	Price per share Highest	Price per share Lowest	Aggregate consideration paid (before expenses)
		HK$	HK$	HK$
2 January 2024	1,400,000	0.60	0.59	834,000.00
3 January 2024	300,000	0.59	0.59	177,000.00
4 January 2024	1,600,000	0.59	0.58	931,000.00
5 January 2024	1,100,000	0.60	0.59	652,000.00
8 March 2024	85,000	0.47	0.47	39,950.00
19 March 2024	744,000	0.51	0.51	379,440.00
22 March 2024	921,000	0.50	0.49	454,465.00
25 March 2024	2,900,000	0.50	0.49	1,431,250.00
26 March 2024	500,000	0.495	0.495	247,500.00
27 March 2024	217,000	0.495	0.495	107,415.00
28 March 2024	133,000	0.51	0.51	67,830.00
2 April 2024	800,000	0.51	0.50	403,610.00
	10,700,000			5,725,460.00

For details about each of the above share buy-backs and share cancellations, please refer to the Explanatory Statements of the Buy-back Mandate as Appendix I to the Company's circular dated 14 April 2023 as well as the next day disclosure returns and monthly returns as issued and published from 2 January 2024 to 2 May 2024 (both dates inclusive).

The Board believes that the value of the Company's shares traded on-market was undervalued. Accordingly, the Board is of the view that the above share buy-backs are in the interests of the Company and its shareholders as a whole.

Save for the aforesaid, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the current period.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the memorandum and articles of association of the Company in force for the time being and the Companies Act of the Cayman Islands (as amended from time to time).

PENSION SCHEMES

Details of the Group's pension schemes and the basis of calculation are set out in note 35 to the consolidated financial statements.

TAX RELIEF

The Company is not aware of any relief on taxation available to its shareholders by reason of their holding of the shares of the Company. If the shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising any rights in relation to the shares of the Company, they are advised to consult independent professional adviser(s).

AUDIT COMMITTEE

The Company has established and maintained an audit committee in accordance with the requirements of the Listing Rules, particularly the Corporate Governance Code as set out in Appendix C1 to the Listing Rules (the "CG Code"). Its primary duties are to review the Group's financial reporting process and internal control and enterprise risk management systems, nominate and monitor external auditor and provide advice and comments to the Board. The audit committee comprises three independent non-executive directors (among whom one of the independent non-executive directors has the appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules).

The audit committee has reviewed the audited consolidated financial statements of the Group for the current period and the annual report incorporating this report of the directors and recommended the same to the Board for approval.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the current period, in compliance with the code provisions set out in Part 2 of the CG Code during the current period.

For more details, please refer to the Company's 2024 corporate governance report, which forms part of the Company's 2024 annual report incorporating this report of the directors.

AUDITOR

The consolidated financial statements have been audited by the Company's auditor, Deloitte Touche Tohmatsu who is due to retire and, being eligible, will offer itself for re-appointment as auditor of the Company at the forthcoming annual general meeting of the Company.

On behalf of the Board

CHIH Yu Yang
Chairman of the Board

7 March 2025

INDEPENDENT AUDITOR’S REPORT

TO THE SHAREHOLDERS OF FIH MOBILE LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of FIH Mobile Limited (the “Company”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 81 to 151, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current year. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Fair value measurement of unlisted equity investment in relation to HMD Global Oy ("HMD")	
We identified fair value measurement of unlisted equity investment in relation to HMD as a key audit matter due to the involvement of significant estimation uncertainty over the assumptions. As disclosed in notes 4, 16 and 32 to the consolidated financial statements, in determining the fair value of unlisted equity investment in relation to HMD, the Group engaged independent professional valuers to perform the valuation of the investment using option-pricing method to allocate the equity value of HMD derived from cash flow projection based on financial budgets and business plan approved by HMD's management for the estimated future cash flow discounted to its present value, which required the use of key assumptions, including the discount rate, terminal growth rate, budgeted sales and gross margin and taking into account relevant industry growth and market development forecasts. The fair value of unlisted equity investment in relation to HMD was determined as US$27,900,000 as at 31 December 2024 and fair value gain of US$2,200,000 was recognised in other comprehensive income for the year ended 31 December 2024.	Our procedures in relation to evaluating the appropriateness of the management's fair value measurement of unlisted equity investment in relation to HMD included: • Understanding how the Group's management determines the fair value of unlisted equity investment in relation to HMD, including the valuation model adopted, key assumptions used and the involvement of independent professional valuers appointed by the Group; • Evaluating the competence, capability and objectivity of the valuers; • Evaluating the historical reasonableness of the financial budgets prepared by the HMD's management by comparing the historical budgets with the actual performance; • Evaluating the reasonableness of the budgeted sales and gross margin by considering the financial budgets and business plan approved by the management of HMD, relevant industry growth and market development forecast with reference to the available industry and market data; and • Engaging our valuation expert to evaluate the appropriateness of the valuation models adopted and the selected key assumption used.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

The engagement partner on the audit resulting in this independent auditor's report is Keung To Wai, David.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
7 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	NOTES	2024 US$'000	2023 US$'000
Revenue	5	**5,702,949**	6,445,798
Cost of sales		**(5,568,309)**	(6,335,982)
Gross profit		**134,640**	109,816
Other income, gains and losses	6	**91,309**	229,512
Impairment loss under expected credit loss model, net of reversal		**(9,768)**	(133,823)
Impairment loss recognised for property, plant and equipment		**(16,022)**	(4,882)
Selling expenses		**(5,349)**	(5,386)
General and administrative expenses		**(87,019)**	(156,914)
Research and development expenses		**(49,965)**	(57,108)
Interest expenses		**(57,633)**	(60,600)
Share of profit (loss) of associates		**9,116**	(344)
Share of loss of a joint venture		**(3,815)**	(20,175)
Profit (loss) before tax	7	**5,494**	(99,904)
Income tax expense	10	**(25,686)**	(20,869)
Loss for the year		**(20,192)**	(120,773)
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		**(6,966)**	(84,735)
Remeasurement of defined benefit pension plans		**305**	243
		(6,661)	(84,492)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(68,192)**	(15,324)
Share of translation reserve of associates		**(1,013)**	(337)
Share of translation reserve of a joint venture		**(887)**	1,093
		(70,092)	(14,568)
Other comprehensive expense for the year, net of income tax		**(76,753)**	(99,060)
Total comprehensive expense for the year		**(96,945)**	(219,833)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	NOTE	2024 US$'000	2023 US$'000
(Loss) profit for the year attributable to:			
Owners of the Company		**(20,331)**	(120,680)
Non-controlling interests		**139**	(93)
		(20,192)	(120,773)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(96,911)**	(220,037)
Non-controlling interests		**(34)**	204
		(96,945)	(219,833)
Loss per share	*12*		
Basic		**(US0.26 cent)**	(US1.52 cents)
Diluted		**(US0.26 cent)**	(US1.52 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	NOTES	**2024** **US$'000**	2023 US$'000
Non-current assets			
Property, plant and equipment	13	**586,162**	639,374
Right-of-use assets	14	**36,757**	39,019
Investment properties	15	**258**	406
Equity instruments at fair value through other comprehensive income	16	**56,704**	62,002
Interests in associates	17	**26,268**	25,270
Interest in a joint venture	18	**9,401**	14,103
Deferred tax assets	19	**21,128**	18,790
Deposit for acquisition of right-of-use assets		**26,508**	26,908
Other receivables	15	**34,110**	34,625
		797,296	860,497
Current assets			
Inventories	20	**547,695**	591,557
Trade and other receivables	21	**791,958**	971,716
Bank deposits	28	**168,833**	50,343
Cash and cash equivalents	28	**1,516,241**	1,845,323
		3,024,727	3,458,939
Current liabilities			
Trade and other payables	22	**1,527,060**	1,643,013
Contract liabilities		**416,885**	331,543
Lease liabilities	23	**38**	1,235
Bank borrowings	24	**341,420**	703,676
Provision	29	**1,438**	2,014
Tax payable		**51,482**	55,484
		2,338,323	2,736,965
Net current assets		**686,404**	721,974
Total assets less current liabilities		**1,483,700**	1,582,471

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	NOTES	**2024** **US$'000**	2023 US$'000
Capital and reserves			
Share capital	*25*	**315,380**	316,200
Reserves		**1,145,432**	1,242,287
Equity attributable to owners of the Company		**1,460,812**	1,558,487
Non-controlling interests		**2,851**	2,885
Total equity		**1,463,663**	1,561,372
Non-current liabilities			
Deferred tax liabilities	*19*	**9,090**	11,236
Deferred income	*30*	**6,404**	7,119
Lease liabilities	*23*	**4,543**	2,744
		20,037	21,099
		1,483,700	1,582,471

The consolidated financial statements on pages 81 to 151 were approved and authorised for issue by the board of directors on 7 March 2025 and are signed on its behalf by:

CHIH YU YANG
Executive Director and
Chairman of the Board

LIN CHIA-YI
Executive Director and
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributable to owners of the Company												
	Share capital US$'000	Share premium US$'000	Shares bought-back pending cancellation US$'000	Special reserve US$'000 (note 26)	Revaluation reserve US$'000 (note a)	Other reserve US$'000 (note b)	Legal reserve US$'000 (note 26)	Translation reserve US$'000	Share compensation reserve US$'000	Retained profits US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total US$'000
Balance at 1 January 2023	317,550	1,175,203	(1,170)	15,514	(68,263)	(21)	176,419	(86,419)	–	252,840	1,781,653	6,123	1,787,776
Loss for the year	–	–	–	–	–	–	–	–	–	(120,680)	(120,680)	(93)	(120,773)
Other comprehensive (expense) income for the year	–	–	–	–	(84,735)	243	–	(14,865)	–	–	(99,357)	297	(99,060)
Total comprehensive (expense) income for the year	–	–	–	–	(84,735)	243	–	(14,865)	–	(120,680)	(220,037)	204	(219,833)
Repurchase of ordinary shares (note 25)	–	–	(2,908)	–	–	–	–	–	–	–	(2,908)	–	(2,908)
Cancellation of ordinary shares	(1,350)	(2,014)	3,364	–	–	–	–	–	–	–	–	–	–
Disposal of equity instruments at fair value through other comprehensive income	–	–	–	–	6,277	–	–	–	–	(6,277)	–	–	–
Payment made for equity-settled share-based payments	–	–	–	–	–	–	–	–	(1,512)	–	(1,512)	–	(1,512)
Recognition of equity-settled share-based payments (note 36)	–	–	–	–	–	–	–	–	1,291	–	1,291	–	1,291
Capital reduction of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(3,442)	(3,442)
Balance at 31 December 2023	316,200	1,173,189	(714)	15,514	(146,721)	222	176,419	(101,284)	(221)	125,883	1,558,487	2,885	1,561,372
(Loss) profit for the year	–	–	–	–	–	–	–	–	–	(20,331)	(20,331)	139	(20,192)
Other comprehensive (expense) income for the year	–	–	–	–	(6,966)	305	–	(69,919)	–	–	(76,580)	(173)	(76,753)
Total comprehensive (expense) income for the year	–	–	–	–	(6,966)	305	–	(69,919)	–	(20,331)	(96,911)	(34)	(96,945)
Repurchase of ordinary shares (note 25)	–	–	(734)	–	–	–	–	–	–	–	(734)	–	(734)
Cancellation of ordinary shares	(820)	(628)	1,448	–	–	–	–	–	–	–	–	–	–
Disposal of equity instruments at fair value through other comprehensive income	–	–	–	–	(3,583)	–	–	–	–	3,583	–	–	–
Profit appropriations	–	–	–	–	–	–	5,574	–	–	(5,574)	–	–	–
Payment made for equity-settled share-based payments	–	–	–	–	–	–	–	–	(556)	–	(556)	–	(556)
Recognition of equity-settled share-based payments (note 36)	–	–	–	–	–	–	–	–	526	–	526	–	526
Balance at 31 December 2024	315,380	1,172,561	–	15,514	(157,270)	527	181,993	(171,203)	(251)	103,561	1,460,812	2,851	1,463,663

Notes:

(a) The revaluation reserve represents the change in fair value of equity investments classified as financial assets at fair value through other comprehensive income.

(b) The other reserve represents the remeasurement of defined benefit pension plans and the effects of changes in ownership in certain subsidiaries when there was no change in control.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	NOTE	2024 US$'000	2023 US$'000
OPERATING ACTIVITIES			
Profit (loss) before tax		**5,494**	(99,904)
Adjustments for:			
Depreciation and amortisation		**136,498**	147,043
Write-down of inventories		**12,255**	22,868
Net loss (gain) on disposal and write-off of property, plant and equipment		**2,866**	(4,968)
Interest expenses		**57,633**	60,600
Share of (profit) loss of associates		**(9,116)**	344
Share of loss of a joint venture		**3,815**	20,175
Impairment loss under expected credit loss model, net of reversal		**9,768**	133,823
Impairment loss recognised for property, plant and equipment		**16,022**	4,882
Deferred income released to income		**(615)**	(816)
Interest income		**(50,300)**	(52,499)
Equity-settled share-based payments		**526**	1,291
Gain on early termination of leases	14	**(340)**	–
Gain on deemed disposal of an associate		**(2,758)**	–
Gain on disposal of investment properties		–	(78,452)
Gain on disposal of assets classified as held for sale		–	(23,085)
Write-off of trade and other payables		–	(7,675)
Operating cash flows before movements in working capital		**181,748**	123,627
Decrease in inventories		**20,849**	140,917
Decrease in trade and other receivables		**112,767**	960,726
Decrease in trade and other payables		**(67,111)**	(1,214,020)
Increase in contract liabilities		**85,508**	58,560
Decrease in provision		**(517)**	(750)
Cash generated from operations		**333,244**	69,060
Income taxes paid, net		**(23,677)**	(12,259)
Interest received		**53,225**	47,368
Payments made for share-based payments expenses		**(556)**	(1,512)
NET CASH FROM OPERATING ACTIVITIES		**362,236**	102,657

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	2024 US$'000	2023 US$'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(125,009)**	(93,174)
Placement of bank deposits for investing purpose	**(119,753)**	(26,264)
Purchase of equity instruments at fair value through other comprehensive income	**(1,777)**	(3,228)
Proceeds from disposal of property, plant and equipment	**15,764**	32,088
Dividend income from an associate	**9,863**	–
Proceeds from disposal of investment properties	–	25,440
Proceeds from disposal of assets classified as held for sale	–	25,027
Proceeds from disposal of equity instruments at fair value through other comprehensive income	–	24
NET CASH USED IN INVESTING ACTIVITIES	**(220,912)**	(40,087)
FINANCING ACTIVITIES		
Bank borrowings raised	**4,356,380**	1,936,557
Bank borrowings repaid	**(4,718,400)**	(1,907,903)
Interest on bank borrowings paid	**(62,342)**	(56,781)
Payments on repurchase of ordinary shares	**(734)**	(2,908)
Repayments of lease liabilities	**(3,100)**	(2,335)
Interest on lease liabilities paid	**(335)**	(319)
Payment on capital reduction of a subsidiary	–	(3,442)
NET CASH USED IN FINANCING ACTIVITIES	**(428,531)**	(37,131)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(287,207)**	25,439
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**1,845,323**	1,825,109
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(41,875)**	(5,225)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH	**1,516,241**	1,845,323

1. GENERAL

FIH Mobile Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 8 February 2000 under the Companies Law of the Cayman Islands. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 3 February 2005. The Company's parent company is Foxconn (Far East) Limited (incorporated in the Cayman Islands) and its ultimate holding company is Hon Hai Precision Industry Co. Ltd. ("Hon Hai") (incorporated in Taiwan and its shares are listed on the Taiwan Stock Exchange Corporation). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" in the annual report.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged as a vertically integrated manufacturing services provider for handset industry worldwide. The Group provides a wide range of manufacturing services to its customers in connection with production of handsets. The principal activities of its principal subsidiaries are set out in note 37.

The consolidated financial statements are presented in United States Dollars ("US$") which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

Amendments to IFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (the "IASB") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The application of the amendments to IFRS Accounting Standards in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS *(Continued)*

New and amendments to IFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Accounting Standards that have been issued but are not yet effective:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11[3]
Amendments to IAS 21	Lack of Exchangeability[2]
IFRS 18	Presentation and Disclosure in Financial Statements[4]

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after 1 January 2025
3 Effective for annual periods beginning on or after 1 January 2026
4 Effective for annual periods beginning on or after 1 January 2027

Except for the new IFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of all amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 18 "Presentation and Disclosure in Financial Statements" ("IFRS 18")

IFRS 18, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 "Presentation of Financial Statements". This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and IFRS 7 "Financial Instruments: Disclosures". Minor amendments to IAS 7 "Statement of Cash Flows" and IAS 33 "Earnings per Share" are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of IFRS 18 on the Group's consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

3.2 Material accounting policy information

Investments in associates and joint ventures

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any assets, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Changes in the Group's interests in associates

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. The revenue of the Group is recognised at a point in time. Under the transfer-of-control approach in IFRS 15 "Revenue from Contracts with Customers", revenue from manufacturing services (including sales of goods and processing service) to the Group's customers in connection with the production of handsets are recognised when the goods are passed to the customers, which is the point of time when the customer has the ability to direct the use of the goods and obtain substantially all of the remaining benefits of the goods.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Revenue from contracts with customers *(Continued)*

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (including sales of goods and processing service), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal as it controls the specified good or service before that good or service is transferred to a customer.

Financial instruments

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets of the Group are subsequently measured at fair value through profit or loss ("FVTPL"), except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is not held for trading.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held-for-trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at fair value through other comprehensive income ("FVTOCI")

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 9 "Financial Instruments", unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income, gains and losses" line item in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, other receivables, bank deposits and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within twelve months after the reporting date.

Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(i) Significant increase in credit risk *(Continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. Except for credit-impaired debtors and debtors with increasing credit risk which are assessed individually, the Group uses a practical expedient in estimating ECL on remaining debtors using a provision matrix taking into consideration historical credit loss experience, and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables, where the corresponding adjustment is recognised through a loss allowance account.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at amortised cost

Financial liabilities including bank borrowings, trade and other payables are subsequently measured at amortised cost, using the effective interest method.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Timing of revenue recognition

In determining the timing of revenue recognised for manufactured goods, the directors of the Company have considered the Group has no enforceable right to payment for performance completed to date based on its legal advisor's opinion. In cases where the Group's right has changed, the timing of recognition of such revenue may vary.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgements in applying accounting policies *(Continued)*

Significant influence over interest in an associate

Although the Group has less than 20% equity interests in Diabell Co., Ltd. ("Diabell"), the management considers the Group has significant influence over Diabell by virtue of its right to appoint one out of five directors to the board of directors of Diabell (see note 17).

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurement of unlisted equity investment in relation to HMD Global Oy ("HMD")

In determining the fair values of unlisted equity investment in relation to HMD, the Group engaged independent professional valuers to perform valuation of the investment using option-pricing method to allocate equity value of HMD derived from the cash flow projection based on financial budgets and business plan approved by HMD management for the estimated future cash flow discounted to its present value, which requires the use of key assumptions, including the discount rate, terminal growth rate, budgeted sales and gross margin and taking into account relevant industry growth and market development forecasts where applicable. Any changes in the key assumptions may affect the amount of fair value. As at 31 December 2024, the fair value of unlisted equity investment in relation to HMD was US$27,900,000 (2023: US$25,700,000) and fair value gain of US$2,200,000 (2023: loss of US$78,200,000) was recognised in other comprehensive income for the year ended 31 December 2024, details of which are disclosed in note 16.

Estimated allowance for inventories

The Group's management reviews the future sales plan and the inventory aging list to identify slow-moving and obsolete inventories that are no longer suitable for use in operation and then estimates the net realisable value based on the estimated selling prices and market condition to the extent that such condition exists at the end of reporting period, less the estimated cost of completion and costs necessary to make the sale. Where the net realisable value is less than the carrying amount, write-down on inventories will be made. As at 31 December 2024, the carrying amount of inventories is approximately US$547,695,000 (2023: US$591,557,000) and write-down on inventories of US$12,255,000 (2023: US$22,868,000) has recognised for the year ended 31 December 2024.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Income taxes

As at 31 December 2024, a deferred tax asset of US$4,770,000 (2023: US$4,892,000) in relation to unused tax losses of US$18,951,000 (2023: US$19,437,000) has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of US$930,140,000 (2023: US$1,041,018,000) either due to the unpredictability of future profit streams or because it is not probable that unused tax losses will be available for utilisation before their expiry. The realisability of the deferred tax asset mainly depends on whether sufficient future taxable profits or taxable temporary differences will be available in the future.

During the year ended 31 December 2024, no deferred tax has been provided for the undistributed profits of US$727,324,000 (2023: US$917,198,000) in subsidiaries in the People's Republic of China (the "PRC") as the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Deferred tax assets were recognised for other deductible temporary differences of approximately US$62,325,000 (2023: US$60,322,000) on allowances for inventories and trade and other receivables, warranty provision, accelerated accounting depreciation and other accrued expenses. At 31 December 2024, the Group has not recognised deductible temporary differences on allowances for inventories and trade and other receivables, warranty provision, deferred income and other accrued expenses of approximately US$379,593,000 (2023: US$325,885,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in the Group being unable to control the timing of the reversal of the temporary difference, a material reversal or further recognition of deferred tax assets or liabilities may arise, which would be recognised in profit or loss for the period in which such a reversal or recognition takes place.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Estimated impairment of property, plant and equipment

Property, plant and equipment are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the management has to exercise judgement and make estimation, particularly in assessing: (i) whether an event has occurred or any indicators that may affect the asset recoverable amount; (ii) whether the carrying value of an asset can be supported by the recoverable amount. The recoverable amounts, being the fair value less costs of disposal, of the relevant assets have been estimated individually by the Group's management. In estimating the fair value of these assets, the management uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management engages third party qualified valuers to perform the valuation. The management will first consider and adopt Level 2 inputs where inputs can be observable, other than quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. As at 31 December 2024, the carrying amounts of property, plant and equipment were US$586,162,000 (2023: US$639,374,000). Impairment losses of US$16,022,000 (2023: US$4,882,000) was recognised in profit or loss during the year. Details of the impairment of property, plant and equipment are disclosed in note 13.

5. REVENUE AND SEGMENT INFORMATION

The management determines its operating segments based on internal reports reviewed by the chief operating decision maker, the Chief Executive Officer, for the purpose of allocating resources to the segment and to assess its performance.

The Group's operations are organised into three operating segments based on the location of customers – Asia, Europe and America.

Segment revenue and results

The Group's revenue is from contracts with customers and mainly arising from the manufacturing services (including sales of goods and processing service) amounting to US$5,702,949,000 (2023: US$6,445,798,000) to its customers in connection with the production of handsets.

The Group applies the practical expedient that information regarding the transaction prices allocated to the remaining performance obligation for contracts with customer is not disclosed as the original expected duration of the contracts are less than one year.

As at 1 January 2023, contract liabilities amounted to US$273,157,000. All the contract liabilities at the beginning of the reporting period were included in the revenue recognised in the reporting period.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

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

	2024 US$'000	2023 US$'000
Segment revenue (external sales)		
Asia	**2,597,525**	3,798,328
Europe	**1,174,562**	1,050,945
America	**1,930,862**	1,596,525
Total	**5,702,949**	6,445,798
Segment profit (loss)		
Asia	**38,621**	70,072
Europe	**25,559**	(127,511)
America	**55,343**	47,890
	119,523	(9,549)
Other income, gains and losses	**91,309**	209,668
Impairment loss recognised for property, plant and equipment	**(16,022)**	(4,882)
General and administrative expenses	**(87,019)**	(156,914)
Research and development expenses	**(49,965)**	(57,108)
Interest expenses	**(57,633)**	(60,600)
Share of profit (loss) of associates	**9,116**	(344)
Share of loss of a joint venture	**(3,815)**	(20,175)
Profit (loss) before tax	**5,494**	(99,904)

Segment profit (loss) represents the gross profit earned (loss incurred) by each segment after deducting all selling expenses and impairment loss under ECL model, net of reversal. This is the measure reported to the Chief Executive Officer for the purposes of resource allocation and performance assessment.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

	2024 US$'000	2023 US$'000
Segment assets		
Allocated		
Asia	**491,064**	585,995
Europe	**51,920**	72,710
America	**281,158**	300,558
Total	**824,142**	959,263
Unallocated		
Property, plant and equipment	**571,966**	620,132
Inventories	**531,242**	577,136
Cash and bank deposits	**1,524,288**	1,706,572
Others	**246,589**	326,229
Corporate assets	**123,796**	130,104
Consolidated total assets	**3,822,023**	4,319,436
Segment liabilities		
Allocated		
Asia	**52,653**	22,885
Europe	**29,370**	17,530
America	**357,007**	311,082
Total	**439,030**	351,497
Unallocated		
Trade and other payables	**1,504,139**	1,619,520
Others	**10,985**	11,098
Corporate liabilities	**404,206**	775,949
Consolidated total liabilities	**2,358,360**	2,758,064

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

For the purposes of monitoring segment performances and allocating resources among segments, trade receivables from Asia operations are allocated to Asia, Europe and America segments based on customers' locations, while certain property, plant and equipment, inventories, trade and other receivables and cash and cash equivalents relating to Europe and America operations are allocated to Europe and America segments. Segment liabilities represent certain trade and other payables, contract liabilities and provision were allocated to Asia, Europe and America segments.

Other information

	Year ended 31 December 2024				
	Asia US$'000	Europe US$'000	America US$'000	Unallocated US$'000	Consolidated US$'000
Amounts included in the measurement of segment profit or loss or segment assets and liabilities:					
Capital additions	–	–	518	130,163	130,681
Depreciation and amortisation*	109,934	–	2,632	23,932	136,498
Net loss on disposal and write-off of property, plant and equipment	–	–	(1)	(2,865)	(2,866)
Impairment loss recognised for property, plant and equipment	–	–	–	16,022	16,022
Impairment loss under expected credit loss model, net of reversal	8,352	(1,226)	2,642	–	9,768
Provision for warranty	1,508	–	–	–	1,508
Amounts regularly provided to the chief operating decision maker but not included in the measurement of segment profit or loss:					
Write-down of inventories to net realisable value	11,692	–	563	–	12,255

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

Other information *(Continued)*

	Year ended 31 December 2023				
	Asia US$'000	Europe US$'000	America US$'000	Unallocated US$'000	Consolidated US$'000
Amounts included in the measurement of segment profit or loss or segment assets and liabilities:					
Capital additions	–	–	2,874	90,300	93,174
Depreciation and amortisation*	109,779	373	2,860	34,031	147,043
Net (loss) gain on disposal and write-off of property, plant and equipment	–	–	(1)	4,969	4,968
Gain on disposal of investment properties	–	–	–	78,452	78,452
Gain on disposal of assets classified as held for sale	–	8,746	–	14,339	23,085
Impairment loss recognised for property, plant and equipment	–	–	–	4,882	4,882
Impairment loss under expected credit loss model, net of reversal	(4,105)	137,305	623	–	133,823
Provision for warranty	1,661	–	–	–	1,661
Amounts regularly provided to the chief operating decision maker but not included in the measurement of segment profit or loss:					
Write-down of inventories to net realisable value	21,221	–	1,647	–	22,868

* Substantially all depreciation and amortisation included in segment profit are expensed through cost of sales while the related property, plant and equipment are excluded from segment assets.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

Majority of the Group's segment revenue based on location of customers are attributed to the PRC included in Asia.

The Group's operations are located in the PRC (country of domicile), Republic of India ("India"), United Mexican States ("Mexico"), Socialist Republic of Vietnam ("Vietnam"), the United States of America ("USA") and other countries.

Information about the Group's revenue from external customers and its non-current assets, both presented based on the Group's geographical location of operations are as follows:

	Revenue from external customers		Non-current assets	
	2024	2023	**2024**	2023
	US$'000	US$'000	**US$'000**	US$'000
PRC (country of domicile)	**5,095,107**	5,132,104	**383,536**	465,533
India	**415,813**	1,263,777	**103,173**	100,845
Mexico	**88,417**	48,200	**14,141**	18,882
Vietnam	**5,453**	1,717	**144,901**	115,925
USA	**22,139**	–	**54**	360
Other countries	**76,020**	–	**39,549**	43,535
	5,702,949	6,445,798	**685,354**	745,080

Note: Non-current assets excluded financial instruments, deferred tax assets and other receivables.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2024	2023
	US$'000	US$'000
Customer A[1]	**3,176,141**	2,940,210
Customer B[1 & 2]	**1,066,899**	1,034,685
Customer C[1&3]	**N/A**	848,008

1 Revenue arising from provision of manufacturing services mainly to customers located in Asia and Europe and in connection with the production of handsets.

2 The customer represented Hon Hai and its subsidiaries other than the members of the Group.

3 The customers did not contribute over 10% of the total sales of the Group in 2024.

6. OTHER INCOME, GAINS AND LOSSES

	2024 US$'000	2023 US$'000
An analysis of the Group's other income, gains and losses is as follows:		
Interest income from bank deposits and bank balances	**50,300**	52,499
Service income	**–**	11,099
Sales of materials	**–**	12,161
Repairs and modifications of mouldings	**–**	13,850
Net foreign exchange gain	**15,125**	5,497
Government subsidies *(note a)*	**16,190**	24,018
Rental income	**10,090**	9,493
Net (loss) gain on disposal and write-off of property, plant and equipment	**(2,866)**	4,968
Gain on deemed disposal of an associate	**2,758**	–
Gain on early termination of lease *(note 14)*	**340**	–
Gain on disposal of investment properties *(note 15)*	**–**	78,452
Gain on disposal of assets classified as held for sale *(note b)*	**–**	23,085
Compensation loss to lessees	**–**	(12,787)
Write-off of trade and other payables	**–**	7,675
Others	**(628)**	(498)
	91,309	229,512

Notes:

(a) This mainly represented subsidies granted for the Group's operations in the PRC.

(b) According to an arbitral award issued by the China International Economic and Trade Arbitration Commission on 6 June 2023, the Group has disposed of certain property, plant and equipment in Beijing, the PRC, at a consideration of Renminbi ("RMB")106,918,900 (equivalent to approximately US$15,100,000) to 北京亦莊城市更新有限公司 (Beijing E-Town Urban Renewal Co., Ltd. for identification purposes only) which is a party independent of the Group. As at 30 June 2023, the directors of the Company considered that the held-for-sale criteria as set out in IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" ("IFRS 5") were met, by taking into account the fact that the subject assets were immediately available for sale, and the sale was to be highly probable as appropriate level of management had committed to a plan to sell the assets. Accordingly, the respective assets were classified as assets held for sale as at 30 June 2023. The disposal was completed on 26 September 2023 in which the carrying amount of the property, plant and equipment at date of disposal was US$761,000 and the Group has recognised a gain on disposal of assets classified as held for sale of US$14,339,000 during the year ended 31 December 2023. The details of the transaction are set out in the Company's announcement dated 7 June 2023.

On 7 July 2023, the Group entered into a sale and purchase agreement with a subsidiary of Hon Hai to dispose of certain property, plant and equipment and investment properties in Hungary at a consideration of US$9,927,000. As at 30 June 2023, the directors of the Company considered that the held-for-sale criteria as set out in IFRS 5 were met, by taking into account the fact that the subject assets were immediately available for sale, and the sale was to be highly probable as appropriate level of management had committed to a plan to sell the assets. Accordingly, the respective assets were classified as assets held for sale as at 30 June 2023. The disposal was completed on 7 July 2023 in which the carrying amount of the property, plant and equipment as well as investment properties at date of disposal were US$1,060,000 and US$121,000 respectively and the Group has recognised a gain on disposal of assets classified as held for sale of US$8,746,000 during the year ended 31 December 2023. The details of the transaction are set out in the Company's announcement dated 7 July 2023.

7. PROFIT (LOSS) BEFORE TAX

	2024 US$'000	2023 US$'000
Profit (loss) before tax for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	**132,242**	142,787
Depreciation of right-of-use assets	**4,189**	3,331
Depreciation of investment properties	**67**	925
Total depreciation and amortisation	**136,498**	147,043
Less: Amount capitalised in inventories	**(100,087)**	(117,195)
Amount included in research and development expenses	**(2,711)**	(3,959)
	33,700	25,889
Interest on:		
Bank borrowings	**57,298**	60,281
Lease liabilities	**335**	319
	57,633	60,600
Staff costs		
Directors' emoluments *(note 8)*	**2,307**	2,523
Retirement benefit scheme contributions (excluding directors)	**11,519**	11,856
Other staff costs	**254,955**	255,901
Total staff costs	**268,781**	270,280
Less: Amount capitalised in inventories	**(206,787)**	(169,211)
Amount included in research and development expenses	**(22,903)**	(18,189)
	39,091	82,880
Auditor's remuneration	**649**	663
Cost of inventories recognised as expense	**5,554,546**	6,311,453
Provision for warranty	**1,508**	1,661
Write-down of inventories to net realisable value	**12,255**	22,868

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the directors and the chief executive of the Company were as follows:

2024	Fees US$'000	Other emoluments: Basic salaries and allowances US$'000	Other emoluments: Performance-based or discretionary bonus US$'000 (Note)	Other emoluments: Retirement benefit scheme contributions US$'000	Total US$'000
Chih Yu Yang (re-designated from acting chairman to the Chairman of the Board with effect from 1 July 2024 and resigned as the Chief Executive Officer with effect from 1 July 2024)	–	220	645	–	865
Lin Chia-Yi (also known as Charles Lin) (appointed as the Chief Executive Officer with effect from 1 July 2024)	–	132	469	2	603
Kuo Wen-Yi	–	393	260	14	667
Chang Chuan-Wang	40	–	–	–	40
Lau Siu Ki	40	12	–	–	52
Chen Shu Chuan (also known as Nadia Chen)	40	–	–	–	40
Chiu Yen-Tsen (also known as Chiu Yen-Chen, Dennis)	40	–	–	–	40
	160	757	1,374	16	2,307

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

2023	Fees	Other emoluments Basic salaries and allowances	 Performance-based or discretionary bonus	 Retirement benefit scheme contributions	Total
	US$'000	US$'000	US$'000 (Note)	US$'000	US$'000
Chih Yu Yang (also acting as the Chief Executive Officer)	–	227	739	–	966
Lin Chia-Yi (also known as Charles Lin) (appointed on 10 March 2023)	–	113	514	3	630
Kuo Wen-Yi	–	393	191	20	604
Meng Hsiao-Yi (resigned on 10 March 2023)	–	24	155	–	179
Chang Chuan-Wang (appointed on 29 June 2023)	12	–	–	–	12
Lau Siu Ki	40	12	–	–	52
Chen Shu Chuan (also known as Nadia Chen) (appointed on 19 May 2023)	25	–	–	–	25
Chiu Yen-Tsen (also known as Chiu Yen-Chen, Dennis) (appointed on 29 June 2023)	20	–	–	–	20
Daniel Joseph Mehan (resigned on 29 June 2023)	20	–	–	–	20
Tao Yun Chih (resigned on 19 May 2023)	15	–	–	–	15
	132	769	1,599	23	2,523

Note: The performance-based or discretionary bonus, including share-based payments, is determined by reference to the individual performance of the directors and approved by the remuneration committee of the Company.

The chief executive of the Company is also a director and therefore the emoluments of the chief executive have been included in the amount disclosed above. The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Neither the chief executive nor any of the directors waived any emoluments. Neither any of the directors nor the five highest paid individuals (note 9) were paid as compensation for loss of office and as incentive to join or upon joining the group during the years ended 31 December 2024 and 2023.

9. EMPLOYEES' EMOLUMENTS

The aggregate emoluments of the five highest paid individuals included three (2023: two) executive directors of the Company, whose emoluments are included in note 8 above. The emoluments of the remaining two individuals (2023: three individuals in which one of the individuals was appointed as director during the year) were as follows. Both of the director's emolument and employee's emolument of that individual were included below.

	2024 US$'000	2023 US$'000
Salaries, housing allowances and other benefits	329	492
Retirement benefits	16	13
Performance-related incentive payments	251	753
	596	1,258

Their emoluments were within the following bands (presented in Hong Kong dollars ("HK$")):

	Number of employees	
	2024	2023
HK$2,000,000 to HK$2,500,000	1	2
HK$2,500,001 to HK$3,000,000	1	–
HK$5,000,001 to HK$5,500,000	–	1
	2	3

10. INCOME TAX EXPENSE

	2024 **US$'000**	2023 US$'000
Current tax		
– Hong Kong	**–**	–
– Other jurisdictions	**11,776**	17,484
– Withholding tax for distributed profit of investments in the PRC	**19,904**	–
	31,680	17,484
Overprovision in prior years		
– Hong Kong	**–**	–
– Other jurisdictions	**(977)**	–
	(977)	–
	30,703	17,484
Deferred tax *(note 19)*		
– Current year	**(5,017)**	3,385
	25,686	20,869

No provision for Hong Kong Profits Tax has been made as the Group does not have assessable profits in Hong Kong.

Tax charge mainly consists of income tax in the PRC attributable to the assessable profits of the Company's subsidiaries established in the PRC. Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2023: 25%). Two (2023: One) of the Company's PRC subsidiaries were awarded with the Advanced – Technology Enterprise Certificate and entitled for a tax reduction from 25% to 15% for a period of three years, i.e. effective from 2022 and 2024 respectively. Except for these subsidiaries, other PRC subsidiaries are subject to Enterprise Income Tax at 25% (2023: 25%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

10. INCOME TAX EXPENSE *(Continued)*

According to a joint circular of the Ministry of Finance and State Administration of Taxation in the PRC, Cai Shui 2010 No. 1, only the profits earned by foreign-investment enterprise prior to 1 January 2008, when distributed to foreign investors, can be grandfathered and exempted from withholding tax. Whereas, dividend distributed out of the profits generated thereafter shall be subject to the Enterprise Income Tax at 5% or 10% and withheld by the PRC entities, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Detailed Implementation Rules.

The income tax expense for the year can be reconciled to the profit (loss) before tax as per the consolidated statement of profit or loss and other comprehensive income as follows:

	2024 **US$'000**	2023 US$'000
Profit (loss) before tax	**5,494**	(99,904)
Income tax charge (credit) at the PRC income tax rate of 25% (2023: 25%) for the year *(note)*	**1,374**	(24,976)
Effect of different tax rates of subsidiaries	**(2,331)**	(618)
Effect of income taxed at concessionary tax rates	**937**	210
Tax effect of expenses not deductible for tax purpose	**5,499**	1,423
Tax effect of income not taxable for tax purpose	**(3,519)**	(5,034)
Tax effect of tax losses/deductible temporary differences not recognised	**6,814**	44,734
Tax effect of share of (profit) loss of associates	**(2,969)**	86
Tax effect of share of loss of a joint venture	**954**	5,044
Withholding tax for distributed profit of investments in the PRC	**19,904**	–
Overprovision in prior years	**(977)**	–
Income tax expense for the year	**25,686**	20,869

Note: The domestic income tax rate of 25% (2023: 25%) represents the PRC Enterprise Income Tax rate on which the Group's operations are substantially based.

11. DIVIDENDS

No dividend was paid, declared or proposed for the years ended 31 December 2024 and 2023, nor has any dividend been proposed since the end of the reporting period.

12. LOSS PER SHARE

The calculation of the loss per share attributable to the owners of the Company is based on the following data:

	2024 US$'000	2023 US$'000
Loss attributable to the owners of the Company		
Loss for the purposes of basic and diluted loss per share	**(20,331)**	(120,680)

	2024	2023
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss (2023: basic and diluted loss) per share	**7,886,003,172**	7,914,531,751

The calculation of diluted loss per share for both current and prior years does not take into account the share awards issued by the Company as detailed in note 36(b) because it is anti-dilutive.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings US$'000	Plant and machinery US$'000	Fixtures and equipment US$'000	Construction in progress US$'000	Total US$'000
COST					
At 1 January 2023	759,122	985,955	115,202	19,323	1,879,602
Exchange adjustments	(6,786)	(12,700)	(200)	(210)	(19,896)
Additions	8,437	37,033	3,849	43,855	93,174
Disposals and write-off	(8,422)	(156,494)	(8,744)	–	(173,660)
Transfer to assets held for sale *(note 6)*	(22,186)	(976)	(196)	–	(23,358)
Transfers	4,243	25,815	1,358	(31,416)	–
At 31 December 2023	734,408	878,633	111,269	31,552	1,755,862
Exchange adjustments	(12,764)	(19,382)	(2,154)	(519)	(34,819)
Additions	7,251	65,461	4,111	48,186	125,009
Disposals and write-off	(4,668)	(131,692)	(9,662)	–	(146,022)
Transfers	571	16,050	309	(16,930)	–
At 31 December 2024	**724,798**	**809,070**	**103,873**	**62,289**	**1,700,030**
DEPRECIATION AND IMPAIRMENT					
At 1 January 2023	448,830	621,181	81,289	–	1,151,300
Exchange adjustments	(5,443)	(7,676)	(225)	–	(13,344)
Charge for the year	36,789	100,200	5,798	–	142,787
Eliminated on disposals and write-off	(8,292)	(130,889)	(8,419)	–	(147,600)
Transfer to assets held for sale *(note 6)*	(20,369)	(976)	(192)	–	(21,537)
Impairment loss recognised in profit or loss	–	4,882	–	–	4,882
At 31 December 2023	451,515	586,722	78,251	–	1,116,488
Exchange adjustments	(7,723)	(14,240)	(1,529)	–	(23,492)
Charge for the year	44,589	82,508	5,145	–	132,242
Eliminated on disposals and write-off	(4,256)	(113,634)	(9,502)	–	(127,392)
Impairment loss recognised in profit or loss	–	16,022	–	–	16,022
At 31 December 2024	**484,125**	**557,378**	**72,365**	**–**	**1,113,868**
CARRYING VALUES					
At 31 December 2024	**240,673**	**251,692**	**31,508**	**62,289**	**586,162**
At 31 December 2023	282,893	291,911	33,018	31,552	639,374

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Included in the land and buildings are freehold land, located in Mexico and India (2023: Hungary, Mexico and India), having an aggregate cost of approximately US$7,622,000 (2023: US$8,170,000). All buildings of the Group are situated outside Hong Kong.

The Group's property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. The above items of property, plant and equipment (other than freehold land and construction in progress) are depreciated using the straight-line method, after taking into account their estimated residual values, over the following periods:

Land and buildings	Shorter of 20 – 40 years and the lease terms
Plant and machinery	5 – 10 years
Fixtures and equipment	3 – 5 years

At 31 December 2024, the directors of the Company appointed independent professional appraisers to perform appraisals on the Group's property, plant and equipment with impairment indicators, such as changing market environment which result in revenue decrease and assets being idle during the year and determined that a number of those assets were impaired. As a result, impairment losses of US$16,022,000 (2023: US$4,882,000) has been recognised in profit or loss in respect of plant and machinery (2023: plant and machinery) for the year.

14. RIGHT-OF-USE ASSETS

	Leasehold land US$'000	Land and buildings US$'000	Plant and machinery US$'000	Total US$'000
As at 31 December 2024				
Carrying amount	**33,940**	**2,817**	**–**	**36,757**
As at 31 December 2023				
Carrying amount	35,267	3,752	–	39,019
For the year ended 31 December 2024				
Depreciation charge	**916**	**3,273**	**–**	**4,189**
For the year ended 31 December 2023				
Depreciation charge	935	2,265	131	3,331

14. RIGHT-OF-USE ASSETS *(Continued)*

	Year ended 31 December 2024 US$'000	Year ended 31 December 2023 **US$'000**
Expense relating to short-term leases	**21,079**	23,199
Total cash outflow for leases	**24,514**	25,853
Additions to right-of-use assets	**5,672**	2,628

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses.

For both years, the Group leases leasehold land and buildings and plant and machinery for its operations. Lease contracts are entered into for fixed term of one to four years without extension and termination option. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Lease assets may not be used as security for borrowing purpose.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

During the year, the Group entered into several new lease agreements (2023: several new lease agreements) for the use of leased properties and plant and machinery for one to three years (2023: two to four years). On the lease commencement, the Company recognised US$5,672,000 (2023: US$2,628,000) of right-of-use assets and US$5,672,000 (2023: US$2,628,000) of lease liabilities.

During the year ended 31 December 2024, the Group early terminated lease agreements with remaining lease term of three years and derecognised right-of-use assets of US$1,553,000 and lease liabilities of US$1,893,000, resulting in a gain on early termination of leases of US$340,000.

The Group regularly entered into short-term leases for certain premises, motor vehicles and office equipment. As at 31 December 2024 and 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense incurred during the year.

15. INVESTMENT PROPERTIES

Investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment. The Group leases out buildings under operating leases with fixed rentals payable monthly. The leases typically run for an initial period of one to two years (2023: one to two years), with unilateral rights to extend the lease beyond initial period held by lessees only.

15. INVESTMENT PROPERTIES *(Continued)*

As at 31 December 2024 and 2023, certain investment properties are leased to the related parties of the Group but the Group had not contracted with the related parties for any future minimum lease payments.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	US$'000
COST	
At 1 January 2023	69,971
Exchange adjustment	2,955
Disposal *(note)*	(39,311)
Transfer to assets held for sale *(note 6)*	(32,502)
At 31 December 2023	1,113
Exchange adjustment	(245)
At 31 December 2024	**868**
DEPRECIATION	
At 1 January 2023	59,782
Exchange adjustment	2,883
Provided for the year	925
Eliminated on disposal *(note)*	(30,502)
Transfer to assets held for sale *(note 6)*	(32,381)
At 31 December 2023	707
Exchange adjustment	(164)
Provided for the year	67
At 31 December 2024	**610**
CARRYING VALUES	
At 31 December 2024	**258**
At 31 December 2023	406

Note: On 2 November 2022, the Group entered into the compensation agreement (the "Agreement") with government authority in Hangzhou, Zhejiang Province, the PRC (the "Purchaser"). Pursuant to the Agreement, the Purchaser shall resume the ownership of a property, 中國浙江省杭州經濟技術開發區11號大街58號、58-2號及58-3號 (No. 58, 58-2 and 58-3, 11th Avenue, Hangzhou Economic and Technological Development Zone, Hangzhou, Zhejiang Province, the PRC) (the "Property"), which was classified as investment property, at a cash compensation of RMB607,669,300 (equivalent to approximately US$87,261,000), details of which are set out in the Company's discloseable transaction announcement dated 2 November 2022.

On 6 April 2023, the Group's land use right, property ownership and the relevant certificates have been cancelled and the Purchaser has resumed the ownership of the Property. The carrying amount of investment property at date of disposal was US$8,809,000, resulting in a gain on disposal of investment property of US$78,452,000 which was included in "other income, gains and losses" during the year ended 31 December 2023. The remaining balance of compensation which the Group has yet to receive is US$34,110,000 (2023: US$34,625,000) which was included in "other receivables" under non-current assets as at 31 December 2024.

15. INVESTMENT PROPERTIES *(Continued)*

The fair value of the Group's investment properties at 31 December 2024 was US$6,899,000 (2023: US$4,318,000). The fair value has been arrived at based on a valuation carried out by independent valuers not connected with the Group. The fair value was determined by reference to recent market prices for similar properties in the same locations and conditions. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The above investment properties are depreciated using the straight-line method, after taking into account their estimated residual value, over 20 years.

16. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 **US$'000**	2023 US$'000
Equity securities listed in USA *(note a)*	**2,094**	420
Unlisted equity securities *(note b)*	**54,610**	61,582
	56,704	62,002

Notes:

(a) The above listed equity investments represent ordinary shares of entities listed in USA. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

(b) The above unlisted equity investments represent the Group's equity interest in several private entities established in the PRC, India, USA, Taiwan and Republic of Finland ("Finland"). The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they are held for long-term strategic purposes.

As at 31 December 2024 and 2023, included in unlisted equity securities above, there is the Group's investment in HMD, a company incorporated in Finland, which is engaged in the development, manufacture and sale of telecommunication devices, software and related services, of approximately US$27,900,000 (2023: US$25,700,000) and fair value gain of US$2,200,000 (2023: loss of US$78,200,000) was recognised in other comprehensive income for the year ended 31 December 2024.

In determining the fair value of unlisted equity investment in relation to HMD, the Group engage independent professional valuers to perform a valuation. The amount is determined using option-pricing method with expected volatility, expected life and risk-free rate as the key inputs to allocate equity value of HMD derived from cash flow projection based on financial budgets and business plan approved by HMD's management for the estimated future cash flow discounted to its present value, which requires the use of key assumptions, including the discount rate, terminal growth rate, budgeted sales and gross margin and taking into account relevant industry growth and market development forecasts.

17. INTERESTS IN ASSOCIATES

	2024 US$'000	2023 US$'000
Cost of investments in associates, less impairment	**12,357**	12,357
Share of post-acquisition profit and other comprehensive income, net of dividend received	**13,911**	12,913
	26,268	25,270

At 31 December 2024 and 2023, the Group had interests in the following associates:

Name of associate	Form of entity	Place of incorporation/ registration	Principal place of operation	Class of share/ interest held	Proportion of nominal value of issued capital/interest held by the Group 2024	2023	Proportion of voting power held by the Group 2024	2023	Principal activities
Diabell Co., Ltd. *(note a)*	Limited company	Republic of Korea ("Korea")	Korea	Ordinary	**19.998%**	19.998%	**20%**	20%	Designing, developing, manufacturing and selling hinges and window lens for handsets as well as connectors, switches, metal decoration, vibration motors and related products
Rooti Labs Limited	Limited company	Cayman Islands	Taiwan	Ordinary	**22.22%**	22.22%	**22.22%**	22.22%	Research and development of wearable products
杭州耕德電子有限公司 (known as Hangzhou Gengde Electronics Co., Ltd.) *(note b)*	Limited company	PRC	PRC	Equity interest	**23.87%**	35%	**23.87%**	33.33%	Engaging in the business of design, development and manufacturing of electronic devices and handset accessories

Notes:

(a) Diabell Co., Ltd. is a private limited company established in Korea. In the opinion of the directors of the Company, the Group is able to exercise significant influence over Diabell Co., Ltd. because it has the right to appoint one out of five directors of Diabell Co., Ltd..

(b) During the year ended 31 December 2024, the Group's interest in Hangzhou Gengde Electronics Co., Ltd. was diluted from 35% to 23.87% and a gain on deemed disposal of approximately US$2,758,000 was recognised in profit or loss (included in other income, gains and losses).

17. INTERESTS IN ASSOCIATES *(Continued)*

Aggregate information of associates that are not individually material

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRS Accounting Standards.

	Year ended 31.12.2024 US$'000	Year ended 31.12.2023 US$'000
Profit (Loss) for the year	**32,138**	(2,836)
Other comprehensive income (expense)	**1,921**	(868)
Total comprehensive income (expense)	**34,059**	(3,704)
Group's share of loss and other comprehensive Income (expense) of associates for the year	**8,103**	(681)

18. INTEREST IN A JOINT VENTURE

	2024 US$'000	2023 US$'000
Cost of investment in a joint venture	**40,000**	40,000
Share of post-acquisition loss and other comprehensive expense	**(30,599)**	(25,897)
	9,401	14,103

At 31 December 2024 and 2023, the Group had interest in the following joint venture:

Name of joint venture	Form of entity	Place of incorporation/ registration	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held by the Group		Principal activities
					2024	2023	**2024**	2023	
Mobile Drive Netherlands B. V. ("Mobile Drive")	Limited company	Netherlands	Netherlands	Ordinary	**50%**	50%	**50%**	50%	Research and development of communication systems, handsets as well as other software hardware and related systems

18. INTEREST IN A JOINT VENTURE *(Continued)*

Summarised financial information of a material joint venture

Summarised financial information in respect of the joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRS Accounting Standards.

The joint venture is accounted for using the equity method in these consolidated financial statements.

Mobile Drive

	2024 **US$'000**	2023 US$'000
Current assets	**34,220**	51,960
Non-current assets	**4,079**	5,913
Current liabilities	**(18,226)**	(27,945)
Non-current liabilities	**(1,271)**	(1,723)

The above amounts of assets and liabilities include the following:

	2024 **US$'000**	2023 US$'000
Cash and cash equivalents	**20,066**	28,910
Current financial liabilities (excluding trade and other payables and provision)	**(644)**	(6,230)
Non-current financial liabilities (excluding trade and other payables and provision)	**(1,046)**	(1,343)

18. INTEREST IN A JOINT VENTURE *(Continued)*

Summarised financial information of a material joint venture *(Continued)*

Mobile Drive *(Continued)*

	Year ended 31.12.2024 US$'000	Year ended 31.12.2023 US$'000
Revenue	**18,564**	39,924
Loss for the year	**(7,629)**	(40,350)
Other comprehensive (expense) income for the year	**(1,774)**	2,186
Total other comprehensive expense for the year	**(9,403)**	(38,164)
The above loss for the year includes the following:		
Depreciation and amortisation	**2,234**	2,004
Interest income	**616**	945
Interest expense	**65**	237

Reconciliation of the above summarised financial information to the carrying amount of the interest in Mobile Drive recognised in the consolidated financial statements:

	2024 US$'000	2023 US$'000
Net assets of Mobile Drive	**18,802**	28,205
Proportion of the Group's ownership interest in Mobile Drive	**50%**	50%
Carrying amount of the Group's interest in Mobile Drive	**9,401**	14,103

19. DEFERRED TAXATION

The following are the major deferred tax (assets) and liabilities recognised and movements thereon for the year:

	Allowances for inventories and trade and other receivables US$'000	Warranty provision US$'000	Accelerated tax (accounting) depreciation US$'000	Tax losses US$'000	Others US$'000 (note)	Total US$'000
At 1 January 2023	(1,635)	(265)	(3,262)	–	(5,643)	(10,805)
(Credit) charge to profit or loss for the year	(254)	62	252	(4,933)	8,258	3,385
Exchange adjustments	28	2	40	41	(245)	(134)
At 31 December 2023	**(1,861)**	**(201)**	**(2,970)**	**(4,892)**	**2,370**	**(7,554)**
Charge (credit) to profit or loss for the year	**219**	**199**	**(3,063)**	**–**	**(2,372)**	**(5,017)**
Exchange adjustments	**42**	**2**	**159**	**122**	**208**	**533**
At 31 December 2024	**(1,600)**	**–**	**(5,874)**	**(4,770)**	**206**	**(12,038)**

Note: Others mainly represent temporary difference arising from accrued expenses and other receivables from disposal of investment properties.

For the purposes of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2024 US$'000	2023 US$'000
Deferred tax assets	**(21,128)**	(18,790)
Deferred tax liabilities	**9,090**	11,236
	(12,038)	(7,554)

19. DEFERRED TAXATION *(Continued)*

Deferred tax assets were recognised for other deductible temporary differences of approximately US$62,325,000 (2023: US$60,322,000) on allowances for inventories and trade and other receivables, warranty provision, accelerated tax (accounting) depreciation and other accrued expenses.

At 31 December 2024, the Group has not recognised deductible temporary differences on allowances for inventories and trade and other receivables, warranty provision, deferred income and other accrued expenses of approximately US$379,593,000 (2023: US$325,885,000) as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

At the end of the reporting period, the Group has unused tax losses of approximately US$949,091,000 (2023: US$1,060,455,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately US$18,951,000 (2023: US$19,437,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of US$930,140,000 (2023: US$1,041,018,000) either due to the unpredictability of future profit streams or because it is not probable that the unused tax losses will be available for utilisation before their expiry. Included in unrecognised tax losses are losses of approximately US$578,674,000 (2023: US$534,221,000) which will expire by five consecutive years. Other losses may be carried forward indefinitely.

By reference to financial budgets, management believes that there will be sufficient future taxable profits or taxable temporary differences available in the future for the realisation of deferred tax assets which have been recognised in respect of tax losses and other temporary differences.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. No deferred tax liability has been recognised in respect of temporary differences associated with undistributed earnings of subsidiaries from 1 January 2008 onwards of approximately US$727,324,000 (2023: US$917,198,000) as at the end of the reporting period because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

20. INVENTORIES

	2024 **US$'000**	2023 US$'000
Raw materials	**304,020**	371,822
Work-in-progress	**79,047**	94,621
Finished goods	**164,628**	125,114
	547,695	591,557

21. TRADE AND OTHER RECEIVABLES

	2024 **US$'000**	2023 US$'000
Trade receivables	**849,236**	958,516
Less: Allowance for credit losses	**(221,556)**	(225,333)
	627,680	733,183
Other taxes recoverable	**88,764**	122,291
Other receivables, deposits and prepayments	**75,514**	116,242
Total trade and other receivables	**791,958**	971,716

As at 1 January 2023, trade receivables from contracts with customers amounted to US$1,652,866,000.

The Group generally issues invoices to the customers when the goods are passed to the customers, except for certain orders that the Group may also collect advance payments from customers. The Group normally allows an average credit period ranged from 30 to 90 days to its trade customers, except certain customers with a good track record which may be granted a longer credit period.

During the year ended 31 December 2024, certain trade receivables were derecognised under factoring arrangement with financial institutes at cash proceeds of US$2,621,666,000 (2023: US$1,780,174,000).

The following is an aged analysis of trade receivables net of allowance for credit losses as presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	2024 **US$'000**	2023 US$'000
0 – 90 days	**575,173**	685,387
91 – 180 days	**45,090**	39,082
181 – 360 days	**2,685**	7,733
Over 360 days	**4,732**	981
	627,680	733,183

As at 31 December 2024, included in the Group's trade receivables balances are debtors with aggregate carrying amount of US$279,243,000 (2023: US$258,666,000) which are past due as at the reporting date. Out of the past due balances, US$7,417,000 (2023: US$8,714,000) has been past due over 90 days or more and is not considered as in default based on the credit quality of the debtors. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in note 32.

22. TRADE AND OTHER PAYABLES

	2024 US$'000	2023 US$'000
Trade payables	**1,023,748**	1,091,218
Other tax payables	**62,964**	78,216
Accrued staff costs and employee benefits	**112,558**	115,541
Others	**327,790**	358,038
	1,527,060	1,643,013

The following is the aged analysis of trade payables as presented based on the invoice date at the end of the reporting period:

	2024 US$'000	2023 US$'000
0 – 90 days	**996,534**	1,049,531
91 – 180 days	**14,354**	28,469
181 – 360 days	**4,984**	4,476
Over 360 days	**7,876**	8,742
	1,023,748	1,091,218

23. LEASE LIABILITIES

	2024 US$'000	2023 US$'000
Within one year	**38**	1,235
Within a period of more than one year but not more than two years	**690**	1,201
Within a period of more than two years but not more than five years	**3,853**	1,543
	4,581	3,979
Less: Amount due for settlement within twelve months shown under current liabilities	**(38)**	(1,235)
Amount due for settlement over twelve months shown under non-current liabilities	**4,543**	2,744

Note: During the year ended 31 December 2024, the Group early terminated lease agreements details of which are set out in note 14.

24. BANK BORROWINGS

	2024 US$'000	2023 US$'000
Bank loans – due within one year	**341,420**	703,676
Analysis of bank borrowings by currency:		
US$	**341,420**	703,676

The bank borrowings as at 31 December 2024 are unsecured, obtained with original maturity of one month (2023: one to seven months) and carry interest at fixed interest rate ranging from 4.90% to 5.15% (2023: 5.96% to 6.25%) per annum. Out of total bank borrowings, bank borrowings of US$100,000,000 (2023: US$234,300,000) contain a repayment on demand clause. The weighted average effective interest rate on the bank borrowings is 4.97% per annum (2023: 6.06% per annum).

25. SHARE CAPITAL

	Number of shares	Amount US$'000
Ordinary shares of US$0.04 each, authorised:		
Balance at 1 January 2023, 31 December 2023 and 31 December 2024	20,000,000,000	800,000
Ordinary shares of US$0.04 each, issued and fully paid:		
Balance at 1 January 2023	7,938,739,000	317,550
Repurchase and cancellation of shares	(33,739,000)	(1,350)
Balance at 31 December 2023	7,905,000,000	316,200
Repurchase and cancellation of shares	(20,500,000)	(820)
Balance at 31 December 2024	**7,884,500,000**	**315,380**

25. SHARE CAPITAL *(Continued)*

During the year ended 31 December 2024, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchases	Number of ordinary shares of US$0.04 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$'000
January	4,400,000	0.60	0.58	2,594
March	5,500,000	0.51	0.47	2,728
April	800,000	0.51	0.50	404
	10,700,000			5,726
				US$'000
Equivalent to				734

10,700,000 ordinary shares were repurchased and cancelled during the year ended 31 December 2024.

During the year ended 31 December 2023, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchases	Number of ordinary shares of US$0.04 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$'000
January	6,739,000	0.87	0.84	5,764
March	4,000,000	0.85	0.83	3,374
August	3,031,000	0.77	0.68	2,160
September	5,969,000	0.72	0.66	4,115
November	3,000,000	0.60	0.58	1,756
December	9,800,000	0.61	0.54	5,590
	32,539,000			22,759
				US$'000
Equivalent to				2,908

22,739,000 ordinary shares were repurchased and cancelled during the year ended 31 December 2023. Remaining 9,800,000 ordinary shares were cancelled subsequently on 15 January 2024.

26. RESERVES

The Group's special reserve represents the difference between the paid-in capital of the subsidiaries acquired pursuant to the group reorganisation in 2004 and the nominal value of the Company's shares issued in exchange therefrom.

The Group's legal reserve represents statutory reserve attributable to the Company's subsidiaries in the PRC and Taiwan. As required by the laws in the PRC and Taiwan, appropriations are made from the profit of these subsidiaries to the legal reserve until the balance reaches 50% of the registered capital of the relevant subsidiaries. This reserve can only be used to make up losses incurred or to increase capital.

27. DERIVATIVES

Currency derivatives

The Group utilises currency derivatives to hedge significant future transactions and cash flows. The Group utilises forward foreign exchange contracts to manage its exchange rate exposures. The instruments adopted are primarily to hedge the currencies used in the Group's principal markets.

During the current year, a loss from the forward foreign exchange contracts of US$1,757,000 (2023: loss of US$166,000) was recognised in profit or loss and included in other income, gains and losses.

At the end of the reporting period, notional amount of major outstanding forward foreign exchange contracts that the Group has committed are as below:

	2024 **US$'000**	2023 US$'000
US$	**81,000**	73,000

As at 31 December 2024, the fair value of the Group's currency derivatives is estimated to be approximately US$1,695,000 liabilities (2023: US$62,000 assets), based on the difference between the market forward rate at the end of the reporting period for the remaining duration of the outstanding contracts and their contracted forward rates, and is included as other payables (2023: other receivables) at the end of the reporting period. The contracts outstanding as at 31 December 2024 mainly related to buying of Mexican Peso ("MXN") and New Taiwan Dollars ("NTD") (2023: MXN) with maturities in the first quarter of 2025 (2023: first quarter of 2024).

28. BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

Bank deposits carry interest at prevailing market rate of 6.77% (2023: 7.40%) per annum on average, with original maturity of over three months.

Cash and cash equivalents include bank balances and cash which comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The deposits carry interest at prevailing market rate of 3.33% (2023: 4.60%) per annum on average.

For the years ended 31 December 2024 and 2023, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

Details of impairment assessment of bank deposits and bank balances are set out in note 32.

Analysis of bank deposits and cash and cash equivalents by currency:

	2024 **US$'000**	2023 US$'000
US$	**319,671**	422,013
RMB	**1,037,848**	1,218,393
India Rupee ("INR")	**257,612**	194,223
Brazilian Real	**7,769**	9,096
NTD	**53,480**	36,127
Others	**8,694**	15,814
	1,685,074	1,895,666

29. PROVISION

	2024 **US$'000**	2023 US$'000
At 1 January	**2,014**	2,779
Exchange adjustments	**(67)**	(14)
Provision for the year	**1,508**	1,661
Utilisation of provision/upon expiry of the warranty period	**(2,017)**	(2,412)
At 31 December	**1,438**	2,014

The provision represents management's best estimate of the Group's warranty liability under twelve to twenty-four months' warranty granted on handset products, based on prior experience and industry averages for defective products.

30. DEFERRED INCOME

	2024 US$'000	2023 US$'000
Government subsidies	**6,404**	7,119

Government subsidies granted to the Company's subsidiaries in the PRC are released to income over the useful lives of the related depreciable assets.

31. CAPITAL COMMITMENTS

	2024 US$'000	2023 US$'000
Commitments for the acquisition of property, plant and equipment contracted but not provided for	**21,820**	32,025

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2024 US$'000	2023 US$'000
Financial assets		
Fair value through profit or loss		
Derivatives (included in other receivables)	**–**	62
Financial assets at amortised cost	**2,412,639**	2,763,063
Equity instruments at FVTOCI	**56,704**	62,002
	2,469,343	2,825,127
Financial liabilities		
At amortised cost		
Fair value through profit or loss		
Derivatives (included in other payables)	**1,695**	–
Trade and other payables	**1,334,951**	1,438,644
Bank borrowings	**341,420**	703,676
	1,678,066	2,142,320

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include derivatives, bank deposits, cash and cash equivalents, equity instruments at FVTOCI, trade and other receivables, trade and other payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and lease liabilities include market risk (currency risk, other price risk and interest rate risk), credit risk and impairment assessment and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see note 24 for details of these bank borrowings) and lease liabilities (see note 23 for details). The directors of the Company monitor interest rate exposures and will consider hedging significant interest rate risk should the need arise.

Cash flow interest rate risk in relation to variable-rate bank balances and deposits is considered insignificant as most of them are short-term in nature. Accordingly, no interest rate sensitivity analysis is presented.

Other price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTOCI. For equity securities listed in USA, the management manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group also invested in certain unquoted equity securities in PRC, India, USA, Taiwan and Finland for investees engaged in the development, manufacture and sale of telecommunication devices, software and related services for long term strategic purposes which had been designated as FVTOCI. Sensitivity analysis for unquoted equity securities with fair value measurement categorised within Level 3 were disclosed in note 32 (c). The Group has organised an investment team to monitor the price risk and will consider hedging the risk exposure should the need arise.

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign currency risk arises when the Group's recognised assets and liabilities are denominated in a currency that is not the group entity's functional currency.

The Group manages its foreign currency exposures by non-financial techniques such as managing the transaction currency, leading and lagging payments, receivable management, etc. In addition, the Group sometimes obtains bank borrowings in various foreign currencies and enters into short-term forward foreign currency contracts less than three months (2023: less than two months) for hedging purpose. The Group utilises a variety of forward foreign currency contracts to hedge its exposure to foreign currencies on a regular basis. In response to the rapid volatility in the foreign exchange market, the Group adopted a strategy of squaring RMB positions at earlier stage to reduce the currency exposure.

As at 31 December 2024, total notional amount of outstanding forward foreign exchange contracts that the Group has committed is approximately US$81,000,000 (2023: US$73,000,000), and their fair values are estimated to be approximately US$1,695,000 liabilities (2023: US$62,000 assets), and are included as other payables (2023: other receivables), at the end of the reporting period. The contracts mainly related to buying of MXN and NTD (2023: MXN) with maturities in first quarter (2023: first quarter) of the following year.

The monetary assets and liabilities of group entities, which are denominated in a currency (i.e. RMB, INR and NTD) other than their respective functional currency, are mainly cash and cash equivalents, trade and other receivables and trade and other payables (2023: cash and cash equivalents, trade and other receivables, trade and other payables and bank borrowings), the carrying amounts are summarised as follows:

	2024 **US$'000**	2023 US$'000
Assets	**1,932,149**	1,216,304
Liabilities	**(713,292)**	(999,151)

As at 31 December 2024, all of Group's bank borrowings were denominated in US$. As at 31 December 2023, certain bank borrowings denominated in a currency other than their respective functional currency were included in the monetary liabilities disclosed above.

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Exchange rate sensitivity

At the end of the reporting period, in respect of monetary items (excluding derivatives) denominated in currency other than the functional currency of respective group entities, if exchange rates of the foreign currency against US$ had been appreciated/depreciated by 3% (2023: 3%) and all other variables were held constant, the Group's post-tax loss would decrease/increase by approximately US$7,354,000 (2023: US$6,275,000) for the year and the Group's translation reserve would increase/decrease by US$84,346,000 (2023: US$87,657,000) for the year. In the current year, global currency market was tremendously volatile. Exchange rates of US$ versus other currencies fluctuated over the year which affected the translation of the monetary items, such as forward foreign exchange contracts, trade and other receivables, and trade and other payables of the Group, especially RMB and INR (2023: RMB and INR), RMB/US$ exchange rate ranged between 0.1391 and 0.1427 and INR/US$ exchange rate ranged between 0.0117 and 0.0121 (2023: RMB/US$ exchange rate ranged between 0.1384 and 0.1479 and INR/US$ exchange rate ranged between 0.0120 and 0.0123) in the current year. The effect of such fluctuation is closely monitored by the management of the Group to minimise the related effect on the overall result of the Group.

Credit risk and impairment assessment

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at reporting period and in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancement to cover its credit risks associated with its financial assets.

Trade receivables arising from contracts with customers

A major portion of the Group's trade receivables are receivables from industry leaders or multinational customers with good financial background. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the management considers that the Group's credit risk is significantly reduced.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on debtors that are credit-impaired and certain debtor with increasing credit risk individually and/or based on provision matrix for remaining debtors. Details of the quantitative disclosures are set out below in this note.

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Bank deposits and bank balances

The credit risk on bank deposits and bank balances is limited because the counterparties are banks with higher credit ratings and assigned by international credit-rating agencies. The Group assessed 12m ECL for bank deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank deposits and bank balances is considered to be insignificant and therefore no loss allowance was recognised.

Other receivables

For other receivables and deposits, the management makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. During the year ended 31 December 2024, ECL on other receivables of US$5,943,000 (2023: Nil) was recognised in profit or loss.

The tables below detail the credit risk exposures of the Group's financial assets, which included bank deposits, bank balances, other receivables and trade receivables, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
					2024	2023
					US$'000	US$'000
Financial assets at amortised cost						
Bank deposits	*28*	Ba3 – Aa3	N/A	12m ECL	**168,833**	50,343
Bank balances	*28*	Ba3 – A1	N/A	12m ECL	**1,516,241**	1,845,323
Other receivables	*21*	N/A	*(note i)*	12m ECL	**99,885**	134,214
			(note iii)	Lifetime ECL (credit-impaired)	**5,943**	–
Trade receivables	*21*	N/A	*(note ii & iii)*	Lifetime ECL (not credit-impaired)	**849,236**	951,042
			(note ii & iii)	(credit-impaired)	**–**	7,474

Notes:

(i) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. Based on the historical default rate, repayment history and forecast of future condition on economy and debtors, the directors of the Company considered the expected credit loss for other receivables is immaterial.

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Notes: *(Continued)*

(ii) For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors that are credit-impaired and certain debtor with increasing credit risk, the Group determines the expected credit losses on these items by using a provision matrix. The Group uses debtors' past due status to assess the impairment for its customers because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

As at 31 December 2024, the management had assessed the ECL of trade receivable due from HMD with a gross carrying amount of US$212,492,000 (2023: US$215,296,000) individually. Management had considered that due to deterioration of HMD's financial performance, there was a significant increase in credit risk of the trade receivables due from HMD. During the year ended 31 December 2023, management had appointed an external valuer to assist in the estimation of the ECL provision of the trade receivable by determining an appropriate probability of default rate, estimated loss given default rate and forward looking adjustments. Based on the result of the assessment, a lifetime ECL (not credit-impaired) of US$137,758,000 was recognised for the year ended 31 December 2023. During the year ended 31 December 2024, trade receivables from HMD with a gross carrying amount of US$2,732,000 was recovered, resulted in reversal of ECL of US$2,732,000.

During the year ended 31 December 2024, the Group provided ECL of US$6,557,000 (2023: reversed ECL of US$3,935,000), based on the provision matrix on the remaining balance of trade receivables that are not individually assessed. Average loss rates of 0.09% to 56.67% (2023: 0.05% to 38.57%) were applied by the Group to the trade receivable with gross carrying amount of US$636,744,000 (2023: US$735,746,000) which are assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired).

Debtor that is credit-impaired, which was evident to management the debtor was in financial difficulty, with gross carrying amount of US$7,474,000 as at 31 December 2023 was assessed individually. Impairment allowance of US$7,474,000 was made on this credit-impaired debtors which was the differences between the gross carrying amount and the cash flow that the Group expects to receive. During the year ended 31 December 2024, loss allowance on credit impaired balance of US$7,437,000 was written off.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

(iii) The following table shows the movement in lifetime ECL that has been recognised for trade receivables.

	Lifetime ECL (not credit-impaired) US$'000	Lifetime ECL Credit-impaired US$'000	Total US$'000
As at 1 January 2023	83,722	7,946	91,668
Changes due to financial instruments recognised as at 1 January 2023:			
– Impairment losses reversed	(6,018)	–	(6,018)
– Impairment losses recognised	137,758	–	137,758
Impairment losses recognised for new financial assets originated	2,083	–	2,083
Exchange adjustments	314	(472)	(158)
As at 31 December 2023	217,859	7,474	225,333
Changes due to financial instruments recognised as at 1 January 2024:			
– Impairment losses reversed	(3,555)	–	(3,555)
– Write-off	–	(7,437)	(7,437)
Impairment losses recognised for new financial assets originated	7,380	–	7,380
Exchange adjustments	(128)	(37)	(165)
As at 31 December 2024	**221,556**	**–**	**221,556**

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Notes: *(Continued)*

(iii) The following table shows reconciliation of loss allowances that has been recognised for other receivables.

	Lifetime ECL Credit-impaired US$'000
At 1 January 2023 and 31 December 2023	–
Impairment losses recognised	5,943
At 31 December 2024	**5,943**

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework. The Group manages liquidity risk by maintaining adequate cash and cash equivalents, banking facilities and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group's objective is to balance the fund's continuity and flexibility through the use of bank borrowings. The maturity periods of the Group's bank borrowings are one month (2023: one to seven months) and the maturity periods of other financial liabilities and lease liabilities are within three months to five years. Out of the total bank borrowings, bank borrowings of US$100,000,000 (2023: US$234,300,000) contain a repayment on demand clause.

As at 31 December 2024, the Group has available unutilised banking facilities of approximately US$1,772,889,000 (2023: US$1,755,399,000). There was no pledge of assets in relation to the banking facilities as at 31 December 2024 and 2023.

(c) Fair value measurements of financial instruments

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Fair value measurements are categorised into Level 1, 2 or 3, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as different levels of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements.

32. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments *(Continued)*

Fair value of the Group's financial assets that are measured at fair value on a recurring basis *(Continued)*

Financial assets	Fair value as at 31.12.2024 US$'000	Fair value as at 31.12.2023 US$000	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Sensitivity/relationship of unobservable inputs to fair value
Forward foreign exchange contracts classified as other payables (2023: other receivables)	**Liabilities – 1,695**	Assets – 62	Level 2	Fair value derived from observable forward exchange rates at the end of the reporting period	N/A	N/A
Equity instruments at FVTOCI	**Listed equity investments – 2,094**	Listed equity investments – 420	Level 1	Quoted bid prices in an active market	N/A	N/A
Equity instruments at FVTOCI	**Unlisted equity instruments – 5,270**	Unlisted equity instruments – 25,228	Level 2	Fair value derived from market value of the shares of equity instruments in recent investment transactions	N/A	N/A
Equity instruments at FVTOCI	**Unlisted equity instruments – 49,340**	Unlisted equity instruments – 36,354	Level 3	Option-pricing method, with expected volatility, expected life and risk-free rate as the key inputs, to allocate equity value of investees determined using income approach – discounted cash flow method was used to capture the present value of the expected return	Budged sales and gross margin taken into account the relevant industry growth forecasts and financial budgets approved by the investee's management and expectation for the market development	The higher the budgeted sales and gross margin, the higher the fair value, and vice versa
					Terminal growth rate, taking into the account the management's experience and knowledge of market conditions of the specific industries	The higher the terminal growth rate, the higher the fair value, and vice versa
					Weighted average cost of capital ("WACC") was 40.00%	The lower the WACC, the higher the fair value, and vice versa

32. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments *(Continued)*

Reconciliation of Level 3 fair value measurements of financial assets

	Financial assets at FVTOCI US$'000
At 1 January 2023	117,109
Net fair value loss	
– in OCI	(78,515)
Transfer into Level 3 *(note a)*	3,075
Transfer out from Level 3 *(note b)*	(4,656)
Exchange adjustments	(659)
At 31 December 2023	36,354
Net fair value loss	
– in OCI	(7,900)
Transfer into Level 3 *(note a)*	20,886
At 31 December 2024	**49,340**

Notes:

(a) For the relevant financial assets, the recent transaction prices used in prior year to determine the fair value was no longer available, therefore, the valuation method was changed and the fair value hierarchy was changed from Level 2 to Level 3.

(b) For the relevant financial asset, the recent transaction price was used to determine the fair value during the year, therefore the valuation method was changed and the fair value hierarchy was changed from Level 3 to Level 2.

Included in other comprehensive income, loss of US$7,900,000 (2023: loss of US$78,515,000) relates to unlisted equity securities classified as equity instruments at FVTOCI (Level 3 fair value measurements) held at the end of the current reporting period and is reported as changes of revaluation reserve.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

For the other financial assets and financial liabilities, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payables (included in other payables) US$'000	**Bank borrowings** US$'000 (note 24)	**Lease liabilities** US$'000 (note 23)	**Total** US$'000
At 1 January 2023	2,225	676,054	3,761	682,040
Financing cash flows	(56,781)	28,654	(2,654)	(30,781)
New lease entered *(note 14)*	–	–	2,628	2,628
Interest expenses	60,281	–	319	60,600
Exchange adjustments	–	(1,032)	(75)	(1,107)
At 31 December 2023	5,725	703,676	3,979	713,380
Financing cash flows	(62,342)	(362,020)	(3,435)	(427,797)
New lease entered *(note 14)*	–	–	5,672	5,672
Leases terminated *(note 14)*	–	–	(1,893)	(1,893)
Interest expenses	57,298	–	335	57,633
Exchange adjustments	–	(236)	(77)	(313)
At 31 December 2024	**681**	**341,420**	**4,581**	**346,682**

34. RELATED PARTY TRANSACTIONS

(a) Other than as disclosed elsewhere in these consolidated financial statements, the Group entered into the following transactions with related parties, including Hon Hai and its subsidiaries and associates other than the members of the Group.

	2024 **US$'000**	2023 US$'000
Hon Hai		
Sales of goods	**971,264**	994,863
Purchase of goods	**50,510**	82,116
Sales of property, plant and equipment	**2**	–
Purchase of property, plant and equipment	**2**	–
Lease expense – real properties *(note)*	**602**	624
Subcontracting income	**2,671**	36,607
Consolidated services and subcontracting expense	**649**	8,091
General service income	**42**	540
Subsidiaries of Hon Hai		
Sales of goods	**73,803**	37,955
Purchase of goods	**145,742**	145,912
Purchase of property, plant and equipment	**182**	568
Sales of property, plant and equipment	**10,807**	33,853
Lease income – real properties	**4,649**	5,240
Lease income – non-real properties	**–**	10
Lease expense – real properties *(note)*	**5,569**	5,881
Lease expense – non-real properties *(note)*	**35**	62
Subcontracting income	**20,190**	25,179
Consolidated services and subcontracting expense	**33,266**	35,153
General service income	**–**	192
General service expense	**4,896**	8,637
Associates of Hon Hai		
Sales of goods	**248,101**	490,134
Purchase of goods	**127,922**	262,919
Purchase of property, plant and equipment	**751**	28
Lease income – real properties	**–**	19
Lease expense – real properties *(note)*	**68**	84
Subcontracting income	**5,279**	10,435
Consolidated services and subcontracting expense	**1,038**	673
General service expense	**17**	15

Note: The amounts represent short-term lease expenses during the year.

34. RELATED PARTY TRANSACTIONS *(Continued)*

(b) At the end of the reporting period, the Group has the following balances due from/to related parties included in:

	2024 US$'000	2023 US$'000
Trade receivables:		
Hon Hai	**226,619**	182,401
Subsidiaries of Hon Hai	**32,615**	22,251
Associates of Hon Hai	**42,478**	73,025
	301,712	277,677
Other receivables:		
Hon Hai	**2**	16
Subsidiaries of Hon Hai	**1,043**	2,410
	1,045	2,426
	302,757	280,103
Trade payables:		
Hon Hai	**5,186**	17,714
Subsidiaries of Hon Hai	**45,844**	45,423
Associates of Hon Hai	**28,781**	28,911
	79,811	92,048
Other payables:		
Hon Hai	**115**	72
Subsidiaries of Hon Hai	**1,864**	2,158
Associates of Hon Hai	**121**	20
	2,100	2,250
	81,911	94,298

Balances due from/to related parties are unsecured, interest-free and are repayable within one year.

34. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2024 **US$'000**	2023 US$'000
Short-term benefits	**3,743**	3,480
Share-based payments	**526**	1,291
	4,269	4,771

(d) During the year, the Group enter into the following transactions with a joint venture:

	2024 **US$'000**	2023 US$'000
Sales of goods	**2,176**	13,171
Other income	**2,426**	4,384
Other expense	**513**	161

The amount due from a joint venture was US$8,473,000 (2023: US$10,784,000), which was interest-free with credit period of 90 days and included in trade and other receivables as at 31 December 2024.

(e) During the year, the Group enter into the following transactions with associates:

	2024 **US$'000**	2023 US$'000
Sales of goods	**806**	3,931
Other income	**772**	2,221

The amounts due from associates were US$813,000 (2023: US$4,181,000), which were interest-free, repayable on demand and included in trade and other receivables as at 31 December 2024.

35. RETIREMENT BENEFITS PLANS

Majority of the employees of the Company's subsidiaries are members of state-managed retirement benefit schemes operated by the government in the PRC. These subsidiaries in the PRC are required to contribute a specified percentage ranging from 5% to 20% of their payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

Certain subsidiaries of the Company operate defined benefit plans in Taiwan and Korea. Under the schemes, the employees are entitled to retirement benefits on attainment of a retirement age ranging from 55 to 60. The most recent actuarial valuations of plan assets and the present values of the defined benefit obligations were carried out at 31 December 2024 by independent valuers, Greatfine Wealth Management Consulting Inc. and Aon Hewitt Korea, respectively. The present values of the defined benefit obligations, the related current service cost and past service cost were measured using the projected unit credit method.

The principal actuarial assumptions used were as follows:

	2024	2023
Discount rate	**1.00%**	1.00%
Expected rate of salary increases	**3.00%**	3.00%

The actuarial valuations showed that the market value of plan assets was US$6,394,000 (2023: US$5,932,000) and that the actuarial value of these assets represented 176% (2023: 201%) of the benefits that had accrued to members.

The Group also operates a number of defined contribution schemes in other overseas locations. Arrangements for these staff retirement benefits vary from country to country and are made in accordance with local regulations and custom.

36. SHARE-BASED PAYMENT TRANSACTIONS

(a) Equity-settled share option scheme of the Company

On 26 November 2013, the Company adopted a share option scheme (the "Former Share Option Scheme") for the Company to reward, motivate and retain eligible persons. In order to ensure the continuity of a share option scheme for the Group to attract, reward, motivate and retain the eligible participants which would comply with the new requirements of Chapter 17 of the Listing Rules, the Company adopted the existing share option scheme (the "Existing Share Option Scheme") and consequentially terminated the Former Share Option Scheme. Details of the Existing Share Option Scheme are set out in the Company's circular dated 14 April 2023, and the Existing Share Option Scheme was subsequently approved by the Company's shareholders on 19 May 2023, which will expire on 18 May 2033. Since there are no options granted prior to the termination of the Former Share Option Scheme and not then exercised, the Former Share Option Scheme shall remain valid and shall continue to be subject to Chapter 17, only to the extent necessary for the purposes of its termination and ancillary matters (if any) or otherwise as may be required in accordance with the provisions of the Former Share Option Scheme. Since the adoption of the Existing Share Option Scheme on 19 May 2023, no option has been granted under the Existing Share Option Scheme.

Under the Existing Share Option Scheme, the board of directors of the Company or its duly authorised officer(s) or delegate(s) may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The option granted will be subject to vesting period (as determined by the board of directors of the Company or its duly authorised officer(s) or delegate(s) at the time of granting the option) of up to six years or such other period which must not be more than ten years from the date of grant of the relevant option.

The total number of shares which may initially be issued upon the exercise of all options to be granted under the Existing Share Option Scheme and any other share scheme(s) (collectively, the "Schemes") adopted by the Company must not in aggregate exceed 10% of the total number of issued shares of the Company as of the adoption date (i.e. 19 May 2023), i.e. must not exceed 791,700,000 shares. Subject to the approval of the shareholders of the Company in general meeting, the limit may be refreshed to 10% of the total number of shares in issue as at the date of approval of the refreshed limit. The maximum number of shares of the Company in respect of which options granted and to be granted to each eligible person under the Existing Share Option Scheme of the Company in any 12-month period up to the date of the latest grant shall not exceed 1% of the total number of issued shares of the Company from time to time unless separately approved by independent shareholders in general meeting, at which such proposed grantee and his/her close associates (as defined in the Listing Rules) shall abstain from voting as required under the Listing Rules. The maximum number of shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to a substantial shareholder or an independent non-executive director, or their respective associates, in the 12-month period up to and including the date of such grant in aggregate over 0.1% of total number of issued shares of the Company from time to time, such further grant of options will be required to be approved by the independent shareholders of the Company in general meeting at which all core connected persons (as defined in the Listing Rules) of the Company, such connected person and their respective associates shall abstain from voting on the relevant resolution(s) at the general meeting as required under Chapter 17 of the Listing Rules.

36. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(a) Equity-settled share option scheme of the Company *(Continued)*

Under the Existing Share Option Scheme, options granted must be taken up within 30 days after the date of offer upon payment of HK$1.00 per offer. The period within which the options must be exercised will be specified by the Board (or its duly authorised officer(s) or delegate(s) at the time of grant, which must not be more than 10 years from the date of grant of such options.

The exercise price of the Existing Share Option Scheme is determined by the board of directors of the Company, and shall be the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Currently, no options have been granted under the Existing Share Option Scheme. No share option was exercisable as at 31 December 2024 and 2023.

No expense in relation to the share options granted by the Company was recognised by the Group for the years ended 31 December 2024 and 2023.

(b) Other share-based payment plan

On 26 November 2013, the Company adopted a share scheme (the "Former Share Scheme") for the Company to reward, motivate and retain eligible persons. In order to ensure the continuity of a share scheme for the Group to attract, reward, motivate and retain the eligible participants which would comply with the requirements of Chapter 17 of the Listing Rules, pursuant to the approval of the Company's board of directors (the "Board") on 10 March 2023 and the approval of the Company's shareholders on 19 May 2023, the Company adopted the existing share scheme (the "Existing Share Scheme") and consequentially terminated the Former Share Scheme. Since there are no shares granted prior to the termination of the Former Share Scheme but remained to be subject to the corresponding lock-up periods, the Former Share Scheme shall remain valid and shall continue to be subject to Chapter 17, only to the extent necessary for the purposes of its termination and ancillary matters (if any) or otherwise as may be required in accordance with the provisions of the Former Share Scheme. Since the adoption of the Existing Share Scheme on 19 May 2023, no share has been granted under the Existing Share Scheme, save as otherwise disclosed herein. The Board (or its duly authorised officer(s) or delegate(s) may propose or determine which directors and other members of senior management and other employees of the Group shall be entitled to receive grants or shares under the Existing Share Scheme.

If any proposed grant of shares to any connected person in relation to the Company or any of its subsidiaries or any of his/its associates will result in the total number of the shares granted and to be granted to such connected person or his/its associate(s) during the 12-month period up to and including the date of such proposed grant representing in aggregate over 0.1% of the total issued shares of the Company as at the date of such proposed grant, then such proposed grant will be required to be approved by the independent shareholders of the Company in general meeting, at which all core connected persons of the Company, such connected person and their respective associates shall abstain from voting on the relevant resolution at the general meeting.

36. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Other share-based payment plan *(Continued)*

Any proposed grant of shares to any proposed grantee that would result in the total number of shares granted during the 12-month period up to and including the date of such proposed grant exceeding 1% of the total number of issued shares of the Company as at the date of such proposed grant, shall be separately approved by the independent shareholders of the Company in general meeting, at which such proposed grantee and his/her close associates (as defined in the Listing Rules) shall abstain from voting.

Beneficiaries will not be permitted to sell or otherwise dispose of or deal with some or all their shares and the related income arising therefrom during a lock-up period of a minimum of one year (subject to a shorter period under any one or more of certain specified circumstances) and up to three years, which will vary from beneficiary to beneficiary as to be determined by the Board (or its duly authorised officer(s) or delegate(s)) and communicated to the trustee, commencing from the date of grant.

An offer for grant of shares (in respect of which no consideration nor purchase price is payable) must be accepted by the date being a date not more than 30 days after the date of the offer.

The shares to be granted to the proposed beneficiaries under the Existing Share Scheme will be granted for free and will, including those to be granted to the directors and other senior management of the Company or any of its subsidiaries, form part of their remuneration (being a discretionary bonus in the form of a share grant or a discretionary cash bonus satisfied in the form of shares).

The total number of shares issuable upon being granted pursuant to the Existing Share Scheme and upon exercise of all options which may be granted pursuant to the Existing Share Option Scheme (as disclosed above) as at the adoption date (i.e. 19 May 2023) was 791,700,000 shares, representing 10% of the total number of shares in issue as at the adoption date.

The Existing Share Option Scheme and the Existing Share Scheme shall be valid and effective for a period of 10 years from 19 May 2023 until 18 May 2033, unless otherwise terminated in accordance with their respective terms.

Pursuant to the approval of Board on 10 March 2023 and the subsequent finalisation by the Board's delegate, the Company offered 2,869,153 ordinary shares to a total of two beneficiaries pursuant to the Former Share Scheme of which 2,869,153 ordinary shares were granted with lock-up periods up to 31 March 2023 from the grant date, i.e. 13 March 2023. No consideration was payable on acceptance of offer of the shares, 2,869,153 ordinary shares were purchased by the trustee of the Former Share Scheme from the market in March 2023.

36. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Other share-based payment plan *(Continued)*

Pursuant to the approval of Board on 13 September 2023 and the subsequent finalisation by the Board's delegate, the Company offered 1,366,993 ordinary shares to a beneficiary pursuant to the Existing Share Scheme of which 1,366,993 ordinary shares were granted with lock-up periods up to 12 September 2024 from the grant date, i.e. 13 September 2023. No consideration was payable on acceptance of offer of the shares, 1,366,993 ordinary shares were purchased by the trustee of the Existing Share Scheme from the market in September 2023.

Pursuant to the approval of Board on 13 September 2023 and the subsequent finalisation by the Board's delegate, the Company offered 1,979,598 ordinary shares to a beneficiary pursuant to the Existing Share Scheme of which 1,979,598 ordinary shares were granted with lock-up periods up to 5 November 2024 from the grant date, i.e. 6 November 2023. No consideration was payable on acceptance of offer of the shares, 1,979,598 ordinary shares were purchased by the trustee of the Existing Share Scheme from the market in November 2023.

Pursuant to the approval of Board on 7 March 2024 and the subsequent finalisation by the Board's delegate, the Company offered 4,405,978 ordinary shares to a total of two beneficiaries pursuant to the Existing Share Scheme of which 4,405,978 ordinary shares were granted with lock-up periods up to 7 March 2025 from the grant date, i.e. 8 March 2024. No consideration was payable on acceptance of offer of the shares, 4,405,978 ordinary shares were purchased by the trustee of the Existing Share Scheme from the market in March 2024.

Pursuant to the approval of Board on 20 September 2024 and the subsequent finalisation by the Board's delegate, the Company offered 2,592,601 ordinary shares to a total of two beneficiaries pursuant to the Existing Share Scheme of which 2,592,601 ordinary shares were granted with lock-up periods up to 19 September 2025 from the grant date, i.e. 20 September 2024. No consideration was payable on acceptance of offer of the shares, 2,592,601 ordinary shares were purchased by the trustee of the Existing Share Scheme from the market in September 2024.

Equity-settled share-based payments of US$526,000 (2023: US$1,291,000) was recognised during the year ended 31 December 2024.

37. PRINCIPAL SUBSIDIARIES

The Company has the following principal subsidiaries as at 31 December 2024 and 2023:

Name of subsidiary	Form of business structure	Place of incorporation or establishment/ operation	Issued and paid-up share capital/ registered capital	Attributable equity interest held by the Company				Principal activities
				Directly		Indirectly		
				2024	2023	2024	2023	
Chiun Mai Communication Systems, Inc.	Limited company	Taiwan	NT$750,000,000	–	–	87.06%	87.06%	Design and manufacture of handsets
FIH (Hong Kong) Limited	Limited company	Hong Kong/PRC	HK$155,146,001	–	–	100%	100%	Trading of handsets
FIH Co., Ltd.	Limited company	Taiwan	NT$218,000,000	100%	100%	–	–	Provision of services to group companies
FIH Mexico Industry SA de CV	Limited company	Mexico	MXN2,007,283,685	–	–	100%	100%	Manufacture of handsets
富智康精密組件(北京)有限公司 (FIH Precision Component (Beijing) Co., Ltd.*)	Wholly foreign owned enterprise	PRC	US$68,800,000	–	–	100%	100%	Manufacture of handsets
宏訊電子工業(杭州)有限公司 (Honxun Electrical Industry (Hangzhou) Co., Ltd.)	Wholly foreign owned enterprise	PRC	US$126,800,000	–	–	100%	100%	Manufacture of handsets
深圳富泰宏精密工業有限公司 (Shenzhen Futaihong Precision Industrial Co., Ltd.*)	Wholly foreign owned enterprise	PRC	US$184,720,000	–	–	100%	100%	Manufacture of handsets
S&B Industry, Inc.	Corporation	USA	US$31,817,356	–	–	100%	100%	Repair services
Success World Holdings Limited *(note)*	Limited company	Hong Kong	HK$15,541,252	100%	100%	–	–	Investment holding
富智康(南京)通訊有限公司 (FIH (Nan Jing) Communications Co., Ltd.)	Wholly foreign owned enterprise	PRC	US$17,500,000	–	–	100%	100%	Research and development; sales
BFIH	Public company	India	INR23,809,449,800	–	–	100%	100%	Manufacture of handsets
Rising Stars Hi-Tech Private Limited	Limited company	India	INR4,500,000,000	–	–	100%	100%	Manufacture of electronic products
富泰京精密電子(北京)有限公司 (Futaijing Precision Electronics (Beijing) Co., Ltd.*)	Wholly foreign owned enterprise	PRC	US$75,000,000	–	–	100%	100%	Manufacture of handsets
富智康精密電子(廊坊)有限公司 (FIH Precision Electronics (Lang fang) Co., Ltd.)	Sino-foreign jointly owned enterprise	PRC	US$475,500,000	–	–	100%	100%	Manufacture of handsets
衡陽富泰宏精密工業有限公司 (Hengyang Futaihong Precision Industrial Co., Ltd*)	Sino-foreign jointly owned enterprise	PRC	RMB50,000,000	–	–	100%	100%	Manufacturing, import and export
Fushan Technology (Vietnam) Limited Liability Company	Limited company	Vietnam	VND1,992,300,000,000	–	–	100%	100%	Manufacture of handset

Note: The share capital of Success World Holdings Limited reduced from HK$1,049,044,500 (equivalent to approximately US$135,001,000) to HK$15,541,252 (equivalent to approximately US$2,000,000) during the year ended 31 December 2024. Upon capital reduction, the investment in subsidiary of the Company is reduced by US$133,001,000 and US$118,506,000 is recognised as other reserve in the statement of financial position of the Company.

* for identification purposes only

37. PRINCIPAL SUBSIDIARIES *(Continued)*

No debt security has been issued by any of the subsidiaries at any time during the year or is outstanding at the end of the year.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other insignificant subsidiaries which are mainly inactive or engaged in investment holding would, in the opinion of the directors, result in particulars of excessive length.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2024 **US$'000**	2023 US$'000
ASSETS		
Investments in subsidiaries	**1,800,975**	2,296,907
Other receivables and prepayment	**7,176**	4,266
Cash and cash equivalents	**4,700**	7,341
	1,812,851	2,308,514
LIABILITIES		
Bank borrowings	**341,420**	583,800
Other payables	**7,826**	10,060
	349,246	593,860
NET ASSETS	**1,463,605**	1,714,654
CAPITAL AND RESERVES		
Share capital	**315,380**	316,200
Share premium	**1,172,561**	1,173,189
Shares bought-back pending cancellation	**–**	(714)
Other reserves	**(24,336)**	225,979
TOTAL EQUITY	**1,463,605**	1,714,654

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Under the Companies Law (Revised) Chapter 25 of the Cayman Islands, the share premium of the Company is available for distribution or paying dividends to shareholders subject to the provisions of its memorandum or articles of association and provided that immediately following the distribution of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business. At the end of the reporting period, the Company's reserve available for distribution amounted to approximately US$1,148,476,000 (2023: US$1,398,675,000), consisted of share premium of approximately US$1,172,561,000 (2023: US$1,173,189,000) and retained profits of approximately US$94,421,000 (2023: US$226,200,000), less other reserve of approximately US$118,506,000 (2023: less shares bought-back pending cancellation of approximately US$714,000).

Movement in reserves

	Share premium US$'000	Shares bought-back pending cancellation US$'000	Share compensation reserve US$'000	Retained profits US$'000	Other reserve US$'000	Total US$'000
Balance at 1 January 2023	1,175,203	(1,170)	–	257,983	–	1,432,016
Loss for the year	–	–	–	(31,783)	–	(31,783)
Repurchase of ordinary shares	–	(2,908)	–	–	–	(2,908)
Cancellation of ordinary shares	(2,014)	3,364	–	–	–	1,350
Payment made for equity-settled share-based payments	–	–	(1,512)	–	–	(1,512)
Recognition of equity-settled share-based payments *(note 36)*	–	–	1,291	–	–	1,291
Balance at 31 December 2023	1,173,189	(714)	(221)	226,200	–	1,398,454
Loss for the year	–	–	–	(131,779)	–	(131,779)
Repurchase of ordinary shares	–	(734)	–	–	–	(734)
Cancellation of ordinary shares	(628)	1,448	–	–	–	820
Payment made for equity-settled share-based payments	–	–	(556)	–	–	(556)
Recognition of equity-settled share-based payments *(note 36)*	–	–	526	–	–	526
Capital reduction of a subsidiary	–	–	–	–	(118,506)	(118,506)
Balance at 31 December 2024	**1,172,561**	**–**	**(251)**	**94,421**	**(118,506)**	**1,148,225**

FINANCIAL SUMMARY

	For the year ended 31 December				
	2020 (US$'million)	2021 (US$'million)	2022 (US$'million)	2023 (US$'million)	**2024 (US$'million)**
Results					
Revenue	8,934.75	8,582.56	9,394.32	6,445.80	**5,702.95**
(Loss) profit from operations	(136.80)	79.04	(30.11)	(39.30)	**63.13**
Interest expenses	(12.18)	(8.88)	(29.58)	(60.60)	**(57.63)**
(Loss) profit before tax	(148.98)	70.16	(59.69)	(99.90)	**5.50**
Income tax expense	(24.86)	(13.74)	(12.45)	(20.87)	**(25.69)**
(Loss) profit after tax and before non-controlling interests	(173.84)	56.42	(72.14)	(120.77)	**(20.19)**
Non-controlling interests	(0.10)	(0.09)	0.03	0.09	**(0.14)**
Net (loss) profit for the year	(173.94)	56.33	(72.11)	(120.68)	**(20.33)**

	2020 (US$'million)	2021 (US$'million)	2022 (US$'million)	2023 (US$'million)	**2024 (US$'million)**
Assets and liabilities					
Total assets	6,032.07	5,979.69	5,510.29	4,319.44	**3,822.02**
Total liabilities	(3,950.00)	(3,812.42)	(3,722.52)	(2,758.06)	**(2,358.36)**
Non-controlling interests	(6.64)	(7.31)	(6.12)	(2.89)	**(2.85)**
Capital and reserves	2,075.43	2,159.96	1,781.65	1,558.49	**1,460.81**

CORPORATE GOVERNANCE REPORT

INTRODUCTION

This corporate governance report is issued as of 7 March 2025.

The Company has adopted the corporate governance compliance manual (the "Manual") since 15 April 2010, as amended and supplemented from time to time. The purpose of the Manual is to set out the corporate governance practices from time to time adopted by the Company and the compliance procedures that apply in specific areas, with the aim to providing an overview of the requirements of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules (the "CG Code") and the related rules set out in the Listing Rules and the SFO respectively and also setting out certain guidelines for the implementation of corporate governance measures of the Company.

As an overview, for the purposes of corporate governance enhancements and better compliance with applicable requirements under the Listing Rules, during the year ended 31 December 2024 (the "year under review") and up to the date of this report, the Company has adopted and implemented the following principal documents since 20 December 2023, in addition to the documents referred to in pages 162 and 163 of the Company's 2023 interim report as issued and published on 14 September 2023:

- Overview on Core Corporate Governance Practices, which is accessible on the Company's website and summarizes the overall framework of the Company's core corporate governance practices, covering (among other things) the Manual, the Board committees, accountability and audit as well as the linkage between corporate governance and environmental, social and governance ("ESG").

- Statements regarding Corporate Communications, which are accessible on the Company's website and provide for (among other things) the scope of the Company's corporate communications, the means of dissemination of such corporate communications and the election by the Company's shareholders of the language and means of receipt of such corporate communications.

- Corporate Communication and Crisis Reporting Guideline, which serves (among other things) to effectively control the release of the Group's public information, manage participation in external activities and timely respond to corporate crisis, ensuring consistent external communications by the Company.

- Updated Corporate Vision, Mission and Values as more particularly described below in the section headed Corporate Vision, Mission and Values and Alignment with Corporate Culture" of this report.

- Revised Shareholders Communication Policy as more particularly described below in the section headed "Shareholder and Other Key Stakeholder Communications – Communications with Shareholders" of this report.

- Revised, and further revised, Overview on Mechanisms for Independent Views and Inputs available to the Board as more particularly described below in the section headed "Overview on Mechanisms for Independent Views and Inputs" of this report.

INTRODUCTION *(Continued)*

- Revised form of Independence Confirmation Letter from each of the Company's independent non-executive directors, to the effect that the Letter would be addressed to the Company in place of the Stock Exchange due to the recent amendments to applicable requirements under the Listing Rules, together with some housekeeping amendments as a matter of interpretation/clarification.

- In the ESG context, the following policies which are accessible on the Company's website, details of which have been set out in the Company's 2024 environmental, social and governance report (the "2024 ESG Report") as issued and published simultaneously upon the issuance and publication of the Company's 2024 annual report:

  (a) Global Code of Conduct, which serves (among other things) to make CSR (Corporate Social Responsibility) and sustainability a part of the Group's core competencies and to demonstrate the Company's core values of global operations.

  (b) Responsibility Standards, which serve (among other things) to provide an explicit interpretation of the requirements of the aforesaid Global Code of Conduct and are supplemental thereto.

  (c) Chapter on Employee Human Rights, which provides for (among other things) the beliefs and key requirements relating to employee human rights in support of the Company's core commitment to uphold and promote respect for human rights.

CORPORATE VISION, MISSION AND VALUES AND ALIGNMENT WITH CORPORATE CULTURE

Corporate Vision, Mission and Values

On the basis of the views and recommendations from the corporate governance committee, on 23 December 2024, the Board conducted an ad-hoc review of the Company's corporate vision, mission and values together with their alignment with its corporate culture and adoption of a revised version. The revisions primarily address the Company's adoption and implementation of its own Global Code of Conduct and other relevant policies, while establishing the Group's core values as integrity and accountability, teamwork and shared success, dedication, customer oriented, innovation & breakthrough and efficiency and agility. Additionally, the revised version explicitly references the ESG Committee and other functional units designated by the Board to oversee the operation and enforcement of the corresponding policies, systems, and measures. The Company's corporate vision, mission and values together with their alignment with its corporate culture mentioned below refer to their latest version as so revised.

CORPORATE VISION, MISSION AND VALUES AND ALIGNMENT WITH CORPORATE CULTURE *(Continued)*

Corporate Vision, Mission and Values *(Continued)*

In compliance with Paragraph A.1.1 of Part 2 of the CG Code, the Company has adopted and updated the following corporate vision, mission and values of the Group to guide the Group and its operations:

Vision: Creating comprehensive smart living experiences for the Group's customers across the globe.

Mission: The Group's corporate mission focuses on three aspects:

(i) Empowering possibilities through technology

(ii) Driving excellence with innovation

(iii) Delivering exceptional value to customers

Values: The Group operates with six core values that define its approach and guide its actions:

(i) Integrity and Accountability — The Group upholds the principles of honesty and fulfills every commitment, ensuring trust and reliability in its internal and external relationships.

(ii) Teamwork and Shared Success — The Group encourages employees to collaborate and work together towards shared goals, celebrating successes collectively to foster a sense of unity and achievement.

(iii) Dedication — The Group remains dedicated to achieving the best, consistently pushing boundaries to deliver outstanding results.

(iv) Customer Oriented — The Group places customers at the heart of its business, providing exceptional service while empowering employees with the tools and skills needed to better meet customer needs.

(v) Innovation & Breakthrough — The Group embraces challenges, drives innovation, and continuously seeks breakthroughs, fostering creativity to fuel ongoing business growth.

(vi) Efficiency and Agility — The Group acts swiftly and adapts effectively, seizing opportunities and maintaining competitiveness in a rapidly changing environment.

CORPORATE VISION, MISSION AND VALUES AND ALIGNMENT WITH CORPORATE CULTURE *(Continued)*

Alignment with Corporate Culture

The Group's corporate culture is the driving force for achieving its corporate vision, mission and values (forming part of the Manual), all of which underpin the Group's long-term success and sustainable performance where the Group's shareholders/investors, customers, suppliers, employees and other key stakeholders could benefit in the shared value of its business success.

To achieve the Group's vision, mission and values, as well as its long-term success and sustainability as a business and as an organisation to act lawfully, ethically and responsibly across all levels, the Group upholds a corporate culture of integrity and management with dignity. The Group expects its directors, officers and employees to demonstrate high standards of ethical attitudes and behaviours in the Group's operations and relations with its stakeholders. In particular, the Group adopts the above six core values as its business philosophy, which are reinforced by the actions and attitudes of its employees to help create economic growth under the vision of achieving corporate sustainable operation, fulfilling social citizenship responsibilities and working together with global brand customers to create a comprehensive smart life and enhance human well-being.

The Company's board of directors (the "Board") and management lead and shape the Group's corporate culture. As the leader of the Company, all directors must understand the Group's corporate culture. As a tone from the top, the directors have acted lawfully, ethically and responsibly with integrity, led by example, and promoted the Group's corporate culture, with an aim to instilling and continually reinforcing such culture with the Group's values of acting lawfully, ethically and responsibly, particularly through the Board's behaviour and attitudes to continuously influence such culture. The Group's senior and middle management should support this by setting an example and conveying the Board's messages and desired culture to their team members.

The Group's corporate culture has been reflected consistently, fostered and developed in various policies, systems and measures implemented and maintained by the Group (including without limitation the Group's Global Code of Conduct, the Manual, the anti-bribery management system manual the whistle-blowing policies and the system of internal controls and enterprise risk management ("ERM")) which are subject to regular review and promoted across the organisation, as well as reinforced by training and appropriate actions (including disciplinary actions in the event of serious or repeated unethical acts or improper conducts), in support and furtherance of the Group's commitment to high standards of ethical attitudes and behaviours in its business conduct and to ensure good practices across the organisation. Please also see the section headed "Accountability and Audit" below of this report for more details about the Group's governance practices.

The Board designates the roles and responsibilities for operating and enforcing these policies, systems and measures, which are functionally designated to, among others, the Board Committees, the Chief Executive Officer, the Chief Financial Officer, the ERM Team, the ESG Committee as well as the corresponding heads/leaders of other functional units namely human resources, supply chain/procurement services, legal and compliance, company secretarial services, strategic investments, corporate communications, investor relations and internal audit departments/divisions. During the year under review, the Company Secretary of the Company obtained the respective confirmations from such heads/leaders that such policies, systems and measures have remained, and would remain, consistent with the Company's corporate vision, mission and values as well as corporate culture.

CORPORATE VISION, MISSION AND VALUES AND ALIGNMENT WITH CORPORATE CULTURE *(Continued)*

Alignment with Corporate Culture *(Continued)*

To build and develop a better corporate culture, the Board should pay attention to accountability, transparency, effective communications, open and bilateral dialogues, proactive engagement, provision of training and also hints of potential cultural weaknesses (e.g. a high rate of staff turnover, a low level of communication/engagement and a lack of transparency within the Group); implement and maintain measures for assessing and monitoring culture and its embedding in the organisation; and evaluate the effectiveness of such measures.

During the year under review, the Group organised a series of training initiatives, including without limitation: (1) training to promote, implement and maintain the Company's corporate vision, mission and values as well as corporate culture across the Group at different workforce levels (comprising senior management, middle management and general staff) to ensure that their behaviours are aligned with the Company's corporate vision, mission and values as well as corporate culture; and (2) refresher and update training to reinforce and develop a stronger culture of compliance, internal controls and ERM within the Group.

In order to promote, implement/enhance and maintain the Company's corporate vision, mission and values as well as corporate culture on the external front vis-a-vis the Group's customers, suppliers, shareholders/investors and other key stakeholders dealing with the Group, the Company has published its corporate vision, mission and values on its website, and also covered this "Corporate Vision, Mission and Values and Alignment with Corporate Culture" section in this report.

Also, during the stakeholder engagement exercise in preparation for the Company's 2024 ESG Report as conducted in the year under review, an online survey was distributed to certain external and internal stakeholders (including customers, suppliers, investors, non-governmental organisations, and employees) of the Group to gather perspectives and suggestions on various ESG issues. The online survey covered a range of topics, including perceptions of the Company's corporate vision, mission and values as well as corporate culture. The Group has received its key stakeholders' responses, focusing specifically on climate, renewable energy, employee development, and corporate governance issues. The result of the online survey has been analysed by the Company's ESG task force team and presented to the Company's senior management, with consideration of the next steps for future enhancement.

Regarding the forums available for sharing ideas and raising concerns about any identified misconduct or misalignment, the channels provided under the Group's whistle-blowing policies, as outlined above, remain the most appropriate avenues. These channels allow individuals to report issues, concerns, or complaints regarding fraudulent activities, unethical behaviour, or improper business conduct. Whistle-blowers are assured that their identities will be protected, and they will not face reprisals, victimisation, discrimination, or any other unfavourable prejudice and treatment. All reported issues, concerns, and complaints will be handled confidentially, promptly, fairly and professionally by the Group's Chief Internal Auditor, who will oversee further investigations and ensure appropriate follow-up actions are taken.

CORPORATE VISION, MISSION AND VALUES AND ALIGNMENT WITH CORPORATE CULTURE *(Continued)*

Alignment with Corporate Culture *(Continued)*

The Group assesses and monitors its corporate culture on the basis of different specific indicators, including without limitation: (i) staff turnover rate; (ii) level of communications or engagements across the Board, senior management, middle management and employees at all levels; and (iii) the level of transparency across the Group. For details about (i), please refer to the Performance Data Table (Social Performance — Employee turnover rate) of the 2024 ESG Report. For details about (ii) and (iii), please refer to the section headed "Overview on Mechanisms for Independent Views and Inputs" below of this report.

The Group believes that its success as a business and as an organisation is underpinned by its strong corporate governance, solid corporate vision, mission and values as well as positive and progressive corporate culture.

OVERVIEW ON MECHANISMS FOR INDEPENDENT VIEWS AND INPUTS

The Company refers to the mechanisms (the "Mechanisms") which have been established and operated under certain existing policies, systems and measures of the Group to ensure that independent views and inputs have been and will be available to the Board. For the purposes of compliance with Paragraph B.1.4 of Part 2 of the CG Code, an overview of the Mechanisms (forming part of the Manual) is set out in this report.

On the basis of the views and recommendations from the corporate governance committee: (a) on 7 March 2024, the Board conducted an annual review of the Mechanisms and adopted the further revised Mechanisms, basically to provide for the Company's adoption and implementation of its own Global Code of Conduct and other relevant policies; the implementation and monitoring of the Global Code of Conduct by the ESG Committee, the human resource department, the ESG task force team, and other designated functional departments; and updates on sharing of the relevant information by the internal audit services department; and (b) on 7 March 2025, the Board conducted an annual review of the Mechanisms to ensure its implementation and have remained appropriate and effective and relevant to the needs of the Company.

The Mechanisms are highlighted and summarised as follows:

(a) Communications and Independent Elements within the Board

- The Company's board meeting procedures provide (among other things) that: (1) Board meetings are held no less frequently than four times a year at approximately quarterly intervals; (2) any director of the Company may at any time summon a Board meeting; and (3) any director of the Company may include any matter in the agenda for a regular Board meeting.

- The Company's chairman holds a meeting with the Company's independent non-executive directors without the presence of other directors at least once per year. In addition, he should encourage directors with different views to voice their concerns and facilitate effective contributions of the independent non-executive directors.

OVERVIEW ON MECHANISMS FOR INDEPENDENT VIEWS AND INPUTS *(Continued)*

(a) Communications and Independent Elements within the Board *(Continued)*

- The Company's procedures for seeking independent professional advice sets forth the procedures under which a director of the Company can seek independent professional advice in appropriate circumstances at the Company's expense in the furtherance of his duties as the Company's director.

- Every Board member is entitled to have access to the advice and services of the Company's company secretary.

- The Board has a balanced composition of executive, non-executive and independent non-executive directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

- The Board members do not have any financial, business, family or other material/relevant relationships with each other.

- The Company's policies and procedures governing director's potential/actual conflicts of interests provide (among other things) that in relation to any proposed material transaction involving any Group member which may give rise to any potential/actual conflicts of interests on the part of a director of the Company, such director shall not participate in the discussions relating to such proposed material transaction and shall also abstain from voting on the resolutions proposed in respect thereof.

- The independent non-executive directors of the Company provide the Company with the benefit of a wide range of their skills, expertise and varied backgrounds and qualifications and brought independent judgement on issues of strategic direction, policy, development and performance through their contributions at Board meetings and (as appropriate) committee meetings. In this respect, the Board (on the basis of the recommendations from the Company's nomination committee) annually re-assesses the independence of each of the Company's independent non-executive directors.

(b) Communications between the management and the Board

- Two members of the Company's senior management, namely CHEN Hui Chung, John (the Company's Head of Finance and Treasurer) and TAM Kam Wah, Danny (the Company's Chief Financial Officer ("CFO")) have been invited and participated in Board meetings and Board committee meetings and hence have open dialogues and proactive engagements with the Board members in the meetings, so that senior management's views can be brought to the Board's attention in the decision-making process.

- In addition, the CFO has been providing to the Board: (1) a monthly management update ("MMU") covering (among other things) unaudited monthly management accounts; financial highlights covering turnover breakdown, sales, profit and loss, segment information; and updates on significant investments and projects; (2) at each regular Board meeting, a quarterly business overview and outlook relating to the Group (the "Quarterly Business Overview and Outlook"); and (3) in his own capacity and on behalf of the management, a bi-annually confirmation on the adequacy and effectiveness of the Group's system of internal controls and enterprise risk management. Corresponding communication platforms have been established and maintained accordingly.

OVERVIEW ON MECHANISMS FOR INDEPENDENT VIEWS AND INPUTS *(Continued)*

(b) Communications between the management and the Board *(Continued)*

- The two aforementioned members of the Company's senior management regularly discuss with each other the Group's performance and material issues, concerns, and difficulties (including any material issues, concerns raised by the Group's middle management and general staff respectively). They frequently participate in the Monthly Business Review (MBR) meetings chaired by the Company's Chief Executive Officer ("CEO") and attended by the Company's Business Control Head, during which the Group's business unit heads and managers report to CEO on the operation and performance of their respective business units in the various geographical segments, and identify the respective problems, difficulties and risks faced by them, whereas CEO critically reviews the same and gives instructions/guidance/recommendations to the respective business unit heads/managers on how to rectify the issues and make improvements. In this respect, CFO cum senior management reviews the MBR meeting papers, minutes and related materials, and also constantly checks with the business unit and functional unit heads/managers as to the latest business outlook, the challenges, their respective issues/concerns, etc. and then includes the relevant information (in case of appropriate escalation, including any material issues/concerns disclosed by the Group's business unit and functional unit heads/managers) in the MMUs, the Quarterly Business Review and Outlook and (as appropriate) the relevant Board meeting agenda items and the corresponding Board meeting papers and related presentation materials. Corresponding communication platforms have been established and are maintained accordingly.

(c) Communications between the management and the employees at all levels

- Staff members have the opportunities to raise issues/concerns through different channels (such as routine meetings, performance appraisals, town halls, etc.) to their respective supervisors and managers, who (in case of appropriate escalation) will escalate the relevant issues/concerns to senior management (either directly or through middle management, as the case may be). Please refer to (b) above for details on how these issues or concerns are escalated from middle management to senior management and, when required, to the board.

- The Company's human resources department will continue to explore more cost-effective communication channels and intervals, such as utilising digital communication channels like emails and internal communication platforms, as opposed to relying solely on physical face-to-face interactions.

- In the ESG context, please refer to the Company's latest ESG report.

OVERVIEW ON MECHANISMS FOR INDEPENDENT VIEWS AND INPUTS *(Continued)*

(d) Communications between the management and all stakeholders

- In line with the relevant mechanism outlined in the Company's shareholders communication policy, the Company's company secretary or handling officer of the Company's investor relations department or the Company's relevant functional owner (as the case may be) will review the enquiries, requests, comments or suggestions from the relevant stakeholder and (as appropriate) forward the same: (1) to the Board (through the Company's company secretary, as appropriate) if the same falls within the Board's purview; (2) to the members of the relevant Board committee (through the Company's secretary, as appropriate) if the same falls within such Board committee's area of responsibility; and (3) to the appropriate senior management team members (or their corresponding delegates) if the same relates to ordinary business matters.
- In the ESG context, please refer to the Company's latest ESG report.

(i) Shareholders/ Investors

The Company has formulated and maintained the shareholders communication policy setting out the framework that the Company has put in place to maintain and promote effective communication and ongoing dialogue with its shareholders so as to enable them to engage actively with the Company through different means of communication and exercise their rights in the capacity as shareholders in an informed manner. The shareholders communication policy provides for (among other things) the procedures by which enquiries, requests, comments or suggestions may be put forward to the Company, and that the annual general meetings and other general meetings of the Company are the primary forum for communication with the shareholders and for the shareholders' exchange of views and participation in discussions with the Board. Please also see the above regarding the mechanism for escalation of the relevant enquiries, requests, comments or suggestions from any such shareholders to the Board, as and when necessary, under the Company's shareholders communication policy.

Moreover, the Company has formulated and maintained the memorandum on shareholder rights (setting out, among other things, its shareholders' right to convene the Company's extraordinary general meeting and right to add resolutions to the meeting agenda) as well as the procedures for shareholders to propose candidates for election as a director of the Company. In particular, the Company's company secretary will escalate such requisition or proposal from any such shareholders to the Board under the Company's memorandum on shareholder rights.

As to the investment community generally, the Company's shareholders Communication policy provides (among other things) that for the sake of comprehensiveness, the Company may upon invitation have results briefings and one-on-one meetings with analysts and journalists. Please see the above regarding the mechanism for escalation of the relevant enquiries, requests, comments or suggestions from any such analysts and journalists to the Board, as and when necessary.

OVERVIEW ON MECHANISMS FOR INDEPENDENT VIEWS AND INPUTS *(Continued)*

(d) Communications between the management and all stakeholders *(Continued)*

(ii) Employees

On top of the Mechanism under (c) above, the Group is committed to creating a good corporate culture and has established and maintained its whistle-blowing policies and the related procedures which apply to the Group's key stakeholders (including all current and former directors, officers and other employees (both permanent and temporary); customers; suppliers; joint venture partners; and other business partners) (the "Whistle-blowing Policies and Procedures"). Issues/concerns and complaints concerning fraudulent acts, unethical acts or improper business conduct can be raised through established hotlines and other channels. Whistle-blower identities are protected without fear of reprisal, victimisation, subsequent discrimination or any other unfavourable prejudice. All issues/concerns and complaints will be handled confidentially, timely, fairly and professionally by the Group's Chief Internal Auditor for further investigation and appropriate follow-up actions. Please see the above regarding the mechanism for escalation of the relevant issues/concerns/complaints from any such key stakeholders to the Board, as and when necessary. The Whistle-blowing Policies and Procedures will be reviewed regularly according to changes to the business and/or regulatory environments and requirements.

In addition, as to anti-corruption, anti-bribery, anti-extortion and anti-money-laundering, the Group has implemented and maintained the code of conduct and the code of ethics (including the anti-corruption code of conduct) which apply to its directors, officers and employees by way of policies, rules and principles, administering appropriate and prohibited individual behaviours within the Group.

Moreover, the Company has adopted the Global Code of Conduct (the "CoC") as supplemented by the related responsibility standards, both of which are accessible on the Company's website under the "ESG — Resources — Policies, Guidelines and Others" section. The CoC sets out the Group's standards relating to (among other things) ethics and management systems which are highlighted and summarised as follows:

- The ethics standards include (among other things) the protection of identity and non-retaliation which requires that: (1) programs that ensure the confidentiality, anonymity and protection of supplier and employee whistleblowers are to be maintained, unless prohibited by law; (2) anonymous complaints with clear and specific descriptions of person/time/place/event are to be accepted and protected; and (3) the Company should have a communication process for its personnel to be able to raise any concerns without fear of retaliation.

OVERVIEW ON MECHANISMS FOR INDEPENDENT VIEWS AND INPUTS *(Continued)*

(d) Communications between the management and all stakeholders *(Continued)*

- The standards relating to management systems include (among other things): (1) training programmes for managers and workers to implement policies, procedures and improvement objectives, and core curriculums (such as orientation training and CoC training) should be arranged for new employees, and employees in service should take at least two hours of CoC training per year (for details, please see (e) below); (2) communication with processes for communicating clear and accurate information about the Company's policies, performance, practices and expectations to workers, suppliers and customers; (3) ongoing processes, including an effective grievance mechanism, to assess workers' understanding of and obtain feedback on or violations against practices and conditions covered by the CoC and to foster continuous improvement, and also, workers must be given a safe environment to provide grievance and feedback without fear of reprisal or retaliation; and (4) a process to communicate the CoC requirements to suppliers.

Compliance with the CoC is implemented and monitored by the Company's ESG Committee (chaired by CEO), the ESG task force team, the human resources department, the internal audit services department and other relevant functional departments.

Furthermore, the Company has adopted the chapter on employee human rights, which is accessible on the Company's website under the "ESG — Resources — Policies, Guidelines and Others" section. The chapter on employee human rights covers (among other things) the following beliefs and key requirements: (1) provide a variety of effective channels, anonymous ones included, for stakeholders to raise suggestions and appeals or report any violations and ethical concerns; and (2) protect whistleblowers from workplace violence/unlawful infringement.

(iii) Suppliers

Formal business communications are scheduled and held on a regular basis between the Group's suppliers and the Company's sourcing teams as follows:

- Such communications are held in the form of QBR (Quarterly Business Review) between the parties, usually once in every quarter.
- Key business stakeholders from the Company's sourcing teams and suppliers are invited to participate in QBR, including the Company's sourcing officer responsible for the commodity and the responsible supplier representative.
- Subjects covered in QBR usually are near-term business issues, supply and pricing in the past and coming quarters, performance review, supplier feedback and any outstanding near or longer term challenges.

OVERVIEW ON MECHANISMS FOR INDEPENDENT VIEWS AND INPUTS *(Continued)*

(d) Communications between the management and all stakeholders *(Continued)*

Also, clear and specific requirements in conducting business with the Group are communicated to all suppliers in legally binding documentation which is required to be signed off between the Group and each of its suppliers and presented in the Group's supplier qualification process, i.e., only after all required documentation is signed can business start to commence between the Group and its supplier. Anti-corruption covenants and undertakings on the part of supplier as well as ethics audit are included in the following documentation:

- Master Purchase Agreement;
- Supplier's Undertaking; and
- Supplier SER (Social and Environmental Responsibility) Audit Checklist.

The Company's internal audit services department shares information related to the department (including concepts and cases involving internal controls and enterprise risk management) online through the employee service and mass messaging communication application "iPound" subscribed by all employees of the Group, and provides guidance on information related to this aspect.

As mentioned in (ii) above:

- the Whistle-blowing Policies and Procedures apply to suppliers. As such, suppliers are able to raise issues/concerns to the Company pursuant to the Whistle-blowing Policies and Procedures. Please see the above regarding the mechanism for escalation of the relevant issues/concerns from any such suppliers to the Board, as and when necessary.
- the protection of identity and non-retaliation under the Whistle-blowing Policies and Procedures applies to suppliers. As such, the confidentiality and anonymity of supplier whistleblowers is protected.

(iv) Customers

Formal business communications are scheduled and held on a regular basis between each of the Group's customers and the Group's handling business unit project manager facing such customer. As to the Group's major customers, such communications include (among others) weekly, quarterly and annual business review meetings; regular product review meetings; regular production, sales and quality review meetings; and other ad-hoc meetings when necessary.

OVERVIEW ON MECHANISMS FOR INDEPENDENT VIEWS AND INPUTS *(Continued)*

(d) Communications between the management and all stakeholders *(Continued)*

Also, the Group has established and maintained customer complaint handling procedures to respond to product-related and service-related complaints in a systematic manner. Once the factory/business units receive complaints from customers, they will verify the complaint information followed by a check on the production process to investigate into the circumstances underlying and leading to the complaint. If the complaint is evidenced to be valid, the factory/business units will propose remedial measures to customers and conduct performance tracking. After customer complaint cases are closed, the cases are filed for record tracking and continuous enhancement purposes. Please see the above regarding the mechanism for escalation of the relevant complaints from any such customers to the Board, as and when necessary.

In addition, the Group requires (as a prerequisite to the establishment of business relationship) its customers to strictly enforce high standards of anti-corruption.

As mentioned in (ii) above:

- the Whistle-blowing Policies and Procedures apply to customers. As such, customers are able to raise issues/concerns to the Company pursuant to the Whistle-blowing Policies and Procedures. Please see the above regarding the mechanism for escalation of the relevant issues/concerns from any such customers to the Board, as and when necessary.

- the protection of identity and non-retaliation under the Whistle-blowing Policies and Procedures applies to customers. As such, the confidentiality and anonymity of customer whistleblowers is protected.

(v) Community/non-governmental organisations (NGOs)

The Group embraces a culture of sharing, contributing and giving back to the community, and actively participates in social and community-based programmes, including sponsoring and hosting philanthropic activities and volunteer programmes. Through its participation in such programmes and the activities carried out thereunder, the Group has established and maintained ongoing dialogues and engagements with a number of local NGOs. Please see the above regarding the mechanism for escalation of the relevant enquiries, requests, comments or suggestions from any such NGOs to the Board, as and when necessary.

OVERVIEW ON MECHANISMS FOR INDEPENDENT VIEWS AND INPUTS *(Continued)*

(e) Ongoing training on the Company's desired behaviours

- The Company's Corporate Vision, Mission and Values (as adopted by the Board on 15 March 2022, as amended from time to time) provides (among other things) that the Group's relevant policies, systems and measures are, and would be, promoted across the organisation and particularly the functional owners/stakeholders who are the targets/addressees thereunder and reinforced by training.

- The Company's human resources department is going to organising and implementing appropriate training programmes by e-learning (via the "FoxconnEdu" application) or face-to-face classroom learning to the Group's directors, officers and employees, and would continue to regularly review the subject matters and target audience of such training programmes, as and when necessary.

- With reference to the CoC, the training programmes include the following: (1) as part of new employee orientation, training programmes relating to the CoC, occupational health and safety, and anti-corruption; (2) all employees are also inducted with at least two hours of compulsory anti-corruption training every year; and (3) all employees in service should also take at least two hours of CoC training per year.

- In addition to on-job training, the Group also encourages employees' learning by utilising e-learning platform (namely the "FoxconnEdu" application) with more than thousands of training course subjects and materials.

On the basis of the views and recommendations from the corporate governance committee, the Board will annually review the Mechanisms to ensure their implementation and effectiveness. At the meeting held on 7 March 2025, on the basis of the recommendations from the corporate governance committee, the Board considered that the Mechanisms have been implemented and remained effective and that the Mechanisms have remained relevant to the Company's needs and reflected both the then current regulatory requirements and good corporate governance practice.

CORPORATE GOVERNANCE CODE

The Company has applied and complied with all the code provisions set out in Part 2 of the CG Code during the current period except for the following deviation:

Pursuant to paragraph C.2.1 of Part 2 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. CHIH Yu Yang acted as the chief executive officer and the acting chairman since 1 January 2017. The Board believes that this arrangement not only is crucial to the continuation in the Group's implementation of business plans and formulation of business strategies, but also serves to avoid unnecessary instability that may be caused following the resignation of the former chairman and former executive director. To address the potential corporate governance issues brought by the absence of separation of the roles, the Company has implemented and maintained a number of internal control measures to highlight the roles of the directors and senior management of the Company in scrutinizing the decision-making processes applicable to certain material matters of the Group and also monitoring the exercise of power by both the acting chairman and chief executive officer.

CORPORATE GOVERNANCE CODE *(Continued)*

For the purposes of corporate governance enhancements and full compliance with paragraph C.2.1 of Part 2 of the CG Code, the Board has resolved the following changes in the executive function of the corresponding directors of the Company, in all cases with effect from 1 July 2024:

1. Mr. CHIH Yu Yang, an executive director of the Company, has been re-designated from acting chairman to Chairman of the Board and resigned as the chief executive officer of the Company.

2. Mr. LIN Chia-Yi (also known as Charles LIN), an executive director of the Company, has been appointed as the chief executive officer of the Company.

For details, please refer to the announcement issued by the Company on 26 June 2024.

Further, the Company has clearly established and set out in writing the division of responsibilities between the Chairman of the Board and chief executive officer to ensure a balance of power and authority between the management of the Board and the management of the business of the Company. This separation also enhances the Board's independence.

THE BOARD

The Board is responsible for the leadership and control of the Company and oversees the Group's overall businesses, strategic decisions and performance.

The Board currently consists of three executive directors, one non-executive director and three independent non-executive directors.

Executive Directors

CHIH Yu Yang *(Chairman of the Board and chairman of the corporate governance committee)*
LIN Chia-Yi (also known as Charles LIN) *(chief executive officer)*
KUO Wen-Yi *(member of the corporate governance committee)*

Non-executive Director

CHANG Chuan-Wang

Independent Non-executive Directors

LAU Siu Ki *(chairman of the audit committee, remuneration committee and nomination committee respectively)*
CHEN Shu Chuan (also known as Nadia CHEN)
(member of the audit committee, remuneration committee and nomination committee respectively)
CHIU Yen-Tsen (also known as CHIU Yen-Chen, Dennis)
(member of the audit committee, remuneration committee and nomination committee respectively)

According to the Manual, the respective responsibilities, accountabilities and contributions of the Board and the Company's management have been divided through the adoption of a detailed list of matters reserved specifically for the decision of the Board as more particularly described in page 173 of the Company's 2020 annual report as issued and published on 20 April 2021. Upon the Board's annual review on 7 March 2025 respectively, the aforesaid list of matters has remained effective and appropriate to the Company's needs.

THE BOARD *(Continued)*

Subject to the foregoing as well as the delegation mechanism and delegation of authority forming part of the internal control measures as mentioned above, the Board has delegated its powers to the Company's management for the daily management and operations of the Group. In addition, the Board has delegated its powers to the Board committees. The Board has four Board committees, namely the audit committee, the remuneration committee, the nomination committee and the corporate governance committee, each of which discharges its functions and duties in accordance with the respective terms of reference with reference to the relevant provisions under the CG Code.

During the current year, pursuant to the approval of the Board on 26 June 2024, (1) Mr. CHIH Yu Yang ("Mr. Chih"), an executive director of the Company, has been re-designated from acting chairman to Chairman of the Board and resigned as the chief executive officer of the Company, both with effect from 1 July 2024. Mr. Chih continues to act as the chairman of the corporate governance committee of the Company; and (2) Mr. LIN Chia-Yi (also known as Charles LIN) ("Mr. Lin"), an executive director of the Company, has been appointed as the chief executive officer of the Company with effect from 1 July 2024.

In accordance with Section 112 of the Articles, one-third of the directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not exceeding, one-third) shall retire from office by rotation at each annual general meeting of the Company, provided that every director shall be subject to retirement by rotation at an annual general meeting at least once every three years. The directors to retire in the relevant year will be those who have been longest in office since their last re-election.

The Board members do not have any financial, business, family or other material/relevant relationships with each other. The balanced Board composition (comprising three independent non-executive directors out of a total of seven Board members) also ensures that strong independence exists across the Board. The biographical details of the directors as at the date of this report as set out in the section headed "Profile of Directors and Senior Management" (forming part of the Company's 2024 annual report incorporating this report) demonstrate a diversity of skills, expertise, experience, qualifications and other perspectives appropriate to the requirements of the Company's business.

The Board meets regularly and Board meetings are held at least four times a year to discuss principally the overall strategies as well as the operational and financial performance of the Group, and (in relation to the first and third regular Board meetings) to review and approve the Company's final results and interim results, respectively. At least fourteen days' notice (in relation to each regular Board meeting) or a reasonable notice (in relation to any other ad-hoc Board meeting) is given to all directors and they can include matters for discussion in the agenda. An agenda and accompanying Board papers are sent to all directors at least three days before the intended date of a Board meeting. Every Board member is entitled to have access to Board papers and related materials and access to the advice and services of the company secretary. They can also seek independent professional advice in appropriate circumstances, at the Company's expense. If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should be dealt with by a physical Board meeting (for details about the policies and procedures governing directors' potential/actual conflicts of interests, please refer to page 172 of the Company's 2020 annual report as issued and published on 20 April 2021). The minutes books are kept by the company secretary. Draft and final versions of minutes of the Board meetings were sent to all directors for their comments and records respectively within a reasonable time after the meetings. During the year under review, seven Board meetings were held. The meeting attendance of each Board member is set out in the section headed "Board, Committees and General Meeting" below of this report. In addition to the Board meetings, the Board dealt with matters by way of circulation and signing of four sets of written resolutions during the year under review.

CHAIRMAN

The chairman is responsible for providing leadership to the Board and for ensuring that directors receive adequate information in a timely manner and are briefed on issues arising at the Board meetings. He should take the primary responsibility for ensuring that good corporate governance practices and procedures are established and appropriate steps are taken to provide effective shareholders' communication with the Board. In addition, he should encourage directors with different views to voice their concerns and facilitate effective contributions of the non-executive directors. On 6 November 2024, Mr. Chih (Chairman of the Board) held a meeting with the independent non-executive directors without the presence of the other executive and non-executive directors.

NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company entered into a letter of appointment with the non-executive director and each of the independent non-executive directors respectively, namely Mr. CHANG Chuan-Wang ("Mr. Chang"), Mr. LAU Siu Ki ("Mr. Lau"), Ms. CHEN Shu Chuan (also known as Nadia CHEN) ("Ms. Chen") and Mr. CHIU Yen-Tsen (also known as CHIU Yen-Chen, Dennis) ("Mr. Chiu"), setting out the terms and conditions governing his/her appointment and ancillary matters, as amended and supplemented from time to time.

With reference to the requirement under the Articles regarding directors' retirement from office by rotation at each annual general meeting of the Company as mentioned above, it follows that pursuant to the resolution passed by the Company's shareholders at an annual general meeting of the Company in relation to the re-election of any one director of the Company, the current term of such director's appointment with the Company will commence from the closing of such annual general meeting, ending upon the conclusion of the relevant annual general meeting of the Company at which (among other things) such director's next re-election is considered in accordance with the Articles.

Pursuant to the approval of the Board on 7 March 2024 and the approval of the Company's shareholders on 22 May 2024, Mr. Lau and Mr. Chiu, independent non-executive directors of the Company, and Mr. Chang, non-executive director of the Company, were re-elected in their capacity for a term commencing from 22 May 2024 and ending upon the conclusion of the relevant annual general meeting of the Company at which (among other things) their next re-election is considered in accordance with the Articles.

During the year under review and up to the date of this report, the Company has complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. The Company has received written annual confirmation of independence from the three independent non-executive directors, namely Mr. Lau, Ms. Chen and Mr. Chiu.

In this respect, the nomination committee of the Company re-assessed the continued independence of all the independent non-executive directors in respect of the year under review, and was satisfied (among other things) that each of Mr. Lau, Ms. Chen and Mr. Chiu had remained independent in accordance with Rule 3.13 of the Listing Rules. On the basis of the recommendation from the nomination committee and up to the date of this report, the Board is not aware of the occurrence of any event or circumstance which would cause it to believe that the continued independence of any of the independent non-executive directors has been impaired. Accordingly, the Company confirms that it still considers each of the independent non-executive directors to be independent as of the date of this report. The Company's independent non-executive directors comprise individuals of a diverse range of cultural, educational and technical backgrounds, coming from Hong Kong and Taiwan and holding academic qualifications from these jurisdictions, and also, starting from 19 May 2023 on which Ms. Chen was appointed as the Company's independent non-executive director, comprise individuals of both genders. They are also equipped with a diverse range of skills, knowledge, experience and reputation in different industries and professional fields ranging from corporate governance, corporate finance, financial advisory and management, accounting and auditing, banking advisory, project finance, sustainability strategies and management, professional developments and risk management. In addition, their ages diversely range from 54 to 66. For further details, please refer to the section headed "Profile of Directors and Senior Management" forming part of the Company's 2024 annual report incorporating this report.

COMPANY SECRETARY

Ms. Vanessa WONG Kin Yan has been the company secretary of the Company since June 2017. She has over 28 years of extensive working experience in company secretarial and corporate governance matters. She is a Fellow member (being the highest membership status) of both CGI (The Chartered Governance Institute, formerly known as The Institute of Chartered Secretaries and Administrators) and HKCGI (The Hong Kong Chartered Governance Institute, formerly known as The Hong Kong Institute of Chartered Secretaries). Ms. Wong is a full-time employee of the Company and has been supporting the Board (among other things) for ensuring that Board procedures are followed and Board activities are efficiently and effectively conducted. These objectives are achieved through adherence to proper Board processes and timely preparation and dissemination to directors of comprehensive Board meeting agendas and papers. During the year under review, Ms. Wong undertook over 15 hours of relevant professional training to update her skills and knowledge.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

According to Rule 3.09D of the Listing Rules, prior to appointment, every intending director of the Company is provided with a briefing and training provided by the Company's professional legal advisers which are qualified to advise on Hong Kong law to ensure that he/she is fully aware of and understands the requirements (including without limitation the duties, roles, responsibilities and obligations as a director of a Hong Kong-listed company) under the Listing Rules and other applicable legal and regulatory requirements that are applicable to him/her as a director of the Company and the possible consequences of making a false declaration or giving false information to the Stock Exchange. Such briefing and training are provided at the Company's expense. The intending director also receives a comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has an appropriate understanding of the Group's operations and businesses, including without limitation applicable legal, regulatory and related compliance requirements; corporate structure; Board and Board committee meeting procedures; shareholders communications; internal control and enterprise risk management systems and related processes; corporate governance practices; and securities dealing.

The Company from time to time provides briefings, training sessions and materials to the directors to develop and refresh their knowledge and skills, including updates on the latest developments regarding the Listing Rules and other applicable legal and regulatory requirements to enhance their awareness and understanding of the same.

During the year under review, all directors had participated in appropriate continuous professional development activities through different means as appropriate, including but not limited to attending briefings and/or training sessions and/or reading materials relating to a variety of subject matters such as the Group's business operations, general economy and geopolitics, manufacturing or technology or handset industry and dynamics, directors' duties and responsibilities, and applicable legal and regulatory requirements. In particular, all directors had attended the following training sessions: (a) training sessions to refresh (among other things) recent legal and regulatory updates as provided by the Company's Hong Kong external counsel; (b) a training on ESG and key developments in climate-related disclosure regulation as provided by the Company's Hong Kong ESG consultant; (c) a training on ISO 37001 anti-bribery management system as provided by the Company's external consultant; (d) a training on an overview of the Hong Kong foreign-sourced income exemption regime as provided by the Company's Hong Kong external consultant; and (e) the Company's online training sessions to refresh and update on new climate-related disclosure requirements and share repurchase and treasury shares regime respectively.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT *(Continued)*

The company secretary of the Company is responsible for keeping the records of training taken by the directors. According to the records kept by the Company, the directors attended the following continuous professional development activities during the year under review:

Name of director	Type(s) of continuous professional development activities
CHIH Yu Yang	A, B
LIN Chia-Yi (also known as Charles LIN)	A, B
KUO Wen-Yi	A, B
CHANG Chuan-Wang	A, B
LAU Siu Ki	A, B
CHEN Shu Chuan (also known as Nadia CHEN)	A, B
CHIU Yen-Tsen (also known as CHIU Yen-Chen, Dennis)	A, B

A: Attending briefing(s) and/or training session(s)
B: Reading articles, journals, newspapers and/or other materials

AUDIT COMMITTEE

The Company has established and maintained an audit committee with written terms of reference by reference to the code provisions of the CG Code. The terms of reference of the audit committee are accessible on the websites of the Stock Exchange and the Company respectively.

The audit committee now consists of three independent non-executive directors. The members are:

LAU Siu Ki *(chairman of the audit committee)*
CHEN Shu Chuan (also known as Nadia CHEN) *(member of the audit committee)*
CHIU Yen-Tsen (also known as CHIU Yen-Chen, Dennis) *(member of the audit committee)*

The principal duties of the audit committee are to review the Group's financial reporting and accounting policies and practices as well as financial controls, internal control and enterprise risk management systems and provide advice and comments to the Board. It also makes recommendations on the appointment, re-appointment and removal of external auditor, and approves the remuneration and terms of engagement of the external auditor. It also reviews and monitors the external auditor's independence and objectivity as well as the effectiveness of the audit process. Please see the section headed "Accountability and Audit" below of this report for more details.

AUDIT COMMITTEE *(Continued)*

In particular, the Company has complied with Rule 3.21 of the Listing Rules, which requires that at least one of the members of the audit committee (which must comprise a minimum of three members with non-executive directors only and must be chaired by an independent non-executive director) is an independent non-executive director who possesses appropriate professional qualifications or accounting or related financial management expertise.

The audit committee shall meet at least twice a year. Also, at least once a year the audit committee shall meet with the external auditor without any members of management of the Company present. During the year under review, the audit committee held a total of eight meetings with the external auditor, including two audit committee meetings approving the annual and interim results, two audit planning meetings, two internal audit meetings and two private meetings with the external auditor without the presence of any members of management of the Company. Eight audit committee meetings were held during the year under review and the meeting attendance of each member of the audit committee is set out in the section headed "Board, Committees and General Meeting" below of this report. In addition to the committee meetings, the audit committee also dealt with matters twice by way of circulation and signing of written resolutions during the year under review. In particular, the committee meetings and the written resolutions served (among other things) (i) to review the unaudited interim financial statements and report and the audited full-year financial statements and report together with the related management representation letters, (ii) to review and approve the external auditor's engagement letters, (iii) to review and approve the internal audit plan of the Group, (iv) to review the Group's system of enterprise risk management and internal controls and the effectiveness of the Group's internal audit function, (v) to review the Group's relevant continuing connected transactions, (vi) to initiate the Company's anti-bribery management system handbook and ISO37001 anti-bribery management system certification application, (vii) to concur on the assessment and conclusion by the external auditor and provision of the non-assurance services, as well as to make recommendations to the Board on the relevant matters. In relation to the non-audit services provided by the external auditor during the year under review and up to the date of this report, the audit committee had reviewed such non-audit services approved by the Company's Chief Financial Officer pursuant to the Company's Preapproval Policies and Procedures relating to Independent Auditor's Non-Assurance Services, and had also confirmed the independence of the external auditor which had not been impaired by its provision of such non-audit services.

Also, please see the section headed "Accountability and Audit" below of this report for a summary of the relevant work of the audit committee during the year under review and up to the date of this report.

Full minutes of the meetings of the audit committee are kept by the company secretary. Draft and final versions of minutes of the meetings of the audit committee were sent to all members of the committee for their comments and records respectively within a reasonable time after the meetings.

REMUNERATION COMMITTEE

The Company has established and maintained a remuneration committee with written terms of reference by reference to the code provisions of the CG Code. The terms of reference of the remuneration committee are accessible on the websites of the Stock Exchange and the Company respectively.

The remuneration committee now consists of three independent non-executive directors. The members are:

LAU Siu Ki *(chairman of the remuneration committee)*
CHEN Shu Chuan (also known as Nadia CHEN) *(member of the remuneration committee)*
CHIU Yen-Tsen (also known as CHIU Yen-Chen, Dennis) *(member of the remuneration committee)*

The principal duties of the remuneration committee are to make recommendations to the Board on the policy and structure for the remuneration of the directors and senior management, to consider and review the remuneration of the directors and senior management by reference to corporate goals and objectives, and to make recommendations to the Board on the remuneration packages of the directors and senior management.

The remuneration committee shall meet at least once a year (as necessary). During the year under review, three remuneration committee meetings were held and the meeting attendance of each member of the remuneration committee is set out in the section headed "Board, Committees and General Meeting" below of this report. In addition to the committee meetings, the remuneration committee also dealt with matters once by way of circulation and signing of written resolutions during the year under review. In particular, the committee meetings and the written resolutions served (among other things) to review the proposed 2024 share grants under the Existing Share Scheme, the annual expenses allowances to directors, the annual remuneration packages of directors and senior management, the supplemental appointment letters in relation to the proposed re-designation from acting chairman to Chairman of the Board and change of chief executive officer, the executive director's proposed remuneration, the 2024 remuneration packages for directors and senior management, 2023 performance-based discretionary bonus (in cash) for the executive directors and senior management of the Company, as well as to make recommendations to the Board on the relevant matters.

Full minutes of the meetings of the remuneration committee are kept by the company secretary. Draft and final versions of minutes of the meetings of the remuneration committee were sent to all members of the committee for their comments and records respectively within a reasonable time after the meetings.

Details of the remuneration paid/payable to the directors of the Company during the year under review are set out in note 8 to the consolidated financial statements and "Report of the Directors" above, respectively, both forming part of the Company's 2024 annual report incorporating this report.

REMUNERATION COMMITTEE *(Continued)*

In relation to the aforesaid proposed 2024 share grants under the Existing Share Scheme, the remuneration committee considered the report from the Company's human resources department on the achievements and contributions made by the proposed grantees during the relevant performance appraisal period, and took the followings into account when considering the proposed 2024 share grants:

Among others:

(a) the achievement of satisfactory performance targets achievement rating (as defined in the Existing Share Scheme of the Company);

(b) the clawback mechanism (as defined in the Existing Share Scheme of the Company); and

(c) the 12-month vesting period applicable to the aforesaid proposed 2024 share grants.

Having considered that (i) the proposed 2024 share grants will give the grantees an opportunity to have a personal stake in the Company, which will help motivate the directors in improving their performance and efficiency; (ii) the proposed 2024 share grants is based on, among other things, the work performance, past contribution to the Group and potential of the grantees; (iii) the proposed 2024 share grants are subject to the clawback mechanism and performance targets; and (iv) the value of the share awards depends on the business performance of the Group, to which the grantees would directly contribute, and the grantees will benefit more from the share awards if the price of the shares increases, the remuneration committee of the Company and the Board considered that the proposed 2024 share grants align with the purpose of the Existing Share Scheme.

For the sake of completeness, the proposed 2024 share grants under the Existing Share Scheme during the year under review have been subject to (among other things) achievement of satisfactory performance targets and clawback mechanism. Further details of the Existing Share Scheme and the Existing Share Option Scheme are set out in note 36 to the consolidated financial statements and please refer to the "Share Option Scheme and Share Scheme of the Company" section of the Company's 2024 annual report.

Directors' Remuneration Policy

On 23 December 2022, the Company adopted the Directors' Remuneration Policy, forming part of the Manual (this "Policy") which sets out consistently-applied remuneration structures to remunerate the Company's directors (the "Directors"), comprising executive directors (the "Executive Directors") and non-executive directors including independent non-executive directors (the "Non-Executive Directors"), equitably and competitively at an appropriate (but not excessive) level, thereby enabling the Company to attract and retain high-caliber executive talents of diversified perspectives for their commitment to the Company as a sustainable Board and also to motivate the Directors to implement and materialise the Company's business strategies, financial goals and corporate developments which could ultimately create long-term values for the Company's shareholders and other key stakeholders, in a manner consistent with the Company's core business and leadership values.

REMUNERATION COMMITTEE *(Continued)*

Directors' Remuneration Policy *(Continued)*

1. Underlying Procedures and Measures

The procedures for devising and implementing this Policy are summarised as follows:

(1) this Policy is first prepared and subsequently reviewed and revised (please also see Section 6 below) by the Company's remuneration committee on the basis of (among other things) the following:

(a) applicable requirements under the Listing Rules;

(b) the prevailing market practices and remuneration levels and trends in the market at the relevant time, including without limitation the results of the benchmarking referred to in Section 3 below as conducted with comparable remuneration structures and levels adopted by the Benchmarking Group (as defined in Section 3 below); and

(c) in relation to the remuneration proposals for the Executive Directors, prior consultation with the Company's Chairman and/or Chief Executive Officer; and

(2) with reference to the remuneration committee's recommendations, the Board considers and (if thought fit) adopts and implements this Policy and its subsequent review and revision (please also see Section 6 below).

To avoid any potential/actual conflicts of interests, the following measures have been adopted in respect of the implementation of this Policy and its subsequent review and revision:

(a) the remuneration committee must at all times be chaired by an independent Non-Executive Director, and comprise a majority of independent Non-Executive Directors;

(b) the Executive Directors (at the Board level) should review and adopt this Policy (and any subsequent amendments thereto) only to the extent of the general provisions applicable to all the Directors as well as those portions relating to the Non-Executive Directors; and

(c) the Non-Executive Directors (at the Board level) should review and adopt this Policy (and any subsequent amendments thereto) only to the extent of the general provisions applicable to all the Directors as well as those portions relating to the Executive Directors.

The procedures for determining and fixing the Directors' annual remuneration are summarised as follows:

(i) the Company's shareholders authorise the Board to fix the remuneration of each Director proposed to be re-elected at each annual general meeting of the Company;

(ii) the remuneration committee considers the respective annual remuneration of the Directors (as regards the annual remuneration of each independent Non-Executive Director, his/her annual remuneration shall be determined by the other members of the remuneration committee) and then recommends the same to the Board;

(iii) with reference to the remuneration committee's recommendations, the Board considers and (if thought fit) approves the respective annual remuneration of the Directors (in this respect, no Director should be involved in considering and deciding his/her own annual remuneration); and

(iv) the annual remuneration of each Director is disclosed in the Company's corresponding annual report (incorporating its consolidated financial statements).

REMUNERATION COMMITTEE *(Continued)*

Directors' Remuneration Policy *(Continued)*

2. Remuneration Principles

A summary of the Company's general remuneration principles (which also apply to the Directors' remuneration) is set out as follows:

Transparency	Remuneration arrangements should be transparent and promote effective engagements with the Company's shareholders and other key stakeholders.
Alignment with corporate culture	Remuneration should drive behaviours consistent with the Company's corporate vision, values and mission as well as desired corporate culture.
Merit-based reward	Remuneration must reinforce the Company's merit-based culture and philosophy at all levels within the organisation.
Competitiveness	Remuneration is competitive against the comparable market and is set in a manner to attract, motivate and retain expert leaders and highly qualified executives.
Long-term value creation	Targets triggering any variable remuneration are in the long-term interests of the Company and its shareholders and other key stakeholders.
Compliance	The Company's remuneration policies and proposals are devised and implemented in compliance with applicable requirements under the Listing Rules and (as appropriate) other applicable laws and regulations.
Risk prudence	Remuneration arrangements should avoid or at least mitigate any reputational risks that may arise from excessive rewards, and also any behavioural risks that may arise from target-based incentive proposals.

3. Remuneration Benchmarking

While continuously monitoring the prevailing market practices and remuneration levels and trends in the market at the relevant time, the Company benchmarks the Directors' remuneration against the Benchmarking Group (as defined in this Section 3) at least on an annual basis.

The Company's Human Resources Department assists the remuneration committee in identifying and updating a benchmarking group that best serves directors' (or comparable role/title's) remuneration comparisons with the Company in terms of business, operational scale, revenue, market capitalisation as well as corporate culture and values (the "Benchmarking Group"), including without limitation companies with global manufacturing operations in the handset industry; and the Hon Hai Technology Group to which the Company belongs (comprising Hon Hai and its subsidiaries and associates other than the Group).

REMUNERATION COMMITTEE *(Continued)*

Directors' Remuneration Policy *(Continued)*

4. Overview on Remuneration Components

(A) Remuneration of Executive Directors

The remuneration structure for the Executive Directors comprises a fixed component as well as short-term and long-term variable components, which could promote the alignment between the interests of the Company and those of the Executive Directors in both the short and long terms, taking into account (among other things) each Executive Director's individual performance, achievements and contributions vis-à-vis the Company's operation results, financial performance and business objectives.

The Executive Directors' remuneration consists of the following primary components:

Component	Objective(s)	Description
Basic salary and (if any) allowance(s) (as fixed component)	To provide competitive fixed remuneration that attracts, motivates and retains the high-caliber Executive Directors, and also corresponds to their duties, responsibilities and experience in relation to his/her performance of the Company's day-to-day activities.	• As to each Executive Director, basic salary is normally determined with reference to (among other things) the following: (a) his/her duties, responsibilities and experience in relation to his/her performance of the Company's day-to-day activities and employment conditions of the Company; and (b) the prevailing market practices and remuneration levels and trends in the market at the relevant time, including without limitation the results of the benchmarking referred to in Section 3 above as conducted with comparable basic salaries (if applicable, together with allowances) paid to executive directors belonging to the Benchmarking Group. • Basic salary is usually reviewed on an annual basis. • Basic salary is not linked to any performance target. • There is no prescribed maximum basic salary nor automatic/guaranteed basic salary increment periodically/annually. • Where appropriate, an annual expenses allowance may be payable to the relevant Executive Director in such amount determined by the Board from time to time in its absolute discretion, mainly depending on the individual needs and other relevant circumstances of such Executive Director.

REMUNERATION COMMITTEE *(Continued)*

Directors' Remuneration Policy *(Continued)*

4. Overview on Remuneration Components *(Continued)*

(A) ***Remuneration of Executive Directors*** *(Continued)*

Component	Objective(s)	Description
Performance-based bonus (short-term incentive as variable component)	• To focus on and drive the business priorities for the current year. • To motivate the Executive Directors to achieve performance targets that are critical to the Company's business strategies and financial goals over the relevant period.	• As to the relevant period, the short-term bonus is normally based on (among other things) the following: (a) the Company's consolidated financial results and overall performance; (b) the relevant Executive Director's individual performance in terms of his/her pre-determined key performance indicators (KPI); (c) the prevailing market practices and remuneration levels and trends in the market at the relevant time, taking into account (among other things) the results of the benchmarking referred to in Section 3 above as conducted with comparable short-term performance- based bonuses paid to executive directors belonging to the Benchmarking Group; (d) if applicable, the achievement of specific short-term targets assigned to the relevant Executive Director; (e) if applicable, the attainment of certain short-term financial and/or other objectives set for the relevant Executive Director; and (f) if applicable, the achievements and contributions of the business unit(s) and/or functional department(s) for which the relevant Executive Director is responsible. • The short-term bonus is usually paid in cash.

REMUNERATION COMMITTEE *(Continued)*

Directors' Remuneration Policy *(Continued)*

4. Overview on Remuneration Components *(Continued)*

(A) Remuneration of Executive Directors *(Continued)*

Component	Objective(s)	Description
Performance-based bonus, including share-based payments (long-term incentive as variable component)	• To drive and reward value creation over a longer period. • To align with objectives of the Company's shareholders through acquisition of interests in the Company's shares.	• As to the relevant period, the long-term bonus is normally based on (among other things) the following: (a) the pre-determined performance targets set for the relevant Executive Director vis-à-vis the Company's long-term business strategies and financial goals, which should be measured over a period of three years; (b) the profit/loss and balance sheet indicators and rolling operating profit/loss of the Company; and (c) the prevailing market practices and remuneration levels and trends in the market at the relevant time, taking into account (among other things) the results of the benchmarking referred to in Section 3 above as conducted with comparable long-term performance-based bonuses paid to executive directors belonging to the Benchmarking Group. • The Company's Human Resources Department assists the remuneration committee in determining and monitoring the performance targets and the measurement thereof for the relevant period in respect of the relevant Executive Director. • The long-term bonus is normally paid in the form of share-based payments pursuant to the Company's share scheme and/or share option scheme as adopted from time to time (collectively, the "Long-Term Incentive Schemes"), pursuant to which (among other things) the Board may in its absolute discretion offer grants of awards and/or options over the Company's shares to the relevant Executive Director subject to any applicable vesting period(s) and/or lock-up period(s) upon and subject to the terms and conditions set out therein.

With reference to the remuneration committee's recommendations, the Board may adapt the above remuneration structure (with appropriate adjustments/amendments) as the remuneration structure for the Company's senior management.

REMUNERATION COMMITTEE *(Continued)*

Directors' Remuneration Policy *(Continued)*

4. Overview on Remuneration Components *(Continued)*

(B) Remuneration of Non-Executive Directors

The remuneration of each Non-Executive Director is fixed with no variable component, and the fixed remuneration in the form of an annual fee is normally based on (among other things) the following:

(1) his/her duties and responsibilities as well as time commitment;

(2) his/her achievements and contributions to the Company; and

(3) the prevailing market practices and remuneration levels and trends in the market at the relevant time, taking into account (among other things) the results of the benchmarking referred to in Section 3 above as conducted with comparable fees and/or allowances paid to non-executive directors and/or independent non-executive directors belonging to the Benchmarking Group.

In addition, a fixed annual allowance is given for each chairmanship on the relevant committee of the Board, and is normally based on (among other things) the foregoing.

According to Paragraph E.1.9 (as a recommended best practice) of Part 2 of the CG Code, issuers generally should not grant equity-based remuneration (e.g. share options or grants) with performance-related elements to independent non-executive directors as this may lead to bias in their decision-making and compromise their objectivity and independence. In line with this, the independent Non-Executive Directors are not eligible to participate in any one or more of the Long-Term Incentive Schemes and other incentive programs/plans adopted by the Company from time to time, nor to receive any fringe benefits from the Company, so that their objectivity and independence may not be affected.

5. Derogation

The Board may, upon the remuneration committee's recommendations, deviate from any aspect of this Policy on a case-by-case basis only if exceptional circumstances could justify such deviation, provided that any proposed deviation from this Policy shall be aligned with the objective of this Policy as aforesaid, applying a consistent approach.

Exceptional circumstances are circumstances in which a deviation from this Policy is, in the Board's opinion, necessary to serve the long-term prospects and sustainability of the Company, including without limitation any proposed payment of above-market levels of remuneration to retain a Director or secure an individual who is considered by the Board to have outstanding expertise and experience that are critical to the attainment of the Company's business objectives and financial goals; and material changes in the Company's structure, organisation, ownership and operations (for example, merger, takeover, acquisition, etc.) triggering exceptional short-term and long-term incentive awards to any one or more of the Directors.

6. Annual Review

On the basis of the views and recommendations from the remuneration committee, the Board will annually review this Policy to ensure its implementation and effectiveness. At the meeting held on 7 March 2025, on the basis of the recommendations from the remuneration committee, the Board considered that this Policy has been implemented and remained effective and that this Policy has remained relevant to the Company's needs and reflected both the then current regulatory requirements and good corporate governance practice.

NOMINATION COMMITTEE

The Company has established and maintained a nomination committee with written terms of reference together with the nomination policy for directorship (the "Nomination Policy") as well as the board diversity policy (the "Board Diversity Policy"), both policies forming part of the Manual, by reference to the code provisions of the CG Code. The terms of reference of the nomination committee are accessible on the websites of the Stock Exchange and the Company respectively.

The nomination committee now consists of three independent non-executive directors. The members are:

LAU Siu Ki *(chairman of the nomination committee)*
CHEN Shu Chuan (also known as Nadia CHEN) *(member of the nomination committee)*
CHIU Yen-Tsen (also known as CHIU Yen-Chen, Dennis) *(member of the nomination committee)*

The principal duties of the nomination committee include:

- reviewing the structure, size and composition of the Board annually and make recommendations on any proposed changes;

- making recommendations to the Board on the appointment or re-appointment of the directors and succession planning for the directors, in particular the Chairman of the Board and the chief executive officer of the Company;

- assessing the independence of the independent non-executive directors;

- identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships in accordance with the Nomination Policy and the Board Diversity Policy; and

- together with the corporate governance committee, reviewing each of the Nomination Policy and the Board Diversity Policy (as appropriate) to ensure its effectiveness, relevance to the Company's needs and alignment with the then current regulatory requirements and good corporate governance practice, and discussing any proposed changes to the then existing Policy for recommendation to the Board for consideration.

Nomination Policy

On 22 March 2012, the Company adopted the Nomination Policy, as amended and supplemented from time to time. The Nomination Policy aims at setting out (among other things) the process for the nomination of directorship candidates by a director or shareholder of the Company, the information collection and candidate selection process of the nomination committee, criteria which the nomination committee would consider and details on the nomination procedures for appointment and re-appointment of director(s) of the Company, in order to facilitate the constitution of the Board with a balance of skills, knowledge, ability, experience and diversity of perspectives that is appropriate to the requirements of the Company's business operations and environment as well as the industry in which the Company operates. The Nomination Policy supplements the terms of reference of the nomination committee.

NOMINATION COMMITTEE *(Continued)*

Nomination Policy *(Continued)*

Further to the requirements under the Articles applicable to the nomination of directorship candidates by a director or shareholder of the Company, the nomination committee shall take into account a variety of considerations in assessing and evaluating whether a candidate is suitably qualified to be appointed as a director of the Company before making recommendations to the Board. The main considerations are summarised as follows:

- the candidate's qualifications, skills, knowledge, ability and experience, with reference to the corresponding professional knowledge and industry experience that may be relevant to the Company and also the potential contributions that such candidate could bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;

- the candidate's potential time commitment and attention to perform director's duties under common law, legislation and applicable rules and regulations (including without limitation the Listing Rules);

- the candidate's personal ethics, integrity and reputation (including without limitation to conduct appropriate background checks and other verification processes against such candidate), which would be important to the overall business culture that the Company would need to maintain in the development and operation of its business;

- the then current structure, size and composition of the Board and the Company's corporate strategy with reference to the Board Diversity Policy, with due regard for the benefits of the appropriate diversity of perspectives within the Board;

- Board succession planning considerations and the long-term needs of the Company; and

- any other factors and matters as the nomination committee may consider appropriate.

In case of a candidate for an independent non-executive director of the Company, the nomination committee will also assess:

- the independence of such candidate with reference to, among other things, the independence criteria as set out in Rule 3.13 of the Listing Rules; and

- the requirements relating to independent non-executive directors set out in Paragraph B.3.4 of Part 2 of the CG Code,

and for such purposes, the nomination committee may refer to the practical advice and suggestions provided in the Guidance for Boards and Directors and the Corporate Governance Guide for Boards and Directors (each as amended and supplemented from time to time) published by the Stock Exchange in respect of independent non-executive directors.

As to the re-appointment of a director of the Company, the nomination committee will *mutatis mutandis* apply the above process and criteria, and if applicable, assess whether such director has remained independent in the context of the Listing Rules and should be re-elected at the next general meeting of the Company. Please see below for details.

NOMINATION COMMITTEE *(Continued)*

Nomination Policy *(Continued)*

The nomination committee will follow the nomination procedures set out in the Nomination Policy to select and recommend candidates for the Company's directorship to ensure that the candidates possess the expertise and experiences to perform his/her duties and fulfil the relevant requirements as a director of the Company. Such nomination procedures are summarised as follows:

- Upon receipt of a nomination from the nominating director or the company secretary of the Company, the chairman of the nomination committee will convene a meeting of the nomination committee to consider the same in accordance with the terms of reference of the nomination committee. For filling a casual vacancy on the Board, the nomination committee will conduct the relevant selection process and apply the relevant selection criteria, and make recommendations to the Board for consideration. The Board will then make a decision as to whether the nominated candidate shall be eligible to be appointed as a director of the Company.

- A similar process is applied in the re-appointment of director(s) of the Company, except that if the director proposed to be re-appointed or re-elected due to retirement by rotation under the Articles is an independent non-executive director of the Company who has served the Board for more than nine years, the nomination committee shall assess whether the director has remained independent in the context of the Listing Rules and should be re-elected at the next general meeting of the Company and make recommendations to the Board for consideration. If the Board determines that the relevant director has remained independent in the context of the Listing Rules, the Board shall recommend the proposed re-appointment/re-election of the director to the Company's shareholders for consideration at the next general meeting of the Company. According to Paragraph B.2.3 of Part 2 of the CG Code, the Company's circular relating to the proposed re-appointment of such director shall state why each of the nomination committee and the Board believes that the director is still independent and should be re-elected, including the factors considered, the process and the discussion of the nomination committee/the Board (as the case may be) in arriving at such determination.

- For proposing a candidate to stand for election as the Company's director at a general meeting of the Company, the nomination committee will make nominations to the Board for consideration, and the Board will then make recommendations to the Company's shareholders for consideration. In accordance with Rule 13.70 of the Listing Rules, the Company shall publish an announcement or issue a supplementary circular setting out the information required by the Listing Rules (including without limitation the relevant particulars of the candidate) upon receipt of the written notice from the Company's shareholder(s) where such notice is received by the Company after publication of the notice of meeting; the Company must give its shareholder(s) at least seven days to consider the relevant information disclosed in such an announcement or supplementary circular prior to the date of the meeting of the election. In this respect, the Company will assess whether to adjourn the general meeting to give the Company's shareholders a longer period of at least ten business days to consider the relevant information disclosed in the announcement or supplementary circular. For details about the procedures for the Company's shareholders to propose candidates for election as a director of the Company, please see such procedures (as amended and supplemented from time to time) accessible on the website of the Company.

NOMINATION COMMITTEE *(Continued)*

Board Diversity Policy and Diversified Board Composition

On 12 August 2013, the Company adopted the Board Diversity Policy, as amended and supplemented from time to time. The Company recognises the benefits from its Board constituted from time to time having a balance of skills, knowledge, ability, experience and diversity of perspectives appropriate to the requirements of the Company's business operations and environment as well as the industry in which the Company operates. The Company regards the achievement and maintenance of the appropriate diversity of perspectives within the Board as a critical factor in supporting its competitive strengths and achieving its strategic goals and sustainable development in the long run. The Board Diversity Policy aims at setting out the framework that the Company has put in place to implement the above objectives. The Board Diversity Policy supplements the terms of reference of the nomination committee. On the basis of the joint views and recommendations from the nomination committee and the corporate governance committee, the Board will annually review the Board Diversity Policy to ensure its implementation and effectiveness. On 7 March 2025, the Board reviewed the Board Diversity Policy and considered that the same has been implemented and remained effective and that the Board Diversity Policy has remained relevant to the Company's needs and reflected both the then current regulatory requirements and good corporate governance practice.

In accordance with the Board Diversity Policy, when reviewing the Board's structure and composition and/or Board member appointment or re-appointment, the nomination committee shall take into account a number of factors (with reference to the diversity of perspectives appropriate to the requirements of the Company's business operations and environment as well as the industry in which the Company operates) as measurable objectives (which factors include without limitation gender, age, ethnicity, cultural and educational background, and professional skills, experience and knowledge as well as length of service). The nomination committee will continue to monitor and review the progress towards achieving the said measurable objectives by considering candidates on merits as well as against the said measurable objectives with due regard for the benefits of the appropriate diversity of perspectives within the Board and the candidates' potential contributions thereto.

As at the date of this report, the Board comprised seven directors, including three executive directors, namely Mr. CHIH Yu Yang, Mr. LIN Chia-Yi (also known as Charles LIN) and Dr. KUO Wen-Yi; one non-executive director, namely Mr. CHANG Chuan-Wang; and three independent non-executive directors, namely Mr. LAU Siu Ki, Ms. CHEN Shu Chuan (also known as Nadia CHEN) and Mr. CHIU Yen-Tsen (also known as CHIU Yen-Chen, Dennis). Details of the directors are set out in the section headed "Profile of Directors and Senior Management" forming part of the Company's 2024 annual report incorporating this report. In this respect, please see the Company's announcement dated 26 June 2024 regarding the changes in the Company's directors and also the section headed "The Board" above of this report.

The Board was diversified in terms of age, ethnicity, length of service, professions, background, etc. Among the seven directors, five of them held master's or doctoral degrees, and their cultural, educational and technical backgrounds span across Taiwan, Hong Kong and the U.S., with experiences in communication industries and engineering, product and technology, research and development, corporate governance, corporate finance, financial advisory and management, accounting and auditing, banking advisory, project finance, sustainability strategies and management, professional developments and risk management. The diversified composition of the Board, coupled with alignment with the Company's strategy and objectives, bring a broad vision to the Board in making decisions on the Group's material issues, which has effectively enhanced the decision-making competencies, strategic management and overall performance of the Board.

NOMINATION COMMITTEE *(Continued)*

Board Diversity Policy and Diversified Board Composition *(Continued)*

The Company has always recognised gender diversity as one important aspect of diversity. The directorship candidate nomination and selection process (coupled with criteria) of the nomination committee is without gender bias, being based principally on merits and assessment of candidates against the said measurable objectives (comprising gender as only one of the factors) with due regard for the benefits of the appropriate diversity of perspectives within the Board and also the candidates' potential contributions thereto. It follows that the nomination committee's selection and (if thought fit) nomination of female directorship candidates would mainly depend on the then available pool of female directorship candidates possessing the requisite professional, cultural and educational background as well as professional skills, experience and knowledge that are commensurate with the needs of the Company, etc. when being assessed on merits as well as against the said measurable objectives.

As the Company sees gender diversity at the Board level as an essential element in attaining its strategic objectives and achieving sustainable and balanced developments for the Group, the Company recognises that further to efforts to end its single-gender Board with effect from 19 May 2023 on which Ms. Chen was appointed as the Company's independent non-executive director, despite the limited availability of female directorship candidates possessing the requisite industry experience in the business fields in which the Company is principally engaged and/or the requisite skills, experience and knowledge that are commensurate with the needs of the Company and/or the requisite ethics, integrity and reputation that would be important to the overall business culture that the Company needs to maintain in the development and operation of its business, the Company will continue to give due regard to the different aspects of diversity (including gender diversity) when considering potential candidates for directorship in accordance with the Board Diversity Policy.

In addition, as to a pipeline of potential successors to the Board to achieve gender diversity, on 6 March 2024, the nomination committee adopted the measure to identify potential candidates out of a pool consisting of a male/female ratio of at least 80:20. Upon this basis, the Board has set its objective to appoint at least one more female member to the Board by the end of 2026, and to achieve the Board's objective, the nomination committee will use its best efforts to identify and recommend female candidates to the Board for its consideration for appointment as director(s), subject to the Nomination Policy and the Board Diversity Policy respectively.

NOMINATION COMMITTEE *(Continued)*

2024 Meetings and Resolutions

The nomination committee shall meet at least once a year (as necessary). During the year under review, two nomination committee meetings were held and the meeting attendance of each member of the nomination committee is set out in the section headed "Board, Committees and General Meeting" below of this report. In particular, the committee meetings served (among other things) to consider the proposed re-designation from acting chairman to Chairman of the Board and change of chief executive officer, to set an objective to appoint at least one more female member to the Board by the end of 2026; the proposed re-election of directors, to assess the independence of the independent non-executive directors, to review the structure, size and composition of the Board, to assess the sufficiency of the directors' time commitment and contributions to the Company as well as to make recommendations to the Board on relevant matters.

Full minutes of the meetings of the nomination committee are kept by the company secretary. Draft and final versions of minutes of the meetings of the nomination committee were sent to all members of the committee for their comments and records respectively within a reasonable time after the meetings.

2024 Work Highlights

During the year under review and up to the date of this report: (a) Mr. CHANG Chuan-Wang ("Mr. Chang") was appointed as a non-executive Director of the Company and Mr. CHIU Yen-Tsen (also known as CHIU Yen-Chen, Dennis) ("Mr. Chiu") was appointed as an independent non-executive Director of the Company respectively, both of their appointment took effect from 29 June 2023, and Mr. LAU Siu Ki ("Mr. Lau"), an independent non-executive Director of the Company, all of them were re-elected in such capacities at the Company's annual general meeting held on 22 May 2024 ("2024 AGM"); (b) Mr. CHIH Yu Yang ("Mr. Chih") was re-designated from the acting chairman to the Chairman of the Board of the Company and resigned as the chief executive officer of the Company, both took effect from 1 July 2024; and (c) Mr. LIN Chia-Yi (also known as Charles Lin) ("Mr. Lin") was appointed as the chief executive officer of the Company with effect from 1 July 2024.

With reference to the Nomination Policy and the Board Diversity Policy, the nomination committee held a meeting, respectively, (i) on 6 March 2024 to consider the re-election of directors; and (ii) on 26 June 2024 to consider the proposed re-designation of Mr. Chih from acting chairman to Chairman of the Board and his resignation as the chief executive officer of the Company, and the appointment of Mr. Lin as the chief executive officer of the Company. In this respect, the work performed by the nomination committee is summarised as follows:

NOMINATION COMMITTEE *(Continued)*

2024 Work Highlights *(Continued)*

- when considering the proposed re-appointment of Mr. Chang as a non-executive Director of the Company, the nomination committee obtained and reviewed the relevant information and documents relating to Mr. Chang (including without limitation his curriculum vitae showing (among other things) his skills, knowledge, ability and experience in the relevant areas) in accordance with the relevant provisions of the Nomination Policy and the Board Diversity Policy. Following the procedures set out in the Nomination Policy, a meeting of the nomination committee was convened, during which the nomination committee assessed and took into account (among other things): (i) Mr. Chang's professional background, extensive and in-depth skills, knowledge, ability and experience (particularly about 30 years' experience in the information and communication technology industry); (ii) his time commitment and attention and contributions to the Company; (iii) his diversity of perspectives appropriate to the requirements of the Company's business; and (iv) aspects such as personal ethics, integrity and reputation of Mr. Chang which would be important to the overall business culture that the Company would need to maintain in the development and operation of its business. Following due consideration of the aforementioned factors, the nomination committee determined at such meeting to make recommendation to the Board for proposing Mr. Chang for re-appointment as a non-executive director of the Company. In essence, Mr. Chang possesses the required character, competence, integrity, experience and diversity of perspectives to be appointed as a non-executive director, and his re-appointment will bring valuable insights, advices, expertise and better diversity of perspectives to the Board.

- when considering the proposed re-appointment of Mr. Chiu as an independent non-executive Director of the Company, the nomination committee obtained and reviewed the relevant information and documents relating to Mr. Chiu (including without limitation his curriculum vitae showing (among other things) his skills, knowledge, ability and experience in the relevant areas) in accordance with the relevant provisions of the Nomination Policy and the Board Diversity Policy. Following the procedures set out in the Nomination Policy, a meeting of the nomination committee was convened, during which the nomination committee assessed and took into account (among other things): (i) Mr. Chiu's professional background, extensive and in-depth skills, knowledge, ability and experience (particularly over 30 years' experience in leading foreign banks, large corporate, consulting firm and academy); (ii) his diversity of perspectives appropriate to the requirements of the Company's business; (iii) aspects such as personal ethics, integrity and reputation of Mr. Chiu which would be important to the overall business culture that the Company would need to maintain in the development and operation of its business; (iv) Mr. Chiu's confirmation that he has no relationship with any directors, senior management members, or substantial or controlling shareholders of the Company, has not held any executive or management role or position within the Group, and has not been involved in the daily operations and management of the Group during his tenure. In view of the foregoing, Mr. Chiu has clearly demonstrated to the Company his willingness and ability to continue to exercise independent judgement and to provide objective views and contributions to the Company; and (v) the fact that the nomination committee is not aware or is not made aware of: (a) the occurrence of any event or circumstance which would cause it to believe that the continued independence of Mr. Chiu has been or would be impaired; and (b) any circumstance that might influence Mr. Chiu in effectively exercising his judgement independently, in each case in his capacity as the Company's independent non-executive director. Following due consideration of the aforementioned factors, the nomination committee determined at such meeting to make recommendation to the Board for proposing Mr. Chiu for re-appointment as an independent non-executive director of the Company. In essence, Mr. Chiu possesses the required character, competence, integrity, experience and diversity of perspectives to be appointed as an independent non-executive director, and his re-appointment will bring valuable insights, advices, expertise, better diversity of perspectives and independent judgement to the Board.

NOMINATION COMMITTEE *(Continued)*

2024 Work Highlights *(Continued)*

- when considering the proposed re-appointment of Mr. Lau as an independent non-executive Director of the Company, the nomination committee obtained and reviewed the relevant information and documents relating to Mr. Lau (including without limitation his curriculum vitae showing (among other things) his skills, knowledge, ability and experience in the relevant areas) in accordance with the relevant provisions of the Nomination Policy and the Board Diversity Policy. Following the procedures set out in the Nomination Policy, a meeting of the nomination committee was convened, during which the nomination committee assessed and took into account (among other things): (i) Mr. Lau's professional background, extensive and in-depth skills, knowledge, ability and experience (particularly his Hong Kong background, qualifications and experience; over 40 years of Hong Kong professional skills, knowledge, ability and experience in corporate governance, corporate finance, financial advisory and management, accounting, auditing and risk management, coupled with wide-ranging knowledge and experience through acting as director/company secretary of other Hong Kong listed companies belonging to different industry/business sectors; and accumulated extensive and in-depth knowledge and experience in both the Company and the industry); (ii) his diversity of perspectives appropriate to the requirements of the Company's business; (iii) aspects such as personal ethics, integrity and reputation of Mr. Lau which would be important to the overall business culture that the Company would need to maintain in the development and operation of its business; and (iv) his time commitment and attention and contributions to the Company. Following due consideration of the aforementioned factors, the nomination committee determined at such meeting to make recommendation to the Board for proposing Mr. Lau to be re-elected as an independent non-executive director of the Company at the AGM. In essence, Mr. Lau possesses the required character, competence, integrity, experience and diversity of perspectives to be appointed as an independent non-executive director, and his re-appointment will bring valuable insights, advices, expertise, better diversity of perspectives as well as independent judgments and objective views to the Board. The nomination committee also assessed the independence of Mr. Lau, and was satisfied that Mr. Lau has met the guidelines on independence set out in Rule 3.13 of the Listing Rules and would be independent for the purposes of the Listing Rules. Following due consideration of the aforementioned factors, the nomination committee determined at such meeting to make recommendation to the Board for proposing Mr. Lau for re-appointment as an independent non-executive director of the Company. In essence, Mr. Lau possesses the required character, competence, integrity, experience and diversity of perspectives to be appointed as an independent non-executive director, and his re-appointment will bring valuable insights, advices, expertise, better diversity of perspectives and independent judgement to the Board.

NOMINATION COMMITTEE *(Continued)*

2024 Work Highlights *(Continued)*

- when considering the proposed re-designation of Mr. Chih from acting chairman to the Chairman of the Board of the Company, the nomination committee focused on good corporate governance enhancements and better compliance with Code Provision C.2.1 of Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules ("Code Provision C.2.1"), which requires (among other things) the roles of chairman and chief executive to be separated and not to be performed by the same individual. The aforesaid re-designation would serve to provide greater stability and certainties to the Group's shareholders, customers, suppliers and other business partners as well as the market, whereas the aforesaid resignation would enable Mr. Chih to focus more on his continuous leadership for the Board and involvement in the formulation, implementation and review of the Group's strategies and business plans as well as corporate governance practices and procedures.

- When considering the proposed appointment of Mr. Lin, an executive Director of the Company, as the chief executive officer of the Company, the nomination committee obtained and reviewed the relevant information and documents relating to Mr. Lin (including without limitation his curriculum vitae showing (among other things) his skills, knowledge, ability and experience in the relevant areas) in accordance with the relevant provisions of the Nomination Policy and the Board Diversity Policy. Following the procedures set out in the Nomination Policy, a meeting of the nomination committee was convened, during which the nomination committee assessed and took into account (among other things): (i) Mr. Lin's professional background, extensive and in-depth skills, knowledge, ability and experience (particularly more than 27 years of extensive experience in the communication and computer industries); (ii) his time commitment and attention and contributions to the Company; (iii) his diversity of perspectives appropriate to the requirements of the Company's business; and (iv) aspects such as personal ethics, integrity and reputation of Mr. Lin which would be important to the overall business culture that the Company would need to maintain in the development and operation of its business. Following due consideration of the aforementioned factors, the nomination committee determined at such meeting to make recommendation to the Board for proposing Mr. Lin for appointment as the chief executive officer of the Company. In essence, Mr. Lin possesses the required character, competence, integrity, experience and diversity of perspectives to be appointed as the chief executive officer, and his appointment and continued tenure will bring valuable insights, advices, expertise and better diversity of perspectives to the Board.

CORPORATE GOVERNANCE COMMITTEE

The Company has established and maintained a corporate governance committee with written terms of reference by reference to the code provisions of the CG Code.

The corporate governance committee now consists of two executive directors. The members are:

CHIH Yu Yang *(chairman of the corporate governance committee)*
KUO Wen-Yi *(member of the corporate governance committee)*

The principal duties of the corporate governance committee are to develop and review the Company's policies and practices on corporate governance and to make recommendations to the Board. It also reviews and monitors the training and continuous professional development of the directors and senior management. In addition, it reviews and monitors the Company's policies and practices on compliance with legal and regulatory requirements. Moreover, it develops, reviews and monitors the code of conduct and compliance manual applicable to employees and the directors, and to review the Company's compliance with the CG Code.

The corporate governance committee shall meet at least once a year (as necessary). During the year under review, one corporate governance committee meeting was held and the meeting attendance of each member of the corporate governance committee is set out in the section headed "Board, Committees and General Meeting" below of this report. In addition to the committee meeting, the corporate governance committee also dealt with matters in three occasions by way of circulation and signing of written resolutions during the year under review. In particular, the committee meeting and written resolutions served (among other things) to review the revised memorandum and articles of association of the Company, to review the revised overview on mechanisms for independent views and inputs available to the Board, to update the statement of Corporate Vision, Mission and Values and desired culture of the Company, to update FIH Statements regarding Corporate Communications, to initiate the memorandum on roles and responsibilities of chairman and chief executive officer setting out the division of roles and responsibilities between them to enhance their respective independence, accountability and distinctiveness while complementing each other, to review the overview on core corporate governance practices, the global code of conduct, the responsibility standards, the chapter on employee human rights, the corporate communication and crisis reporting guideline, to review existing list of matters reserved for the Board, the current delegation of authority of the Board, the shareholders communication policy, the board diversity policy, total time spent in training and continuous professional development of the directors and senior management of the Company, to review the revised share scheme, to initiate the Company's anti-bribery management system handbook and ISO37001 anti-bribery management system certification application as well as to make recommendations to the Board on the relevant matters.

Full minutes of the meetings of the corporate governance committee are kept by the company secretary. Draft and final versions of minutes of the meetings of the corporate governance committee were sent to all members of the committee for their comments and records respectively within a reasonable time after the meetings.

INDEPENDENT BOARD COMMITTEE

During the year under review, pursuant to the resolution passed at the Board meeting held on 7 March 2024, the three independent non-executive directors of the Company had approved the connected transaction on 25 April 2024 as more particularly described in the Company's announcement dated 26 April 2024. The three independent non-executive directors of the Company had also approved 2024 share grants of the Company twice by way of circulation and signing of written resolutions.

BOARD, COMMITTEES AND GENERAL MEETINGS

The individual attendance records of each director (represented in the following manner: number of meeting(s) attended by each director/total number of the corresponding meeting(s) held during such director's appointment term) at the meetings of the Board, audit committee, remuneration committee, nomination committee, corporate governance committee and general meeting of the Company during the year under review are set out below:

Name of Director	Board Meeting (Note 1)	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Corporate Governance Committee Meeting	Annual General Meeting (Note 2)
Executive Directors						
CHIH Yu Yang	7/7	N/A	N/A	N/A	1/1	1/1
LIN Chia-Yi (also known as Charles LIN)	7/7	N/A	N/A	N/A	N/A	1/1
KUO Wen-Yi	7/7	N/A	N/A	N/A	1/1	1/1
Non-executive Director						
CHANG Chuan-Wang	7/7	N/A	N/A	N/A	N/A	1/1
Independent Non-executive Directors						
LAU Siu Ki	7/7	8/8	3/3	2/2	N/A	1/1
CHEN Shu Chuan (also known as Nadia CHEN)	7/7	8/8	3/3	2/2	N/A	1/1
CHIU Yen-Tsen (also known as CHIU Yen-Chen, Dennis)	7/7	8/8	3/3	2/2	N/A	1/1

Note 1: The directors participated in the Board meetings and committees meetings either by way of video conference facility or physically attended in person. Mr. CHIH Yu Yang, Mr. LIN Chia-Yi (also known as Charles LIN), Mr. CHANG Chuan-Wang, Mr. LAU Siu Ki and Ms. CHEN Shu Chuan (also known as Nadia CHEN) attended the Board meeting held on 23 December 2024 physically in person in Hong Kong.

Note 2: All the directors participated in the 2024 AGM either by means of video conference facility or physically attended in person. Mr. CHANG Chuan-Wang and Mr. LAU Siu Ki attended the 2024 AGM physically in person in Hong Kong.

GENDER DIVERSITY IN WORKFORCE

The Company recognises the importance of gender diversity at the workforce level, in addition to the Board level. As at the end of the year under review, the female representation in the Group's total workforce (full-time employees only, exclusive of part-time/temporary employees) with reference to employee categories is set out below:

Employee Category	Approximate Male/Female Ratio As at 31 December 2024	Approximate Male/Female Ratio As at 31 December 2023
Senior Management*(Note 1)*	83 (male)/17 (female) *(Note 2)*	84 (male)/16 (female)
Middle Management	70 (male)/30 (female)	70 (male)/30 (female)
General Staff	56 (male)/44 (female)	47 (male)/53 (female)

Note 1: Including the three senior management members listed in the section headed "Profile of Directors and Senior Management" (forming part of the Company's 2024 annual report incorporating this report).

Note 2: The year-on-year change in the male/female ratio is mainly due to the Group's organisational restructuring at the daily operational senior management level during the year under review, including the routine retirement of certain members of the Group's Global Leadership Team (consisting of global members who directly report to the Company's Chief Executive Officer which currently comprises a total of 15 members, two of which remain female members.

The above female representation in the Group's total workforce exemplifies a level of diversification that is in line with other leading companies in the Information Technology industry which remains a field of comparatively, traditional male-dominated management as mentioned in the section headed "Board Diversity Policy and Diversified Board Composition" above of this report.

The Company will continue to strive to enhance female representation in the workforce and achieve an appropriate balance of gender distribution/ratio which corresponds with the Group's business needs and future developments. In this respect, the Group has been following its employment policies that recruitment, promotion, performance evaluation, wages assessment, training opportunities and retirement must be people-oriented, lawful, fair and without discrimination based on (among other things) gender, to the effect that female applicants and employees should be provided with equal employment and career development opportunities, giving rise to a pipeline of potential female candidates as successors to the Group's middle to senior management and ultimately the Board.

With an aim to achieving more female representation in the Group's daily operational middle management, the Board has set its objective in March 2023 to adjust the male/female ratio of the Group's daily operational middle management as at 31 December 2022 (i.e. 70 (male)/30 (female)) to increase the female ratio by at least 1% on or before 31 December 2024. During the year under review, although the Group maintained the female representation for middle level at its current level, the female ratio for senior management level has increased 1%. The Company will continue to seek opportunities to increase the proportion of female members over time as and when suitable candidates are identified.

AUDITOR'S REMUNERATION AND AUDITOR-RELATED MATTERS

The responsibility of the auditor is to form an independent opinion, based on its audit, on those consolidated financial statements and to report its opinion solely to the Company, as a body, and for no other purpose.

During the year under review, the auditor's remuneration incurred by the Company was US$649,000 and US$795,000 was paid to the Company's auditor, Deloitte Touche Tohmatsu for audit services. In addition, US$169,000 for non-audit services relating to tax and advisory services was incurred by the Company's auditor during the year under review.

DIRECTORS' RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Group and ensuring that the consolidated financial statements are in accordance with applicable statutory requirements and accounting standards.

ACCOUNTABILITY AND AUDIT

The Board is responsible for the preparation of the Group's consolidated financial statements and the Company's financial statements for each financial period, which give a true and fair view of the financial position and operating results of the Group or the Company (as the case may be) for such financial period. In preparing the financial statements for the year under review, the directors have selected and adopted suitable accounting policies and have applied them in a consistent manner, have made reasonable judgements and estimates, and have prepared the financial statements on a going-concern basis.

The Board has overall responsibility for the Group's system of internal controls and enterprise risk management ("ERM") and reviewing its effectiveness and (as to the ESG aspect) the Group's ESG-related strategy and reporting, and in particular, evaluating and determining the nature and extent of the risks (including ESG-related risks) it is willing to take in achieving the Group's business and strategic objectives (including, as to the ESG aspect, implementing the Group's ESG-related strategy and reporting), ensuring that an adequate and effective system of internal controls and ERM is in place within the Group.

In particular, the Board oversees the Group's management in the context of the Group's ERM and internal controls (comprising the Company's chairman, chief executive officer, chief financial officer and chief operating officer (if any), and the Group's operation heads (the "Management")) of its major factories across the various geographic segments, including the PRC, India, Vietnam and the U.S., who collectively as a body is designated for the purpose of assisting the Board with the Group's overall policies on ERM and internal controls in (among other things) the design, implementation and monitoring of the internal control and ERM system on an on-going basis, so that (among other things) the business and strategic objectives of the Group (including, as to the ESG aspect, implementing the Group's ESG-related strategy and reporting) can be achieved and risks (including ESG-related risks) associated can be identified, evaluated, managed and mitigated (but not eliminated) at an acceptable level, and reasonable (but not absolute) assurance can be provided against material misstatement or loss and also assurance can be provided on the effectiveness and adequacy of operations, reliability of financial reporting and operational information, safeguarding of the Group's assets and compliance with the Group's policies, plans and procedures as well as applicable laws and regulations.

ACCOUNTABILITY AND AUDIT *(Continued)*

The Board (through its audit committee comprising, for the time being, all the independent non-executive directors) oversees and evaluates the Group's internal control and ERM system on an on-going basis. In particular, the audit committee, in discharging the aforesaid responsibility as delegated by the Board, semi-annually reviews the design and operational adequacy and continuing effectiveness of the Group's internal control and ERM system. In respect of the year under review, semi-annual review of the Group's internal control and ERM system was conducted in August 2024 and March 2025 by the audit committee, and the audit committee confirmed in both occasions that the Group's internal control and ERM system continued to be effective and adequate throughout the year under review. For details, please refer to the penultimate paragraph below of this "Accountability and Audit" section. Moreover, the audit committee, in discharging the Board's responsibility of overseeing and evaluating the effectiveness and adequacy of the Group's system of internal controls and ERM as delegated by the Board, reviews the effectiveness of the Group's internal audit function. Pursuant to a risk-based approach, the Group's internal audit function independently reviews the risks (including ESG-related risks) associated with and internal controls of the Group over various operations and activities, and evaluates their overall adequacy, effectiveness and compliance, including compliance with the Group's policies, plans and procedures. The Group's internal audit function (as designated by the Board) has unrestricted access to all information, books, information system, people and physical properties, thereby allowing it to review all aspects of the internal controls, ERM and governance processes within the Group. This includes audit of financial and operational controls of all legal entities, business and functional units as well as all other material controls (including financial, operational and compliance controls). The audit committee reviews and approves the internal audit plan which is prepared by the Group's internal audit function in the first quarter of every year based on a risk assessment of each operating and functional unit as well as its materiality in the context of the Group. Audit findings, enhancements and recommendations are communicated to the management of the responsible unit after each internal audit. The management of the responsible unit is responsible for evaluating such audit findings, enhancements and recommendations and then implementing the appropriate ones and rectifying the deficiencies with corrective actions, and the progress on such implementation and rectification is followed up by the Group's internal audit function on a regular basis and monitored by the Management in order that corrective actions can be taken by the management of the responsible unit in a timely manner. Escalation to the senior management or even the executive directors for material deficiencies will be made by the Group's internal audit function, when necessary. A summary of major activities and findings is reported semi-annually by the Group's internal audit function to the executive directors and the audit committee. Being a learning organisation, lessons learned and best practices are disseminated and promoted within the Group.

In relation to the audit of the Group's financial statements for the years ended 31 December 2023 and 31 December 2024 respectively, the audit committee's specific work is summarised as follows:

(a) As to the audit of the Group's financial statements for the years ended 31 December 2023 and 31 December 2024 respectively:

- Prior to the commencement of the relevant audit, audit planning meeting was arranged with the team representing the Company's auditor, the Company's chief financial officer and financial controller as well as the Group's headquarters accounting team (collectively, the "Audit Working Group") presented the audit planning report to the audit committee, and where the audit committee could raise any query or provide any comment to the Audit Working Group in connection with the audit;

ACCOUNTABILITY AND AUDIT *(Continued)*

- The aforesaid audit planning report provided for (among other things): (i) the scope of the audit; (ii) a refresher on the monitoring and reporting obligations and other responsibilities of the audit committee in the audit context; (iii) determination of the materiality level for the purposes of the audit; (iv) identification of the key changes in the Group's business which might impact the audit approach; (v) description of the audit procedures (including identification of significant risks, key audit matters and other focus matters, assessment of those so identified and report on the related findings and conclusions); and (vi) the planned timeline of the audit procedures with continuous communications and reporting;

- The audit committee considered and approved the engagement letters provided by the Company's auditor in respect of the audit, particularly the audit fees proposed thereunder;

- The audit committee also considered and completed the audit-related questionnaire provided by the Company's auditor, and in particular, expressed its views on the adequacy of the Company's internal control system in place to prevent and detect fraud and the risk of fraud within the Company;

- The audit committee further considered the information and documents provided by the Audit Working Group as circulated by the Company Secretary, including (among other things) the audited consolidated financial statements of the Company and the related auditor's report and management representation letters, together with the presentation report from the Company's auditor covering (among other things) results of the procedures of the Company's auditor for the significant risks and key audit matters, impact of the new and revised accounting policies and any significant changes in accounting judgement and estimation as well as internal control environment relevant to audit and audit observations (collectively, the "Principal Financial Documents");

- The audit committee further convened and conducted (through the Company Secretary) a meeting with (among others) the Audit Working Group to discuss (among other things) the Principal Financial Documents, and then passed resolutions to recommend the Board to consider and (if thought fit) approve the Principal Financial Documents; and

- In addition to the aforesaid meeting, the audit committee convened and conducted (through the Company Secretary) another meeting with the team representing the Company's auditor without the presence of the Company's management to discuss issues from the audit and other related matters.

(b) As to the audit of the Group's financial statements for the year ended 31 December 2024, the audit committee completed additional work as follows:

- Prior to the commencement of the audit, the audit committee held a meeting with the Audit Working Group to discuss (among other things) the initiatives for enhancement of audit quality and communications (including better communications to understand any audit issues and address the same in a timely manner) as well as updates on the latest regulatory environment and approach, the relevant Listing Rules requirements and the new and revised accounting policies and auditing standards which were relevant to the 2024 audit; and

ACCOUNTABILITY AND AUDIT *(Continued)*

- As an interim escalation from the Audit Working Group, on 3 December 2024 prior to the convening of the meeting of the audit committee with the Audit Working Group on 6 March 2025, the audit committee considered the audit progress report from the Audit Working Group, reporting on (among other things): (i) revision of the materiality level for the purposes of the audit; (ii) an overview on the audit progress with description of the work done, work in progress and also planning on the work to be done; (iii) observations of the significant risks and key audit matters so far identified and continuance of the audit procedures as planned (in particular, no sign of fraud nor irregularity so far); (iv) review of the relevant valuation reports prepared by independent professional valuer; and (v) expected completion timeline of the remaining audit work. In essence, the audit progress was going well with no material audit issues as at the date of such report.

During its semi-annual review, the audit committee also considers, in particular: (a) the adequacy of resources, qualifications and experiences of the Group's staff performing accounting, internal audit and financial reporting functions as well as those relating to the Group's ESG performance and reporting and their training programs and budget; (b) the changes, since the last review, in the nature and extent of significant risks (including ESG-related risks), and the Group's ability to respond to changes in its business and the external environment; (c) the scope and quality of the Management's on-going monitoring of risks (including ESG-related risks) and of the internal control and ERM system, and the work of the Group's internal audit function and (if any) other assurance providers; (d) the extent and frequency of communication of monitoring results to the audit committee which enables it to assess control of the Group and the effectiveness of risk management; (e) significant control failings or weaknesses that have been identified during the period under review and also the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Group's financial performance or condition; and (f) the effectiveness of the Group's processes for financial reporting and compliance with the Listing Rules.

The code of conduct and the code of ethics administering appropriate and prohibited individual behaviours within the Group are implemented and apply to employees by way of policies, rules and principles. For details, please refer to the "Overview on Mechanisms for Independent Views and Inputs" section above of this report as well as the Company's separate 2024 ESG Report as issued and published simultaneously upon the issuance and publication of the Company's 2024 annual report incorporating this report.

In particular, the Group has established and maintained its whistle-blowing policies and the related procedures which apply to the Group's key stakeholders (including all current and former directors, officers and other employees (both permanent and temporary); customers; suppliers; joint venture partners; and other business partners). Issues/concerns and complaints concerning fraudulent acts, unethical acts or improper business conduct can be raised through established hotlines and other channels. Whistle-blower identities are protected without fear of reprisal, victimisation, subsequent discrimination or any other unfavourable prejudice. All issues/concerns and complaints will be handled confidentially, timely, fairly and professionally by the Group's chief internal auditor for further investigation and appropriate follow-up actions, including escalation to the Company's audit committee (for the time being, comprising all the independent non-executive directors). The whistle-blowing policies and the related procedures will be reviewed regularly according to changes to the business and/or regulatory environments and requirements.

ACCOUNTABILITY AND AUDIT *(Continued)*

The Company has established an anti-bribery management system and adopted an anti-bribery management system manual, which outlines the foundation and principles for designing and implementing the system. The Internal Audit Services Department conducts annual evaluations and reviews of the system's operation, providing assessment opinions to ensure its effective operation and compliance with the requirements stipulated in the ISO 37001 standard. The anti-bribery management system manual will be reviewed annually by the audit committee and the Board.

Further, the Group's anti-corruption code of conduct describes the types of conduct which are strictly prohibited and clearly informs all its directors, officers and employees that they are required to abide by this code. To keep its directors, officers and employees abreast of the Group's latest anti-corruption policies and measures, the Group distributes relevant refreshers and updates as well as the related information and materials to its directors, officers and employees on a regular basis, and anti-corruption training programmes are provided to directors, officers and employees which cover topics including applicable anti-corruption laws and regulations, types of misconduct, definition of bribery, individual liabilities and consequences of bribery as well as an overview of the Group's whistle-blowing policies. In addition, the Group requires (as a prerequisite to the establishment of business relationship) its suppliers and customers to strictly enforce high standards of anti-corruption. Also, please refer to the "Overview on Mechanisms for Independent Views and Inputs" section above of this report for more details about the Group's policies and systems that promote and support anti-corruption laws and regulations.

Risk management is one of the fundamental parts of the Group's strategic management, and is an on-going process for identifying, evaluating and managing the significant risks faced by the Group that threaten the achievement of its business and strategic objectives (including, as to the ESG aspect, implementation of the Group's ESG-related strategy and reporting), and safeguarding the interests of shareholders and other key stakeholders such as customers, suppliers, creditors and employees. Existing and emerging risks are identified, evaluated and managed via the ERM system. The system is operated and monitored by the Group's ERM team (the "ERM Team") which consists of the Company's heads/leaders of human resources, supply chain services, manufacturing and corporate engineering, product safety, security and liability, quality and reliability, finance, legal, information technology, investment management, strategic planning, sales and collection management, environment and health and safety departments/divisions, collectively as a body representing key functions of the Group for monitoring and execution of the ERM processes (e.g. to establish ERM strategies and objectives, and to maintain risk assessment standards and categories) in accordance with the enterprise risk assessment and management planning operation procedures, which set out (among other things) the enterprise risk assessment and management principles and procedures, the quantifiable assessment standards and evaluations, the respective roles and responsibilities of the ERM Team and the supporting divisions and handling officers at the headquarters and business unit levels as well as the ERM system operation details. Risk assessment results generated and contributed by the underlying business unit controllers/risk owners will be collected, reviewed, assessed and consolidated twice a year by the Company's risk management division led by the Group's chief internal auditor. Risk assessment reports (as prepared on the basis of such risk assessment results and covering, among other things, review of progress on ESG-related goals and targets) will be submitted on a regular basis to the ERM Team for review to ensure the adequacy of action plans and appropriate business processes or control systems to manage these risks (in particular, the areas which were assessed as high risk, including ESG-related risks, if any). The Company's risk management division will consolidate all the risk

ACCOUNTABILITY AND AUDIT *(Continued)*

assessment results in a Group-level risk assessment report and then submit the same to the Company's chief financial officer on an annual basis. Such Group-level risk assessment report provides for (among other things) the ERM framework and model, the annual ERM analyses (with the relevant risk scores, highlighting the major risk areas and corresponding enhancements, if any), and the planned ERM work for next year. In this respect, the Company's chief financial officer will represent the Management and report the operational adequacy and continuing effectiveness of the internal control and ERM system (including the relevant ERM matters) to the audit committee on an annual basis.

The principal risks that are covered by the ERM system are strategic planning, technical, budgetary control, performance measurement, and control over capital expenditure, investment, finance, quality, product safety, security and liability, legal, regional (including politics, culture, etc.), information technology, supply chain management (including sourcing), environmental protection, natural disasters, human resources management, customer credit risk and relationship, industrial safety as well as sales and collection management.

The Group also adopts internal control procedures to ensure that the continuing connected transactions of the Group have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms (or better) and according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole. The accounting department of the Company is primarily responsible for reviewing and monitoring the continuing connected transactions, ensuring that the annual caps of the relevant continuing connected transactions are not exceeded and the continuing connected transactions have been conducted in accordance with the pricing policies or mechanisms under the framework agreements relating to such continuing connected transactions. The accounting department of the Company will consult with the Group's internal audit function in respect of continuing connected transaction compliance issues and semi-annually report to the chief financial officer of the Company, who in his own capacity and on behalf of the Management will report to the audit committee (for the time being, comprising all the independent non-executive directors) and also provide a confirmation to the audit committee that the continuing connected transactions of the Company which are subject to the annual review and disclosure requirements under the Listing Rules have been entered into: (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and that the Group's internal control procedures applicable to continuing connected transactions are properly implemented and operated and are adequate and effective to ensure that such transactions were so conducted and also conducted in accordance with the pricing policies set out in such relevant agreements. The audit committee will review the continuing connected transactions of the Company (which are subject to the annual review and disclosure requirements under the Listing Rules) semi-annually to check and confirm whether such continuing connected transactions are conducted: (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole, and whether the internal control procedures put in place by the Company are properly implemented and operated and are adequate and effective to ensure that such continuing connected transactions were so conducted and also conducted in accordance with the pricing policies set out in such relevant agreements. For details, please refer to the "Internal Control Measures"

ACCOUNTABILITY AND AUDIT *(Continued)*

section of the Company's circular dated 1 December 2022. In particular, in order to assist the independent non-executive directors (for the time being, being all the members of the audit committee) in performing their corresponding duties and functions under the Listing Rules and also having an oversight over the on-going monitoring in respect of the Group's continuing connected transactions, the Company's chief financial officer and the Group's chief internal auditor jointly issue, on a semi-annual basis, a report to the independent non-executive directors (copied to the corporate governance committee) on the internal controls applicable to such continuing connected transactions, setting out (among other things) the review and findings relating to the assessment of the appropriateness and effectiveness of the relevant internal control procedures, and the recommended enhancements on the relevant internal control procedures (if any). In this respect, sufficient information regarding such continuing connected transactions and related pricing policies and internal control procedures has been provided to the independent non-executive directors, who (during the review process for the period under review) have confirmed that they have not encountered any problems nor difficulties and have been given ample opportunities to pose questions, request additional information and/or make suggestions in respect of any such continuing connected transactions and related pricing policies and internal control procedures.

The Company's chief financial officer in his own capacity and on behalf of the Management, after reviewing and discussing with the Group's internal audit function the Group's internal control and ERM system as well as the related reports and disclosures made by the Group's internal audit function and other relevant stakeholders for the year under review, has provided a confirmation to the audit committee on the adequacy and effectiveness of the system.

Based on the results of evaluations and representations for the year under review made by the Company's chief financial officer in his own capacity and on behalf of the Management and the Group's internal audit function respectively, the audit committee is satisfied with the effectiveness of the Group's internal audit function and that there is an on-going process for identifying, evaluating and managing the significant risks faced by the Group that threaten the achievement of its business and strategic objectives, and an effective and adequate system of internal controls and ERM has been in place throughout the year under review, for safeguarding the interests of shareholders and other key stakeholders such as customers, suppliers, creditors and employees.

The procedures for the handling and dissemination of inside information and handling enquiries from authorities (forming part of the Manual) set out the detailed internal controls, reporting and authorisation procedures in connection with:

(a) the handling and dissemination of inside information in compliance with Rule 13.09 of the Listing Rules and Part XIVA of the SFO, where recipients of potential inside information (subject to applicable confidentiality obligations and dealing restrictions) will notify the leader of a core team designated by the Board for assessment and (as appropriate) reporting to the Chairman of the Board (or, failing whom, any executive director of the Company) for further assessment and (as appropriate and to the extent practicably feasible) escalation to the Board to finally assess any disclosure need in compliance with Rule 13.09 of the Listing Rules and Part XIVA of the SFO in respect of the potential inside information.

ACCOUNTABILITY AND AUDIT *(Continued)*

(b) the handling of enquiries from competent authorities (including the Stock Exchange and the Hong Kong Securities and Futures Commission), who may make enquiries with the Company on (among other things) unusual movements in the price or trading volume of the Company's shares under Rule 13.10 of the Listing Rules or media news or compliance with the Listing Rules, the SFO or other applicable laws and regulations, and such enquiries will be handled through the designated core team and (as appropriate) the Chairman of the Board (or, failing whom, any executive director of the Company) for further assessment and (as appropriate and to the extent practicably feasible) escalation to the Board to finally assess proper disclosure.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code, and has formulated and adopted the Authorisation Procedures of the Model Code and the Securities Dealing Policy since 2005 (each as amended and supplemented from time to time). Following specific enquiry made by the Company, all the directors of the Company have confirmed that they have complied with the required standards set out in the Model Code, and the requirements laid down by the aforesaid Authorisation Procedures and Securities Dealing Policy, in respect of the Company's securities throughout the year under review.

SHAREHOLDER COMMUNICATIONS

The Company has formulated and maintained the shareholders communication policy (forming part of the Manual) setting out the framework that the Company has put in place to maintain and promote effective communication and on-going dialogue with its shareholders so as to enable them to engage actively with the Company through different means of communication and exercise their rights in the capacity as shareholders in an informed manner. To this end, the Company strives to ensure that all its shareholders have ready and timely access to all publicly available information relating to the Company.

On the basis of the views and recommendations from the corporate governance committee, the Board will annually review the shareholders communication policy to ensure its implementation and effectiveness, and that the shareholders communication policy will remain relevant to the Company's needs and reflect both the then current regulatory requirements and good corporate governance practice.

The shareholders communication policy provides for (among other things) the Company's updates to its shareholders on the Group's latest business developments, financial performance, etc. through its press releases, annual and interim reports, announcements, circulars and other publications where the Company's website (https://www.fihmobile.com) serves as an effective communication platform between the Company and (among others) its shareholders.

SHAREHOLDER COMMUNICATIONS *(Continued)*

The shareholders communication policy also provides for (among other things) the procedures by which enquiries may be put forward to the Company as follows:

- The Company's shareholders may at any time send enquiries (including enquiries to the Board) and requests for publicly available information and provide comments and suggestions to the Company. Such enquiries, requests, comments and suggestions can be sent through "Contact Us" at the Company's website (https://www.fihmobile.com) or to the company secretary at the following address:

  The Company Secretary of FIH Mobile Limited
  c/o Shenzhen Futaihong Precision Industrial Co., Ltd.
  No. 2, 2nd Donghuan Road
  Longhua District
  Shenzhen City
  Guangdong Province
  518109
  People's Republic of China

- For enquiries about their shareholdings in the Company, the shareholders can direct the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at currently 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by email to fih@computershare.com.hk, who has been appointed by the Company to handle the shareholders' share registration and related matters.

- For the verification of his/her capacity as a shareholder, the shareholder making the enquiry, request, comment or suggestion shall forthwith upon the Company's request provide: (a) his/her name, address and other contact details; (b) the number of the Company's shares held by him/her; (c) his/her written consent to the use, transfer and/or processing of his/her personal data and other information provided to the Company for the purpose of verifying his/her capacity as a shareholder; and (d) such additional information as the Company may reasonably require for the purposes of such verification. The verification process will be conducted by the Company, in consultation with the Company's Hong Kong branch share registrar and other third parties if necessary, to the satisfaction of the Company. The Company will proceed to handle the relevant enquiry, request, comment or suggestion following a successful verification to its satisfaction.

- Following a successful verification of the shareholder's capacity, the company secretary or the handling officer of the Company's investor relations department (as the case may be) will review the relevant enquiry, request, comment or suggestion and (as appropriate) forward the same: (a) to the Board (in case of the handling officer of the Company's investor relations department, through the company secretary) if the same falls within the Board's purview; (b) to the members of the relevant Board committee (in case of the handling officer of the Company's investor relations department, through the company secretary) if the same falls within such Board committee's area of responsibility; and (c) to the appropriate senior management team members (or their corresponding delegates) if the same relates to ordinary business matters.

SHAREHOLDER COMMUNICATIONS *(Continued)*

During the year under review, the Company received enquiries brought by its shareholders through the different communication channels (including without limitation the 2024 AGM as mentioned below) contemplated by the shareholders communication policy, and responded to all such enquiries in a timely manner.

The shareholders communication policy further provides (among other things) that the annual general meetings and other general meetings of the Company are the primary forum for communication with the shareholders and for the shareholders' exchange of views and participation in discussions with the Board.

During the year under review, the 2024 AGM was held on 22 May 2024. All the directors of the Company attended the 2024 AGM in person or by means of video conference facility. The meeting attendance of each director is set out in the section headed "Board, Committees and General Meeting" above of this report.

At the 2024 AGM, the Company obtained its shareholders' approval of the agenda items set forth in the 2024 AGM notice attached to the Company's circular dated 19 April 2024, and immediately after the close of the 2024 AGM, the Company responded to its shareholder's enquiries on the spot.

On 7 March 2025, the Board reviewed the implementation and effectiveness of the shareholders communication policy, and based on the foregoing and the different communication channels available to the Company's shareholders thereunder and their effectiveness, the Board has considered that during the year under review and up to 7 March 2025, such policy has been implemented and remained effective and that the shareholders communication policy has remained relevant to the Company's needs and reflected both the then current regulatory requirements and good corporate governance practice.

Moreover, the shareholders communication policy refers to the Company's statements regarding corporate communications which are accessible on the Company's website, providing for (among other things) the means of dissemination of corporate communications as well as the shareholders' election of the language and means of receipt of corporate communications.

In the ESG context, please refer to the Company's separate 2024 ESG Report as issued and published simultaneously upon the issuance and publication of the Company's 2024 annual report incorporating this report.

SHAREHOLDERS' RIGHTS

Shareholders' Right to convene Extraordinary General Meeting and Add Resolutions to Meeting Agenda

The Company has formulated and maintained the memorandum on shareholder rights (forming part of the Manual). The memorandum on shareholder rights sets out (among other things) its shareholders' right to convene the Company's extraordinary general meeting ("EGM") and right to add resolutions to the meeting agenda of the EGM as follows:

- Pursuant to Article 68 of the Articles, the relevant shareholder(s) is/are entitled to convene an EGM upon written requisition in the following manner for transaction of any business or resolution specified on such written requisition:

  (a) Upon the written requisition of any one or more shareholders deposited at the principal place of business of the Company in Hong Kong specifying the objects of the EGM and signed by the requisitionist(s), provided that such requisitionist(s) held as at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company which carries the right of voting at general meetings of the Company. Such requisitionist(s) shall also be able to add resolutions to the meeting agenda of the EGM convened upon his/their written requisition, provided that such additional resolutions shall be deposited at the principal place of business of the Company in Hong Kong not less than 15 business days before the EGM; or

  (b) Upon the written requisition of any one Shareholder who is a recognised clearing house (as defined in the Articles) or its nominee(s) deposited at the principal place of business of the Company in Hong Kong specifying the objects of the EGM and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company which carries the right of voting at general meetings of the Company. Such requisitionist shall also be able to add resolutions to the meeting agenda of the EGM convened upon its written requisition, provided that such additional resolutions shall be deposited at the principal place of business of the Company in Hong Kong not less than 15 business days before the EGM.

- If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the EGM to be held within a further 21 days, the requisitionist(s) himself/herself/themselves (or any of them representing more than one-half of the total voting rights of all of them) may convene the EGM in the same manner, as nearly as possible, as that in which EGMs may be convened by the Board, provided that any EGM so convened shall not be held after the expiration of 3 months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to him/her/them by the Company.

Procedures for Shareholders' Enquiries

The Company has formulated and maintained the shareholders communication policy (forming part of the Manual) setting out (among other things) the procedures by which enquiries may be put to the Board as more particularly described in the section headed "Shareholder and Other Key Stakeholder Communications — Communications with Shareholders" above of this report.

SHAREHOLDERS' RIGHTS *(Continued)*

Shareholders' Right to put forward Proposals at General Meetings

The Company has formulated and maintained the procedures for shareholders to propose candidates for election as a director of the Company (forming part of the Manual), which is accessible on the website of the Company. In relation to other proposals which may be put forward at the Company's general meetings, the Company has formulated and maintained the memorandum on shareholder rights (forming part of the Manual). The memorandum on shareholder rights provides for (among other things) the following:

- In the absence of any general mechanism for the shareholders to put forward other proposals at the Company's general meetings (including, for the avoidance of doubt, to add resolutions to the meeting agenda of any such general meetings) under the Cayman Islands Companies Act in force for the time being, the shareholder(s) can submit a written requisition (in hard copy form or in electronic form) to move a proper resolution at a general meeting of the Company if such shareholder(s) individually or collectively represent(s) as at the date of the requisition not less than one-tenth of the paid-up capital of the Company which carries the right of voting at general meetings of the Company.

- The written requisition shall:

  a. state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or other business to be dealt with at the relevant general meeting;

  b. be authenticated by way of the signature(s) of all the requisitionist(s), which may be contained in one document or in several documents in like form; and

  c. be deposited at the principal place of business of the Company in Hong Kong not less than 15 business days before the relevant general meeting. The current address of the Company's principal place of business in Hong Kong is as follows:

     8th Floor, Peninsula Tower
     538 Castle Peak Road
     Cheung Sha Wan, Kowloon
     Hong Kong
     Attention: The Company Secretary

Constitutional Documents

During the year under review, the Company had adopted the third amended and restated memorandum and articles of association of the Company on 22 May 2024 pursuant to the Company's shareholders' approval at the 2024 AGM. For details of the amendments to the Company's pre-existing memorandum and articles of association, please refer to the Company's circular dated 19 April 2024. An up-to-date consolidated version of the Company's third amended and restated Memorandum and Articles of Association is available on the websites of the Stock Exchange and the Company respectively.

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