

FIH[®] 富智康[®]

FIH Mobile Limited
富智康集團有限公司

(Incorporated in the Cayman Islands with limited liability)

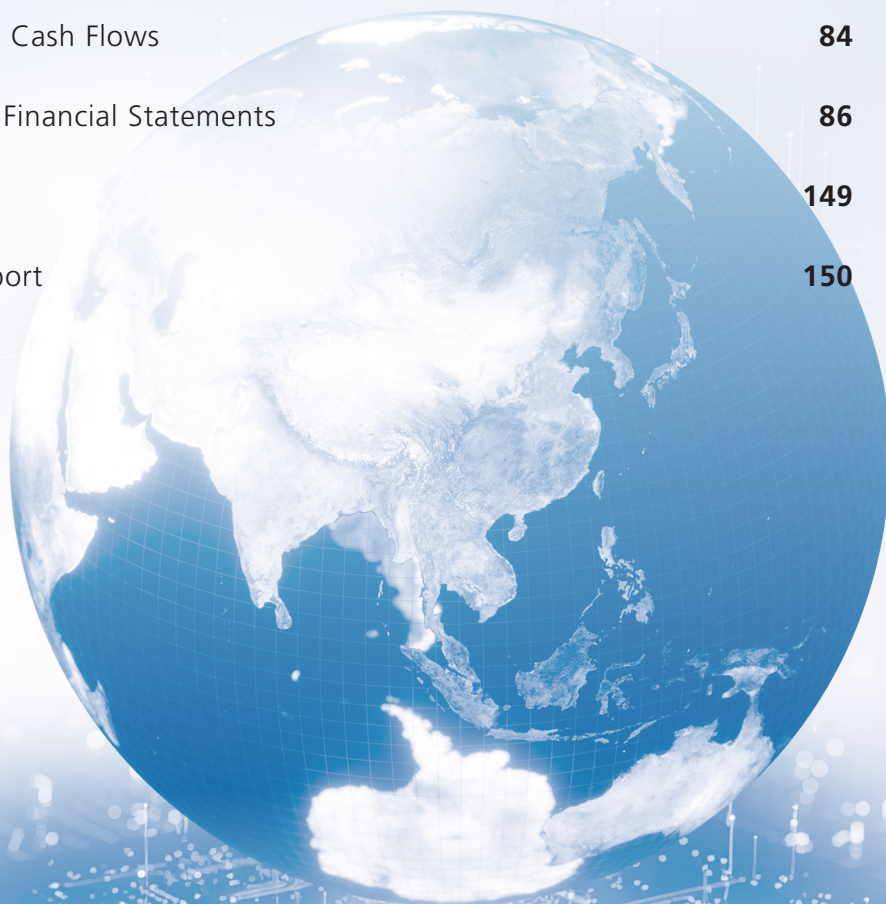
Stock Code: 2038



2025
ANNUAL REPORT

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CORPORATE INFORMATION

as of 13 March 2026

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

LIN Chia-Yi (also known as Charles LIN)

(Chief Executive Officer)

KUO Wen-Yi

NON-EXECUTIVE DIRECTORS

HUANG Ying Shih (also known as Philip HUANG)

(Chairman of the Board)

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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Cayman Islands

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Kowloon

Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

Registered Public Interest Entity Auditors

LEGAL ADVISOR

Dentons Hong Kong LLP

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 Bank, Ltd.

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

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STOCK CODE

2038

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual report of the Group for the year ended 31 December 2025 to you.

Overall Performance

The Group recorded revenue of US\$6,657.7 million, reflecting a measured increase of 16.7% from 2024, attributable to higher revenue contributions across all three business segments. Driven by improved gross margins and effective control of operating expenses, the Company recorded a marked improvement in its financial condition and successfully reversed prior losses to achieve profitability. The net profit of the Company for 2025 was US\$54.1 million, a notable recovery from the US\$20.2 million loss in 2024. Building on a restored profitable position, the Company maintains a significantly strengthened financial foundation in 2025. Our disciplined approach to business development and robust cash flow have allowed us to navigate challenges with composure. As we approach 2026, we adopt a prudent outlook, focusing on preserving financial resilience amidst a changing economic landscape.

Business Review

Smart Manufacturing remains one of the Group's three core business pillars. By capitalizing on over two decades of expertise in communication technology, we have made significant strides in delivering integrated hardware and software solutions that address our customers' evolving needs. The Group has worked closely with customers to deploy cutting-edge, end-to-end automated production lines for products beyond smartphones. These fully automated systems – bolstered by our in-house automation equipment and fixture development – not only minimize reliance on scarce manual labor and eliminate human error but also drive superior manufacturing efficiency and operational stability.

FIH's Automotive Electronics business focuses on delivering integrated solutions including Telematics Control Units (TCU), High-Performance Computing (HPC), Zonal Control Units (ZCU), Smart Cockpits, and Advanced Driver Assistance Systems (ADAS). The Group achieved significant milestones in safety and cybersecurity, obtaining dual ISO 26262 (Functional Safety) and ISO/SAE 21434 (Cybersecurity) certifications for our TCU products this year and actively promoted its vision of "Driving the Future of Smart Mobility" by showcasing advanced HPC and IVI systems at major global events including IAA Mobility 2025 and CES 2026. The Group has built a strong foundation for its automotive electronics division with a certified global manufacturing network. Its facilities in Mexico, Vietnam, and China are all IATF 16949 accredited, ensuring world-class production standards.

By engineering proprietary automation tools and robotics, FIH strengthens its ability to deliver specialized automation equipment development and fixture development, which defines modern smart manufacturing. These innovations empower industry-leading customers to navigate dynamic market demands with flexible, resilient manufacturing strategies. As an example, FIH AI recycling robot, equipped with an AI-powered sorting system, has successfully transformed labor-intensive recycling work. FIH AI recycling robot has begun operating at several recycling sites in Taiwan and the U.S. and was showcased at WasteExpo 2025, one of the largest trade exhibitions for waste, recycling and organics in North America.

As the global demand for Edge AI shifts from concept to mass-market adoption, the Group is positioned as a premier partner for on-device intelligence. Leveraging our core strengths in communication technology, electronics manufacturing and robotics automation, we enable our customers to bring sophisticated, AI-ready devices into their industrial, enterprise and consumer solutions.



CHAIRMAN'S STATEMENT *(Continued)*

Sustainability Achievements

In 2025, FIH made steady and meaningful progress in advancing responsible operations and sustainable management, reinforcing sustainability as a core pillar of our long-term strategy. Our ESG efforts continued to receive recognition from leading sustainability rating agencies, reflecting enhanced governance, transparency, credibility, and execution. During the year, the Group was awarded the EcoVadis Silver Medal, ranking FIH among the top 8% of companies assessed globally, and consistently maintained a B rating in the CDP Climate Change and Water Security modules. Sustainalytics reaffirmed FIH's "Low Risk" rating with a risk score of 12.5, while MSCI maintained our ESG rating at BB, reflecting stable and consistent sustainability performance.

Operationally, we achieved a further milestone in our energy transition, with renewable electricity usage reaching a new high, accounting for 57.87% of total electricity consumption, demonstrating continued progress toward a lower-carbon operating model. In parallel, the Group obtained and maintained multiple internationally recognized ESG-related certifications, translating our sustainability strategy into tangible operational practices across regions. Notably, our Global Headquarters achieved a 100% waste diversion rate and obtained UL 2799 Zero Waste to Landfill Platinum certification, with 8 of our 11 major operational sites now UL 2799 certified. We also strengthened ethical governance through the ISO 37001 Anti-Bribery Management System certification.

Looking ahead, the Group's 2025 Environmental, Social and Governance (**ESG**) Report sets clear targets for 2026 and outlines our ambitions through 2030. A key commitment is to achieve 75% renewable electricity usage by 2030, accelerating our original target of 50% by 2030 to further strengthen our transition toward low-carbon operations.

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. 2025 has been a year of significant improvement in our overall financial performance, reflecting the effectiveness of our strategic initiatives and disciplined execution. Looking ahead to 2026, while we remain confident in the Group's financial and technological fundamentals, we will adopt a prudent and measured approach in light of ongoing market uncertainties, with a continued focus on sustainable operations and long-term value creation. Together, we will continue building a more diversified and prosperous future while remaining committed to ESG initiatives for the Group and our shareholders' long-term value. We will prioritize sustainability across our operations and supply chains, while maintaining the highest governance standards. Thank you for your continued trust and support.

With best regards,

HUANG Ying Shih
Chairman of the Board

13 March 2026

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Director

Mr. LIN Chia-Yi (also known as Charles LIN), aged 55, 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. The length of tenure of Mr. Lin as a director of the Company is, as at the date of the 2025 annual report, about 3 years. Mr. Lin was last re-elected as a director of the Company in May 2023 and will be subject to re-election by rotation at the annual general meeting to be held in May 2026 in accordance with the articles of association (the “**Articles**”) of the Company. Mr. Lin has over 29 years of experience in communication and computer industries and 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 Chiun Mai Communication Systems, Inc. (“**CMCS**”) and a director of Execustar International Limited, both being subsidiaries of the Company. Mr. Lin has been appointed as a non-executive director of Mobile Drive Netherlands B.V. (a joint venture incorporated in the Netherlands indirectly 50%-owned by the Company) 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.



PROFILE OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

DIRECTORS *(Continued)*

Executive Director

Dr. KUO Wen-Yi, aged 60, was appointed as an executive director of the Company on 29 June 2018. The length of tenure of Dr. Kuo as a director of the Company is, as at the date of the 2025 annual report, about 7 years and 9 months. Dr. Kuo was last re-elected as a director of the Company in May 2025 and will be subject to re-election by rotation at the annual general meeting to be held in May 2028 in accordance with the Articles. 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 31 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 43 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.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

DIRECTORS *(Continued)*

Non-Executive Director

Mr. HUANG Ying Shih (also known as Philip HUANG), aged 55, has been appointed as a non-executive director and the Chairman of the Board and the chairman of the corporate governance committee of the Company with effect from 31 October 2025, and his length of tenure as a director of the Company is about 4 months as at the date of the 2025 annual report. He will be subject to re-election at the annual general meeting to be held in May 2026 in accordance with the Articles. Mr. Huang has also been appointed as the chairman of 智擎尖端科技股份有限公司 (Intellex Works Co., Ltd., for identification purposes only) with effect from 10 December 2025 and 富智康國際股份有限公司 (FIH Co., Ltd., for identification purposes only) with effect from 17 December 2025, all being subsidiaries of the Company incorporated in Taiwan. Mr. Huang has more than 27 years of professional experience in corporate management, financial governance, and digital transformation. His career covers Big Four accounting firms, multinational technology enterprises, and global manufacturing groups possessing strong financial expertise with extensive cross-industry management experience. Mr. Huang began his career at Arthur Andersen & Company and Deloitte Consulting, where he actively participated in numerous SAP ERP implementation and process integration projects. Meanwhile, he gained solid auditing and compliance experience while advising listed companies on internal controls, management frameworks, and organizational transformation. From 2003 to 2005, Mr. Huang joined the Hon Hai Technology Group (also known as “**Foxconn**”) (comprising Hon Hai Precision Industry Co., Ltd. (“**Hon Hai**”), being the Company’s ultimate controlling shareholder, whose shares are listed on the Taiwan Stock Exchange Corporation, along with its subsidiaries and associates), where he assumed key financial and managerial responsibilities, including financial consolidation for the listing of Foxconn International Holdings Limited (the Company’s former name) in Hong Kong in 2005 and overseeing the consolidation of accounting and management reports of the Group’s then subsidiaries across Shenzhen, Beijing, and Hungary. From 2007 to 2010, Mr. Huang worked at Hewlett-Packard Taiwan as Head of the SAP Consulting Services Department, focusing on process improvements and International Financial Reporting Standards (IFRS) adoption for multinational clients. From 2012 to 2016, he was associated with Ernst & Young Business Consulting, specializing in corporate management and financial transformation. From 2016 to 2019, he served as Assistant Vice President at Systex Corporation, leading the consulting team and strengthening service delivery models. Mr. Huang rejoined the Hon Hai Technology Group in 2020 and now serves as Head of the Strategic Controlling Division for the Hon Hai Technology Group’s “3+3” new business initiatives. He is responsible for overseeing strategy execution, investment planning, and post-investment management to ensure continuous corporate growth and compliance with governance standards. He also supervises the operations of the sub-groups of the Hon Hai Technology Group and serves as CFO Advisor to Sharp Corporation, supporting operational performance, brand development improvement, and the advancement of the Hon Hai Technology Group’s new strategic directions. Mr. Huang is a director of Foxtron Vehicle Technologies Co., Ltd., Pan-International Industrial Corp., Advanced Power Electronics Corp. and Shunsin Technology Holdings Limited (whose shares of the above four companies are listed on the Taiwan Stock Exchange Corporation). He is also the chairman of the board of Healthconn Corp. and a director of Long Time Tech. Co., Ltd. (both are public companies in Taiwan). All the above companies are subsidiaries of the Hon Hai Technology Group. He also acts as director of certain subsidiaries and joint-venture companies of Hon Hai. Mr. Huang obtained a Bachelor’s degree in accounting from Tunghai University, Taiwan in 1994 and a Master’s degree in accounting from National Chung Cheng University, Taiwan in 1996.



PROFILE OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

DIRECTORS *(Continued)*

Non-Executive Director

Mr. CHANG Chuan-Wang, aged 56, was appointed as a non-executive director of the Company on 29 June 2023. The length of tenure of Mr. Chang as a director of the Company is, as at the date of the 2025 annual report, about 2 years and 9 months. Mr. Chang was last re-elected as a director of the Company in May 2024 and will be subject to re-election by rotation at the annual general meeting to be held in May 2027 in accordance with the Articles. Mr. Chang has over 32 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. He has acted as the chairman of Foxconn Intrinsic Intelligent Factories, LLC, (which is a joint venture incorporated in Delaware, U.S., between Hon Hai and Google LLC) since October 2025. 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/HKEX**"), 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.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

DIRECTORS *(Continued)*

Independent Non-Executive Director

Mr. LAU Siu Ki, aged 67, joined the Company as an independent non-executive director in December 2004. The length of tenure of Mr. Lau as a director of the Company is, as at the date of the 2025 annual report, about 21 years and 3 months. Mr. Lau was last re-elected as a director of the Company in May 2024 and will be subject to re-election by rotation at the annual general meeting to be held in May 2027 in accordance with the Articles. 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 (currently known as ETHK Labs Inc.) during 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 announced that it had started Market Misconduct Tribunal ("**MMT**") proceedings against China Medical & Healthcare Group Limited and six individuals who were its directors at the relevant time, including Mr. Lau, for failing to disclose inside information as soon as reasonably practicable. On 12 May 2021, the Securities and Futures Commission 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.



PROFILE OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

DIRECTORS *(Continued)*

Independent Non-Executive Director

Ms. CHEN Shu Chuan (also known as Nadia CHEN), aged 57, was appointed as an independent non-executive director of the Company on 19 May 2023, and she will be subject to re-election by rotation at the annual general meeting to be held in May 2026 in accordance with the Articles. The length of tenure of Ms. Chen as a director of the Company is, as at the date of the 2025 annual report, about 2 years and 10 months. She is also a member of each of the audit committee, remuneration committee and nomination committee of the Company. She has over 37 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 an independent director of Sinyi Realty Inc. (which is a Taiwan's well-known real estate agency group, whose shares are listed on the Taiwan Stock Exchange Corporation) with effect from 21 May 2025. She has been appointed as a non-executive director of EasyCard Corporation (a company providing contactless smartcard payment system (EasyCard) services 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.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

DIRECTORS *(Continued)*

Independent Non-Executive Director

Mr. CHIU Yen-Tsen (also known as CHIU Yen-Chen, Dennis), aged 61, was appointed as an independent non-executive director of the Company on 29 June 2023. The length of tenure of Mr. Chiu as a director of the Company is, as at the date of the 2025 annual report, about 2 years and 9 months. Mr. Chiu was last re-elected as a director of the Company in May 2024 and will be subject to re-election by rotation at the annual general meeting to be held in May 2027 in accordance with the Articles. He is also a member of each of the audit committee, remuneration committee and nomination committee of the Company. Mr. Chiu has over 33 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 Committee and Internal Control Committee. 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.



PROFILE OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

SENIOR MANAGEMENT

Mr. CHEN Hui Chung, John, aged 64, 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 36 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 and a non-executive director of Bharat FIH Limited (formerly known as Rising Stars Mobile India Private Limited and then Bharat FIH Private Limited (“**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.

Mr. HSIUNG Nai-Pin, Paul, aged 61, 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 S.A. de C.V., 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.

Mr. TAM Kam Wah, Danny, aged 62, 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, 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 B.V. (a joint venture incorporated in the Netherlands indirectly 50%-owned by the Company) during the period from December 2021 to July 2024. Mr. Tam has over 38 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 an associate of Hong Kong Institute of Certified Public Accountants. 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 2025 annual report incorporating this report of the directors, particularly the audited consolidated results of the Group for the year ended 31 December 2025 (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 146 and 147. 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 79 to 80.

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 have fluctuated in the past and may continue to fluctuate, possibly significantly, from one period or quarter to another. Accordingly, the results for any period or quarter should not be regarded as indicative of the results for future periods or quarters. In particular, the Chinese New Year holiday (especially the extended breaks in Chinese Mainland, Vietnam and Taiwan) in the first quarter generally results in a low season for the industry in which the Group operates. As a result, the Group’s first-quarter performance is usually weaker and less representative than that of other quarters. In addition, the Company’s customers have distinct seasonal demand patterns, which directly affect the timing and volume of production and shipment during the year.

Reference is made to the Company’s financial information announcement dated 7 November 2025, which provided updates on its expected 2025 annual performance and outlined various factors contributing to the Group’s consolidated net profit for the current period. The factors discussed in the “Discussion and Analysis” section are expected to continue to affect the Group’s performance in the first half of 2026 (“**1H 2026**”) and the year ending 31 December 2026 (“**FY 2026**”). In this regard, please also refer to “Outlook and Industry Dynamics” below.



REPORT OF THE DIRECTORS *(Continued)*

BUSINESS REVIEW *(Continued)*

Important *(Continued)*

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 condition, opportunities, risks, threats, and prospects. Such statements are subject to various uncertainties, including macroeconomic conditions, regulatory changes, competitive pressures, cost volatility, and operational execution risks, and do not constitute guarantees of the Group's future performance or order book. Actual results and order book may differ materially from those expressed due to known and unknown risks, uncertainties, and other factors beyond the Group's control.

While the Group believes these forward-looking statements are based on reasonable assumptions, they involve risks and uncertainties relating to operations, markets, and the broader business and macroeconomic environment. If these risks or uncertainties materialise, or if underlying assumptions prove incorrect, actual outcomes may differ materially from those indicated. New and unpredictable risks and challenges may also arise from time to time, and management cannot predict or assess all such factors or their impact. For further details, please refer to "Outlook and Industry Dynamics" below. The Company undertakes no obligation to update or revise any forward-looking statements, except as required under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the Securities and Futures Ordinance (Chapter 571) as amended from time to time (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 established in 2003 and listed on the Main Board of the Stock Exchange in 2005 (stock code: 2038.HK). It is a subsidiary of Hon Hai (together with its subsidiaries and/or associates as defined in the Listing Rules) (the "**Hon Hai Technology Group**"), the world's largest electronics manufacturer and a leading technological solution provider listed on the Taiwan Stock Exchange (stock code: 2317.TW).

The Group is customer-oriented and provides one-stop solutions covering the entire product lifecycle, from design conceptualisation and product development to high-volume manufacturing. Its services include 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 such as return management and product repair and refurbishment. With strong Original Equipment Manufacturing ("**OEM**") and Original Design Manufacturing ("**ODM**") capabilities, the Group continues to meet specific market and customer product lifecycle requirements.

Against a backdrop of macroeconomic headwinds, geopolitical uncertainty, intense competition and changing global trade dynamics, the Group further strengthened its strategic framework in 2025 with a focus on diversification, technological advancement and operational resilience. This strategy includes exploring new market opportunities, developing new customer relationships and strengthening existing ones. Key developments during the year include:

REPORT OF THE DIRECTORS *(Continued)*

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Introduction *(Continued)*

- (I) Gross margin improvement — Gross margin increased to 3.08% in the current period from 2.36% in the prior-year period, mainly due to the exit from unprofitable or low-margin businesses and a shift in customer and product mix toward automotive electronics, manufacturing equipment and robotics with greater emphasis on value-added offerings. The Group also optimised capacity utilisation, improved efficiency and maintained disciplined cost control. Operational restructuring, including the reduction of indirect labour and site consolidation, continued, particularly in response to the contraction of operations in China.
- (II) Progress in the three main business categories — In smart manufacturing, the Group diversified its customer and product portfolio and implemented automated production lines to enhance supply chain resilience. In automotive electronics, competitiveness was strengthened through product innovation and the attainment of key safety certifications. The Group also commenced the provision of automation equipment and fixture development services within the Hon Hai Technology Group, while continuing to supply Artificial Intelligence (“AI”) recycling robots to external customers.
- (III) Expanding overseas production capacity — Overseas capacity was expanded to support regional customer demand and capture domestic market opportunities. The Group’s ability to reallocate production among facilities enabled it to respond to tariff-driven customer requirements.
- (IV) Investing in technology and long-term partnerships — The Group continues to invest in technological capabilities and long-term customer partnerships by providing high value-added products and services. Research and Development (“R&D”) resources will be deployed in line with medium- to long-term development priorities.
- (V) U.S. tariff measures — New U.S. tariffs imposed in April 2025 created risks to the Group’s cost structure and supply chain. The Group monitored developments and implemented mitigation measures, including local sourcing and alternative production arrangements.

Despite the 2025 April tariff announcements and record-long government shutdown in the United States, the U.S. full-year GDP growth for 2025 was recorded at a solid 2.2% annual rate, supported by AI investment, lower interest rates and fiscal measures, while China recorded GDP growth of 5% with increased policy support to stabilise domestic demand.

The electronic manufacturing services (“EMS”) industry saw an unusual revenue increase in the first half of 2025 due to pull-in orders related to trade policy uncertainty. Subsequently, shortages of DRAM and NAND/SSD driven by rapid AI expansion led to higher component prices and constrained supply for smartphones and PCs.

In a complex external environment marked by geopolitical risks, supply chain disruptions, tariff volatility and rising ESG expectations, the Group remains focused on innovation, operational flexibility and customer-centric strategies. It continues to adjust its production footprint and strengthen technological capabilities and partnerships to support product diversification and long-term customer collaboration, with the aim of capturing opportunities and achieving sustainable growth.



REPORT OF THE DIRECTORS *(Continued)*

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Key Relationships with Customers, Suppliers and Employees

Key Relationships with Customers

In 2025, the Group's top five customers accounted for approximately 86.82% of total revenue. For this ranking, sales to Hon Hai and Sharp are aggregated and treated as a single customer under the Hon Hai Technology Group. 2025 marked a pivotal shift in revenue structure: unlike 2024, when the top five customers were mainly from the smartphone sector, 2025 saw the successful entry of key customers from automotive electronics and smart manufacturing for non-mobile products. This demonstrates the Group's diversification strategy and ability to capture opportunities beyond the mobile market.

In automotive electronics, the Group leveraged its expertise in antenna design, thermal management, and hardware/software integration to supply Telematics Control Units ("**TCU**") to a world-class automobile manufacturer, marking its entry into the global automotive supply chain. Following mass production and shipments, revenue from this customer increased approximately fourfold over 2024, making it one of the Group's top five contributors.

In smart manufacturing, two non-mobile customers entered the Group's top five revenue contributors, including a global leader in enterprise-grade communication modules and a leading provider of electronic shelf labelling ("**ESL**") systems. Fully automated production lines for these customers enhanced operational efficiency, margin optimisation, and ESG outcomes through improved energy efficiency and sustainable operations.

Despite the diversification, the leading smartphone customer remains a solid foundation. Strong demand for premium models and adoption of advanced features drove significant shipment growth and robust orders in this year.

Hon Hai Technology Group, including Hon Hai and Sharp, represents another significant smart manufacturing customer, accounting for 19.46% of the Group's total revenue.

- (I) The Group has long served as a strategic supplier of consumer electronic products, including eReaders, tablets, and smart speakers, to Hon Hai. However, longer replacement cycle and highly saturated market have led to a reduction in customer demand, resulting in a decline in sales to this customer.
- (II) Sharp, an associate of Hon Hai under the Listing Rules, offers electronic products including smartphones, home appliances, displays, and other Internet of Things ("**IoT**") devices; it is also an ODM customer of the Group. In 2025, Sharp strengthened its smartphone portfolio with mid-range models featuring enhanced AI capabilities and expanded its product range with devices such as "Pocket WiFi 5G", extending presence beyond mobile phones.

While these new customers are onboarded, there is a period required before we see their full impact on our top-line growth. In the meantime, the Group continues to optimise its capabilities to meet customer needs. Customer-focused factories in different countries remain flexible and adaptable, and can be reconfigured to accommodate product requirements and volume fluctuations.

REPORT OF THE DIRECTORS *(Continued)*

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

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

Key Relationships with Suppliers

The Group maintains critical partnerships with 1,175 global suppliers, including Hon Hai Technology Group, to ensure operational resilience. Vendors of chipsets, memory, and display modules are subject to a rigorous evaluation and qualification process, with their performance measured by the TQSCE (Technology, Quality, Supply, Cost, and ESG) framework to ensure supply stability and price competitiveness. Currently, the top five suppliers account for 47.22% of total purchases, providing significant bulk purchasing power and liability mitigation. This strategy is essential as market fluctuations continue to impact material costs and supply in the memory and the semiconductor.

Since the beginning of 2025, the electronics industry has grappled with fresh disruptions from geopolitical events, including ongoing conflicts in Eastern Europe and the Middle East, alongside reciprocal tariffs between the U.S., China, and the EU. These tensions have forced a strategic pivot, including manufacturers diversifying supply chains and prioritising security over pure cost-efficiency, global “long chains” being adjusted into secure “local short chains” to mitigate risks posed by trade restrictions, and the availability of rare earth elements remaining constrained due to trade restrictions, driving the industry toward alternative materials and recycling methods.

International trade policies and localisation trends are continuously, fundamentally reshaping the global automotive supply chain, shifting it from a traditional globalised model toward a regionalised and fragmented structure. This transformation is driven primarily by geopolitical tensions, high tariffs, and the transition to electric vehicles (EVs). All aiming toward a robust and resilient regional/local supply chain. To bypass trade walls and reduce logistics costs, automakers are aggressively moving production closer to their end markets.

The defining material challenge of 2025 is the unprecedented DRAM and NAND Flash shortage. The most significant impact of AI on pricing stems from major manufacturers (Samsung, SK Hynix, and Micron) reallocating wafer capacity away from standard commodity DRAM to High-Bandwidth Memory (HBM). By the fourth quarter of 2025, contract prices for 16Gb DDR5 chips rose nearly 200% compared to mid-2025 levels. Overall DRAM average selling prices (ASPs) climbed approximately 50% in 2025. Also, memory now accounts for 15-25% of a smartphone’s Bill of Materials (BOM), up from the historical 10-15%. This has driven brands to adjust the production of low-tier models that could have delivered negative profit margins.

The supply chain outlook for the 1H 2026 is characterised by adjustment and downside risk. The industry exhibits a “survival of the fittest” dynamic where large brands with locked-in long-term contracts maintain market share, while smaller brands encounter severe resource acquisition difficulties. DRAM and NAND Flash prices are forecasted to rise by another 40-50% in the 1H 2026 due to persistent shortages, as new fabrication plants from key suppliers like SK Hynix and Micron are not expected to be fully operational until 2027-2028.

In addition, the surge in AI demand is the primary driver behind the 2025 DRAM pricing “supercycle”, as it has created a structural imbalance between supply and demand. The impact is characterised by a massive reallocation of manufacturing resources and unprecedented price hikes across all consumer electronics sectors.



REPORT OF THE DIRECTORS *(Continued)*

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

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

Key Relationships with Employees

The Group regards its workforce as fundamental to sustainable value creation. Our human capital strategy combines internal talent development with targeted external recruitment to strengthen institutional capabilities. Given the technical complexity of our products and manufacturing processes, we continue to optimise both the quality and scale of our professional workforce to sustain market leadership and competitiveness.

Operating across multiple geographies, the Group is committed to attracting and retaining top-tier talent. We provide fair employment practices, competitive remuneration, and a high-performance work environment, supported by comprehensive training, job rotation, and work enrichment initiatives. Our diversified business portfolio offers employees broad career development and promotion opportunities.

The Group emphasises career planning and continuous learning through internal and external training programs, supported by a digitised learning platform. Knowledge sharing and internal-led technical training promote skills transfer and a culture of continuous improvement. Strategic workforce planning integrates recruitment, development, and localised retention initiatives, with full regulatory compliance and strong labour relations. Transparent multi-channel communication and a robust Code of Conduct underpin integrity, accountability, and long-term sustainability.

During the year, the Group implemented operational restructuring to align capacity with evolving product portfolios and demand. Measures included rationalising underperforming operations, divesting idle assets, streamlining headcount, and reorganising management structures. Throughout this transition, the Group maintained transparent communication to preserve employee confidence, engagement, and organisational stability.

China: Workforce size was reduced following restructuring, with continued focus on retaining key talent and improving operational efficiency.

Vietnam: Fushan Technology (Vietnam) Limited Liability Company ("**Fushan**") expanded production capacity and diversified its customer base while scaling recruitment through digital and institutional channels. Workforce growth was supported by structured technical and leadership training via digital platforms, focusing on IATF, 6 Core Tools, and Lean Six Sigma. A transparent, merit-based career framework promotes internal mobility. Employee well-being initiatives include enhanced healthcare, engagement programs, and structured feedback mechanisms. ESG and community initiatives included blood donation drives, charity support, and flood relief efforts, earning recognition from Bac Ninh Province.

Republic of India ("**India**"): BFIH advanced its strategic shift toward higher-value business segments through workforce realignment and targeted talent acquisition for growth areas such as fixture manufacturing and Onsite Support Services. Employee engagement was maintained through regular communication and cultural initiatives.

REPORT OF THE DIRECTORS *(Continued)*

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

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

Key Relationships with Employees *(Continued)*

As of 31 December 2025, the Group employed 32,142 staff (31 December 2024: 31,568). Total staff costs amounted to approximately US\$256 million (2024: US\$269 million). The Group maintains a competitive, merit-based remuneration framework aligned with market benchmarks and individual performance. Talent retention remains a strategic priority, supported by performance-linked incentives, long-term rewards, and diversified career pathways across business lines. 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.

Review of Results and Operations

Financial Performance

Financial KPIs — Key performance indicators include year-on-year changes in sales, gross margin, net margin, and return on equity. Peer analysis is complex due to differences in corporate history, strategies, business models, customer bases, market dynamics, organisational culture, leadership, risk appetite, shareholder structures, and revenue streams. Additional factors such as product offerings, operational scale, market positioning, geographical presence, ESG compliance, tax incentives, core competencies, R&D, asset utilisation, cash flow, and regulatory environments further complicate direct comparisons, making consolidated group-level analysis challenging.

Profit and Loss Account — The global consumer electronics market in 2025 faced headwinds from a sluggish economy, evolving consumer demand, inflation, tariff volatility, FX uncertainty, rising component and logistics costs, U.S.–China trade tensions, and supply chain shifts to India and Vietnam. Regulatory requirements on sustainability and reparability also increased compliance costs, while manufacturers pursued premiumisation, AI-driven innovations, and advanced form factors.

The Group reported consolidated revenue of US\$6,657.7 million in the current period, up US\$954.8 million or 16.7% from US\$5,702.9 million in the prior-year period. Revenue growth was driven by increased shipments to a major customer and continued expansion in automotive electronics, manufacturing equipment, and robotics, alongside diversification and optimisation of the customer portfolio.

Net profit attributable to owners of the Company was US\$52.7 million, compared to a loss of US\$20.3 million last year. Improvement was driven by higher gross margins, enhanced operational efficiency, and effective cost and General and Administrative (“**G&A**”) management. In response to a competitive environment, the Group actively recruited talent, promoted ESG initiatives, optimised expenses and income tax, and managed operational risks, while continuing to invest in R&D, remain lean, and aligning workforce and operations with business needs.



REPORT OF THE DIRECTORS *(Continued)*

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Review of Results and Operations *(Continued)*

Financial Performance *(Continued)*

Contributing factors include:

- (I) **Gross Profit** — The Group reported gross profit of US\$205.2 million in the current period, up US\$70.6 million from US\$134.6 million in the prior-year period. Gross margin increased to 3.08% from 2.36% last year. Margin improvement was driven by exiting high-risk and unprofitable businesses, strengthening engagement with existing customers, and expanding into higher-margin opportunities. Strategic diversification into higher-value sectors, including automotive electronics, and leveraging the Group's core competence, technological and operational capabilities also contributed. Operational efficiency measures, including site consolidation, automation initiatives, effective risk management, and workforce optimisation, further supported margin growth.
- (II) **Operating Expenses** — Operating expenses amounted to US\$150.8 million, up US\$8.5 million from US\$142.3 million last year. Year-on-year R&D expenses increased due to intensified development for new projects. Strategic investment in R&D continues to strengthen competitiveness and support sustainable growth, enabling higher-value solutions, new customer development, and market expansion and diversification. The increase was partially offset by the decrease in G&A expenses. Rightsizing and restructuring efforts streamlined operations, generating recurring annual savings and maintaining a lean cost structure. The Group continues to align resources with business needs by prioritising spending on strategic initiatives, reducing indirect labour, consolidating sites, and controlling G&A expenses. Low asset utilisation remains a challenge, and potential impairment or write-offs may be required.
- (III) **Other Income, Gains and Losses** — Other income, gains and losses were US\$52.8 million, down US\$38.5 million from the prior-year period, primarily due to a combination of factors affecting non-operating items.
 - (i) There was a decrease in foreign exchange gain by US\$14.1 million, amounting to a gain of US\$1.0 million for the current period, compared to a gain of US\$15.1 million for the same period last year. This is primarily due to the Federal Reserve System's continued interest rate hikes in 2024, which led to an appreciation of the U.S. dollar, resulting in a higher base for foreign exchange gains during the same period. In April 2025, the U.S. implemented higher tariff measures, triggering a broad depreciation of the U.S. dollar against almost all currencies. As the cost of hedging operations increased, foreign exchange gains declined compared to last year.
 - (ii) There was a decrease in interest income by US\$4.3 million, totalling US\$46.0 million for the current period, compared to US\$50.3 million for the same period last year. As a result of a decline of 50 basis points in the U.S. benchmark interest rate compared with the beginning of 2025, interest rates on U.S. dollar deposits decreased, although the benchmark rate remained at a relatively high level of 3.75%. The Group relocated funds to repay loans to save on interest expenses. On the other hand, ongoing interest rate cuts by the People's Bank of China (PBOC) have led to a decline in Renminbi ("RMB") deposit interest rates, contributing to a similar reduction in interest income. As a result, interest income for the current period is lower compared to the same period last year.
 - (iii) A decrease in government subsidies by US\$4.7 million, primarily from Chinese Mainland and India, during the current period.

REPORT OF THE DIRECTORS *(Continued)*

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Review of Results and Operations *(Continued)*

Financial Performance *(Continued)*

- (IV) The “Expected Credit Loss” allowance decreased by US\$10.3 million, resulting in a reversal of US\$0.5 million for the current period, compared to a provision of US\$9.8 million last year. This was mainly due to effective receivables management, a reduction in overdue balances, and the recovery of a US\$5.9 million other receivable fully provided for in 2024. The Group will continue to monitor customers’ financial conditions and cash flows, assessing credit risk to ensure adequate expected credit loss allowances are recognised, reflecting both actual and potential collection risks.
- (V) Interest expenses have decreased by US\$32.8 million to US\$24.8 million for the current period, compared to US\$57.6 million for the same period last year. The decrease is due to the Group’s efforts to reduce its U.S. dollar borrowings.
- (VI) There was a year-on-year decrease 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 were accounted for using the equity method. In the current period, the Group recorded a share of profit of US\$7.5 million from associates and a share of loss of US\$3.7 million from the joint venture, compared to US\$9.1 million profit and US\$3.8 million loss last year. One associate’s performance deteriorated amid a South Korean macroeconomic downturn, leading to a full write-off of the investment and an impairment loss of US\$1.3 million was recorded during the current period. The joint venture recorded a loss mainly due to restructuring charges and asset write-offs from closing operations in China and India, with challenging conditions expected to persist in 2026, pressuring margins and operations.
- (VII) Income tax expense during the current period was US\$28.4 million, compared to US\$25.7 million for the same period last year. In 2025, the Group recognised US\$10.1 million in income tax for withholding tax on dividends declared in Chinese Mainland, and US\$2.0 million for top-up tax under Pillar Two Rules.

The Group continues to face headwinds from potential U.S. tariffs, slower industry growth, rising production costs, margin pressure, intensified competition, shortage of memories weak demand, and market saturation. Geopolitical complexity and supply chain realignments add further uncertainty. The handset market in 2025 remains challenging, with companies focusing on cost efficiency, innovation, diversification, and inventory management. As a result, past and current results may not reliably indicate future performance.

In response, the Group remains lean and asset-light, pursuing higher-margin industries, building international partnerships, discontinuing unprofitable operations, restructuring underperforming segments, controlling expenses and borrowings, suspending non-essential capital expenditures, and managing headcount. Based on preliminary review of unaudited management accounts, the Group expects that: (a) financial resources and working capital remain sufficient for ongoing operations and capital commitments; (b) funds are adequate for working capital and capital expenditure requirements over the next 18 months; and (c) no significant events are expected to materially affect its ability to meet financial obligations or debt covenants.



REPORT OF THE DIRECTORS *(Continued)*

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Review of Results and Operations *(Continued)*

Equity and Other Comprehensive Income

Equity increased by US\$58 million to US\$1,522 million as at 31 December 2025, from US\$1,464 million last year. This was primarily driven by net profit after tax of US\$54 million and other comprehensive income of US\$5 million, partly offset by net of share repurchases and equity-settled share-based payments of US\$1 million. Other comprehensive income included a US\$24 million gain from foreign currency translation (mainly from TWD, RMB, INR and Mexican Peso) and US\$20 million fair value losses on equity instruments measured at Fair Value Through Other Comprehensive Income ("**FVTOCI**").

Return on Equity ("**ROE**") improved to 3.6% from -1.4% last year, reflecting the return to profitability. Basic profit per share was US6.7 cents.

Dividends

The Company has adopted the dividend policy to enhance transparency and support shareholders and potential investors in making informed decisions. For more details, please refer to the "Dividend Policy" section of the Company's 2025 corporate governance report, which forms part of the Company's 2025 annual report incorporating this report of directors.

The Board has resolved to recommend the payment of a final dividend of US3.47 cents (the "**Final Dividend**") per share of the Company (which in aggregate amounts to approximately US\$27.1 million) (2024: nil) for the year ended 31 December 2025, subject to the approval of the shareholders at the annual general meeting to be held on 22 May 2026. The decision by the Board was made in accordance with the dividend policy of the Company. Such proposed Final Dividend is expected to be payable on Wednesday, 15 July 2026 to the shareholders whose names appear on the register of members of the Company on Wednesday, 17 June 2026.

8,181,814 treasury shares (the "**Treasury Shares**", has the meaning ascribed to it under the Listing Rules) held by the Company are not entitled to receive any dividends or distributions. As at the date of this report, there is no repurchased shares pending cancellation held by the Company.

For any Treasury Shares of the Company deposited with Central Clearing and Settlement System ("**CCASS**") pending resale on the Stock Exchange, the Company shall, upon approval by the Board, implement the below interim measures which include (without limitation):

- (i) procuring its broker not to give any instructions to Hong Kong Securities Clearing Company Limited ("**HKSCC**") to vote at general meetings for the Treasury Shares deposited with CCASS;
- (ii) in the case of dividends or distributions (if any and where applicable), withdrawing the Treasury Shares from CCASS, and either re-register them in its own name as Treasury Shares or cancel them, in each case before the relevant record date for the dividend or distributions; and
- (iii) taking any other measures to ensure that it will not exercise any shareholders' rights or receive any entitlements which would otherwise be suspended under the applicable laws if those Shares were registered in its own name as Treasury Shares.

For the avoidance of doubt, as at the date of this report of the directors, all of the 8,181,814 Treasury Shares are held in the Company's own name and none are deposited with CCASS.

REPORT OF THE DIRECTORS *(Continued)*

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Review of Results and Operations *(Continued)*

Diversification

Over the past few years, the Group has actively diversified its business beyond smartphones to broaden its customer base and product portfolio. By leveraging its core competencies in communication technology, the Group has strategically realigned resources toward the three main business categories: smart manufacturing, automotive electronics, and manufacturing equipment/robotics. This strategic transition has proven highly effective, evidenced by revenue growth recovery, improved financial results, successful client acquisition, and the continuous delivery of innovative solutions.

To reinforce its supply chain resilience, the Group is simultaneously diversifying its global footprint. By maintaining strategically located facilities across Chinese Mainland, India, Vietnam, Taiwan, Mexico, and the U.S., the Group leverages specific geographical advantages to maximise operational efficiency and production value for its global clients.

Geographical Segments

The Group determines its operating segments based on management-reviewed reports for resource allocation and performance assessment. In 2025, the global smartphone market experienced slower growth, margin pressure, and intensified competition. The Group operates through three geographical segments – Asia, Europe, and the Americas – reflecting customer location, market conditions, demand patterns, cost structures, and operational considerations. Segment profit represents gross profit plus service income and certain gains/losses, after deducting selling expenses and expected credit loss impairments.

Industry growth remains modest, driven by replacement demand, while rising production and compliance costs create margin pressure. Price-sensitive consumers in mature markets may delay upgrades or shift to lower-cost models, and regional competitors intensify pricing pressures. To mitigate risks, the Group has diversified its manufacturing footprint across India, Vietnam, and Mexico.

In recent years, the Group has continued to allocate resources toward geographic diversification and the expansion of its customer base and product portfolio beyond legacy mobile phone solutions. Strategic focus has been placed on higher-margin sectors, including automotive electronics, particularly in the European market. In 2025, sales in the Asia segment declined due to the discontinuation of low-margin businesses, changes in customer outsourcing strategies, and intense local competition, although margins improved slightly. Sales contributions from Europe and the Americas increased, reflecting the Group's resource allocation to higher-margin sectors, including automotive electronics, and the development of new customer relationships across broader electronic product portfolios in Europe and other regions. These initiatives enhanced revenue resilience and reduced reliance on any single market.



REPORT OF THE DIRECTORS *(Continued)*

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Review of Results and Operations *(Continued)*

Geographical Segments *(Continued)*

Asia Segment

The Group's Asia segment comprises its principal regional markets – Chinese Mainland, Taiwan, and India – all of which faced challenges during the period. Revenue for the Asia segment in the current period amounted to US\$2,363.0 million, representing a decrease of US\$234.5 million, or 9.0%, from US\$2,597.5 million in the same period last year. The decline was mainly attributable to the India and Taiwan sub-segments. The transaction with a major customer was terminated in September 2024, and sales to an India telecom operator declined. In addition, sales to Hon Hai also decreased.

In spite of decline in revenue, the segment reported a profit of US\$43.4 million, compared with a profit of US\$38.6 million in the same period last year. This is because the profit margin showed a slight improvement, primarily due to the termination of low-margin domestic businesses in China and India, which helped offset the negative impact of reduced shipment volumes.

China

Prolonged replacement cycles, a maturing market, and slower 5G upgrades continued to constrain volume growth. Customers adopted more conservative procurement and inventory strategies, while competition from cost-efficient local players reduced order visibility and pressured margins. In response, the Group rationalised its portfolio by discontinuing low-margin activities and focusing on a healthier mix of products, customers, and revenue streams. Sales to Chinese domestic brands declined further. Despite the government's "trade-in" subsidy program launched in the first half of the year to stimulate consumption, demand remained weak. In particular, a major customer transitioned its production to new manufacturing partners in Chinese Mainland and India in 2024 and is no longer regarded as a key customer of the Group.

Regarding Sharp phone manufacturing in Japan, Sharp faces strong competition from global and Chinese brands in a saturated market with rapidly changing consumer preferences. As a strategic partner, the Group supported Sharp through competitive ODM production and robust New Product Introduction ("**NPI**") and automation capabilities. However, due to the persistent shortage of key memory components, sales to this business recorded a year-on-year decline, despite the operational efficiencies achieved.

The Group also continued providing consumer electronics manufacturing services to Hon Hai. Amid a volatile macroeconomic environment and weaker end-market demand, a U.S.-based Hon Hai customer (e-readers and smart speakers) tightened procurement and budgets. Industry competition intensified as peers expanded capabilities and invested in new technologies, while some new-generation products faced component constraints and reduced promotional support. Consequently, the segment experienced margin pressure and a year-on-year sales decline.

REPORT OF THE DIRECTORS *(Continued)*

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Review of Results and Operations *(Continued)*

Geographical Segments *(Continued)*

Asia Segment *(Continued)*

India

India continues to see a decline in sales as the Group has decided to exit the poor margin business and the drop in domestic demand for 5G implementation, has led to further decline in domestic sales. The Group has been scouting for U.S. brands with higher margins, as competing with local EMS players with low margin brands/products will continue to erode the bottom line. The groups factories in Vietnam and India provide some insulation from the U.S. tariff war.

The decline in demand in the Asia segment has directly affected asset and capacity utilisation, necessitating ongoing efficiency enhancements, site consolidation, and asset disposals to maintain a lean and asset-light structure. During the period, the Group continued to assess the need to right-size indirect labour. The external environment remains challenging and may continue to affect the performance and recovery of the Asia segment.

Europe Segment

The Europe segment recorded revenue of US\$1,936.2 million in the current period, up US\$761.6 million, or 64.8%, from US\$1,174.6 million last year, with profit rising to US\$67.3 million from US\$25.6 million. Growth was driven by higher demand from a major U.S.-based Internet customer in Europe, new automotive electronics clients, and other recently developed customers. Strong demand for ESL tags and concentrated purchase volumes for a data module customer were supported by the Group's NPI resources and automation capabilities, enabling rapid scaling while maintaining production quality.

The Group continues to accelerate its presence in the automotive electronics sector, supported by strong year-over-year sales growth in 2025. Building on more than 20 years of design experience in mobile devices and telecommunications products, the Group has strengthened its capabilities by applying these core technologies to a broad range of automotive electronic components and solutions. Our objective remains to provide global automotive OEMs with faster, more flexible, and higher-quality solutions than traditional vendors. Leveraging our antenna design expertise, we have demonstrated strong capabilities in TCU Telematics Box development by integrating traditionally dispersed antennas into compact Shark Fin or Conformal antennas. Our advanced thermal design ensures reliable performance in harsh environments, while our software integration expertise supports communication reliability and network security in modern vehicles.

In 2025, the Group made solid progress in expanding its automotive customer portfolio. In addition to maintaining stable mass production for an existing global automobile manufacturer, the Group secured several new customers with multiple projects underway, resulting in a more diversified customer base. This strong customer endorsement reflects the Group's design strength, engineering depth, and manufacturing excellence in automotive electronics.



REPORT OF THE DIRECTORS *(Continued)*

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 China and Vietnam to a major U.S.-based Internet customer, alongside after-market services. This customer's expansion strategy and enhanced smartphone product line drove stronger shipments across multiple markets despite industry headwinds. The Group maintains a long-term partnership, providing engineering and manufacturing support for premium smartphones. To mitigate regional concentration risks, it leverages geographic advantages and operational excellence.

The service business covers reverse logistics, repair, refurbishment, and manufacturing in the U.S. and Mexico, delivering integrated, end-to-end solutions across the product life cycle.

Revenue in the America segment reached US\$2,358.4 million, up US\$427.5 million, or 22.1%, from US\$1,930.9 million last year. Anticipating possible U.S. tariff increases on Chinese imports, some customers accelerated shipments in the first half of 2025, pulling forward orders. The 90-day pause on smartphone tariffs boosted short-term demand as customers prepared for potential cost increases. Consequently, sales momentum rose in the first half and peaked in the third quarter, the Group's seasonal high.

The Group has upgraded its Mexico site to meet rising demand and capitalise on the USMCA (United States-Mexico-Canada Agreement) free trade agreement. It is scaling capacity for "Made in America" solutions and targeting opportunities in medical and automotive sectors, with Mexico pursuing IATF 16949 certification for automotive devices and the Dallas site ISO 13485 for medical devices, enabling end-to-end solutions for these industries.

As a result of the sales growth and cost control, segment profit rose to US\$88.3 million, up from US\$55.3 million for the same period last year. 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.

Investments

The Company has formulated and adopted the Delegation of Authority of the Board on 13 December 2012 as amended and supplemented from time to time by the Board (the "**Board's Delegation**"), among which, the Board has delegated any two executive directors of the Company to approve any transactions which do not constitute notifiable and/or connected transactions of the Company or are otherwise required to be disclosed under the Listing Rules.

The investments mentioned below had been duly reviewed, confirmed and approved by the executive directors of the Company pursuant to the Board's Delegation.

On the basis that the value of each of the investments mentioned below as of 31 December 2025 was less than 5% of the Group's total assets as at 31 December 2025, the Company does not consider any such investment as a significant investment for the purposes of the Listing Rules.

REPORT OF THE DIRECTORS *(Continued)*

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Review of Results and Operations *(Continued)*

Investments *(Continued)*

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 Global Oy ("**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 utilised in the conduct of such feature phone business, at a total consideration of US\$350 million (US\$20 million of which was payable by HMD).

In 2018, the Group made a cash investment of US\$61.9 million in HMD and purchased US\$38.3 million worth of HMD's convertible bonds in August 2020 which was deemed to be settled through outstanding receivables of an equivalent amount. The convertible bonds were subsequently fully converted and, together the Group holds approximately 14.38% of HMD's total issued shares.

With reference to the valuation carried out by independent professional valuers, the management assessed the fair value of the Group's investment in HMD as at 31 December 2025 and recognised a revaluation adjustment and impairment loss accordingly.

Other Investments

For exploring more opportunity and business, 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.

Leveraging the combined resources and industry experience, Mobile Drive Group focuses on the integration of software and hardware for smart cockpit and in-vehicle infotainment systems. The company possesses capabilities in vehicle-grade system development, mobile device ecosystem integration, and multimedia platform integration, supported by the application of AI in software-defined vehicle architectures, enabling it to deliver comprehensive in-vehicle solutions that meet the evolving requirements of global automotive OEMs. The Group continues to serve as a key strategic partner, providing support in hardware manufacturing and system integration.

Gengde electronics Co., Ltd. ("**Gengde**"), founded in 2009 in Chinese Mainland, specialises in design and processing of components and moulds for smartphones, laptops, and wearable devices, a key supplier for leading smartphone brands in Chinese Mainland. In 2015, the Group invested approximately US\$4 million in Gengde through equipment valuation. In 2025, Gengde recorded year-on-year revenue growth; however, net profit declined due to intensified competition within the consumer electronics supply chain in China. As of 31 December 2025, the Group holds a 23.87% stake on a fully diluted basis.



REPORT OF THE DIRECTORS *(Continued)*

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. 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. 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.

The Group also made certain investments in other companies designated as FVTOCI mainly in Chinese Mainland, India and U.S. in the past few years, aiming to enhance the Group's long-term competitiveness and technological capabilities.

Augentix Inc ("**Augentix**"), founded in 2014 in Taiwan, is a fabless multimedia System-on-Chip ("**SoC**") design company specialising in proprietary algorithms for intelligent vision applications, with products widely adopted across home IoT, professional IP cameras, and consumer surveillance by leading global brands. The Group invested around US\$0.7 million in Augentix by subscribing Augentix's convertible note which has been fully converted to common shares in November 2020. In 2025, Qualcomm acquired 100% of the equity interests of Augentix, allowing the Group to successfully exit its investment and no longer hold any equity interest in Augentix.

Xiaoqu Technology ("**Xiaoqu**") is an AI-driven provider of intelligent control solutions for commercial building spaces, offering integrated hardware and SaaS-based systems to enable digital management of building environments. As of the end of 2025, the company's solutions had been deployed across more than 500 large-scale commercial complexes nationwide, serving over 3,000 commercial clients, and generating total revenues of approximately RMB130 million, representing over 20% year-on-year growth. As of 31 December 2025, the Group holds a 9.50% stake on a fully diluted basis.

AceVector Limited ("**AceVector**", formerly known as Snapdeal) is a digital commerce company. The Group invested approximately US\$200 million in AceVector in 2015. AceVector progressed its public listing preparation by filing a confidential Draft Red Herring Prospectus with the Securities and Exchange Board of India in July 2025, followed by the submission of an Updated Draft Red Herring Prospectus in December 2025. As of 31 December 2025, the Group held an approximately 3.80% equity interest in AceVector on a fully diluted basis.

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; favourable long-term growth prospects; and cultural fit with the Group.

As at 31 December 2025, the fair value of the Group's equity investments designated as FVTOCI was US\$36.5 million, which represented 1.0% of the Group's total assets.

Save as disclosed in this report, the Group had no significant investments, or material acquisition and disposal of subsidiaries, associates and joint ventures during the current period.

REPORT OF THE DIRECTORS *(Continued)*

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 employment, anti-bribery, environmental protection, 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) across its principal operating segments, namely Asia, America, and Europe. In particular, the Group's legal structures and 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 considerations and applicable legal/regulatory requirements in the relevant jurisdictions. The Group's major operating subsidiaries fall under different tax regimes in Chinese Mainland, Taiwan, India, Vietnam, Mexico, and the United States, where different tax laws, regulations, as well as specific concessionary incentives apply.

The Group takes into account relevant laws and regulations on global transfer pricing to ensure the efficiency and sustainability of its operating models and global tax footprint, as well as to maintain adequate tax risk management. During the current period, apart from the following, 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 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, as well as fulfilling the relevant documentation requirements stipulated by the local transfer pricing rules, global minimum taxation rules under Pillar Two, and Country-by-Country Reporting ("**CbCR**") obligations in the jurisdictions where the Group operates. The Group falls within the CbCR scope and the Pillar Two scope of the Company's ultimate controlling shareholder, Hon Hai, for such purposes. Of particular relevance under Pillar Two, the Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025 was enacted in Hong Kong on 6 June 2025 to implement the Global Anti-base Erosion ("**GloBE**") rules and the Hong Kong Minimum Top-up Tax ("**HKMTT**"). The Income Inclusion Rule under the GloBE rules and the HKMTT have taken effect for fiscal years beginning on or after 1 January 2025.

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 Chinese Mainland, India and Vietnam are highlighted and summarised below. These jurisdictions are considered, having regard to the scale of business and operations as well as the number of employees, factory units and office units, to have comparatively significant impacts on the Group's overall business and operations. The Group will also consider including Mexico and the relevant states within Mexico in future periods.



REPORT OF THE DIRECTORS *(Continued)*

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Review of Results and Operations *(Continued)*

Compliance with Relevant Laws and Regulations *(Continued)*

Chinese Mainland

The Chinese Mainland Value-Added Tax (“**VAT**”) Law and its Implementing Regulations took effect on 1 January 2026. Key changes include clearer definitions of taxable transactions, expanded electronic invoicing, separate VAT disclosure, options to retain or refund excess input VAT, and clarification of non-deductible input tax. The new regime may affect business operations, and the Group’s Chinese Mainland subsidiaries will monitor detailed rules and adjust practices to ensure compliance.

The revised Chinese Mainland Company Law and related Regulations, effective from 1 July 2024, introduced significant changes to corporate governance, capital contribution, and management responsibilities. The Group’s Chinese Mainland subsidiaries, including foreign-invested enterprises (“**FIEs**”), are required to update their governance structures and constitutional documents, which may increase compliance costs.

A compulsory company deregistration regime has been introduced, allowing authorities to deregister companies that fail to apply for deregistration for three years after license revocation or closure. The Group will regularly review and appropriately deregister dormant entities.

The Foreign Investment Law (“**FIL**”) and its Implementing Regulation remain in force. FIEs established before 30 June 2024 are subject to transition periods, while newly established FIEs must comply with updated capital contribution requirements. The Group continues to assess the impact of these laws and implement appropriate compliance measures.

India

The Digital Personal Data Protection (“**DPDP**”) Rules, 2025, operationalise the DPDP Act, 2023, with phased implementation over 12-18 months. The Group will align internal policies, focusing on the sharing and transfer of personal data across entities, and monitor industry practices.

Vietnam

Vietnam has implemented Global Minimum Tax rules under Resolution No. 107/2023/QH15 and Decree 236/2025/ND-CP, effective from fiscal year 2024. Large multinational enterprises with consolidated revenues of at least €750 million are subject to a 15% minimum tax and may be required to pay top-up tax if their effective tax rate is below this threshold. This may increase the Group’s tax burden in Vietnam.

The temporary reduction of VAT from 10% to 8% has been extended through 2026, allowing the Group’s Vietnamese subsidiaries and customers to continue benefiting from lower VAT costs. Meanwhile, Vietnam’s regional minimum wage will increase by approximately 7.2% from 1 January 2026, which may raise labour costs, although the overall impact is expected to be limited as current entry-level salaries already exceed the minimum wage.

Vietnam’s Personal Data Protection Law, effective 1 January 2026, introduces stricter requirements on data processing and cross-border data transfers, with penalties of up to 5% of prior-year revenue for serious violations. Enterprises must enhance data governance to ensure compliance.

In addition, Vietnam will restructure local administrative units in 2025, which may increase short-term compliance costs but is expected to improve administrative efficiency in the long term.

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

REPORT OF THE DIRECTORS *(Continued)*

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Share Consolidation

Pursuant to an ordinary resolution passed at the Company's annual general meeting held on 16 May 2025, the share consolidation (the "**Share Consolidation**") on the basis of every ten (10) issued and unissued shares of a par value of US\$0.04 each in the then existing share capital of the Company be consolidated into one (1) consolidated share of a par value of US\$0.40 each in the existing share capital of the Company became effective on 20 May 2025. For details, please refer to the Company's announcements dated 10 April 2025 and 16 May 2025 and the Company's circular dated 17 April 2025.

Change of the Board of Directors

The following changes are with effect from 31 October 2025:

1. Mr. CHIH Yu Yang has retired as an executive director, the Chairman of the Board, the chairman of the corporate governance committee and the authorized representative of the Company; and
2. Mr. HUANG Ying Shih has been appointed as a non-executive director, the Chairman of the Board, the chairman of the corporate governance committee and the authorized representative of the Company.

For details, please refer to the Company's announcement dated 31 October 2025.

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 and ensure compliance with financial reporting standards.

As at 31 December 2025, the Group had a cash balance of US\$1,007 million (31 December 2024: US\$1,516 million) and bank deposits of US\$346 million (31 December 2024: US\$169 million). Free cash flow, representing the net cash from operating activities of US\$108 million (31 December 2024: net cash from operating activities of US\$362 million) minus capital expenditure of US\$187 million (31 December 2024: US\$125 million), was US\$79 million outflows (31 December 2024: US\$237 million inflows). 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\$108 million (31 December 2024: US\$341 million) over total assets of US\$3,744 million (31 December 2024: US\$3,822 million), stood at 2.9% (31 December 2024: 8.9%). All external borrowings were denominated in USD (31 December 2024: USD). The Group borrowed as per actual demand, with no committed bank borrowing facilities and no seasonality of borrowing requirements. To reduce our bank loans and thereby lower interest expenses, we will increase engagement in global cash management. This involves repatriating funds from subsidiaries without new investment plans back to the parent company. Before repatriating profits from Chinese or overseas subsidiaries, the Group will comply with the applicable local laws and pay the required taxes. The outstanding interest-bearing external borrowings were all at a fixed rate ranging from 4.06% to 4.12% (31 December 2024: fixed rate ranging from 4.90% to 5.15%) per annum, with an original maturity of one to two months (31 December 2024: one month). As at 31 December 2025, the Group's cash and cash equivalents were predominantly held in USD, RMB and INR (31 December 2024: USD, RMB and INR).



REPORT OF THE DIRECTORS *(Continued)*

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Liquidity and Financial Resources *(Continued)*

Net cash from operating activities during the current period totalled US\$108 million. Net cash used in investing activities during the current period was US\$361 million, of which, mainly comprising, US\$187 million in the expenditures on property, plant and equipment related to the facilities at the Group's major sites in Chinese Mainland, Vietnam and India; US\$184 million in net cash outflow to bank deposits; US\$0.6 million for the purchase of equity instruments at fair value through other comprehensive income (FVTOCI), US\$9 million in proceeds from the disposal of property, plant and equipment and US\$1 million in proceeds from disposal of equity instruments at FVTOCI. Net cash used in financing activities during the current period was US\$277 million, primarily due to a net decrease in bank borrowings of US\$233.1 million, payments for the repurchase of ordinary shares amounting to US\$14.9 million, interest paid on bank borrowings of US\$25.3 million, and repayment of lease liabilities and interest on lease liabilities totalling US\$3.5 million.

Exposures to Currency Risks and Related Hedges

As the U.S. Federal Reserve continues to raise interest rates to curb inflationary pressures, the U.S. inflation rate has now approached its target level. However, given market expectations that the Federal Reserve will cut rates in 2026, the U.S. Dollar Index has entered a downward trend. 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 2025, the capital commitments of the Group were US\$47 million (31 December 2024: US\$22 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 2025 and 31 December 2024.

Contingent Liability

There was no material contingent liability for the Group as at 31 December 2025 and 31 December 2024.

Donations

For the year ended 31 December 2025, the Group made donations for charitable or other purposes to a total amount of approximately US\$10,100 (31 December 2024: approximately US\$8,600).

Outlook and Industry Dynamics

Industry Dynamics

Macroeconomic Headwinds

The global economic landscape for 2026 is characterised by persistent macroeconomic uncertainty, evolving trade policies, and fiscal pressures. According to United Nations' World Economic Situation and Prospects published in January 2026, global growth is projected at 2.7%, remaining below the 3.2% pre-pandemic benchmark. While ongoing disinflation and monetary easing are expected to reduce financing costs and bolster domestic demand, heightened policy volatility continues to dampen business and consumer sentiment.

REPORT OF THE DIRECTORS *(Continued)*

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Outlook and Industry Dynamics *(Continued)*

Industry Dynamics *(Continued)*

Macroeconomic Headwinds *(Continued)*

In 2025, the ODM/OEM/EMS industry faced geopolitical and supply chain turmoil. While U.S. tariff uncertainties drove early revenue growth through strong pull-in momentum, the latter half of the year was disrupted by severe DRAM and NAND shortages fuelled by high AI demand. These supply constraints and surging component prices forced OEMs, particularly in the margin-sensitive low-end market, to adjust pricing or product specifications.

Simultaneously, the industry continues its digital transformation processes. Smart manufacturing, powered by AI, robotics, and IoT, has revolutionised operational efficiency and flexibility. However, high implementation costs, talent shortages, and cybersecurity risks remain persistent obstacles. Furthermore, the push for sustainability and green manufacturing requires the industry to adopt renewable energy and circular practices, though adoption is often tempered by regulatory pressures and supply chain complexities.

In response, the Group has implemented a comprehensive strategy to maintain its competitive edge. By accelerating AI integration and developing advanced industrial robotics, the Group continues to enhance production efficiency and factory intelligence. Its strategic global footprint effectively mitigates geopolitical risks, while stringent cost management and real-time economic monitoring ensure operational resilience. Committed to sustainability, the Group continues to expand investments in green technologies, delivering energy-efficient solutions that reduce both operational costs and carbon emissions for its customers.

Business Related Market Outlook

Smartphone Market Outlook

According to the International Data Corporation (“IDC”) report published in January 2026, global smartphone shipments in 2025 increased by 1.9% year-over-year to 1.26 billion units. This growth was largely supported by a 2.3% surge in the fourth quarter of 2025, primarily driven by demand for premium and foldable devices and accelerated pull-in demand as consumers anticipated upcoming price hike. As for 2026 forecast, the IDC report revealed in February 2026, global smartphone shipments are now expected to drop by 12.9% year-over-year to 1.12 billion units. This marks the third downward revision from the 1.2% growth forecast issued in August 2025. The revision reflects a combination of product cycle adjustments and escalating component costs within the memory supply chain, with the low end Android market expected to be the most heavily impacted. Furthermore, IDC’s Research Director noted that the memory crisis is unlikely to result in merely one year decline. Instead, it may fundamentally reshape the industry’s long-term total addressable market, influencing both the competitive vendor landscape and overall product mix. To mitigate these impacts, the Group has proactively optimised its supply chain management by implementing strategic inventory buffering and enhancing demand forecasting. By fostering closer collaborations with key upstream suppliers, we ensure a stable supply of critical components to meet customer delivery schedules.



REPORT OF THE DIRECTORS *(Continued)*

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Outlook and Industry Dynamics *(Continued)*

Business Related Market Outlook (Continued)

Automotive Electronics Market Outlook

The automotive industry is rapidly pivoting toward electrification, software-defined vehicles (SDVs), and broader AI adoption. According to the McKinsey Center for Future Mobility, the automotive software and electronics market is projected to reach US\$519 billion by 2035, growing at a 4.5% CAGR. This transition necessitates a shift toward zonal and centralised computing architectures to support scalable features like Over-The-Air (“OTA”) updates and generative AI integration.

Leveraging the Group’s core competencies in independent design and system integration, it has expanded its portfolio to include TCUs, IVI systems, and AI-enabled ADAS, etc. Notably, the Group’s High-Performance Computing (HPC) solutions integrates flagship SoCs for both Smart Cockpit and ADAS into a single robust unit, playing a vital role in advancing automakers’ SDV strategy. This centralised approach significantly reduces system complexity while enhancing data processing efficiency.

Despite the above-mentioned highly favourable trends, the industry still faces headwinds from policy shifts and supply chain volatility including EU’s eased 2035 combustion engine ban and DRAM shortages driven by AI prioritisation are expected to continue impacting global automakers through 2026.

Robotics Market Outlook

The global robotics industry is entering a new phase of structural growth, driven by persistent labour shortages, increasing operational complexity, and rapid advancements in AI. According to the International Federation of Robotics, global industrial robot installations continue to expand, while the adoption of service robotics is accelerating across logistics, healthcare, and commercial applications.

Against this backdrop, the Group’s robotics development strategy focuses on application-driven system integration rather than isolated components, which has supported customers in establishing tailor-made automated production lines, several of which entered mass production earlier this year.

Beyond manufacturing applications, the Group has developed an AI-enabled robotic sorting solution designed to replace labor-intensive manual processes. In recent proof-of-concept trials with a leading recycling operator in North America, the solution demonstrated sorting accuracy exceeding 90%, and has since been deployed at multiple recycling sites in the United States.

REPORT OF THE DIRECTORS *(Continued)*

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Outlook and Industry Dynamics *(Continued)*

Risk and opportunities in 2026

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 combination of component shortages and product cycle adjustments 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 the escalating conflicts 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) Mobile phones have become increasingly commoditised and specifications more standardised. Lower technological and operational entry barriers have led to a growing number of global and regional ODM/OEM players entering the contract manufacturing market. At the same time, the number of major brand customers has continued to consolidate. These structural changes have intensified market competition, resulted in surplus production capacity across the industry, and weakened manufacturers' bargaining power with customers. Consequently, persistent pricing pressure has been sustained, leading to significant gross margin erosion for the Group.
- (II) The sales recovery of the Group has been constrained by already challenging smartphone market conditions, which have been exacerbated by memory supply constraints arising from a combination of component shortages and product cycle adjustments, as well as extended phone replacement cycles, and the incremental upgrades in hardware and features that make differentiation harder, thereby intensifying competition. As a result, competitive pressure has intensified further, limiting both volume growth and pricing flexibility.
- (III) Coupled with these challenges, the automotive industry segment is encountering significant headwinds, driven by the aggressive price competition and advancement in EV from Chinese brands. Chinese government support and cost-effective production have led to market oversupply and intense pricing pressure and this dynamic has not only constrained the Group's potential for growth and profitability but also presents a considerable risk of margin compression.



REPORT OF THE DIRECTORS *(Continued)*

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Outlook and Industry Dynamics *(Continued)*

Risk and opportunities in 2026 *(Continued)*

Customer Related Risk Factors

- (I) Some customers may insource previously outsourced production or reallocate future orders to optimise internal capacity and reduce costs. The increasing frequency of such shifts — whether through insourcing, diversion of business to competitors, or intensified pricing negotiations — may result in reduced sales volumes and necessitate further restructuring or organisational streamlining. In a market characterised by excess manufacturing capacity, subdued and shrinking demand, and heightened competition, maintaining bargaining power with key customers remains challenging. Moreover, aggressive pricing competition from peers, particularly in Chinese Mainland and India, continues to compress margins and limit revenue growth potential. These dynamics pose ongoing risks to the Group's profitability, market share, and operational stability.
- (II) Customer concentration poses risks, as the Group strategically works to improve its customer portfolio, the Group lost customers. Those changes led its factories to become increasingly underutilised, and the Group has already been consolidating the sites.

The Group is actively developing new customers and products, diversifying beyond mobile phones into new areas with strong growth potential. However, building relationships with new customers carries inherent risks, as their untested products may fail to gain market acceptance, potentially affecting demand forecasting and inventory planning. Furthermore, many emerging technology fields are often driven by startups, whose financial conditions may present credit risks. The Group closely monitors credit exposure, payment delays, and potential default risks to mitigate these challenges.

- (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 established an information and cybersecurity policy to protect financial data and business information. Employees must follow the IT department's handbook to manage cybersecurity risks and maintain proper network controls. The IT department has also implemented procedures for immediate response in the event of a cyber-attack. All computer servers operate within an intranet protected by a redundant firewall architecture. A Global Security Operations Centre continuously monitors the network for potential threats, and the IT department issues monthly reports on cyber incidents. Additionally, a disaster recovery plan is in place to ensure rapid, effective response, minimise impact, and maintain business continuity.
- (II) The Group continues to face financial impacts from underutilised and unutilised assets. As part of ongoing rightsizing and restructuring, it is implementing site consolidation and potential asset disposals to improve utilisation, cost efficiency, and overall financial health.

REPORT OF THE DIRECTORS *(Continued)*

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Outlook and Industry Dynamics *(Continued)*

Risk and opportunities in 2026 *(Continued)*

Other Risk Factors *(Continued)*

- (III) Market, legal, regulatory, and tax changes, including dividend withholding requirements, may affect the Group. Dividends are remitted to parent companies in compliance with applicable tax regulations, with relevant withholding taxes settled accordingly.
- (IV) A significant amount of dividend withholding tax will be incurred when a substantial dividend is distributed from a tax jurisdiction.
- (V) 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 was effective in certain jurisdictions in which the Group operates, such as Vietnam, and the current income tax exposure was assessed to be immaterial.

From 1 January 2025 and onwards, several other jurisdictions in which the Group operates have also effected the Pillar Two legislation, including Hong Kong. The implementation of Hong Kong Minimum Top-up Tax and Income Inclusion Rule ("IIR") in Hong Kong has brought the entire Group under Pillar Two. 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) that are either subject to Qualified Domestic Minimum Top-up Tax or the IIR under Hong Kong. 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. The Group has made the necessary Pillar Two current tax provision for the current period, and would continue to actively monitor, 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 the year of 2025, the Group witnessed promising business progress in smart manufacturing, automotive electronics, and manufacturing equipment/robotics business categories. Beyond the successful mass production and shipment of the TCU, the Group has expanded its portfolio of automotive solutions to include cutting-edge products such as smart cockpit, ZCU, HPC, and been in discussion with existing and new automotive brand customers.

The AI expertise and automation technology the Group has developed over decades of manufacturing experience will provide a competitive advantage as it expands into other industries. Furthermore, the Group continued to advance its LEO (Low Earth Orbit) UT (User Terminal) efforts by expanding into Ka-band UT development based on its existing Ku-band UT capabilities and conducting field trials to validate product reliability and stability. 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.



REPORT OF THE DIRECTORS *(Continued)*

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Outlook and Industry Dynamics *(Continued)*

1H 2026 Outlook

In the dynamic and competitive business environment of 2025, the Group, supported by the Board and management, has re-evaluated its core strengths and implemented a series of strategic initiatives. These include product and customer diversification, proactive optimisation of the customer portfolio, continuous investment in R&D capabilities, and enhancements to business operations and operational efficiency. Such initiatives are designed to maintain a lean operating structure, reduce general and administrative expenses, and improve margin performance and the overall quality of earnings. The factors set out in the “Discussion and Analysis” section above are expected to continue to have an impact on the Group’s performance in the 1H 2026.

Management notes early internal operational indicators, the Group observes improvements in gross margin parameters following the proactive exit from unprofitable or low-margin businesses and the optimisation of its customer portfolio, ongoing operating expense control, site consolidation and efficiency improvements, though the exit from low-margin activities and site consolidation may involve non-recurring costs and operational transition risks that could partially offset near-term benefits. The magnitude and materiality of such improvements remain under assessment. Management currently expects year-on-year improvement may be achievable in the 1H 2026, subject to market demand, component supply, tariff developments, and other risk factors described below.

From a business development perspective, the Group has actively expanded into growth areas such as automotive electronics, manufacturing equipment/robotics, and next-generation communication technologies. In response to the rapid advancement of AI, the Group is strategically focusing on the development of Edge AI devices, leveraging its extensive expertise and deep understanding of mobile devices and automotive electronics. It continues to invest in both mid- and long-term technology advancement, automation capacity to meet customer demand, and overseas production to mitigate U.S. tariff risks. Additionally, efforts to develop new customers across industries are helping diversify both its product and customer base. R&D investment will be strategically allocated in alignment with the Group’s medium- to long-term development priorities, with balanced focus on both time horizons. Taken together, these initiatives are expected to yield positive outcomes in the coming years, including continued improvements in the Group’s 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 2026) certain unaudited consolidated financial information of the Group for the first three months ending March 2026, and upon such disclosure in Taiwan, the Company will timely announce the same financial information in Hong Kong to ensure equal and timely dissemination of information to investors and potential investors in both markets, in accordance with Part XIVA of the SFO and Chapter 13 of the Listing Rules.

REPORT OF THE DIRECTORS *(Continued)*

BUSINESS REVIEW *(Continued)*

Discussion and Analysis *(Continued)*

Outlook and Industry Dynamics *(Continued)*

1H 2026 Outlook *(Continued)*

The Company wishes to take this opportunity to reiterate 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. The macroeconomic environment in the 1H 2026 will likely remain uncertain and challenging, characterised by persistent memory supply shortages and potential unforeseen changes in tariff impositions that could further impact costs, intensifying geopolitical tensions, handset demand, tax payment, market dynamics, and global economy. In addition, new and unpredictable risks, challenges and threats may emerge from time to time, and 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 that are not presently known to the Company or not currently viewed as material might also adversely affect the Group's business, cash flows, results of operations and financial condition. Forward looking statements in this section are based on current assumptions regarding customer mix, cost environment, and execution of site consolidation and efficiency programs. Actual outcomes may differ materially due to macroeconomic and industry factors. The Company does not undertake to update these statements except as required by law.

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



REPORT OF THE DIRECTORS *(Continued)*

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 the Group's ESG-related performance, strategies, policies, targets, regulations and quarterly progress; to establish and implement ESG development plans which are integrated with the Group's operational strategy; to oversee 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 for review on a quarterly basis. 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 timely and comprehensive understanding of the Group's ESG-related matters and enable it to provide appropriate guidance, instructions, and/or comments to the ESG Committee for further action.

Sustainable Operational Goals and Strategies

The Group's business strategy is firmly grounded in the values of sustainable development, as awareness of ESG issues continues to rise on the global agenda, including customers' decarbonisation pledges, employee human right with welfare and supply chain expectations. A robust corporate governance framework is essential to drive sustainable initiatives whilst taking the interests of all key internal and external stakeholders, namely employees, customers, suppliers, shareholders/investors, government authorities, non-governmental organisations/charities and media into account. The Group is committed to the United Nations Sustainable Development Goals ("UNSDGs"), the Science Based Targets initiative ("**SBTi**"), Climate Action 100+, and RE100, and has taken proactive steps to advance sustainable management. To this end, the Group has been developing ESG development strategies and implementation plans, as well as enhancing specific targets across the three key pillars of "Environment", "Social" and "Governance". More detailed and up-to-date sustainability targets of the Group are disclosed in the Company's 2025 ESG Report.

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.

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.

REPORT OF THE DIRECTORS *(Continued)*

BUSINESS REVIEW *(Continued)*

Environmental Policies and Performance *(Continued)*

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

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 ISO 14001 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 SBTi and Climate Action 100+. By joining these initiatives, 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.

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 2025, the Group’s eight operational sites obtained UL 2799 (Zero Waste to Landfill) certificates, demonstrating its commitment to improved waste management.



REPORT OF THE DIRECTORS *(Continued)*

BUSINESS REVIEW *(Continued)*

Environmental Policies and Performance *(Continued)*

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 Risk Management Team (the “**RM 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 RM 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.

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.

REPORT OF THE DIRECTORS *(Continued)*

BUSINESS REVIEW *(Continued)*

Environmental Policies and Performance *(Continued)*

Major Annual Achievements

As a result of the Group's continuous efforts, the following major achievements have been realized or are currently underway during the current period:

- (a) The Group was rated as "Low Risk" (12.5) in the 2025 Sustainalytics ESG Risk Rating;
- (b) Eight factories – four in the PRC, two in Vietnam, one in Mexico, and one in Taiwan – have obtained the UL 2799 (Zero Waste to Landfill) certificates, with seven factories achieving the Platinum level and one factory achieving the Gold level. As of the end of the reporting period, these certificates remain valid;
- (c) The Group has responded to the CDP Climate Change and Water Security questionnaires since 2023 and maintained a B grade in both categories in the CDP 2025 questionnaire cycle;
- (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 has obtained ISO 37001 (Anti-Bribery Management Systems) certifications; and
- (i) Four of the Group's factories in the PRC, Vietnam, and Mexico have successfully completed the RBA VAP audit program. As of the end of the reporting period, these audit results remain valid.

2025 ESG Report

For details, please refer to the Company's separate 2025 ESG Report as issued and published simultaneously upon the issuance and publication of the 2025 annual report incorporating this report of the directors.



REPORT OF THE DIRECTORS *(Continued)*

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 83.

DISTRIBUTABLE RESERVES

As at 31 December 2025, the Company's reserves available for distribution to shareholders amounted to approximately US\$1,190,495,000.

SHARE CAPITAL

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

Pursuant to an ordinary resolution passed at the Company's annual general meeting held on 16 May 2025, the Share Consolidation on the basis of every ten (10) issued and unissued shares of a par value of US\$0.04 ("**Old Shares**") each in the then existing share capital of the Company be consolidated into one (1) consolidated share of a par value of US\$0.40 ("**Shares**" or "**shares**") each in the existing share capital of the Company became effective on 20 May 2025. For details, please refer to the Company's announcements dated 10 April 2025 and 16 May 2025 and the Company's circular dated 17 April 2025.

During the current period and up to the date of this report of the directors, pursuant to the Buy-back Mandates (as defined in the Company's circulars dated 19 April 2024 and dated 17 April 2025 respectively) duly approved by the Company's shareholders at the Company's annual general meetings held on 22 May 2024 and 16 May 2025 respectively, the Company bought back in multiple batches a total of 8,916,000 Shares which were held as treasury shares of the Company (the "**Treasury Shares**", as defined under the Listing Rules) in accordance with the Articles. All these 8,916,000 Treasury Shares had been withdrawn from Central Clearing and Settlement System and re-registered in the Company's name during the current period and before the end of February 2026 respectively, of which 734,186 Treasury Shares were transferred to Mr. CHIH Yu Yang, former executive director and Chairman of the Board of the Company, to satisfy the 734,186 share awards vested on 31 October 2025 due to retirement in accordance with the share scheme of the Company (the "**Share Scheme**") as adopted by the Company's shareholders on 19 May 2023 and amended by the Board on 7 March 2025. Accordingly, 8,181,814 Treasury Shares (which will not be entitled to receive any dividend) were held by the Company as of the date of this report. The Company intends to use the Treasury Shares for (i) satisfying the grant of share awards under the Share Scheme of the Company, and/or (ii) future re-sale for capital management. For more details, please refer to the section headed "Purchase, Redemption or Sale of Listed Securities of the Company" below of this report of the directors.

There were 7,673,814 Treasury Shares and 8,181,814 Treasury Shares held by the Company as of 31 December 2025 and the date of this report of the directors, respectively.

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

REPORT OF THE DIRECTORS *(Continued)*

FINANCIAL SUMMARY

A financial summary of the results of the Group for the last five financial years is set out on page 149.

DIRECTORS

The directors of the Company during the current year under review and up to the date of this report of the directors are:

Executive Directors

LIN Chia-Yi (also known as Charles LIN) (*Chief Executive Officer*)

KUO Wen-Yi

CHIH Yu Yang (*former Chairman of the Board*) (*retired on 31 October 2025*)

Non-executive Directors

HUANG Ying Shih (also known as Philip HUANG) (*Chairman of the Board*) (*appointed on 31 October 2025*)

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)

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.

For further details, please refer to the “Other information — Directors” section in the Company 2025 interim report and the biographical details of the directors of the Company as set out on pages 5 to 11 of this annual report.

2025 AGM Retirement and Re-election of Directors

Pursuant to article 112 of the Articles, Mr. CHIH Yu Yang (“**Mr. Chih**”), a former executive director of the Company, and Dr. KUO Wen-Yi, an executive director of the Company, were retired by rotation and re-elected at the annual general meeting held on 16 May 2025. For details, please refer to the Company’s circular dated 17 April 2025 and the Company’s announcement dated 16 May 2025.

Changes in Board Composition During the Year

During the year under review, Mr. Chih retired as an executive director, the Chairman of the Board and the chairman of the corporate governance committee of the Company; and Mr. HUANG Ying Shih (“**Mr. Huang**”) was appointed as a non-executive director, the Chairman of the Board and the chairman of the corporate governance committee of the Company, both with effect from 31 October 2025. For details, please refer to the Company’s announcement dated 31 October 2025.



REPORT OF THE DIRECTORS *(Continued)*

DIRECTORS *(Continued)*

2026 AGM Retirement and Re-election of Directors

Pursuant to articles 95 and 112 of the Articles, Mr. Huang, Mr. LIN Chia-Yi ("**Mr. Lin**") and Ms. CHEN Shu Chuan will retire from office by rotation at the forthcoming annual general meeting to be held on 22 May 2026 (the "**2026 AGM**"), and being eligible, they offer themselves for re-election at the 2026 AGM.

The particulars of directors who are subject to re-election at the Company's 2026 AGM are set out in the Company's circular to shareholders as issued and published simultaneously upon the issuance and publication of the 2025 annual report.

Remuneration Packages of Directors

The details of directors' share awards granted by the Company during the year under review are set out in the section headed "2025 Share Grants" in the Company's 2025 corporate governance report (forming part of the 2025 annual report). Details of directors' remuneration and expense allowances for the year under review are set out in the note 8 to the consolidated financial statements.

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, as well as the recommendations of the Company's remuneration committee. For details of the Directors' Remuneration Policy, please refer to the Company's 2025 corporate governance report which forms part of the Company's 2025 annual report.

SERVICE CONTRACTS

None of the directors of the Company has entered into any service contract that remains unexpired and 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.

REPORT OF THE DIRECTORS *(Continued)*

DISCLOSURE OF INTERESTS

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

As at 31 December 2025, 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
LIN Chia-Yi (Chief Executive Officer)	The Company	Beneficial owner	1,330,321 <i>(Note 1)</i>	0.1687%
KUO Wen-Yi	The Company	Beneficial owner	255,000 <i>(Note 2)</i>	0.0323%
	The Company	Interest of spouse	70,000	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%
	Hon Hai	Beneficiary of a trust (other than a discretionary interest)	44	0.0000003%

Notes:

- This relevant interest includes Mr. Lin's interest in share awards in an aggregate of 666,194 Shares which remained unvested under the Share Scheme as at 31 December 2025. Details of Mr. Lin's share interest in award Shares of the Company are set out in the section headed “2025 Share Grants” and “Movements of 2025 Share Grants” in the Company's 2025 corporate governance report which forms part of the 2025 annual report.
- On 11 August 2025, Dr. Kuo was granted a share award of 255,000 Shares pursuant to the Share Scheme which will be vested in tranches over a 3-year period between 11 August 2025 and 5 October 2028. For details, please refer to the Company's announcement published on 11 August 2025.

Save as disclosed above, none of the directors or chief executive of the Company had, as at 31 December 2025, 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.

REPORT OF THE DIRECTORS (Continued)

DISCLOSURE OF INTERESTS (Continued)

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 2025, 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	508,103,452 ^(Note 1)	64.443%
	Other ^(Note 3)	7,673,814 ^(Note 3)	0.973% ^(Note 3)
		515,777,266	65.416%
Hon Hai ^(Notes 1 and 4)	Interest of a controlled corporation	508,103,452 ^(Notes 1 & 2)	64.443%
	Other ^(Note 3)	7,673,814 ^(Note 3)	0.973% ^(Note 3)
		515,777,266	65.416%

Notes:

- Pursuant to an ordinary resolution passed at the Company's annual general meeting held on 16 May 2025, the Share Consolidation took effect from 20 May 2025 and the total number of Shares held by Foxconn was adjusted to become 508,103,452 Shares of the Company. For details, please refer to the Company's announcements published on 10 April 2025 and 16 May 2025.
- Foxconn (Far East) Limited ("Foxconn") is a direct wholly-owned subsidiary of Hon Hai, and therefore, Hon Hai is deemed or taken to be interested in the 508,103,452 shares which are beneficially owned by Foxconn for the purposes of the SFO.
- As at 31 December 2025, the total number of issued shares of the Company was 788,450,000 Shares, including 7,673,814 Treasury Shares of the Company. As at 31 December 2025, Foxconn and Hon Hai were interested in more than one-third of the voting power at general meetings of the Company, they would be taken to have an interest in the 7,673,814 Treasury Shares held by the Company which shall be added to their interests in shares when determining their reporting obligations under the SFO.
- Mr. HUANG Ying Shih and Mr. CHANG Chuan-Wang, non-executive directors of the Company, both are employees of the Hon Hai Technology Group, and in particular, they act as directors and/or chairmen of certain subsidiaries of the Hon Hai Technology Group.

Save as disclosed above, as at 31 December 2025, 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.

REPORT OF THE DIRECTORS *(Continued)*

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 2025 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

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.

CONNECTED TRANSACTIONS

The Group did not undertake any connected transactions (other than continuing connected transactions as disclosed in below “Continuing Connected Transactions” section) during the current period.

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.



REPORT OF THE DIRECTORS (Continued)

CONTINUING CONNECTED TRANSACTIONS (Continued)

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 ended 31 December 2025 at US\$1,611 million for 2023, US\$1,964 million for 2024 and US\$2,395 million for 2025.

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.

REPORT OF THE DIRECTORS *(Continued)*

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

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 ended 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.



REPORT OF THE DIRECTORS *(Continued)*

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 ended 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.

REPORT OF THE DIRECTORS *(Continued)*

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 ended 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.



REPORT OF THE DIRECTORS *(Continued)*

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 ended 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.

REPORT OF THE DIRECTORS *(Continued)*

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 ended 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.



REPORT OF THE DIRECTORS *(Continued)*

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 ended 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.

REPORT OF THE DIRECTORS *(Continued)*

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 ended 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.



REPORT OF THE DIRECTORS *(Continued)*

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 ended 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.

REPORT OF THE DIRECTORS *(Continued)*

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 ended 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.



REPORT OF THE DIRECTORS *(Continued)*

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 ended 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.

REPORT OF THE DIRECTORS (Continued)

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 2025 (US\$'000)
Purchase Transaction	the Group	436,719
Product Sales Transaction	Hon Hai Technology Group	1,263,887
Non-real Property Lease Expense Transaction	the Group	35
Consolidated Services and Sub-contracting Expense Transaction	the Group	42,428
Equipment Purchase Transaction	the Group	1,248
Sub-contracting Income Transaction	Hon Hai Technology Group	31,526
General Services Expense Transaction	the Group	5,803
Equipment Sale Transaction	Hon Hai Technology Group	1,517
Lease Expense Transaction	the Group	5,999
Lease Income Transaction	Hon Hai Technology Group	4,736
General Services Income Transaction	Hon Hai Technology Group	7

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 risk management ("RM") and internal control systems) 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.

REPORT OF THE DIRECTORS (Continued)

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.

The related party transactions under note 34(a) to the consolidated financial statements in the Company's 2025 annual report constituted continuing connected transactions of the Group as defined under Chapter 14A of the Listing Rules, and that the applicable requirements under Chapter 14A have been complied with. The relevant disclosures required by Chapter 14A of the Listing Rules on the continuing connected transactions in the financial year are provided in this section headed "CONTINUING CONNECTED TRANSACTIONS" of the Company's 2025 annual report.

Renewal of continuing connected transactions

As set out in the Company's announcements dated 28 November 2025 and 30 December 2025 and the Company's circular dated 5 December 2025, pursuant to the respective supplemental agreements entered into on 28 November 2025 (the "**Supplemental Agreements**") in respect of the Purchase Transaction, the Product Sales Transaction, the Non-real Property Lease Expense Transaction, the Consolidated Services and Sub-contracting Expense Transaction, the Equipment Purchase Transaction, the Sub-contracting Income Transaction, the General Services Expense Transaction, the Equipment Sale Transaction, the Lease Expense Transaction and the Lease Income Transaction (the "**Continuing Connected Transactions**"), the duration of the Continuing Connected Transactions has been extended for a year from 1 January 2026 to 31 December 2026 (both dates inclusive). The parties will review the terms of the Continuing Connected Transactions and as appropriate enter into agreements before the expiry of the Supplemental Agreements on 31 December 2026 to further extend the duration of the Continuing Connected Transactions, subject to compliance with the applicable requirements of Chapter 14A of the Listing Rules. The Company has set respective annual caps for each of the Continuing Connected Transactions for the year ending 31 December 2026 as set out in the Company's announcement dated 28 November 2025 and the Company's circular dated 5 December 2025 as follows.

Continuing connected transaction	Annual caps for the year ending 31 December 2026 (US\$'000)
Purchase Transaction	1,183,000
Product Sales Transaction	2,162,000
Non-real Property Lease Expense Transaction	2,000
Consolidated Services and Sub-contracting Expense Transaction	97,000
Equipment Purchase Transaction	2,000
Sub-contracting Income Transaction	66,000
General Services Expense Transaction	11,000
Equipment Sale Transaction	14,000
Lease Expense Transaction	9,000
Lease Income Transaction	9,000

REPORT OF THE DIRECTORS *(Continued)*

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

Renewal of continuing connected transactions *(Continued)*

As set out in the Company's announcement dated 28 November 2025, the Company and Hon Hai on 28 November 2025 entered into respective supplemental agreements to extend the duration of the General Services Income Agreement and the framework lease agreement relating to movable non-real properties entered into between the Company and Hon Hai on 15 January 2014 (as amended by the respective supplemental agreements dated 11 August 2016, 9 October 2019 and 10 November 2022) (the "**Framework Non-real Property Lease Income Agreement**") for a year from 1 January 2026 to 31 December 2026 (both dates inclusive). Based on the Company's estimation of the respective annual amounts of the transactions under the General Services Income Agreement and the Framework Non-real Property Lease Income Agreement for the year ending 31 December 2026, pursuant to Rule 14A.76(1) of the Listing Rules, such transactions remain de minimis continuing connected transactions of the Company exempt from the independent shareholders' approval, annual review and all disclosure requirements under the Listing Rules.

SHARE OPTION SCHEME AND SHARE SCHEME

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, the Company adopted the share option scheme (the "**Share Option Scheme**") and the Share Scheme of the Company. In light of the amendments to the Listing Rules which have come into effect on 11 June 2024, the Board had passed a resolution on 7 March 2025 to amend the rules relating to the Share Scheme. The amendments allow the use of the Shares in the Company, each with a par value of US\$0.40, repurchased and held by the Company in treasury (as authorised by the laws of the Cayman Islands and the articles of association of the Company) ("**Treasury Shares**"), to satisfy the awards (including references to "**award Old Share(s)**" or "**award Share(s)**" or "**award share(s)**" or "**share award(s)**" (as the case may be)) granted under the Share Scheme from time to time. Such amendments to the rules relating to the Share Scheme are not of a material nature and are therefore not subject to shareholders' approval under Rule 17.03(18) of the Listing Rules.

Details of the Share Option Scheme and the Share Scheme are disclosed in the Company's circular dated 14 April 2023, summaries of the principal terms are set out below:



REPORT OF THE DIRECTORS *(Continued)*

SHARE OPTION SCHEME AND SHARE SCHEME *(Continued)*

Share Option Scheme

(i) Purpose

The purpose of the Share Option Scheme is to attract and retain capable, skilled and experienced personnel, to incentivise them to remain with the Group and to give effect to the Group's customer-focused and performance-driven corporate culture, and to motivate them to strive for the future development and expansion and long-term success of the Group, by providing them with the opportunity to acquire equity interests in the Company.

(ii) Participants

Subject to the terms of the Share Option Scheme, the Board (or its duly authorised officer(s) or delegate(s)) may, at its/their absolute discretion, offer options to subscribe for shares to any of the directors and other members of senior management and other employees of the Group (including without limitation any person who is a proposed grantee as an inducement to enter into an employment contract (or the equivalent) with the Company or any of its subsidiaries) who may be eligible to participate in the Share Option Scheme in accordance with the terms set out in the Share Option Scheme (collectively, the "**Eligible Participants**").

(iii) Total number of shares available for issue

As at the date of adoption and at the beginning of the current period (i.e. 1 January 2025), the total number of shares available for issue under the Share Option Scheme and the Share Scheme is 791,700,000 Old Shares (the "**Scheme Mandate Limit**") of a par value of US\$0.04 each, representing 10% of the total number of Old Shares in issue as at the date of adoption of the Share Option Scheme and the Share Scheme on 19 May 2023.

Prior to the Share Consolidation becoming effective, the Scheme Mandate Limit became 784,698,098 Old Shares due to a share grant of 7,001,902 Old Shares on 15 May 2025. Upon the Share Consolidation becoming effective on 20 May 2025, the Scheme Mandate Limit became 78,469,809 Shares (of a par value US\$0.40 each) of the Company. For details, please refer to the Company's announcements published on 15 May 2025, 16 May 2025 and the section headed "Share Capital" in the Company's 2025 annual report.

Further, the Scheme Mandate Limit became 51,231,619 Shares (of a par value US\$0.40 each) (representing approximately 6.57% of the total number of shares in issue (excluding Treasury Shares)) due to the share grant of 27,238,190 Shares (of a par value of US\$0.40 each) of the Company under the Share Scheme to the executive directors, senior manager and other employees of the Company on 11 August 2025.

Therefore, as of the date of this annual report, the Scheme Mandate Limit or the total number of shares available for issue under the Share Option Scheme and the Share Scheme and any other share scheme of the Company is 51,231,619 Shares, representing approximately 6.57% of the total number of shares in issue (excluding Treasury Shares).

REPORT OF THE DIRECTORS *(Continued)*

SHARE OPTION SCHEME AND SHARE SCHEME *(Continued)*

Share Option Scheme *(Continued)*

(iv) Maximum entitlement of each participant

For any 12-month period up to and including the date of such proposed grant, the maximum entitlement of each participant or the aggregate number of Shares issued and to be issued in respect of all options or awards granted to any Eligible Participants (excluding any lapsed options or awards) under the Share Option Scheme and the Share Scheme shall not exceed 1% of the total issued shares of the Company from time to time (excluding Treasury Shares), unless such grant is separately approved by the independent shareholders of the Company.

Where any grant of options to an independent non-executive director or a substantial shareholder of the Company or any of their respective associates would result in the Shares issued and to be issued in respect of all options or awards granted (excluding any lapsed options or awards) to such person in the 12-month period up to and including the date of the proposed grant, representing in aggregate over 0.1% of the shares then in issue (excluding Treasury Shares), such grant is subject to the approval by the independent shareholders of the Company.

(v) Option Period

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.

(vi) Vesting Period

All options granted under the Share Option Scheme will be subject to a vesting period of a minimum of one year (subject to a shorter period under any one or more of certain specific circumstances) and up to six years (or such other period which must not be more than 10 years from the date of grant of the relevant options) as determined by the Board (or its duly authorised officer(s) or delegate(s)) at the time of granting the relevant option, which will vary from option holder to option holder.

(vii) Payment on acceptance of option

HK\$1.00 is payable to the Company upon acceptance of the options within 30 days from the date of offer.

(viii) Basis of determining the exercise price

The exercise price is determined by the Board which shall be the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

(ix) Remaining life

The Share Option Scheme is valid and effective for a term of ten years from the date of adoption and will expire on 19 May 2033.

No options had been granted, exercised, vested, cancelled or lapsed under the Share Option Scheme since its adoption and up to 31 December 2025.

Please also refer to note 36 to the consolidated financial statements for more details.



REPORT OF THE DIRECTORS *(Continued)*

SHARE OPTION SCHEME AND SHARE SCHEME *(Continued)*

Share Scheme

(i) Purpose

The purpose of the Share Scheme is to attract and retain capable, skilled and experienced personnel, to incentivise them to remain with the Group and to give effect to the Group's customer-focused and performance-driven corporate culture, and to motivate them to strive for the future development and expansion and long-term success of the Group, by providing them with the opportunity to acquire equity interests in the Company.

(ii) Participants

The Board (or its duly authorised officer(s) or delegate(s)) may propose or determine (a) which Eligible Participants shall be entitled to receive grants of shares under the Share Scheme; (b) the number of shares to which each such Eligible Participant shall be entitled; (c) making the relevant grants of shares to the beneficiaries under the Share Scheme subject to such conditions as the Board (or its duly authorised officer(s) or delegate(s)) may deem appropriate at its discretion; and (d) the lock-up period applicable to each grant of shares to a beneficiary, in each case upon and subject to the terms and conditions set out in the Share Scheme.

(iii) Total number of shares available for issue

As at the date of adoption and at the beginning of the current period (i.e. 1 January 2025), the total number of shares available for issue under the Share Option Scheme and the Share Scheme is 791,700,000 Old Shares of a par value of US\$0.04 each, representing 10% of the total number of Old Shares in issue as at the date of adoption of the Share Option Scheme and the Share Scheme on 19 May 2023.

Prior to the Share Consolidation becoming effective, the Scheme Mandate Limit became 784,698,098 Old Shares due to a share grant of 7,001,902 Old Shares on 15 May 2025. Upon the Share Consolidation becoming effective on 20 May 2025, the Scheme Mandate Limit became 78,469,809 Shares (of a par value US\$0.40 each) of the Company. For details, please refer to the Company's announcements published on 15 May 2025, 16 May 2025 and the section headed "Share Capital" of the Company's 2025 annual report.

Further, the Scheme Mandate Limit became 51,231,619 Shares (of a par value US\$0.40 each) (representing approximately 6.57% of the total number of shares in issue (excluding Treasury Shares)) due to the share grant of 27,238,190 Shares (of a par value of US\$0.40 each) of the Company under the Share Scheme to the executive directors, senior manager and other employees of the Company on 11 August 2025.

Therefore, as of the date of this annual report, the Scheme Mandate Limit or the total number of shares available for issue under the Share Option Scheme and the Share Scheme and any other share scheme of the Company is 51,231,619 Shares, representing approximately 6.57% of the total number of shares in issue (excluding Treasury Shares).

REPORT OF THE DIRECTORS *(Continued)*

SHARE OPTION SCHEME AND SHARE SCHEME *(Continued)*

Share Scheme *(Continued)*

(iv) Maximum entitlement of each participant

For any 12-month period up to and including the date of such proposed grant, the maximum entitlement of each participant or the aggregate number of Shares issued and to be issued in respect of all options or awards granted to any Eligible Participants (excluding any lapsed options or awards) under the Share Option Scheme and the Share Scheme shall not exceed 1% of the total issued shares of the Company (excluding Treasury Shares, if any) from time to time, unless such grant is separately approved by the independent shareholders of the Company.

Where any grant of awards to a director, chief executive, an independent non-executive director or a substantial shareholder of the Company or any of their respective associates would result in the Shares issued and to be issued in respect of all options or awards granted (excluding any lapsed options or awards) to such person in the 12-month period up to and including the date of the proposed grant, representing in aggregate over 0.1% of the shares then in issue (excluding Treasury Shares, if any), such grant is subject to the approval by the independent shareholders of the Company.

(v) Vesting Period

All share awards granted under the Share Scheme will be subject to a vesting period of a minimum of one year (subject to a shorter period under any one or more of certain specific circumstances) and up to three years (or such other period which must not be more than 10 years from the date of grant of the relevant share awards) as determined by the Board (or its duly authorised officer(s) or delegate(s)) at the time of granting the relevant share awards, which will vary from share awards holder to share awards holder.

(vi) Payment on acceptance of share awards

The Shares to be granted to the proposed grantees under the 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).

(vii) Basis of determining the purchase price

The Shares to be granted to the proposed grantees under the Share Scheme will be granted for free (see (vi) above) and no purchase price shall be payable.

When making an offer to grant shares to a proposed beneficiary under the Share Scheme, the Board (or its duly authorised officer(s) or delegate(s)) may in its absolute discretion specify any one or more of the relevant conditions, including (if applicable) satisfactory performance target(s) achievement rating which shall be achieved by the proposed grantee as well as the clawback mechanism adopted by the Board as more particularly described at page 21 and page 22 of the Company's circular dated 14 April 2023, before vesting of the legal title of the relevant shares in him.

(viii) Remaining life

The Share Scheme is valid and effective for a term of ten years from the date of adoption and will expire on 19 May 2033.



REPORT OF THE DIRECTORS *(Continued)*

SHARE OPTION SCHEME AND SHARE SCHEME *(Continued)*

Share Scheme *(Continued)*

Pursuant to the respective approvals of the Board on 7 March 2024 and 20 September 2024 respectively with subsequent finalisation by the Board's delegate on 8 March 2024 and on 20 September 2024, the Company offered 4,405,978 Old Shares and 2,592,601 Old shares respectively to 2 beneficiaries pursuant to the Share Scheme and the aforesaid share awards had been vested on 8 March 2025 and 20 September 2025 respectively. For details, please refer to table below in relation to movements of share grants under the Share Scheme during the current period.

During the current year under review, the Company had granted share awards in two occasions as follows:

- (1) pursuant to the approval of the Board with subsequent finalisation by the Board's delegate on 15 May 2025, the Company offered 3,670,931 Old Shares and 3,330,971 Old Shares of a par value of US\$0.04 each of the Company to 2 beneficiaries pursuant to the Share Scheme, with lock-up period up to 14 May 2026 from the date of grant (i.e. 15 May 2025). No consideration nor purchase price was payable on acceptance of offer of the share awards. The 7,001,902 Old Shares granted will be satisfied by transfer of Treasury Shares of the Company to the grantees. According to the terms of the Share Scheme, the outstanding share awards granted by the Company had been adjusted to become 367,093 Shares and 333,097 Shares of a par value of US\$0.40 each of the Company upon the Share Consolidation becoming effective on 20 May 2025. For details, please refer to the Company's announcements published on 10 April 2025, 15 May 2025 and 16 May 2025.
- (2) Pursuant to the approval of the Board on 11 August 2025, the Company granted a share award of 27,238,190 Shares of a par value of US\$0.40 each of the Company under the Share Scheme to the executive directors, senior manager and other employees of the Company. No consideration nor purchase price was payable on acceptance of offer of the shares. The 27,238,190 share awards granted will be satisfied by transfer of Treasury Shares of the Company to the grantees. For details, please refer to the Company's announcement published on 11 August 2025.

Mr. CHIH Yu Yang, former executive director and the Chairman of the Board of the Company, was previously granted a total of 734,186 share awards pursuant to the Share Scheme of the Company. These share awards had been vested on 31 October 2025 due to retirement of Mr. Chih in accordance with the rules of the Share Scheme and these share awards had been satisfied by transfer of 734,186 Treasury Shares of the Company.

Details of movements of the share grants under the Share Scheme during the year under review are set out on page 176 to page 177 in the section headed "Movements of 2025 Share Grants" in the Company's 2025 corporate governance report (forming part of the Company's 2025 annual report).

REPORT OF THE DIRECTORS *(Continued)*

SHARE OPTION SCHEME AND SHARE SCHEME *(Continued)*

Scheme Mandate Limit

At the beginning of the current period (i.e. 1 January 2025), the Scheme Mandate Limit was 791,700,000 Old Shares, representing 10% of the total number of Old Shares in issue as at the date of adoption of the Share Option Scheme and the Share Scheme on 19 May 2023.

Immediately prior to the Share Consolidation becoming effective, the Scheme Mandate Limit was 784,698,098 Old Shares. Upon the Share Consolidation becoming effective on 20 May 2025 and following the relevant adjustments, the Scheme Mandate Limit became 78,469,809 Shares. As of 30 June 2025, the Scheme Mandate Limit remained at 78,469,809 Shares.

As of 31 December 2025 and the date of this annual report, the total number of Shares available for issue under all share schemes of the Company (i.e. the Share Option Scheme and the Share Scheme), the Share Scheme Mandate Limit was 51,231,619 Shares, representing approximately 6.57% of the total number of Shares in issue (excluding Treasury Shares).

The total number of Shares that may be issued in respect of options and share awards granted under all schemes (i.e. the Share Option Scheme and the Share Scheme) of the Company during the current period divided by the weighted average number of Shares in issue (excluding Treasury Shares) for the current period was approximately 3.46%.

BFIH Share Option Scheme

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 2025. For the purposes of the Chapter 17 of the Listing Rules, BFIH is not a “principal subsidiary” of the 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 Share Option Scheme, the 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.



REPORT OF THE DIRECTORS *(Continued)*

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 86.82% 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 56.46%. Purchases from the Group's five largest suppliers accounted for approximately 47.22% of the Group's total purchases for the current period and purchases from the Group's largest supplier amounted to approximately 22.45%.

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 (i) 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, Dr. KUO Wen-Yi and Mr. CHANG Chuan-Wang, being an executive director and a non-executive director respectively of the Company, have interests in Hon Hai as described in the above section headed "Disclosure of Interests" of this report of the directors; and Mr. HUANG Ying Shih and Mr. CHANG Chuan-Wang, non-executive directors of the Company, both are employees of the Hon Hai Technology Group and in particular they act as directors and/or chairmen of certain subsidiaries of the Hon Hai Technology Group; and (ii) Google LLC. is one of the Group's five largest suppliers as well as one of the Group's five largest customers, Mr. CHANG Chuan-Wang has acted as the chairman of Foxconn Intrinsic Intelligent Factories, LLC (which is a joint venture between Hon Hai and Google LLC) since October 2025.

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.

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 Mandates (as defined in the Company's circulars dated 19 April 2024 and dated 17 April 2025 respectively) duly approved by the Company's shareholders at the Company's annual general meetings held on 22 May 2024 and 16 May 2025 respectively, the Company bought back in multiple batches a total of 8,916,000 Shares which were held as Treasury Shares in accordance with the Articles. All these 8,916,000 Treasury Shares had been withdrawn from Central Clearing and Settlement System and re-registered in the Company's name during the current period and before the end of February 2026 respectively, of which 734,186 Treasury Shares were transferred to Mr. CHIH Yu Yang, former executive director and the Chairman of the Board of the Company, to satisfy the 734,186 share awards vested on 31 October 2025 in accordance with the Share Scheme of the Company. Accordingly, 8,181,814 Treasury Shares (which will not be entitled to receive any dividend) were held by the Company as of the date of this report of the directors. The Company intends to use the Treasury Shares for: (i) satisfying the grant of share awards under the Share Scheme of the Company, and/or (ii) future re-sale for capital management. For more details, please refer to the explanatory statement of the Buy-back Mandates in Appendix I to the Company's circulars dated 19 April 2024 and 17 April 2025 respectively as well as the next day disclosure returns and monthly returns as issued and published during the period from 7 May 2025 to 3 February 2026 (both dates inclusive).

REPORT OF THE DIRECTORS (Continued)

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY (Continued)

The above share buy-backs are summarised as follows:

Month of buy-back (before share consolidation)	Number of ordinary shares (of a par value of US\$0.04 each)	Price per share		Aggregate consideration paid (before expenses) HK\$
		Highest HK\$	Lowest HK\$	
May 2025	10,254,000 ^(Note 1)	0.85	0.78	8,406,430

Month of buy-back (after share consolidation)	Number of ordinary shares (of a par value of US\$0.40 each)	Price per share		Aggregate consideration paid (before expenses) HK\$
		Highest HK\$	Lowest HK\$	
May 2025	1,087,600	9.34	8.18	9,254,737
June 2025	1,287,000	10.26	8.90	12,181,793
July 2025	142,000	10.36	10.12	1,460,260
August 2025	1,314,000	15.44	14.30	19,778,060
September 2025	864,000	17.34	14.87	14,336,060
November 2025	1,340,000	19.25	17.37	24,778,730
December 2025	1,348,000	19.30	18.20	25,607,400
	7,382,600			107,397,040
Sub-total	8,408,000 ^(Note 2)			115,803,470
January 2026	508,000	19.24	18.80	9,636,410
Total	8,916,000 ^(Note 3)			125,439,880

Note 1: As a result of the Share Consolidation effective from 20 May 2025, 10,254,000 Old Shares of a par value of US\$0.04 each in the share capital of the Company bought back during the period from 7 May 2025 to 19 May 2025 had been adjusted to become 1,025,400 Shares of a par value of US\$0.40 each in the share capital of the Company. For details, please refer to the Company's announcements published on 10 April 2025 and 16 May 2025.

Note 2: 8,408,000 Shares were repurchased during the year ended 31 December 2025. These Shares were not cancelled and were held as Treasury Shares by the Company. 734,186 Treasury Shares were transferred to Mr. Chih Yu Yang, former executive director and the Chairman of the Board of the Company, to satisfy the 734,186 share awards vested on 31 October 2025 due to his retirement in accordance with the Share Scheme of the Company, and therefore, the Company held 7,673,814 Treasury Shares as at 31 December 2025.

Note 3: During the current period and up to the date of this report of the directors, the Company bought back a total of 8,916,000 Shares.

For more details, please refer to the explanatory statement of the Buy-back Mandates in Appendix I to the Company's circulars dated 19 April 2024 and 17 April 2025 respectively as well as the next day disclosure returns and monthly returns as issued and published during the period from 7 May 2025 to 3 February 2026 (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 (including Treasury Shares) during the current period.

REPORT OF THE DIRECTORS *(Continued)*

SUFFICIENCY OF PUBLIC FLOAT

As at the latest practicable date prior to the issue of the Company's 2025 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 under the Listing Rules.

During the year under review, at least 25% of the Company's issued shares (excluding Treasury Shares) were held by members of the public at all times and therefore the Company has complied with Rule 13.32B of the Listing Rules.

The minimum percentage threshold applicable to the Company as prescribed at the time of listing under Rule 8.08(1) is 25% of the Company's total number of issued shares (excluding Treasury Shares) ("**Initial Public Threshold**"). Based on the information publicly available to the Company and within the knowledge of the directors, as at 31 December 2025, there was sufficient public float of 34.62% of the total number of issued shares of the Company (excluding Treasury Shares), which meets the Initial Public Threshold as required by the Listing Rules.

As at 31 December 2025, the total issued share capital of the Company was US\$315,380,000 comprising 780,776,186 ordinary shares of a par value of US\$0.40 each and 7,673,814 Treasury Shares of the Company.

As at 31 December 2025, the composition of the ownership of the issued shares of the Company comprised approximately 34.62% of the total number of issued shares of the Company (excluding Treasury Shares) which were in the hands of the public, and hence exceeded the minimum of 25% shareholding required to be held by the public under the Listing Rules, and the following:

1. approximately 65.08% of the total number of issued shares of the Company (excluding Treasury Shares) was held by substantial shareholder (i.e. Hon Hai Precision Industry Co., Ltd. (the Company's ultimate controlling shareholder) through Foxconn (Far East) Limited);
2. a total of approximately 0.21% of the total number of issued shares of the Company (excluding Treasury Shares) in which Mr. LIN Chia-Yi and Dr. KUO Wen-Yi, both being the Company's executive directors, were interested; and
3. approximately 0.09% of the total number of issued shares of the Company (excluding Treasury Shares) was held by the trustee of the Share Scheme of the Company (i.e. Core Pacific – Yamaichi International (H.K.) Nominees Limited, a direct wholly-owned subsidiary of Core Pacific – Yamaichi International (H.K.) Limited which is a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities).

REPORT OF THE DIRECTORS *(Continued)*

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 RM and internal control 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.

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.



REPORT OF THE DIRECTORS *(Continued)*

CORPORATE GOVERNANCE

The Board is committed to maintaining high corporate governance standards and recognises that good corporate governance is vital for the Group's sustainable growth and long-term success. The Company has adopted the Corporate governance manual (the "**Compliance Manual**") since 15 April 2010 as amended and supplemented from time to time. The Compliance Manual is to set out the Company's governance practices and compliance procedures, ensuring adherence to the CG Code under the Listing Rules and the SFO.

During the year under review, the Company has applied and complied with all the code provisions as set out in Part 2 of the CG Code.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining a high standard of corporate governance.

For more details, please refer to the Company's 2025 corporate governance report, which forms part of the Company's 2025 annual report incorporating this report of the directors.

On behalf of the Board

HUANG Ying Shih
Chairman of the Board

13 March 2026



INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

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 79 to 148, which comprise the consolidated statement of financial position as at 31 December 2025, 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 2025, 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**”), as applicable to audits of financial statements of public interest entities. We have also 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 this matter.

INDEPENDENT AUDITOR'S REPORT *(Continued)*

KEY AUDIT MATTER *(Continued)*

Key audit matter	How our audit addressed the key audit matter
<p><i>Fair value measurement of unlisted equity investment in relation to HMD Global Oy ("HMD")</i></p> <p>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.</p> <p>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 by market approach which involved the determination of significant estimation and unobservable inputs, including selection of comparable companies and consideration of trading multiple.</p> <p>The fair value of unlisted equity investment in relation to HMD was determined as US\$17,320,000 as at 31 December 2025 and fair value loss of US\$10,580,000 was recognised in other comprehensive income for the year ended 31 December 2025.</p>	<p>Our procedures in relation to evaluating the appropriateness of the management's fair value measurement of unlisted equity investment in relation to HMD included:</p> <ul style="list-style-type: none">• Understanding how the Group's management determines the fair value of unlisted equity investment in relation to HMD, including the valuation model adopted, significant estimation and unobservable inputs used and the involvement of independent professional valuers appointed by the Group;• Evaluating the competence, capability and objectivity of the valuers; and• Involving our valuation expert to review the valuation models adopted and significant estimation and unobservable inputs used in the valuation.

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.

INDEPENDENT AUDITOR'S REPORT *(Continued)*

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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, 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.

INDEPENDENT AUDITOR'S REPORT *(Continued)*

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

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

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 (practising certificate number: P04578).

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

13 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	NOTES	2025 US\$'000	2024 US\$'000
Revenue	5	6,657,663	5,702,949
Cost of sales		(6,452,434)	(5,568,309)
Gross profit		205,229	134,640
Other income, gains and losses	6	52,794	91,309
Impairment loss reversed (recognised) under expected credit loss model, net of reversal		459	(9,768)
Impairment loss recognised for property, plant and equipment		(4,204)	(16,022)
Selling expenses		(6,627)	(5,349)
General and administrative expenses		(64,023)	(87,019)
Research and development expenses		(80,110)	(49,965)
Interest expenses		(24,784)	(57,633)
Share of profit of associates		7,473	9,116
Share of loss of a joint venture		(3,711)	(3,815)
Profit before tax	7	82,496	5,494
Income tax expense	10	(28,361)	(25,686)
Profit (loss) for the year		54,135	(20,192)
Other comprehensive (expense) income			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		(19,673)	(6,966)
Remeasurement of defined benefit pension plans		220	305
		(19,453)	(6,661)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		23,378	(68,192)
Share of translation reserve of associates		676	(1,013)
Share of translation reserve of a joint venture		241	(887)
		24,295	(70,092)
Other comprehensive income (expense) for the year, net of income tax		4,842	(76,753)
Total comprehensive income (expense) for the year		58,977	(96,945)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the year ended 31 December 2025

	<i>NOTE</i>	2025 US\$'000	2024 US\$'000
Profit (loss) for the year attributable to:			
Owners of the Company		52,727	(20,331)
Non-controlling interests		1,408	139
		54,135	(20,192)
Total comprehensive income (expense) attributable to:			
Owners of the Company		57,441	(96,911)
Non-controlling interests		1,536	(34)
		58,977	(96,945)
Earnings (loss) per share	12		(restated)
Basic		US6.7 cents	(US2.6 cents)
Diluted		US6.7 cents	(US2.6 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 December 2025

	<i>NOTES</i>	2025 US\$'000	2024 US\$'000
Non-current assets			
Property, plant and equipment	13	622,654	586,162
Right-of-use assets	14	43,260	36,757
Investment properties	15	1,222	258
Equity instruments at fair value through other comprehensive income	16	36,548	56,704
Interests in associates	17	33,111	26,268
Interest in a joint venture	18	5,931	9,401
Deferred tax assets	19	15,989	21,128
Deposit for acquisition of right-of-use assets		27,118	26,508
Other receivables	15	34,895	34,110
		820,728	797,296
Current assets			
Inventories	20	710,880	547,695
Trade and other receivables	21	859,371	791,958
Bank deposits	28	346,143	168,833
Cash and cash equivalents	28	1,006,882	1,516,241
		2,923,276	3,024,727
Current liabilities			
Trade and other payables	22	1,544,843	1,527,060
Contract liabilities		475,096	416,885
Lease liabilities	23	3,320	38
Bank borrowings	24	108,370	341,420
Provision	29	14,133	1,438
Tax payable		48,777	51,482
		2,194,539	2,338,323
Net current assets		728,737	686,404
Total assets less current liabilities		1,549,465	1,483,700

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AT 31 December 2025

	<i>NOTES</i>	2025 US\$'000	2024 US\$'000
Capital and reserves			
Share capital	25	315,380	315,380
Reserves		1,202,180	1,145,432
Equity attributable to owners of the Company		1,517,560	1,460,812
Non-controlling interests		4,387	2,851
Total equity		1,521,947	1,463,663
Non-current liabilities			
Deferred tax liabilities	19	14,526	9,090
Deferred income	30	6,028	6,404
Lease liabilities	23	6,964	4,543
		27,518	20,037
		1,549,465	1,483,700

The consolidated financial statements on pages 79 to 148 were approved and authorised for issue by the board of directors on 13 March 2026 and are signed on its behalf by:

HUANG YING SHIH

*Non-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 2025

	Attributable to owners of the Company												Non-controlling interests	Total
	Share capital	Share premium	Treasury shares	Special reserve	Revaluation reserve	Other reserve	Legal reserve	Translation reserve	Share compensation reserve	Retained profits	Sub-total			
	US\$'000	US\$'000	US\$'000	US\$'000 (note 26)	US\$'000 (note a)	US\$'000 (note b)	US\$'000 (note 26)	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2024	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	
Profit for the year	-	-	-	-	-	-	-	-	-	52,727	52,727	1,408	54,135	
Other comprehensive (expense) income for the year	-	-	-	-	(19,673)	220	-	24,167	-	-	4,714	128	4,842	
Total comprehensive (expense) income for the year	-	-	-	-	(19,673)	220	-	24,167	-	52,727	57,441	1,536	58,977	
Repurchase of ordinary shares (note 25)	-	-	(14,876)	-	-	-	-	-	-	-	(14,876)	-	(14,876)	
Cancellation of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	985	-	-	-	-	(985)	-	-	-	
Shares vested under equity-settled share-based payment plan	-	294	770	-	-	-	-	-	(1,064)	-	-	-	-	
Recognition of equity-settled share-based payments (note 36)	-	-	-	-	-	-	-	-	14,183	-	14,183	-	14,183	
Balance at 31 December 2025	315,380	1,172,855	(14,106)	15,514	(175,958)	747	181,993	(147,036)	12,868	155,303	1,517,560	4,387	1,521,947	

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 2025

	<i>NOTE</i>	2025 US\$'000	2024 US\$'000
OPERATING ACTIVITIES			
Profit before tax		82,496	5,494
Adjustments for:			
Depreciation and amortisation		126,339	136,498
Write-down of inventories		8,228	12,255
Provision for warranty		12,685	(517)
Net loss on disposal and write-off of property, plant and equipment		5,883	2,866
Interest expenses		24,784	57,633
Share of profit of associates		(7,473)	(9,116)
Share of loss of a joint venture		3,711	3,815
Impairment loss (reversed) recognised under expected credit loss model, net of reversal		(459)	9,768
Impairment loss recognised for property, plant and equipment		4,204	16,022
Deferred income released to income		(516)	(615)
Interest income		(45,990)	(50,300)
Equity-settled share-based payments		14,183	526
Impairment loss on interest in an associate		1,306	–
Gain on early termination of leases	14	–	(340)
Gain on deemed disposal of an associate		–	(2,758)
<hr/>			
Operating cash flows before movements in working capital		229,381	181,231
(Increase) decrease in inventories		(170,605)	20,849
(Increase) decrease in trade and other receivables		(43,623)	112,767
Increase (decrease) in trade and other payables		14,577	(67,111)
Increase in contract liabilities		58,211	85,508
<hr/>			
Cash generated from operations		87,941	333,244
Income taxes paid, net		(18,809)	(23,677)
Interest received		38,686	53,225
Payments made for share-based payments expenses		–	(556)
<hr/>			
NET CASH FROM OPERATING ACTIVITIES		107,818	362,236

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

For the year ended 31 December 2025

	2025 US\$'000	2024 US\$'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(186,653)	(125,009)
Placement of bank deposits for investing purpose	(680,692)	(352,323)
Purchase of equity instruments at fair value through other comprehensive income	(600)	(1,777)
Withdrawal of bank deposits for investing purpose	496,377	232,570
Proceeds from disposal of property, plant and equipment	9,418	15,764
Proceeds from disposal of equity instruments at fair value through other comprehensive income	974	–
Dividend income from an associate	–	9,863
NET CASH USED IN INVESTING ACTIVITIES	(361,176)	(220,912)
FINANCING ACTIVITIES		
Bank borrowings raised	3,583,270	4,356,380
Bank borrowings repaid	(3,816,320)	(4,718,400)
Interest on bank borrowings paid	(25,310)	(62,342)
Payments on repurchase of ordinary shares	(14,876)	(734)
Repayments of lease liabilities	(3,328)	(3,100)
Interest on lease liabilities paid	(142)	(335)
NET CASH USED IN FINANCING ACTIVITIES	(276,706)	(428,531)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(530,064)	(287,207)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	1,516,241	1,845,323
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	20,705	(41,875)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH	1,006,882	1,516,241

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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 an IFRS Accounting Standard 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 2025 for the preparation of the consolidated financial statements:

Amendments to IAS 21

Lack of Exchangeability

The application of the amendments to an IFRS Accounting Standard 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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 IAS 21	Translation to a Hyperinflationary Presentation Currency ³
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ²
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 ²
IFRS 18	Presentation and Disclosure in Financial Statements ³

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 2026

3 Effective for annual periods beginning on or after 1 January 2027

Except for the new IFRS Accounting Standard mentioned below, the directors of the Company anticipate that the application of all other new and 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 sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 “Presentation of Financial Statements” (“IAS 1”). 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 (MPMs) 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” (the title of which will be changed to Basis of Preparation of Financial Statements upon effective of IFRS 18) 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. IFRS 18 requires retrospective application with specific transition provisions. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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)

(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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)**

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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.

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 by market approach (2024: discounted cash flow) which involved the determination of significant estimation and unobservable inputs, including selection of comparable companies and consideration of trading multiple. Any changes in the key assumptions may affect the amount of fair value. As at 31 December 2025, the fair value of unlisted equity investment in relation to HMD was US\$17,320,000 (2024: US\$27,900,000) and fair value loss of US\$10,580,000 (2024: gain of US\$2,200,000) was recognised in other comprehensive income for the year ended 31 December 2025, details of which are disclosed in note 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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

Critical judgements in applying accounting policies *(Continued)*

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 2025, the carrying amount of inventories is approximately US\$710,880,000 (2024: US\$547,695,000) and write-down on inventories of US\$8,228,000 (2024: US\$12,255,000) has recognised for the year ended 31 December 2025.

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 2025, the carrying amounts of property, plant and equipment were US\$622,654,000 (2024: US\$586,162,000). Impairment losses of US\$4,204,000 (2024: US\$16,022,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

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\$6,657,663,000 (2024: US\$5,702,949,000) 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 customers is not disclosed as the original expected duration of the contracts is less than one year.

As at 1 January 2024, contract liabilities amounted to US\$331,543,000. All the contract liabilities at the beginning of the reporting period were included in the revenue recognised in the reporting period.

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

	2025 US\$'000	2024 US\$'000
Segment revenue (external sales)		
Asia	2,363,042	2,597,525
Europe	1,936,218	1,174,562
America	2,358,403	1,930,862
Total	6,657,663	5,702,949
Segment profit		
Asia	43,448	38,621
Europe	67,318	25,559
America	88,295	55,343
Other income, gains and losses	199,061	119,523
Impairment loss recognised for property, plant and equipment	(4,204)	(16,022)
General and administrative expenses	(64,023)	(87,019)
Research and development expenses	(80,110)	(49,965)
Interest expenses	(24,784)	(57,633)
Share of profit of associates	7,473	9,116
Share of loss of a joint venture	(3,711)	(3,815)
Profit before tax	82,496	5,494

Segment profit represents the gross profit earned 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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:

	2025 US\$'000	2024 US\$'000
Segment assets		
Allocated		
Asia	442,354	491,064
Europe	177,158	51,920
America	358,518	281,158
Total	978,030	824,142
Unallocated		
Property, plant and equipment	603,321	571,966
Inventories	648,954	531,242
Cash and bank deposits	1,206,241	1,524,288
Others	212,581	246,589
Corporate assets	94,877	123,796
Consolidated total assets	3,744,004	3,822,023
Segment liabilities		
Allocated		
Asia	100,293	52,653
Europe	23,534	29,370
America	405,675	357,007
Total	529,502	439,030
Unallocated		
Trade and other payables	1,503,345	1,504,139
Others	16,312	10,985
Corporate liabilities	172,898	404,206
Consolidated total liabilities	2,222,057	2,358,360

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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 2025				
	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	–	–	6,175	189,529	195,704
Depreciation and amortisation*	96,305	–	3,133	26,901	126,339
Net loss on disposal and write-off of property, plant and equipment	–	–	1	5,882	5,883
Impairment loss recognised for property, plant and equipment	–	–	–	4,204	4,204
Impairment loss under expected credit loss model, net of reversal	(3,271)	215	2,597	–	(459)
Provision for warranty	12,799	101	65	–	12,965
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	8,228	–	–	–	8,228

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

Other information *(Continued)*

	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

* 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

5. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

Majority of the Group's segment revenue based on location of customers are attributed to the People's Republic of China (the "PRC") included in Asia.

The Group's operations are located in the PRC (country of domicile), Republic of India ("India"), Republic of Singapore ("Singapore"), 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	
	2025 US\$'000	2024 US\$'000	2025 US\$'000	2024 US\$'000
PRC (country of domicile)	5,613,108	5,095,107	339,713	383,536
India	286,600	415,813	83,875	103,173
Singapore	230,403	1	–	–
Mexico	127,435	88,417	19,288	14,141
Vietnam	5	5,453	233,182	144,901
Other countries	400,112	98,158	57,238	39,603
	6,657,663	5,702,949	733,296	685,354

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:

	2025 US\$'000	2024 US\$'000
Customer A ¹	3,758,640	3,176,141
Customer B ^{1&2}	1,083,529	1,066,899

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

6. OTHER INCOME, GAINS AND LOSSES

	2025 US\$'000	2024 US\$'000
An analysis of the Group's other income, gains and losses is as follows:		
Interest income from bank deposits and bank balances	45,990	50,300
Net foreign exchange gain	1,014	15,125
Government subsidies <i>(note)</i>	11,524	16,190
Rental income	3,953	10,090
Net loss on disposal and write-off of property, plant and equipment	(5,883)	(2,866)
Loss on closure of subsidiaries	(1,226)	–
Impairment loss on interest in an associate	(1,306)	–
Gain on deemed disposal of an associate	–	2,758
Gain on early termination of lease <i>(note 14)</i>	–	340
Others	(1,272)	(628)
	52,794	91,309

Note: This mainly represented subsidies granted for the Group's operations in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

7. PROFIT BEFORE TAX

	2025 US\$'000	2024 US\$'000
Profit before tax for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	123,244	132,242
Depreciation of right-of-use assets	2,883	4,189
Depreciation of investment properties	212	67
Total depreciation and amortisation	126,339	136,498
Less: Amount capitalised in inventories	(92,858)	(100,087)
Amount included in research and development expenses	(2,961)	(2,711)
	30,520	33,700
Interest on:		
Bank borrowings	24,642	57,298
Lease liabilities	142	335
	24,784	57,633
Staff costs		
Directors' emoluments (<i>note 8</i>)	2,387	2,307
Retirement benefit scheme contributions (excluding directors)	11,209	11,519
Other staff costs	242,085	254,955
Total staff costs	255,681	268,781
Less: Amount capitalised in inventories	(198,298)	(206,787)
Amount included in research and development expenses	(36,767)	(22,903)
	20,616	39,091
Auditor's remuneration	641	649
Cost of inventories recognised as expense	6,431,241	5,554,546
Provision for warranty	12,965	1,508
Write-down of inventories to net realisable value	8,228	12,255

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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:

2025	Fees US\$'000	Other emoluments			Total US\$'000
		Basic salaries and allowances US\$'000	Performance- based or discretionary bonus US\$'000 (Note)	Retirement benefit scheme contributions US\$'000	
Huang Ying Shih (also known as Philip Huang) (appointed as Chairman of the Board with effect from 31 October 2025)	14	–	–	–	14
Chih Yu Yang (retired as Chairman of the Board with effect from 31 October 2025)	–	160	733	–	893
Lin Chia-Yi (also known as Charles Lin)	–	177	665	–	842
Kuo Wen-Yi	–	393	60	13	466
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
	174	742	1,458	13	2,387

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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

2024	Fees US\$'000	Basic salaries and allowances US\$'000	Other emoluments		Total US\$'000
			Performance- based or discretionary bonus US\$'000 (Note)	Retirement benefit scheme contributions 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

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 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

9. EMPLOYEES' EMOLUMENTS

The aggregate emoluments of the five highest paid individuals included three (2024: three) executive directors of the Company, whose emoluments are included in note 8 above. The emoluments of the remaining two individuals (2024: two individuals) were as follows.

	2025 US\$'000	2024 US\$'000
Salaries, housing allowances and other benefits	323	329
Retirement benefits	18	16
Performance-related incentive payments	303	251
	644	596

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

	Number of employees	
	2025	2024
HK\$2,000,000 to HK\$2,500,000	1	1
HK\$2,500,001 to HK\$3,000,000	1	1
	2	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

10. INCOME TAX EXPENSE

	2025 US\$'000	2024 US\$'000
Current tax		
– Hong Kong	–	–
– Other jurisdictions	6,477	11,776
– Top-up Tax under Pillar Two Rules	2,009	–
– Withholding tax for distributed profit of investments in the PRC	10,087	19,904
	18,573	31,680
Overprovision in prior years		
– Hong Kong	–	–
– Other jurisdictions	(181)	(977)
	(181)	(977)
	18,392	30,703
Deferred tax (<i>note 19</i>)		
– Current year	9,969	(5,017)
	28,361	25,686

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% (2024: 25%). One (2024: Two) of the Company's PRC subsidiaries was awarded the Advanced – Technology Enterprise Certificate and entitled to a tax reduction from 25% to 15% for a period of three years, i.e. effective from 2024. Except for this subsidiary, other PRC subsidiaries are subject to Enterprise Income Tax at 25% (2024: 25%). Besides, another Company's PRC subsidiary was entitled to a concessionary tax rate of 5% under small and micro-enterprises (小微企業) during the current year.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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 Group is subject to global minimum top-up tax under Pillar Two Rules. In respect of fiscal year commencing on or after 1 January 2025, Pillar Two Rules are effective and applicable in Brazil, Finland, Hong Kong, Hungary, Netherlands, Singapore, United Kingdom and Vietnam in which the Company and its subsidiaries operate. For jurisdictions where the annual effective income tax rate is estimated to be below 15%, a top-up tax is accrued for the year ended 31 December 2025. The Group has recognised a current tax expense of US\$2,009,000 related to the top-up tax (2024: N/A) which is expected to be levied on the Group.

The Group has applied the temporary mandatory exception for recognising and disclosing deferred tax assets and liabilities for the impacts of the top-up tax and accounts for it as a current tax when it is incurred. The Group will continue to monitor developments of the Pillar Two Rules and assess its impact on the Group as appropriate.

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

	2025 US\$'000	2024 US\$'000
Profit before tax	82,496	5,494
Income tax charge at the PRC income tax rate of 25% (2024: 25%) for the year <i>(note)</i>	20,624	1,374
Effect of different tax rates of subsidiaries	(1,110)	(2,331)
Effect of income taxed at concessionary tax rates	–	937
Tax effect of expenses not deductible for tax purpose	9,406	5,499
Tax effect of income not taxable for tax purpose	(4,328)	(3,519)
Tax effect of tax losses/deductible temporary differences not recognised	–	6,814
Utilisation of tax losses/deductible temporary differences not recognised	(12,206)	–
Tax effect of share of profit of associates	(1,868)	(2,969)
Tax effect of share of loss of a joint venture	928	954
Withholding tax for distributed profit of investments in the PRC	10,087	19,904
Withholding tax for undistributed profit of investments in the PRC	5,000	–
Overprovision in prior years	(181)	(977)
Top-up tax under Pillar Two Rules	2,009	–
Income tax expense for the year	28,361	25,686

Note: The domestic income tax rate of 25% (2024: 25%) represents the PRC Enterprise Income Tax rate on which the Group's operations are substantially based.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

11. DIVIDENDS

Subsequent to the end of the reporting period, the board of directors of the Company has resolved to recommend the declaration and payment of a final dividend of US3.47 cents (2024: nil) per ordinary share of the Company (which in aggregate amounts to approximately US\$27,067,000 (2024: nil)), for the year ended 31 December 2025, subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS (LOSS) PER SHARE

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

	2025 US\$'000	2024 US\$'000
<u>Profit (loss) attributable to the owners of the Company</u>		
Profit (loss) for the purposes of basic and diluted loss per share	52,727	(20,331)

	2025	2024
<u>Number of shares</u>		(restated)
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	786,281,370	788,600,317
Effective of dilutive potential ordinary shares relating to outstanding share awards issued by the Company	4,799,097	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	791,080,467	788,600,317

The weighted average number of ordinary shares for both years for the purpose of calculating the basic and diluted earnings (loss) per share, had been adjusted to account for the effect of share consolidation as described in note 25.

The calculation of diluted loss per share for the year ended 31 December 2024 did not take into account the share awards issued by the Company as detailed in note 36(b) because it is anti-dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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 2024	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
Exchange adjustments	9,809	(1,077)	736	(13,597)	(4,129)
Additions	4,629	114,799	5,534	61,691	186,653
Disposals and write-off	(11,556)	(124,265)	(6,436)	–	(142,257)
Transfers to investment properties (<i>note 15</i>)	(4,313)	–	–	–	(4,313)
Transfers	59,191	26,738	697	(86,626)	–
At 31 December 2025	782,558	825,265	104,404	23,757	1,735,984
DEPRECIATION AND IMPAIRMENT					
At 1 January 2024	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
Exchange adjustments	(1,326)	2,822	655	–	2,151
Charge for the year	29,663	88,070	5,511	–	123,244
Eliminated on disposals and write-off	(10,286)	(110,250)	(6,420)	–	(126,956)
Impairment loss recognised in profit or loss	–	4,202	2	–	4,204
Transfers to investment properties (<i>note 15</i>)	(3,181)	–	–	–	(3,181)
At 31 December 2025	498,995	542,222	72,113	–	1,113,330
CARRYING VALUES					
At 31 December 2025	283,563	283,043	32,291	23,757	622,654
At 31 December 2024	240,673	251,692	31,508	62,289	586,162

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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

Included in the land and buildings are freehold land, located in Mexico and India (2024: Mexico and India), having an aggregate cost of approximately US\$7,596,000 (2024: US\$7,622,000). 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 2025, 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\$4,204,000 (2024: US\$16,022,000) has been recognised in profit or loss in respect of plant and machinery (2024: plant and machinery) for the year.

14. RIGHT-OF-USE ASSETS

	Leasehold land US\$'000	Land and buildings US\$'000	Total US\$'000
As at 31 December 2025			
Carrying amount	33,278	9,982	43,260
As at 31 December 2024			
Carrying amount	33,940	2,817	36,757
For the year ended 31 December 2025			
Depreciation charge	913	1,970	2,883
For the year ended 31 December 2024			
Depreciation charge	916	3,273	4,189

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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

	Year ended 31 December 2025 US\$'000	Year ended 31 December 2024 US\$'000
Expense relating to short-term leases	22,066	21,079
Total cash outflow for leases	25,536	24,514
Additions to right-of-use assets	9,051	5,672

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 one new lease agreement (2024: several new lease agreements) for the use of leased properties and plant and machinery for five years (2024: one to three years). On the lease commencement, the Group recognised US\$9,051,000 (2024: US\$5,672,000) of right-of-use assets and US\$9,051,000 (2024: US\$5,672,000) 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 2025 and 2024, 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 (2024: one to two years), with unilateral rights to extend the lease beyond initial period held by lessees only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

15. INVESTMENT PROPERTIES (Continued)

As at 31 December 2025 and 2024, 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 2024	1,113
Exchange adjustment	(245)
At 31 December 2024	868
Transfer from property, plant and equipment (note 13)	4,313
Exchange adjustment	162
At 31 December 2025	5,343
DEPRECIATION	
At 1 January 2024	707
Exchange adjustment	(164)
Provided for the year	67
At 31 December 2024	610
Transfer from property, plant and equipment (note 13)	3,181
Exchange adjustment	118
Provided for the year	212
At 31 December 2025	4,121
CARRYING VALUES	
At 31 December 2025	1,222
At 31 December 2024	258

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 disclosable 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\$34,895,000 (2024: US\$34,110,000) which was included in "other receivables" under non-current assets as at 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

15. INVESTMENT PROPERTIES (Continued)

The fair value of the Group's investment properties at 31 December 2025 was US\$9,297,000 (2024: US\$6,899,000). 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 5 to 20 years.

16. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2025 US\$'000	2024 US\$'000
Equity securities listed in USA (note a)	1,004	2,094
Unlisted equity securities (note b)	35,544	54,610
	36,548	56,704

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 2025 and 2024, 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\$17,320,000 (2024: US\$27,900,000) and fair value loss of US\$10,580,000 (2024: gain of US\$2,200,000) was recognised in other comprehensive income for the year ended 31 December 2025.

In determining the fair value of unlisted equity investment in relation to HMD, the Group engaged 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 by market approach (2024: discounted cash flow) which involved the determination of significant estimation and unobservable inputs, including selection of comparable companies and consideration of trading multiple.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

17. INTERESTS IN ASSOCIATES

	2025 US\$'000	2024 US\$'000
Cost of investments in associates, less impairment	5,422	12,357
Share of post-acquisition profit and other comprehensive income, net of dividend received	27,689	13,911
	33,111	26,268

At 31 December 2025 and 2024, 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		Proportion of voting power held by the Group		Principal activities
					2025	2024	2025	2024	
Diabell Co., Ltd. <i>(note a)</i>	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
杭州耕德电子有限公司 (known as Hangzhou Gengde Electronics Co., Ltd.) <i>(note b)</i>	Limited company	PRC	PRC	Equity interest	23.87%	23.87%	23.87%	23.87%	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.. During the year ended 31 December 2025, an impairment loss of US\$1,306,000 (2024: nil) was recognised to fully impair the Group's interests in Diabell Co., Ltd. as the director considered that no future cash flows would be generated from such interests which are of no market value.
- (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 US\$2,758,000 was recognised in profit or loss (included in other income, gains and losses).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

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 31.12.2025 US\$'000	Year ended 31.12.2024 US\$'000
Profit for the year	23,649	32,138
Other comprehensive income	3,656	1,921
Total comprehensive income	27,305	34,059
Group's share of profit and other comprehensive income of associates for the year	8,149	8,103

18. INTEREST IN A JOINT VENTURE

	2025 US\$'000	2024 US\$'000
Cost of investment in a joint venture	40,000	40,000
Share of post-acquisition loss and other comprehensive expense	(34,069)	(30,599)
	5,931	9,401

At 31 December 2025 and 2024, the Group had interest in the following joint venture:

Name of joint venture	Form of entity	Place of incorporation/ place of 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
					2025	2024	2025	2024	
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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

	2025 US\$'000	2024 US\$'000
Current assets	22,091	34,220
Non-current assets	964	4,079
Current liabilities	(10,232)	(18,226)
Non-current liabilities	(961)	(1,271)

The above amounts of assets and liabilities include the following:

	2025 US\$'000	2024 US\$'000
Cash and cash equivalents	18,104	20,066
Current financial liabilities (excluding trade and other payables and provision)	–	(644)
Non-current financial liabilities (excluding trade and other payables and provision)	(561)	(1,046)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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

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

Mobile Drive *(Continued)*

	Year ended 31.12.2025 US\$'000	Year ended 31.12.2024 US\$'000
Revenue	12,362	18,564
Loss for the year	(7,422)	(7,629)
Other comprehensive income (expense) for the year	482	(1,774)
Total other comprehensive expense for the year	(6,940)	(9,403)
The above loss for the year includes the following:		
Depreciation and amortisation	1,614	2,234
Interest income	305	616
Interest expense	9	65

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

	2025 US\$'000	2024 US\$'000
Net assets of Mobile Drive	11,862	18,802
Proportion of the Group's ownership interest in Mobile Drive	50%	50%
Carrying amount of the Group's interest in Mobile Drive	5,931	9,401

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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	Undistributed profits of PRC subsidiaries US\$'000	Others US\$'000 (note)	Total US\$'000
At 1 January 2024	(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)
Charge (credit) to profit or loss for the year	478	–	(2,479)	4,688	5,000	2,282	9,969
Exchange adjustments	65	–	328	82	–	131	606
At 31 December 2025	(1,057)	–	(8,025)	–	5,000	2,619	(1,463)

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:

	2025 US\$'000	2024 US\$'000
Deferred tax assets	(15,989)	(21,128)
Deferred tax liabilities	14,526	9,090
	(1,463)	(12,038)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

19. DEFERRED TAXATION *(Continued)*

Deferred tax assets were recognised for other deductible temporary differences of approximately US\$54,025,000 (2024: US\$62,325,000) on allowances for inventories and trade and other receivables, warranty provision, accelerated tax (accounting) depreciation and other accrued expenses.

At 31 December 2025, 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\$413,781,000 (2024: US\$379,593,000) 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\$642,999,000 (2024: US\$949,091,000) available for offset against future profits. As at 31 December 2024, a deferred tax asset has been recognised in respect of approximately US\$18,951,000 (2025: nil) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of US\$642,999,000 (2024: US\$930,140,000) 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\$246,544,000 (2024: US\$578,674,000) 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 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. At 31 December 2025, US\$5,000,000 (2024: nil) deferred tax liability has been recognised in respect of temporary differences associated with undistributed profits of subsidiaries of approximately US\$50,000,000 (2024: nil) and no deferred tax liability has been recognised for the remaining undistributed profits of US\$503,197,000 (2024: US\$727,324,000) 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

	2025 US\$'000	2024 US\$'000
Raw materials	425,161	304,020
Work-in-progress	52,647	79,047
Finished goods	233,072	164,628
	710,880	547,695

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

21. TRADE AND OTHER RECEIVABLES

	2025 US\$'000	2024 US\$'000
Trade receivables	958,560	849,236
Less: Allowance for credit losses	(221,320)	(221,556)
	737,240	627,680
Other taxes recoverable	56,267	88,764
Other receivables, deposits and prepayments	65,864	75,514
Total trade and other receivables	859,371	791,958

As at 1 January 2024, trade receivables from contracts with customers amounted to US\$733,183,000.

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 ranging 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 2025, certain trade receivables were derecognised under factoring arrangement with financial institutes at cash proceeds of US\$2,274,615,000 (2024: US\$2,621,666,000).

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:

	2025 US\$'000	2024 US\$'000
0 – 90 days	667,773	575,173
91 – 180 days	65,476	45,090
181 – 360 days	339	2,685
Over 360 days	3,652	4,732
	737,240	627,680

As at 31 December 2025, included in the Group's trade receivables balances are debtors with aggregate carrying amount of US\$275,041,000 (2024: US\$279,243,000) which are past due as at the reporting date. Out of the past due balances, US\$3,991,000 (2024: US\$7,417,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

22. TRADE AND OTHER PAYABLES

	2025 US\$'000	2024 US\$'000
Trade payables	1,017,921	1,023,748
Other tax payables	54,446	62,964
Accrued staff costs and employee benefits	111,079	112,558
Others	361,397	327,790
	1,544,843	1,527,060

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

	2025 US\$'000	2024 US\$'000
0 – 90 days	950,649	996,534
91 – 180 days	37,778	14,354
181 – 360 days	22,413	4,984
Over 360 days	7,081	7,876
	1,017,921	1,023,748

23. LEASE LIABILITIES

	2025 US\$'000	2024 US\$'000
Within one year	3,320	38
Within a period of more than one year but not more than two years	1,740	690
Within a period of more than two years but not more than five years	5,224	3,853
	10,284	4,581
Less: Amount due for settlement within twelve months shown under current liabilities	(3,320)	(38)
Amount due for settlement over twelve months shown under non-current liabilities	6,964	4,543

Note: During the year ended 31 December 2025, the Group early terminated lease agreements details of which are set out in note 14.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

24. BANK BORROWINGS

	2025 US\$'000	2024 US\$'000
Bank loans – due within one year	108,370	341,420
Analysis of bank borrowings by currency:		
US\$	108,370	341,420

The bank borrowings as at 31 December 2025 are unsecured, obtained with original maturity of one to two months (2024: one month) and carry interest at fixed interest rate ranging from 4.06% to 4.12% (2024: 4.90% to 5.15%) per annum. Out of total bank borrowings, bank borrowings of US\$60,600,000 (2024: US\$100,000,000) contain a repayment on demand clause. The weighted average effective interest rate on the bank borrowings is 4.09% per annum (2024: 4.97% per annum).

25. SHARE CAPITAL

	Par value US\$	Number of ordinary shares	Amount US\$'000
Authorised:			
Balance at 1 January 2024, 31 December 2024 and 1 January 2025	0.04	20,000,000,000	800,000
Share Consolidation (<i>note</i>)		(18,000,000,000)	–
Balance as at 31 December 2025	0.4	2,000,000,000	800,000
Issued and fully paid:			
Balance at 1 January 2024	0.04	7,905,000,000	316,200
Repurchase and cancellation of shares	0.04	(20,500,000)	(820)
Balance at 31 December 2024 and 1 January 2025	0.04	7,884,500,000	315,380
Share Consolidation (<i>note</i>)		(7,096,050,000)	–
Balance at 31 December 2025	0.4	788,450,000	315,380

Note: On 16 May 2025, the shareholders of the Company approved the share consolidation on the basis that every ten issued and unissued share of a par value of US\$0.04 each be consolidated into one consolidated share of a par value of US\$0.40 each, which became effective on 20 May 2025 (the "Share Consolidation"). In connection with the Share Consolidation, the par value of the authorised share capital of the Company changed from US\$800,000,000 divided into 20,000,000,000 shares of a par value of US\$0.04 each to US\$800,000,000 divided into 2,000,000,000 consolidated shares of a par value of US\$0.40 each.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

25. SHARE CAPITAL (Continued)

During the current year, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchases	Number of ordinary shares	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
May 2025 (before Share Consolidation)	10,254,000	0.85	0.78	8,406

Note: 10,254,000 ordinary shares of a par value of US\$0.04 each were consolidated into 1,025,400 ordinary shares of a par value of US\$0.40 each due to Share Consolidation.

Month of repurchases	Number of ordinary shares	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
May 2025 (after Share Consolidation)	1,087,600	9.34	8.18	9,255
June 2025	1,287,000	10.26	8.90	12,182
July 2025	142,000	10.36	10.12	1,460
August 2025	1,314,000	15.44	14.30	19,778
September 2025	864,000	17.34	14.87	14,336
November 2025	1,340,000	19.25	17.37	24,779
December 2025	1,348,000	19.30	18.20	25,607
	7,382,600			107,397
Total				115,803
				US\$'000
Equivalent to				14,876

8,408,000 ordinary shares were repurchased during the year ended 31 December 2025. These shares were not cancelled and remained as treasury shares (the "Treasury Shares", as defined under the Listing Rules). During the current year, 734,186 treasury shares were transferred out under equity-settled share-based payment plan and 7,673,814 treasury shares were held by the Company as at 31 December 2025.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities (including Treasury Shares) during the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

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	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
January 2024	4,400,000	0.60	0.58	2,594
March 2024	5,500,000	0.51	0.47	2,728
April 2024	800,000	0.51	0.50	404
	10,700,000			5,726
				US\$'000
Equivalent to				734

10,700,000 ordinary shares of a par value of US\$0.04 each were repurchased and cancelled during the year ended 31 December 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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 gain from the forward foreign exchange contracts of US\$1,687,000 (2024: loss of US\$1,757,000) 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:

	2025 US\$'000	2024 US\$'000
US\$	163,000	81,000

As at 31 December 2025, the fair value of the Group's currency derivatives is estimated to be approximately US\$8,000 liabilities (2024: US\$1,695,000 liabilities), 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 (2024: other payables) at the end of the reporting period. The contracts outstanding as at 31 December 2025 mainly related to buying of Mexican Peso ("MXN") and New Taiwan Dollars ("NTD") (2024: MXN and NTD) with maturities in the first quarter of 2026 (2024: first quarter of 2025).

28. BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

Bank deposits carry interest at prevailing market rate of 4.77% (2024: 6.77%) 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 1.71% (2024: 3.33%) per annum on average.

For the years ended 31 December 2025 and 2024, 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:

	2025 US\$'000	2024 US\$'000
US\$	414,762	319,671
RMB	629,999	1,037,848
India Rupee ("INR")	241,798	257,612
Brazilian Real	9,392	7,769
NTD	53,123	53,480
Others	3,951	8,694
	1,353,025	1,685,074

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

29. PROVISION

	2025 US\$'000	2024 US\$'000
At 1 January	1,438	2,014
Exchange adjustments	10	(67)
Provision for the year	12,965	1,508
Utilisation of provision/upon expiry of the warranty period	(280)	(2,017)
At 31 December	14,133	1,438

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

	2025 US\$'000	2024 US\$'000
Government subsidies	6,028	6,404

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

	2025 US\$'000	2024 US\$'000
Commitments for the acquisition of property, plant and equipment contracted but not provided for	47,409	21,820

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2025 US\$'000	2024 US\$'000
Financial assets		
Financial assets at amortised cost	2,150,524	2,412,639
Equity instruments at FVTOCI	36,548	56,704
	2,187,072	2,469,343
Financial liabilities		
At amortised cost		
Fair value through profit or loss		
Derivatives (included in other payables)	8	1,695
Trade and other payables	1,415,606	1,334,951
Bank borrowings	108,370	341,420
	1,523,984	1,678,066

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

32. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

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.

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 (2024: less than three 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 2025, total notional amount of outstanding forward foreign exchange contracts that the Group has committed is approximately US\$163,000,000 (2024: US\$81,000,000), and their fair values are estimated to be approximately US\$8,000 liabilities (2024: US\$1,695,000 liabilities), and are included as other payables (2024: other payables), at the end of the reporting period. The contracts mainly related to buying of MXN and NTD (2024: MXN and NTD) with maturities in first quarter (2024: first quarter) of the following year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

32. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

Currency risk *(Continued)*

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 (2024: cash and cash equivalents, trade and other receivables and trade and other payables), the carrying amounts are summarised as follows:

	2025 US\$'000	2024 US\$'000
Assets	2,085,582	1,932,149
Liabilities	(1,073,974)	(713,292)

As at 31 December 2025, all of Group's bank borrowings were denominated in US\$. As at 31 December 2024, certain bank borrowings denominated in a currency other than their respective functional currency were included in the monetary liabilities disclosed above.

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% (2024: 3%) and all other variables were held constant, the Group's post-tax loss would decrease/increase by approximately US\$2,350,000 (2024: US\$7,354,000) for the year and the Group's translation reserve would increase/decrease by US\$82,960,000 (2024: US\$84,346,000) 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 (2024: RMB and INR), RMB/US\$ exchange rate ranged between 0.1389 and 0.1423 and INR/US\$ exchange rate ranged between 0.0111 and 0.0118 (2024: RMB/US\$ exchange rate ranged between 0.1391 and 0.1427 and INR/US\$ exchange rate ranged between 0.0117 and 0.0121) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

32. FINANCIAL INSTRUMENTS *(Continued)*

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

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.

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 2025, ECL on other receivables of US\$5,990,000 (2024: recognised US\$5,943,000) was reversed in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

32. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Other receivables (Continued)

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	
					2025 US\$'000	2024 US\$'000
<u>Financial assets at amortised cost</u>						
Bank deposits	28	Ba3 – Aa3	N/A	12m ECL	346,143	168,833
Bank balances	28	Ba3 – A1	N/A	12m ECL	1,006,882	1,516,241
Other receivables	21	N/A	(note i) (note iii)	12m ECL Lifetime ECL (credit-impaired)	60,259 –	99,885 5,943
Trade receivables	21	N/A	(note ii & iii)	Lifetime ECL (not credit-impaired)	958,560	849,236

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.
- (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 2025, the management had assessed the ECL of trade receivable due from HMD with a gross carrying amount of US\$212,492,000 (2024: US\$212,492,000) 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. In prior years, 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\$212,492,000 was recognised. During the year ended 31 December 2024, trade receivables from HMD with a gross carrying amount of US\$2,732,000 (2025: nil) was recovered, resulted in reversal of ECL of US\$2,732,000 (2025: nil).

During the year ended 31 December 2025, the Group provided ECL of US\$5,531,000 (2024: provided ECL of US\$6,557,000), based on the provision matrix on the remaining balance of trade receivables that are not individually assessed. Average loss rates of 0.31% to 66.92% (2024: 0.09% to 56.67%) were applied by the Group to the trade receivable with gross carrying amount of US\$746,068,000 (2024: US\$636,744,000) 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 was assessed individually. During the year ended 31 December 2024, loss allowance on credit impaired balance of US\$7,437,000 (2025: nil) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

32. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Other receivables (Continued)

(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 2024	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
Changes due to financial instruments recognised as at 1 January 2025:			
– Impairment losses reversed	(4,193)	–	(4,193)
– Write-off	(5,758)	–	(5,758)
Impairment losses recognised for new financial assets originated	9,724	–	9,724
Exchange adjustments	(9)	–	(9)
As at 31 December 2025	221,320	–	221,320

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

	Lifetime ECL (credit- impaired) US\$'000
At 1 January 2024	–
Impairment losses recognised	5,943
At 31 December 2024	5,943
Impairment losses reversed	(5,990)
Exchange adjustments	47
At 31 December 2025	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

32. FINANCIAL INSTRUMENTS *(Continued)*

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

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 (2024: one month) 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\$60,600,000 (2024: US\$100,000,000) contain a repayment on demand clause.

As at 31 December 2025, the Group has available unutilised banking facilities of approximately US\$1,833,931,000 (2024: US\$1,772,889,000). There was no pledge of assets in relation to the banking facilities as at 31 December 2025 and 2024.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Sensitivity/relationship of unobservable inputs to fair value
	31.12.2025 US\$'000	31.12.2024 US\$000				
Forward foreign exchange contracts classified as other payables (2024: other payables)	Liabilities – 8	Liabilities – 1,695	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 – 1,004	Listed equity investments – 2,094	Level 1	Quoted bid prices in an active market	N/A	N/A
Equity instruments at FVTOCI	Unlisted equity instruments – 2,100	Unlisted equity instruments – 5,270	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 – 33,444	Unlisted equity instruments – 49,340	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 market approach	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
				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	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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 2024	36,354
Net fair value loss	
– in OCI	(7,900)
Transfer into Level 3 <i>(note)</i>	20,886
At 31 December 2024	49,340
Net fair value loss	
– in OCI	(19,729)
Transfer into Level 3 <i>(note)</i>	3,833
At 31 December 2025	33,444

Note: 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.

Included in other comprehensive income, loss of US\$19,729,000 (2024: loss of US\$7,900,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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 2024	5,725	703,676	3,979	713,380
Financing cash flows	(62,342)	(362,020)	(3,435)	(427,797)
New lease entered <i>(note 14)</i>	–	–	5,672	5,672
Leases terminated <i>(note 14)</i>	–	–	(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
Financing cash flows	(25,310)	(233,050)	(3,470)	(261,830)
New lease entered <i>(note 14)</i>	–	–	9,051	9,051
Interest expenses	24,642	–	142	24,784
Exchange adjustments	–	–	(20)	(20)
At 31 December 2025	13	108,370	10,284	118,667

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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.

	2025 US\$'000	2024 US\$'000
Hon Hai		
Sales of goods	824,830	971,264
Purchase of goods	54,729	50,510
Sales of property, plant and equipment	1	2
Purchase of property, plant and equipment	317	2
Lease expense – real properties <i>(note)</i>	622	602
Subcontracting income	13,468	2,671
Consolidated services and subcontracting expense	123	649
General service income	–	42
Subsidiaries of Hon Hai		
Sales of goods	235,206	73,803
Purchase of goods	276,115	145,742
Purchase of property, plant and equipment	915	182
Sales of property, plant and equipment	1,352	10,807
Lease income – real properties	4,736	4,649
Lease income – non-real properties	22	–
Lease expense – real properties <i>(note)</i>	5,316	5,569
Lease expense – non-real properties <i>(note)</i>	35	35
Subcontracting income	10,025	20,190
Consolidated services and subcontracting expense	40,219	33,266
General service income	7	–
General service expense	5,783	4,896
Associates of Hon Hai		
Sales of goods	203,851	248,101
Purchase of goods	105,875	127,922
Sales of property, plant and equipment	164	–
Purchase of property, plant and equipment	16	751
Lease expense – real properties <i>(note)</i>	61	68
Subcontracting income	8,033	5,279
Consolidated services and subcontracting expense	2,086	1,038
General service expense	20	17

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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:

	2025 US\$'000	2024 US\$'000
Trade receivables:		
Hon Hai	221,962	226,619
Subsidiaries of Hon Hai	75,033	32,615
Associates of Hon Hai	22,740	42,478
	319,735	301,712
Other receivables:		
Hon Hai	–	2
Subsidiaries of Hon Hai	156	1,043
	156	1,045
	319,891	302,757
Trade payables:		
Hon Hai	10,058	5,186
Subsidiaries of Hon Hai	55,347	45,844
Associates of Hon Hai	23,633	28,781
	89,038	79,811
Other payables:		
Hon Hai	93	115
Subsidiaries of Hon Hai	3,484	1,864
Associates of Hon Hai	6	121
	3,583	2,100
	92,621	81,911

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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:

	2025 US\$'000	2024 US\$'000
Short-term benefits	3,625	3,743
Share-based payments	1,397	526
	5,022	4,269

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

	2025 US\$'000	2024 US\$'000
Sales of goods	213	2,176
Other income	458	2,426
Other expense	3,688	513
Purchase of property, plant and equipment	69	–

The amount due from a joint venture was US\$4,127,000 (2024: US\$8,473,000), which was interest-free with credit period of 90 days and included in trade and other receivables as at 31 December 2025.

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

	2025 US\$'000	2024 US\$'000
Sales of goods	3,593	806
Other income	452	772

The amounts due from associates were US\$4,075,000 (2024: US\$813,000), which were interest-free, repayable on demand and included in trade and other receivables as at 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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 2025 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:

	2025	2024
Discount rate	2.00%	1.00%
Expected rate of salary increases	3.00%	3.00%

The actuarial valuations showed that the market value of plan assets was US\$6,509,000 (2024: US\$6,394,000) and that the actuarial value of these assets represented 161% (2024: 176%) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

36. SHARE-BASED PAYMENT TRANSACTIONS

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

Pursuant to the approval of the board of directors of the Company (the “**Board**”) on 19 May 2023, the Company adopted a share option scheme (the “**Share Option Scheme**”) for the Company to reward, motivate and retained eligible person, which would comply with the new requirements of Chapter 17 of the Listing Rules. Details of the Share Option Scheme are set out in circular dated 14 April 2023. The Share Option Scheme was approved by the Company’s shareholders on 19 May 2023 and will expire on 18 May 2033. Since the adoption of the Share Option Scheme on 19 May 2023, no option has been granted under the Share Option Scheme.

Under the 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 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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

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

Under the 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 Share Option Scheme do not contain any minimum period for which an option must be held before it can be exercised, though such minimum period may be specified by the board of directors of the Company or its duly authorised officer(s) or delegate(s) under the Option Schemes at the time of grant.

The exercise price of the 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 Share Option Scheme. No share option was exercisable as at 31 December 2025 and 2024.

No expense in relation to the share options granted by the Company was recognised by the Group for the years ended 31 December 2025 and 2024.

(b) Other share-based payment plan

Pursuant to the approval of the Board on 10 March 2023 and approval of the Company's shareholders on 19 May 2023, the Company adopted a share scheme (the "**Share Scheme**") for the Company to reward, motivate and retained eligible person, which would comply with the new requirements of Chapter 17 of the Listing Rules. The Share Scheme was subsequently amended by the Board on 7 March 2025 to allow the use of Treasury Shares in the Company to satisfy the awards granted under the Share Scheme from time to time.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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

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

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 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 Share Scheme and upon exercise of all options which may be granted pursuant to the 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 Share Option Scheme and the 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 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 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 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 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 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 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 Share Scheme from the market in March 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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

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

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 Share Scheme of which 2,592,601 ordinary shares were granted with lock-up periods, i.e. vesting period 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 Share Scheme from the market in September 2024.

Pursuant to the approval of the Board on 15 May 2025 and the subsequent finalisation by the Board's delegate, the Company offered 7,001,902 ordinary shares to a total of two beneficiaries pursuant to the Share Scheme of which 7,001,902 ordinary shares were granted with lock-up periods, i.e. vesting period with service condition up to 14 May 2026 from the grant date, i.e. 15 May 2025. No consideration was payable on acceptance of offer of the shares. The 7,001,902 ordinary shares would be satisfied by transfer of Treasury Shares of the Company.

Due to the Share Consolidation that became effective on 20 May 2025, 9,594,503 outstanding ordinary shares granted of a par value of US\$0.04 each before Share Consolidation were adjusted to become 959,449 ordinary shares of a par value of US\$0.40 each. All other terms and conditions of the outstanding shares granted remain unchanged.

Pursuant to the approval of the Board on 11 August 2025 and the subsequent finalisation by the Board's delegate, the Company offered 700,190 ordinary shares to a total of two beneficiaries pursuant to the Share Scheme of which 700,190 ordinary shares were granted with lock-up periods, i.e. vesting period up to 11 August 2026 from the grant date, i.e. 11 August 2025. No consideration was payable on acceptance of offer of the shares. The 700,190 ordinary shares would be satisfied by transfer of Treasury Shares of the Company.

Pursuant to the approval of the Board on 11 August 2025 and the subsequent finalisation by the Board's delegate, the Company offered 26,538,000 ordinary shares to certain beneficiaries pursuant to the Share Scheme of which 26,538,000 ordinary shares were granted with lock-up periods with 3 years, i.e. vesting period with service condition up to 5 October 2028 from the grant date, i.e. 11 August 2025. No consideration was payable on acceptance of offer of the shares. The 26,538,000 ordinary shares would be satisfied by transfer of Treasury Shares of the Company.

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. Equity-settled share-based payments of US\$14,183,000 was recognised during the year ended 31 December 2025 (2024: US\$526,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

37. PRINCIPAL SUBSIDIARIES

The Company has the following principal subsidiaries as at 31 December 2025 and 2024:

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 2025	Indirectly 2024			
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 <i>(note)</i>	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	VND3,979,545,000,000	–	–	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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

	2025 US\$'000	2024 US\$'000
ASSETS		
Investments in subsidiaries	1,542,283	1,800,975
Other receivables and prepayment	1,398	7,176
Cash and cash equivalents	1,900	4,700
	1,545,581	1,812,851
LIABILITIES		
Bank borrowings	20,770	341,420
Other payables	6,068	7,826
	26,838	349,246
NET ASSETS	1,518,743	1,463,605
CAPITAL AND RESERVES		
Share capital	315,380	315,380
Share premium	1,172,855	1,172,561
Treasury shares	(14,106)	–
Other reserves	44,614	(24,336)
TOTAL EQUITY	1,518,743	1,463,605

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2025

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\$1,190,495,000 (2024: US\$1,148,476,000), consisted of share premium of approximately US\$1,172,855,000 (2024: US\$1,172,561,000) and retained profits of approximately US\$150,252,000 (2024: US\$94,421,000), less other reserve of approximately US\$118,506,000 (2024: less other reserve of approximately US\$118,506,000) and treasury shares of approximately US\$14,106,000 (2024: nil).

Movement in reserves

	Share premium US\$'000	Treasury shares US\$'000	Share compensation reserve US\$'000	Retained profits US\$'000	Other reserve US\$'000	Total US\$'000
Balance at 1 January 2024	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
Profit for the year	–	–	–	55,831	–	55,831
Repurchase of ordinary shares	–	(14,876)	–	–	–	(14,876)
Shares vested under equity- settled share-based payment plan	294	770	(1,064)	–	–	–
Recognition of equity-settled share-based payments (note 36)	–	–	14,183	–	–	14,183
Balance at 31 December 2025	1,172,855	(14,106)	12,868	150,252	(118,506)	1,203,363

FINANCIAL SUMMARY

	For the year ended 31 December				
	2021 (US\$'million)	2022 (US\$'million)	2023 (US\$'million)	2024 (US\$'million)	2025 (US\$'million)
Results					
Revenue	8,582.56	9,394.32	6,445.80	5,702.95	6,657.66
Profit (loss) from operations	79.04	(30.11)	(39.30)	63.13	107.28
Interest expenses	(8.88)	(29.58)	(60.60)	(57.63)	(24.78)
Profit (loss) before tax	70.16	(59.69)	(99.90)	5.50	82.50
Income tax expense	(13.74)	(12.45)	(20.87)	(25.69)	(28.36)
Profit (loss) after tax and before non-controlling interests	56.42	(72.14)	(120.77)	(20.19)	54.14
Non-controlling interests	(0.09)	0.03	0.09	(0.14)	(1.41)
Net profit (loss) for the year	56.33	(72.11)	(120.68)	(20.33)	52.73

	2021	2022	2023	2024	2025
	(US\$'million)	(US\$'million)	(US\$'million)	(US\$'million)	(US\$'million)
Assets and liabilities					
Total assets	5,979.69	5,510.29	4,319.44	3,822.02	3,744.01
Total liabilities	(3,812.42)	(3,722.52)	(2,758.06)	(2,358.36)	(2,222.06)
Non-controlling interests	(7.31)	(6.12)	(2.89)	(2.85)	(4.39)
Capital and reserves	2,159.96	1,781.65	1,558.49	1,460.81	1,517.56

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Company's board of directors (the "**Board**") is committed to maintaining high corporate governance standards and recognises that good governance is vital for long-term success and sustainability of the Group's business.

The Company has adopted the corporate governance compliance manual (the "**Compliance Manual**") since 15 April 2010, as amended and supplemented from time to time. The purpose of the Compliance 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 of 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 2025 (the "**year under review**") and up to the date of this report, the corporate governance committee and the Board conducted an annual review of the corresponding policies, systems and measures and confirmed that they remain appropriate and effective and relevant to the needs of the Company. Throughout the year under review, the Company has complied with all the code provisions as well as applied the principles in the CG Code.

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 2025 environmental, social and governance report (the "**2025 ESG Report**") as issued and published simultaneously upon the issuance and publication of the Company's 2025 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 GOVERNANCE REPORT *(Continued)*

VISION, MISSION AND VALUES AND CORPORATE CULTURE

Vision, Mission and Values

Our vision is to create comprehensive smart living experiences for customers around the world, enabling a seamless and connected lifestyle. We are driven by our mission to empower possibilities through technology, push the boundaries of innovation, and deliver exceptional values to our customers at every touchpoint.

In compliance with Paragraph A.1.1 of Part 2 of the CG Code, the Company has adopted and updated its corporate vision, mission and core values to guide the Group and its operations, details of which are set out below and are also available on the Company's website.

Area	Description
Vision	Creating comprehensive smart living experiences for the Group's customers across the globe.
Mission	Empowering possibilities through technology, driving excellence with innovation, and delivering exceptional values to customers.
Values	<p>The Group operates with six core values that define its approach and guide its actions:</p> <ol style="list-style-type: none">Integrity and Accountability – The Group upholds the principles of honesty and fulfills every commitment, ensuring trust and reliability in its internal and external relationships.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.Dedication – The Group remains dedicated to achieving the best, consistently pushing boundaries to deliver outstanding results.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.Innovation & Breakthrough – The Group embraces challenges, drives innovation, and continuously seeks breakthroughs, fostering creativity to fuel ongoing business growth.Efficiency and Agility – The Group acts swiftly and adapts effectively, seizing opportunities and maintaining competitiveness in a rapidly changing environment.



CORPORATE GOVERNANCE REPORT *(Continued)*

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

Alignment with Corporate Culture

The Group's corporate culture is the driving force for achieving its corporate vision, mission and values 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 values 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.

Role of the Board and Management

The Board and management of the Group 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.

Embedding Culture in Policies and Operations

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 Compliance Manual, the anti-bribery management system manual, the whistleblowing policies and the risk management and internal control systems 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 conduct)), 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 refer to 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 RM 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 vision, mission and values as well as corporate culture.

CORPORATE GOVERNANCE REPORT *(Continued)*

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

Alignment with Corporate Culture *(Continued)*

Training, Monitoring and Assessment

To build and develop a better corporate culture, the Board focuses on, among other things, accountability, transparency, effective communications, open and bilateral dialogues, proactive engagement, provision of training and also areas for improvement; 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 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 vision, mission and values as well as corporate culture; and (2) refresher and update training to reinforce and develop a stronger culture of compliance, risk management and internal control systems within the Group.

External Communication and Culture Monitoring

In order to promote, implement/enhance and maintain the Company's 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 vision, mission and values on its website, and also covered this "Vision, Mission and Values and Corporate Culture" section in this report.

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 2025 ESG Report. For details about (ii) and (iii), please refer to the section headed "Overview on Mechanisms for Independent Views and Inputs" on pages 158-166 of the Company's 2024 annual report.

The Group believes that its success as a business and as an organisation is underpinned by its strong corporate governance, solid vision, mission and values as well as positive and progressive corporate culture.



CORPORATE GOVERNANCE REPORT *(Continued)*

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.

Such Mechanisms comprise, among other things, established channels for communication of views and concerns raised within the Board, between the Board and management, and between the management and stakeholders as well as employees, through shareholders meeting, regular Board and committee interactions, procedures for seeking independent professional advice, structured reporting and communication from management to the Board, and established policies and procedures governing conflicts of interest and whistleblowing, which facilitate open dialogue and engagement with shareholders, investors and stakeholders at all levels, with appropriate escalation of relevant matters to the Board as and when necessary.

For further details, please refer to the overview of the Mechanisms as set out in pages 158-166 of the Company’s 2024 annual report.

On the basis of the views and recommendations from the corporate governance committee, on 7 March 2025 and 13 March 2026, the Board conducted annual reviews of the implementation and effectiveness of the Mechanisms and confirmed that the Mechanisms remained appropriate, effective and relevant to the needs of the Company, and reflected the then current regulatory requirements and good corporate governance practices.

CORPORATE GOVERNANCE CODE

The Company has adopted the Compliance Manual which sets out the Company’s governance practices and compliance procedures in accordance with the CG Code under the Listing Rules and the SFO.

During the year under review, the Company has complied with all applicable code provisions of the CG Code.

The Board will continue to review and monitor the Company’s corporate governance practices to ensure compliance with regulatory requirements and to maintain high standards of corporate governance.



CORPORATE GOVERNANCE REPORT *(Continued)*

THE BOARD

The Board is responsible for the leadership and control of the Company and for overseeing the Group's overall business, strategic decisions and performance. It is collectively responsible for promoting the long-term success of the Company, setting the Group's strategy and risk appetite, and ensuring the effectiveness of internal control and risk management systems.

Further details of the Board's composition, roles and responsibilities are set out below.

Composition of the Board

As at the date of this report, the Board consists of two executive directors, two non-executive directors and three independent non-executive directors. The Board considers that its composition during the year under review provides an appropriate balance of skills, experience and independence.

The composition of the Board during the year under review and up to the date of this report is set out below:

Executive Directors

LIN Chia-Yi (also known as Charles LIN)

(Chief Executive Officer)

KUO Wen-Yi

(member of the corporate governance committee)

CHIH Yu Yang

(former Chairman of the Board and the corporate governance committee respectively)

(retired on 31 October 2025)

Non-executive Directors

HUANG Ying Shih (also known as Philip HUANG)

(Chairman of the Board and the corporate governance committee respectively)

(appointed on 31 October 2025)

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)



CORPORATE GOVERNANCE REPORT *(Continued)*

THE BOARD *(Continued)*

Composition of the Board *(Continued)*

Chairman and Chief Executive Officer

The roles of the chairman of the Board and the chief executive officer of the Company are separately performed, with the division of responsibilities between them clearly established and set out in writing to enhance their respective independence, accountability and distinctiveness while complementing each other, thereby maintaining a proper balance of power and authority between the Board and the management of the Company.

The Chairman of the Board 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, the chairman should promote a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors.

The chief executive officer of the Company is responsible for the day-to-day management of the Group's business and operations and for implementing the strategies and policies approved by the Board. He leads the management team in executing the Group's business plans, oversees operational performance, and maintains effective communication with the Board so that the Board is provided with timely and appropriate information.

During the year under review, Mr. CHIH Yu Yang retired as the Chairman of the Board and Mr. Huang was appointed as the Chairman of the Board with effect from 31 October 2025. Mr. Huang (Chairman of the Board) held a meeting with the independent non-executive directors without the presence of the other executive and non-executive directors on 18 December 2025.

Non-executive Directors

The Company entered into a letter of appointment with each of the non-executive directors, namely Mr. HUANG Ying Shih and Mr. CHANG Chuan-Wang, setting out the terms and conditions governing their appointment and ancillary matters, as amended and supplemented from time to time.

All directors, including non-executive directors, appointed to fill a casual vacancy or as an additional member to the existing Board shall hold office only until the first annual general meeting of the Company after his/her appointment and shall be eligible for re-election.

Moreover, each non-executive director (including independent non-executive directors) is appointed for a term of three years subject to the requirements of the Articles relating to rotation and re-election of directors at annual general meeting(s) of the Company, including re-election at the first annual general meeting of the Company following his/her appointment.

During the year under review, the non-executive directors (including independent non-executive directors) provided the Company with a wide range of expertise and a balance of skills and brought independent judgment on issues of strategic direction, business development, performance and risk management through their contribution at Board meetings and committee meetings.

CORPORATE GOVERNANCE REPORT *(Continued)*

THE BOARD *(Continued)*

Composition of the Board *(Continued)*

Independent Non-executive Directors

The Company entered into a letter of appointment with each of the independent non-executive directors, namely Mr. LAU Siu Ki, Ms. CHEN Shu Chuan and Mr. CHIU Yen-Tsen, setting out the terms and conditions governing his/her appointment and ancillary matters, as amended and supplemented from time to time.

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 the confirmations of independence from each of the independent non-executive directors in accordance with Rule 3.13 of the Listing Rules.

Mr. LAU Siu Ki has served the Board for more than nine years. His professional background, extensive and in-depth skills, knowledge, ability and experience (particularly his Hong Kong background, qualifications and experience; and has 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) bring valuable insights, advices, expertise, better diversity of perspectives as well as independent judgments and objective views to the Board. Mr. Lau possesses the required character, competence, integrity, experience and diversity of perspectives would be important to the overall business culture that the Company would need to maintain in the development and operation of its business. There is no evidence that length of tenure is having an adverse impact on his independence. The Board therefore considers that Mr. LAU Siu Ki remains independent, notwithstanding the length of his tenure.

The nomination committee of the Company has assessed the continued independence of all the independent non-executive directors in respect of the year under review, and was satisfied that each of Mr. LAU Siu Ki, Ms. CHEN Shu Chuan and Mr. CHIU Yen-Tsen 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 55 to 67.



CORPORATE GOVERNANCE REPORT *(Continued)*

THE BOARD *(Continued)*

Division of Responsibilities and Delegation

According to the Compliance 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. Such matters reserved for the Board include, among other things, the Group's strategy, objectives, business plans, budgets and overall management, changes in capital structure or corporate structure, approval of dividend policy and declaration of dividends, major investments, and approval of internal policies, codes and guidelines. Upon the Board's annual review on 13 March 2026, the aforesaid list of matters reserved for the Board has remained effective and appropriate to the Company's needs.

The Board has delegated its powers to the Company's directors and management for the daily management and operations of the Group. In addition, the Board has delegated its powers to the Board committees, which comprising 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.

Changes in Board Composition During the Year

In accordance with the Articles, any director, appointed either to fill a casual vacancy on or as an addition to then existing Board, shall hold office only until the first annual general meeting after his appointment and shall then be eligible for re-election at such annual general meeting. During the year under review, Mr. CHIH Yu Yang retired as an executive director, the Chairman of the Board and chairman of the corporate governance committee of the Company due to his desire to dedicate more time to his family; and Mr. HUANG Ying Shih was appointed as a non-executive director, the Chairman of the Board and the chairman of the corporate governance committee of the Company, both with effect from 31 October 2025.

Mr. Huang had obtained the legal advice on 20 October 2025 from a firm of solicitors qualified to advise on Hong Kong law referred to in Rule 3.09D of the Listing Rules and had confirmed that he understood his obligations as a director of the Company, the requirements under the Listing Rules that are applicable to him as a director and the possible consequences of making a false declaration or giving false information to the Stock Exchange. Mr. Huang, being eligible, will offer himself for re-election at the Company's forthcoming annual general meeting to be held on 22 May 2026 (the "2026 AGM"). For details, please refer to the Company's announcement dated 31 October 2025.

Retirement and Re-election of Directors

In accordance with 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 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. Accordingly, Mr. LIN Chia-Yi and Ms. CHEN Shu Chuan will retire from office by rotation at the 2026 AGM, and, being eligible, they offer themselves for re-election at the 2026 AGM.

CORPORATE GOVERNANCE REPORT *(Continued)*

THE BOARD *(Continued)*

Board Independence

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 are set out in the section headed “Profile of Directors and Senior Management” in the report of the directors, which forms part of the Company’s 2025 annual report, and such details demonstrate a diversity of skills, expertise, experience, qualifications and other perspectives appropriate to the requirements of the Company’s business.

Board Process

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, four 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 also dealt with matters by way of circulation and signing of written resolutions during the year under review.

Board Skills

Overview

The Board maintains a Board skills matrix (the “**Board Skill Matrix**”) to assess the collective experience, skills, qualifications and expertise of the directors and to align these with the Company’s long-term strategy, purpose, values and desired culture.

The Board Skills Matrix assists the Nomination Committee in assessing whether the Board possesses an appropriate balance of expertise and perspectives to support the Group’s business and strategic development. It also helps identify potential skills gaps and informs board refreshment, directors’ training and succession planning.

The Board recognises that an effective board requires a combination of professional expertise, industry knowledge, leadership experience and diverse perspectives. Accordingly, the Board reviews the Board Skills Matrix at least once annually to ensure that the Board’s collective capabilities remain aligned with the Group’s strategy, risk profile and operating environment.



CORPORATE GOVERNANCE REPORT *(Continued)*

THE BOARD *(Continued)*

Board Skills *(Continued)*

Board Skills Matrix

The matrix below summarises the current mix of skills of the Board, which provides an overview of the collective capabilities of the Board. It demonstrates the breadth and diversity of experience and backgrounds relevant to the Group that directors bring to the Board and its committees.

Skills Area	Description	Importance to the Group	Current Board Coverage	Assessment of Adequacy	Future Considerations
Industry Knowledge and Experience	Experience in industries relevant to the Group's operations, including electronics manufacturing, technology-related sectors, telecommunications and technology supply chains.	Essential. Industry insight enables the Board to evaluate strategic opportunities, customer and market developments and operational challenges, and supports the Group's mission of empowering possibilities through technology and innovation.	4/7	Adequate	The Board will continue to review the adequacy of industry expertise in light of the Group's evolving technology and manufacturing businesses.
Engineering, Technology and Digital Transformation and Relevant Experience and Knowledge	Experience, knowledge and/or leadership exposure in engineering, information and communication technology, research and development, product development, manufacturing technology, automation, digital transformation, enterprise systems and process integration, and technology-enabled business models or digital platforms relevant to the Group's business operations. Such experience may be gained through technical, operational, strategic or board-level roles in technology enterprises or technology-driven industries.	Essential. As the Group operates in technology-driven industries, engineering, technology and digital transformation capability supports the Board in guiding technology development, manufacturing execution and innovation initiatives, consistent with the Group's values of innovation & breakthrough and efficiency and agility.	5/7	Adequate	The Board will continue to consider candidates with engineering, technology or digital transformation expertise and relevant leadership, experience and knowledge to further strengthen the Board's overall technology and transformation capability.
Corporate Governance and Risk Management	Experience in corporate governance and risk management, including governance leadership, regulatory awareness, risk management and internal control practices. Such experience may be gained through service as directors and/or senior executives in listed companies, multinational corporations, industries or large organisations.	Essential. The Board is responsible for maintaining sound governance practices and ensuring that the Group operates with integrity, accountability and strong internal control standards.	7/7	Strong	The Board will continue to strengthen governance capability through directors' training and periodic updates on regulatory and governance developments.

CORPORATE GOVERNANCE REPORT *(Continued)*

THE BOARD *(Continued)*

Board Skills *(Continued)*

Board Skills Matrix *(Continued)*

Skills Area	Description	Importance to the Group	Current Board Coverage	Assessment of Adequacy	Future Considerations
Financial, Accounting and Business Management	Experience in financial, accounting and business management, including financial stewardship, accounting and financial reporting literacy, corporate finance, banking, budgeting, performance management, financial governance, and investment-related experience.	Essential. Financial, accounting and business management capability supports the Board in evaluating financial performance, capital allocation, financial reporting matters and financial risks.	7/7	Strong	The Board will continue to maintain strong financial, accounting and business management capability through directors' training and updates on financial and regulatory developments.
Listed Company and Large Enterprise Experience	Experience in serving as directors or senior executives of listed and/or public companies, large organisations.	Important. Such experience supports sound governance and effective decision-making in a complex corporate and public-company environment.	7/7	Strong	The Board will continue to consider listed and/or public company and large enterprise leadership experience in supporting the Board's ongoing development.
Sustainability and ESG	Experience in sustainability governance, environmental, social and governance (ESG) practices, sustainable finance, responsible investment and management of ESG-related risks and opportunities.	Increasingly important for long-term corporate strategy, regulatory expectations and stakeholder engagement.	5/7	Adequate	The Board will continue to strengthen ESG capability through directors' training and updates on sustainability reporting developments and ESG-related opportunities and challenges, taking into account the Group's long-term strategy and stakeholder expectations.



CORPORATE GOVERNANCE REPORT *(Continued)*

THE BOARD *(Continued)*

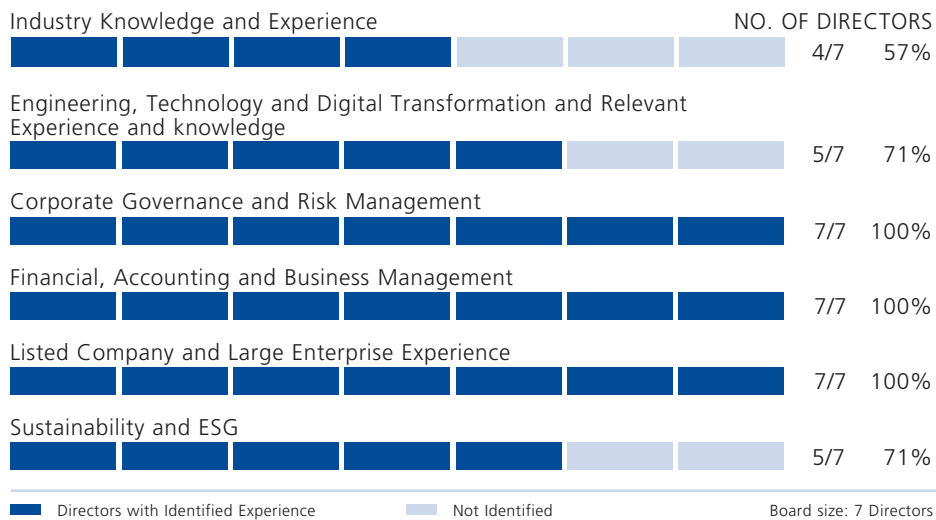
Board Skills *(Continued)*

Board Skills Matrix *(Continued)*

The charts below provide an overview of the Board's skills coverage, professional background, and composition and diversity, reflecting the overall balance of the Board.

Board Skills Coverage

Number of directors with relevant experience



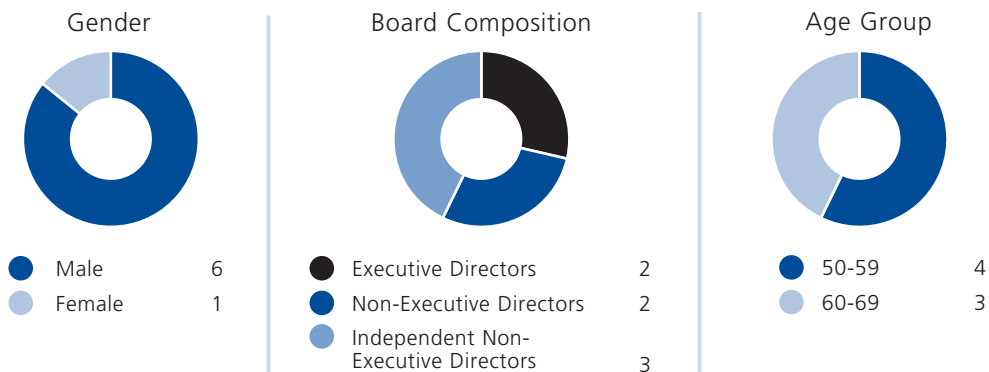
Professional Background

Directors' key areas of professional expertise and experience



Board Composition and Diversity

As at the date of this Annual Report



CORPORATE GOVERNANCE REPORT *(Continued)*

THE BOARD *(Continued)*

Board Skills *(Continued)*

Alignment with the Group's Strategy and Culture

The Board considers that the current mix of skills, experience and diversity supports the Group's long-term strategy and governance framework, enabling constructive discussion and balanced decision-making at the Board level.

In particular, the Board's industry knowledge and its engineering, technology and digital transformation capabilities, including relevant leadership, experience and knowledge, support the Board's role in guiding the Group's mission of empowering possibilities through technology and innovation and its vision of creating comprehensive smart living experiences for customers.

The Board's governance and financial management capabilities further support the Board in maintaining integrity and accountability and in promoting strong compliance, risk management and internal control practices throughout the Group.

Ongoing Review of Board Skills

The Board as well as Nomination Committee review the Board Skills Matrix at least once annually and considers the results as part of board refreshment and succession planning.

The review process takes into account the Group's business development, strategic direction and evolving operating and regulatory environment, and identifies any skills gaps and the Board's plans to address such gaps, where appropriate.

The Board may enhance its collective capabilities through directors' training, professional development or the appointment of directors with complementary expertise when appropriate.



CORPORATE GOVERNANCE REPORT *(Continued)*

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; RM and internal control systems and related processes; corporate governance practices; and securities dealing.

Induction for Newly Appointed Director

Mr. HUANG Ying Shih, who was appointed as a director of the Company on 31 October 2025, had obtained the legal advice referred to in Rule 3.09D of the Listing Rules from a firm of solicitors qualified to advise on Hong Kong law on 20 October 2025 and had confirmed that he understood his obligations as a director of the Company.

Continuing Professional Development in 2025

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 to develop and refresh their knowledge and skills including attending internal/external training course, online webinars, reading articles and watching videos, etc., covering topics on (i) board and directors' duties; (ii) Listing Rules and Hong Kong law compliance; (iii) corporate governance and ESG matters; (iv) risk management and internal controls; and (v) industry and business updates. In particular, all directors had attended the following training sessions as organized by the Company during the year under review: (a) a directors' training on ESG key improvements and next steps as provided by the Company's Hong Kong ESG consultant; and (b) a directors' training on Pillar II Tax as provided by the Company's external consultant.

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.

CORPORATE GOVERNANCE REPORT *(Continued)*

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT *(Continued)*

Training Areas

The continuous professional development received by the directors during the year under review, in compliance with Rules 3.09F and 3.09G of the Listing Rules, is summarised below.

Areas	Topics Covered	Mode of Training
Board and Directors' Duties	<ul style="list-style-type: none"> Directors' duties, responsibilities and continuing obligations Board effectiveness and board/shareholder meeting practices Practical guidance for directors, including first-time directors and independent non-executive directors 	Seminars and training videos
Listing Rules and Relevant Laws Compliance	<ul style="list-style-type: none"> Updates on the Listing Rules and annual report disclosure requirements Continuing obligations, notifiable transactions and connected transactions Directors' securities dealings, inside information and compliance under the Securities and Futures Ordinance and other applicable laws and regulations 	Seminars, training videos and reading materials
Corporate Governance and ESG	<ul style="list-style-type: none"> Corporate governance code, board governance and diversity ESG, sustainability reporting and climate-related disclosure developments ESG oversight and governance trends 	Seminars, training videos and reading materials
Risk Management and Internal Controls	<ul style="list-style-type: none"> Risk management and internal control systems Tax, cybersecurity and financial risk updates Anti-corruption, ethics and compliance controls 	Seminars and webinars, training videos, reading materials
Industry and Business Updates	<ul style="list-style-type: none"> Industry, business and market developments Technology, AI and digital empowerment and innovative transformation and latest trends Data compliance and other relevant regulatory and business updates 	Seminars and training videos



CORPORATE GOVERNANCE REPORT *(Continued)*

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT *(Continued)*

Directors' Training Records

The table below summarises the continuous professional development training ("**Directors' Training**") undertaken by the directors during the year under review, including areas and modes of training received, approximate number of training hours completed and the relevant training providers.

Directors	Areas of the Directors' Training					Estimated Training hours completed in 2025	Training provider(s) (for provision of the Directors' Training during the year)
	Board and Directors' Duties	Listing Rules and Relevant Laws Compliance	Corporate Governance and ESG	Risk Management and Internal Controls	Industry and Business Updates		
Executive Directors:							
LIN Chia-Yi	0.5	2	2.5 0.5	5	6	16.5	HKEX / Hon Hai / Ernst & Young (" EY ") / PricewaterhouseCoopers (" PwC ")
KUO Wen-Yi	0.5	2	2.5 0.5	5	4 2	16.5	EY / HKEX / Hon Hai / PwC
CHIH Yu Yang	0.5	2	2.5 0.5	5.5	2	13	EY / HKEX / Hon Hai / PwC
Non-executive Directors:							
HUANG Ying Shih	2	1	2	1.5	1.5	8	Dentons Hong Kong LLP / The Hong Kong Chartered Governance Institute (" HKCGI ")
CHANG Chuan-Wang	0.5 7.5	2 1	2.5 1	1.5	1.5	17.5	EY / HKCGI / HKEX / PwC / Taiwan Corporate Governance Association (" TCGA ")
Independent non-executive Directors:							
LAU Siu Ki	0.5 9	2	2.5 2	4 3	7.5	30.5	ACCA / EY / HKEX / Hon Hai / PwC / BDO Limited / Vistra / Deloitte Touche Tohmatsu (" Deloitte ") / KPMG International Limited / The Independent Commission Against Corruption
CHEN Shu Chuan	0.5 3.5	2 1.5	2.5 23	7.5	4.5	45	EY / HKCGI / HKEX / PwC / TCGA / FSC-Financial Examination Bureau / Securities & Futures Institute / Taiwan Institute of Directors / Taiwan Listed Companies Association
CHIU Yen-Tsen	0.5	2	2.5 17	2.5 5	7.5 3	40	ACCUPASS / Deloitte / EY / HKCGI / HKEX / Hon Hai / PwC / Independent Director Association Taiwan / Taiwan Stock Exchange

Notes:

- CHIH Yu Yang retired as an executive director, the Chairman of the Board and the chairman of the corporate governance committee of the Company on 31 October 2025.
- HUANG Ying Shih was appointed as a non-executive director, the Chairman of the Board and the chairman of the corporate governance committee of the Company on 31 October 2025.
- Different colours used in the table above represent different modes of training received by the directors during the year:
 - Represent other training, including participation in industry events as a speaker or panellist.
 - Represent self-study by reading guidance materials, newsletters, consultation papers, regulators' reports, articles and press releases.
 - Represent external training by attending seminars, webinars and training videos provided by regulators, professional bodies, legal advisers, consultants and other external professional providers.
- The figures shown in the circles represent the approximate number of hours of training received by the directors during the year.

CORPORATE GOVERNANCE REPORT *(Continued)*

DIVIDEND POLICY

The Company has adopted the following dividend policy to enhance transparency and support shareholders and potential investors in making informed decisions. The policy does not stipulate a fixed 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 financial performance, cash flow position, future expansion and growth plans, capital expenditures, capital structure, U.S. tariff risk, prevailing economic and market conditions, business outlook and strategy, and other considerations as determined by the Board from time to time. While performance has begun to improve since the second half of last year, the Group remains committed to maintaining a healthy cash position, reducing external borrowings and upholding a robust capital structure, while closely monitoring the evolving environment. The dividend will be approved at the annual general meeting after thorough discussion of the Board and compliance with relevant requirements of the dividend policy. Compliant with the conditions under the dividend policy, the Board will consider distribution of dividends as shareholder returns alongside long-term sustainability of the Group. The dividend approach will be reviewed according to overall performance and strategic priorities.

Proposed Declaration and Payment of Final Dividend

Final Dividend

The Board has resolved to recommend the declaration and payment of a Final Dividend of US3.47 cents per Share (which in aggregate amounts to approximately US\$27,067,000) for the year ended 31 December 2025, subject to the approval of the shareholders at the 2026 AGM. The proposed aggregate amount of the Final Dividend is calculated on the basis of 780,268,186 Shares in issue (excluding Treasury Shares) as at the date of the announcement of the Company published on 13 March 2026.

Subject to the approval of shareholders at the 2026 AGM, the Final Dividend (to be rounded to two decimal places, if necessary) is expected to be paid in cash on Wednesday, 15 July 2026, and the Final Dividend warrants will be despatched to the qualifying shareholders on the same date.

The Final Dividend will be payable in United States dollars save that those shareholders with a registered address in Hong Kong will receive an equivalent amount in Hong Kong dollars (to be rounded to two decimal places, if necessary) which will be calculated at the rate of exchange as quoted to the Company by its relevant banker at its middle rate of exchange prevailing on the record date for the entitlement to the proposed Final Dividend.

Condition to Declaration and Payment of Final Dividend

The declaration and payment of the Final Dividend are conditional upon the passing of the corresponding ordinary resolution at the 2026 AGM.

If the condition set out above is not satisfied, the proposed Final Dividend will not be declared and paid, and the cash representing the proposed Final Dividend will be used for the Group's general working capital purposes.

Reasons for Proposed Declaration and Payment of Final Dividend

The Board would like to declare and pay the Final Dividend to shareholders to express the Board's gratitude and appreciation of the continuing support from shareholders throughout the year ended 31 December 2025.

Reflecting the effectiveness of our strategic initiatives and disciplined execution, the Group achieved a significant turnaround in its financial performance for the year ended 31 December 2025. This return to profitability has allowed the Board to recommend a final dividend. The decision is supported by the Group's sound cash flow generation and a strengthened balance sheet. After accounting for the 2026 capital expenditure requirements and the planned repayment of certain borrowings to reduce interest expenses, the Board considered that the Group possesses sufficient liquidity to reward shareholders while maintaining a solid foundation for future growth in emerging business segments.



CORPORATE GOVERNANCE REPORT *(Continued)*

COMPANY SECRETARY

Ms. Vanessa WONG Kin Yan has been the company secretary of the Company since June 2017. She has over 29 years of extensive working experience in company secretarial and corporate governance matters. She is a Fellow member (being the highest membership status) of both The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) and 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 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 more than 15 hours of relevant professional training to update her skills and knowledge.

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, RM and internal control 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.

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.

CORPORATE GOVERNANCE REPORT *(Continued)*

AUDIT COMMITTEE *(Continued)*

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 external auditor without the presence of any members of management of the Company). 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 by way of circulation and signing of written resolutions during the year under review.

Work Performed During the Year

A summary of the work performed by the audit committee during the year under review is set out as follows:

- (i) formulated and discussed audit planning of the 2024 annual results of the Group and audit review planning of the 2025 interim results of the Group;
- (ii) reviewed 2024 audited financial statements and report, auditor’s findings and draft final results Announcement;
- (iii) reviewed 2025 interim results and report, and auditor’s findings, draft interim results announcements;
- (iv) reviewed the continuing connected transactions of the Company, the Company’s anti-bribery management system and the 2025 internal audit reports;
- (v) reviewed various accounting issues and new accounting standards and their financial impacts, and assessed the effectiveness of the risk management and internal control systems of the Group for 2025; and
- (vi) reviewed and approved the external auditor’s engagement for the 2024 annual audit and 2025 interim review, and reviewed non-audit services of the Group and confirmed that the independence of the external auditor had not been impaired by its provision of non-audit services.

Also, please refer to 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.



CORPORATE GOVERNANCE REPORT *(Continued)*

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 pursuant to code provision E.1.2 (c)(ii) of Part 2 of the CG code as adopted by the Company.

The remuneration committee shall meet at least once a year (as necessary). During the year under review, four 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.

Work Performed During the Year

A summary of the work performed by the remuneration committee during the year under review is set out as follows:

- (i) reviewed the proposed amendment to the Share Scheme;
- (ii) reviewed the proposed share grants under the Share Scheme and considered how such grants align with the purpose of the Share Scheme;
- (iii) reviewed the implementation of directors' remuneration policy;
- (iv) reviewed the 2025 performance-based discretionary bonus and annual remuneration packages of directors and senior management;
- (v) reviewed basic salary adjustment and related supplemental appointment letter of the chief executive officer; and
- (vi) reviewed the remuneration package and related appointment letter of the new appointed non-executive director.

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 2025 annual report incorporating this report.

CORPORATE GOVERNANCE REPORT *(Continued)*

REMUNERATION COMMITTEE *(Continued)*

Directors' Remuneration Policy

On 23 December 2022, the Company adopted the Directors' Remuneration Policy (this "**Remuneration Policy**"), forming part of the Compliance Manual which sets out consistently-applied remuneration structures to remunerate the Company's directors, comprising executive directors and non-executive directors including independent 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.

Please refer for details of the procedures for devising and implementing this Remuneration Policy including the underlying procedures and measures, remuneration principles, remuneration benchmarking, overviews on remuneration components and derogation of the Remuneration Policy, please refer to pages 175 to 180 of the Company's 2024 annual report.

On the basis of the views and recommendations from the remuneration committee, the Board will annually review this Remuneration Policy to ensure its implementation and effectiveness. At the meeting held on 13 March 2026, on the basis of the recommendations from the remuneration committee, the Board considered that the Remuneration 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.



CORPORATE GOVERNANCE REPORT *(Continued)*

REMUNERATION COMMITTEE *(Continued)*

2025 Share Grants

During the year under review, the Company granted a total of 7,001,902 award Old Shares on 15 May 2025 (which had been consolidated to become 700,190 award Shares as a result of the Share Consolidation becoming effective on 20 May 2025) and a total of 27,238,190 award Shares on 11 August 2025 under the Share Scheme of the Company.

In relation to the aforesaid share grants under the Share Scheme, the remuneration committee had considered the report from the Company's human resources department on the achievements and contributions made by the proposed grantees and took into account that the aforesaid share grants aim to align the interests of the grantees with those of the Group through ownership of shares and incentivize the grantees to remain with the Group, and to motivate and encourage them to make contributions to the long-term growth and success of the Group.

The vesting period, performance targets and clawback mechanisms of the aforesaid share grants during the year under review are set out below.

In respect of the 700,190 award Shares granted on 15 May 2025:	
Date of grant	15 May 2025
Grantees	Mr. CHIH Yu Yang Mr. LIN Chia-Yi
Number of Award Shares granted	7,001,902 award Old Shares (which had been consolidated to become 700,190 award Shares as a result of the Share Consolidation becoming effective on 20 May 2025)
Vesting period	The vesting period for the 367,093 award Shares granted to Mr. CHIH Yu Yang and the 333,097 award Shares granted to Mr. LIN Chia-Yi shall be 12 months from the date of grant, which shall be vested on 15 May 2026.
Performance target(s)	The vesting of the award Shares is subject to continued service of the relevant Grantees and the fulfilment of the performance targets and other requirements specified in the grant letter to be entered into between the Company and the relevant Grantee. The performance targets are related to: (i) financial parameters of the Group (such as profits after tax of the Group); and (ii) individual performance indicators relevant to the Grantee's roles and responsibilities.
Clawback mechanism	<p>The award Shares are subject to clawback under any one or more of the special circumstances specified by the Board from time to time as clawback triggering event(s), including but not limited to where there has been a material misstatement or omission in the financial statements of the Company or any of its subsidiaries involving such Grantee, or if such Grantee has engaged in serious negligence, fraud or misconduct.</p> <p>In relation to any of such special circumstance(s)/clawback triggering event(s), the Board may consider the report(s) from the Company's human resources department on the background and details underlying such special circumstance(s)/clawback triggering event(s) and related findings of investigations, and may then determine any clawback action to be taken in respect of any incentive monies made and to be made and/or any award Shares granted and to be granted to any grantee within a period of three years immediately preceding the date on which the Board determines such action.</p>

CORPORATE GOVERNANCE REPORT *(Continued)*

REMUNERATION COMMITTEE *(Continued)*

2025 Share Grants *(Continued)*

In respect of the 27,238,190 award Shares granted on 11 August 2025:			
Date of grant	11 August 2025		
Grantees and Number of award Shares granted	Regular Directors Grants:	Number of award Shares granted	Employees Grants:
	Grantees: Mr. CHIH Yu Yang Mr. LIN Chia-Yi	367,093 333,097 Total: 700,190	Grantees: Dr. KUO Wen-Yi 1 senior manager Employees of the Group Total: 26,538,000
Vesting period	Regular Directors Grants:		
	<p>Subject to the fulfilment of the vesting conditions applicable to the 367,093 award Shares granted to Mr. CHIH Yu Yang and the 333,097 award Shares granted to Mr. LIN Chia-Yi (collectively, "Regular Directors Grants"), and in accordance with the terms of the Regular Directors Grants, the vesting period for all award Shares under the Regular Directors Grants shall be 12 months from the Grant Date, on 12 August 2026.</p>		
Vesting period	Employees Grants:		
	<p>Subject to the fulfilment of the vesting conditions applicable to the remaining 26,538,000 award Shares (collectively, "Employees Grants"), and in accordance with the terms of the Employees Grants, all award Shares under the Employees Grants will vest in tranches over a three-year period between the Grant Date and 5 October 2028. Vesting will occur on the following dates:</p> <ul style="list-style-type: none"> • 2026: 7,846,000 award Shares, representing approximately 30% of the award Shares under the Employees Grants, will vest in two tranches on 2 April 2026 and 5 October 2026, conditional upon the fulfilment of the vesting conditions. • 2027: 8,846,000 award Shares, representing approximately 33% of the award Shares under the Employees Grants, will vest in two tranches on 2 April 2027 and 5 October 2027, conditional upon the fulfilment of the vesting conditions. • 2028: 9,846,000 award Shares, representing approximately 37% of the award Shares under the Employees Grants, will vest in two tranches on 3 April 2028 and 5 October 2028, conditional upon the fulfilment of the vesting conditions. <p>For each calendar year, the total number of award Shares to be vested to each Grantee under the Employees Grants will be distributed in two equal installments, with 50% vesting in April and 50% vesting in October. The number of award Shares vested annually under the Employees Grants is based on a combination of time-based and performance-based conditions, which vary across business units. Please refer to the section on Performance Targets and the tables below for further details on the performance-based criteria and the Employees Grants.</p> <p>Grants of certain award Shares under the Employees Grants are subject to a vesting period of less than 12 months, but each of the overall grants under the Employees Grants has a mixed schedule where the award Shares shall vest over a period of more than 12 months and is attached with performance-based vesting conditions. In this regard, the Share Scheme specifically permits such a circumstance to have vesting period of less than 12 months. The Board and the remuneration committee of the Company ("Remuneration Committee") consider that this is appropriate as part of the competitive terms and conditions to reward exceptional performers with accelerated vesting and to motivate exceptional performers based on performance metrics. With respect to the grants of 255,000 award Shares and 210,000 award Shares to Dr. KUO Wen-Yi and the senior manager respectively under the Employees Grants, the Remuneration Committee and the Board further consider that, in addition to the above and taking into account (i) the demonstrated contributions of the relevant Grantees to the overall operations, development and growth of the Group; and (ii) a majority of the award Shares are subject to a longer vesting period, which will ensure that the longterm interests of the Grantees and the Company are aligned and the Grantees will be motivated to contribute to the Company's development, a shorter vesting period is appropriate.</p>		

CORPORATE GOVERNANCE REPORT *(Continued)*

REMUNERATION COMMITTEE *(Continued)*

2025 Share Grants *(Continued)*

In respect of the 27,238,190 award Shares granted on 11 August 2025 *(Continued)*:

Performance target(s)

Regular Directors Grants:

The vesting of the award Shares under the Regular Directors Grants is not subject to the fulfilment of performance targets. The purpose of the Share Scheme is to attract and retain capable, skilled and experienced personnel, to incentivize them to remain with the Group and to give effect to the Group's customer-focused and performance-driven corporate culture, and to motivate them to strive for the future development and expansion and long-term success of the Group, by providing them with the opportunity to acquire equity interests in the Company.

Having considered that (i) the award Shares to be granted will give each of Mr. Chih and Mr. Lin an opportunity to have a personal stake in the Company, which will help motivate them in improving their performance and efficiency; and (ii) the number of award Shares to be granted is based on, among other things, the work performance, past contribution to the Group and potential of Mr. Chih and Mr. Lin, the Remuneration Committee and the Board consider that notwithstanding the absence of the performance targets, the Regular Directors Grants align with the purpose of the Share Scheme.

Employees Grants:

The vesting of certain award Shares under the Employees Grants is subject to the fulfilment of the performance targets and/or other requirements specified in the grant letter to be entered into between the Company and the relevant Grantee. The performance targets are related to (i) financial parameters of the Group (such as profits after tax of the Group); and (ii) individual performance indicators relevant to the Grantee's roles and responsibilities. Vesting is subject to continued service of the relevant Grantees. Meanwhile, the vesting of certain award Shares under the Employees Grants is not subject to the fulfilment of the performance targets. Please see below the table for further details of the Employees Grants. The Board and the Remuneration Committee, having considered the purpose of the Share Scheme (as aforementioned) and the following factors, are of the view that performance target is not necessary for the grant of those award Shares to the Grantees (including the senior manager and Dr. Kuo) under the Employees Grants and such grant of award Shares without performance target is in line with the purpose of the Share Scheme: (i) those Grantees' roles and experiences in the Group's business, and past contribution and dedication to the promotion of the Group's business; (ii) those Grantees, in particular, senior manager and Dr. Kuo, have directly contributed to the overall business performance; and (iii) such grant of award Shares being subject to the vesting schedules as stated above which reinforces the Grantees' commitment to long-term services to the Group.

Director — Dr. Kuo

	Number of Award Shares Granted	Number of Award Shares with performance targets	Number of Award Shares without performance targets	Vesting Period
	42,500	31,875	10,625	11 August 2025 to 2 April 2026
	42,500	31,875	10,625	11 August 2025 to 5 October 2026
	42,500	31,875	10,625	11 August 2025 to 2 April 2027
	42,500	31,875	10,625	11 August 2025 to 5 October 2027
	42,500	31,875	10,625	11 August 2025 to 3 April 2028
	42,500	31,875	10,625	11 August 2025 to 5 October 2028
Total	255,000	191,250	63,750	

CORPORATE GOVERNANCE REPORT *(Continued)*

REMUNERATION COMMITTEE *(Continued)*

2025 Share Grants *(Continued)*

In respect of the 27,238,190 award Shares granted on 11 August 2025 *(Continued)*:

Performance target(s)	1 Senior manager			
	Number of Award Shares Granted	Number of Award Shares with performance targets	Number of Award Shares without performance targets	Vesting Period
	35,000	17,500	17,500	11 August 2025 to 2 April 2026
	35,000	17,500	17,500	11 August 2025 to 5 October 2026
	35,000	17,500	17,500	11 August 2025 to 2 April 2027
	35,000	17,500	17,500	11 August 2025 to 5 October 2027
	35,000	17,500	17,500	11 August 2025 to 3 April 2028
	35,000	17,500	17,500	11 August 2025 to 5 October 2028
	Total	210,000	105,000	105,000
Performance target(s)	Employees			
	Number of Award Shares Granted	Number of Award Shares with performance targets	Number of Award Shares without performance targets	Vesting Period
	3,845,500	2,749,250	1,096,250	11 August 2025 to 2 April 2026
	3,845,500	2,749,250	1,096,250	11 August 2025 to 5 October 2026
	4,345,500	3,108,250	1,237,250	11 August 2025 to 2 April 2027
	4,345,500	3,108,250	1,237,250	11 August 2025 to 5 October 2027
	4,845,500	3,467,250	1,378,250	11 August 2025 to 3 April 2028
	4,845,500	3,467,250	1,378,250	11 August 2025 to 5 October 2028
	Total	26,073,000	18,649,500	7,423,500
Clawback mechanism	Regular Directors Grants:			
	<p>With respect to the Regular Directors Grants, the relevant award Shares granted are subject to clawback under any one or more of the special circumstances specified by the Board from time to time as clawback triggering event(s), including but not limited to where there has been a material misstatement or omission in the financial statements of the Company or any of its subsidiaries involving such Grantee, or if such Grantee has engaged in serious negligence, fraud or misconduct.</p> <p>In relation to any of such special circumstance(s)/clawback triggering event(s), the Board may consider the report(s) from the Company's human resources department on the background and details underlying such special circumstance(s)/clawback triggering event(s) and related findings of investigations, and may then determine any clawback action to be taken in respect of any incentive monies made and to be made and/or any award Shares granted and to be granted to any grantee within a period of three years immediately preceding the date on which the Board determines such action.</p>			
Clawback mechanism	Employees Grants:			
	<p>With respect to the Employees Grants, the relevant award Shares granted are not subject to any clawback mechanism but shall lapse (to the extent not already vested) on the date when the Grantee(s) ceases to be an eligible participant under the Share Scheme. The Board and the Remuneration Committee consider that a specific clawback mechanism is not necessary for the Employees Grants, including the grant of award Shares to the 1 senior manager and Dr. Kuo thereunder, having considered that the lapse of the award Shares upon the Grantee(s) ceases to be an eligible participant under the Share Scheme, which is in line with the purpose of the Share Scheme and in the interests of the Company.</p>			

CORPORATE GOVERNANCE REPORT *(Continued)*

REMUNERATION COMMITTEE *(Continued)*

Movements of 2025 Share Grants

Movements of share grants under the Share Scheme during the current year under review (i.e. 1 January 2025 to 31 December 2025) were as follows:

Name of grantee	Date of grant (dd.mm.yyyy)	Vesting period (dd.mm.yyyy)	Date of vesting (dd.mm.yyyy)	Number of Shares/Old Shares granted under the Share Scheme							Closing price of the Old Shares immediately before the date of grant (HK\$)	Closing price of the Shares immediately before the date of grant (HK\$)
				Unvested award Old Shares (of a par value of US\$0.04 each) as of 1 January 2025	Award Old Shares granted during the period	Award Shares (of a par value of US\$0.40 each) granted during the period	Vested award Old Shares from 1 January 2025 to 19 May 2025	Unvested award Shares immediately after the Share Consolidation effected on 20 May 2025	Vested award Shares from 20 May 2025 to 31 December 2025	Unvested award Shares as of 31 December 2025		
CHIH Yu Yang (former executive director and Chairman of the Board)	08.03.2024	08.03.2024 to 07.03.2025	08.03.2025	2,627,947	0	0	(2,627,947)	0	0	0	0.47	N/A
	20.09.2024	20.09.2024 to 19.09.2025	20.09.2025	1,546,358	0	0	0	154,635*	(154,635)	0	0.76	N/A
	15.05.2025	15.05.2025 to 14.05.2026	15.05.2026	0	3,670,931	0	0	367,093*	(367,093)	0	0.83	N/A
	11.08.2025	11.08.2025 to 11.08.2026	12.08.2026	0	0	367,093	0	367,093	(367,093)	0	N/A	14.67
				4,174,305	3,670,931	367,093	(2,627,947)	888,821	(888,821)	0		
LIN Chia-Yi (executive director and Chief Executive Officer)	08.03.2024	08.03.2024 to 07.03.2025	08.03.2025	1,778,031	0	0	(1,778,031)	0	0	0	0.47	N/A
	20.09.2024	20.09.2024 to 19.09.2025	20.09.2025	1,046,243	0	0	0	104,624*	(104,624)	0	0.76	N/A
	15.05.2025	15.05.2025 to 14.05.2026	15.05.2026	0	3,330,971	0	0	333,097*	0	333,097	0.83	N/A
	11.08.2025	11.08.2025 to 11.08.2026	12.08.2026	0	0	333,097	0	333,097	0	333,097	N/A	14.67
				2,824,274	3,330,971	333,097	(1,778,031)	770,818	(104,624)	666,194		
KUO Wen -Yi (executive director)	11.08.2025	11.08.2025 to 02.04.2026	02.04.2026	0	0	42,500	0	42,500	0	42,500	N/A	14.67
	11.08.2025	11.08.2025 to 05.10.2026	05.10.2026	0	0	42,500	0	42,500	0	42,500	N/A	14.67
	11.08.2025	11.08.2025 to 02.04.2027	02.04.2027	0	0	42,500	0	42,500	0	42,500	N/A	14.67
	11.08.2025	11.08.2025 to 05.10.2027	05.10.2027	0	0	42,500	0	42,500	0	42,500	N/A	14.67
	11.08.2025	11.08.2025 to 03.04.2028	03.04.2028	0	0	42,500	0	42,500	0	42,500	N/A	14.67
	11.08.2025	11.08.2025 to 05.10.2028	05.10.2028	0	0	42,500	0	42,500	0	42,500	N/A	14.67
				0	0	255,000	0	255,000	0	255,000		
Senior manager	11.08.2025	11.08.2025 to 02.04.2026	02.04.2026	0	0	35,000	0	35,000	0	35,000	N/A	14.67
	11.08.2025	11.08.2025 to 05.10.2026	05.10.2026	0	0	35,000	0	35,000	0	35,000	N/A	14.67
	11.08.2025	11.08.2025 to 02.04.2027	02.04.2027	0	0	35,000	0	35,000	0	35,000	N/A	14.67
	11.08.2025	11.08.2025 to 05.10.2027	05.10.2027	0	0	35,000	0	35,000	0	35,000	N/A	14.67
	11.08.2025	11.08.2025 to 03.04.2028	03.04.2028	0	0	35,000	0	35,000	0	35,000	N/A	14.67
	11.08.2025	11.08.2025 to 05.10.2028	05.10.2028	0	0	35,000	0	35,000	0	35,000	N/A	14.67
				0	0	210,000	0	210,000	0	210,000		
Employees	11.08.2025	11.08.2025 to 02.04.2026	02.04.2026	0	0	3,845,500	0	3,845,500	0	3,845,500	N/A	14.67
	11.08.2025	11.08.2025 to 05.10.2026	05.10.2026	0	0	3,845,500	0	3,845,500	0	3,845,500	N/A	14.67
	11.08.2025	11.08.2025 to 02.04.2027	02.04.2027	0	0	4,345,500	0	4,345,500	0	4,345,500	N/A	14.67
	11.08.2025	11.08.2025 to 05.10.2027	05.10.2027	0	0	4,345,500	0	4,345,500	0	4,345,500	N/A	14.67
	11.08.2025	11.08.2025 to 03.04.2028	03.04.2028	0	0	4,845,500	0	4,845,500	0	4,845,500	N/A	14.67
	11.08.2025	11.08.2025 to 05.10.2028	05.10.2028	0	0	4,845,500	0	4,845,500	0	4,845,500	N/A	14.67
				0	0	26,073,000	0	26,073,000	0	26,073,000		
Total				6,998,579	7,001,902	27,238,190	(4,405,978)	28,197,639	(993,445)	27,204,194		

CORPORATE GOVERNANCE REPORT *(Continued)*

REMUNERATION COMMITTEE *(Continued)*

Movements of 2025 Share Grants *(Continued)*

Notes:

1. No consideration nor purchase price was payable on acceptance of offer of the share awards.
2. No share awards were cancelled, lapsed or forfeited during the year under review.
3. The fair values of the award Old Shares at the date of grant on 8 March 2024, 20 September 2024 and 15 May 2025, were HK\$0.50, HK\$0.77 and HK\$0.85 respectively.
4. The fair value of the award Shares at the date of grant on 11 August 2025 was HK\$14.03.
5. The weighted average closing price of the Old Shares immediately before the date of vesting on 8 March 2025 was HK\$0.93.
6. The weighted average closing prices of the Shares immediately before the vesting dates on 19 September 2025 was HK\$16.67.
7. Mr. Chih was previously granted a total of 734,186 award Shares (including 3,670,931 award Old Shares and 367,093 award Shares) pursuant to the share scheme of the Company. These award Shares vested on 31 October 2025 due to retirement of Mr. Chih, in accordance with the scheme rules. The weighted average closing prices of the Shares immediately before the vesting date of the above 734,186 awards Shares on 31 October 2025 was HK\$19.22.
8. 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 year under review, the Group revised 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.
- * The 2,592,601 Old Shares (of a par value of US\$0.04 each) and the 7,001,902 Old Shares (of a par value of US\$0.04 each) granted by the Company on 20 September 2024 and 15 May 2025 respectively had been adjusted to become 259,259 Shares (of a par value of US\$0.40 each) and 700,190 Shares (of a par value of US\$0.40 each) of the Company pursuant to the terms of the Share Scheme and Share Consolidation with effect from 20 May 2025, and it will be satisfied by transfer of Treasury Shares of the Company to the grantees. For details, please refer to the above section and the Company's announcements published on 10 April 2025, 15 May 2025 and 16 May 2025.



CORPORATE GOVERNANCE REPORT *(Continued)*

NOMINATION COMMITTEE

The Company has established and maintained a nomination committee with written terms of reference 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 currently 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, identifying and nominating suitable candidates for directorship, assessing the independence of independent non-executive directors, making recommendations to the Board on appointment, re-appointment and succession planning of directors, and, together with the corporate governance committee, reviewing each of the nomination policy and the board diversity policy 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 policies for recommendation to the Board for consideration.

The nomination committee shall meet at least once a year (as necessary). During the year under review, one nomination committee meeting was 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 addition to the committee meeting, the nomination committee also dealt with matters by way of circulation and signing of written resolutions during the year under review.

Work Performed During the Year

A summary of the work performed by the nomination committee during the year under review is set out as follows:

- (i) considered and recommended to the Board the proposed re-election of directors;
- (ii) assessed the independence of the independent non-executive directors;
- (iii) reviewed the structure, size and composition of the Board;
- (iv) assessed the sufficiency of the directors' time commitment and contributions to the Company;
- (v) reviewed the implementation of the nomination policy for directorship; and
- (vi) considered and recommended the proposed appointment of non-executive director, Chairman of the Board and chairman of the corporate governance committee and the retirement of executive director, Chairman of the Board and chairman of the corporate governance committee.

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.

CORPORATE GOVERNANCE REPORT *(Continued)*

NOMINATION COMMITTEE *(Continued)*

Work Highlights for Directors Re-election

2025 AGM

During the year under review, Mr. CHIH Yu Yang and Dr. KUO Wen-Yi, both being executive directors of the Company, were re-elected by the Company's shareholders at the annual general meeting held on 16 May 2025. In considering their re-election, the nomination committee had taken into account, among other things, their respective professional background, qualifications, skills, knowledge and experience, their time commitment and contributions to the Company, as well as their integrity, reputation and continued suitability for the Board, having regard to the Company's business needs and development and the diversity of perspectives required at Board level.

Mr. CHIH Yu Yang

When considering the proposed re-election of Mr. Chih as an executive director and the Chairman of the Board, the nomination committee had taken into account, among other things, Mr. Chih's professional background, qualifications, skills, knowledge and experience, particularly his extensive experience in the communication industries, engineering and managerial experience; his extensive and in-depth knowledge and experience in both the Company and the industry accumulated through his service as an executive director of the Company; his time commitment and contributions to the Company; his diversity of perspectives appropriate to the requirements of the Company's business; and aspects such as his personal ethics, integrity and reputation which are important to the overall business culture of the Company.

Dr. KUO Wen-Yi

When considering the proposed re-election of Dr. Kuo as an executive director of the Company, the nomination committee had taken into account, among other things, Dr. Kuo's professional background, qualifications, skills, knowledge and experience, particularly his extensive experience in wireless communication product research and development, international business development, start-up business and corporate management; his knowledge and experience in both the Company and the industry accumulated through his service as an executive director of the Company; his time commitment and contributions to the Company; his diversity of perspectives appropriate to the requirements of the Company's business; and aspects such as his personal ethics, integrity and reputation which are important to the overall business culture of the Company.

Following due consideration of the above factors and with reference to the Nomination Policy and the Board Diversity Policy as recommended by the nomination committee in respect of the re-election of Mr. CHIH Yu Yang and Dr. KUO Wen-Yi, and the Board recommended their re-election to the shareholders at the 2025 AGM.



CORPORATE GOVERNANCE REPORT *(Continued)*

NOMINATION COMMITTEE *(Continued)*

Work Highlights for Directors Re-election *(Continued)*

2026 AGM

When considering the re-election of Mr. Huang as a non-executive director and the Chairman of the Board, Mr. Lin as an executive director and the chief executive officer, and Ms. Chen as an independent non-executive director of the Company, the nomination committee obtained and reviewed the relevant information and documents relating to them (including without limitation their curriculum vitae showing (among other things) their 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 on 12 March 2026, during which the nomination committee assessed and took into account, including but not limited to, the retiring directors' professional background, skills, knowledge, ability and experience as summarized below:

Mr. HUANG Ying Shih

Mr. Huang possesses more than 27 years of extensive experience in corporate management, financial governance and corporate transformation. He has been involved in the implementation of the Hon Hai Group's "3+3" business initiatives, including strategy execution, investment evaluation and post-investment management at group level. His Taiwan background, qualifications and experience, particularly his overseas knowledge and experience acquired through the network in both the Hon Hai Technology Group and cross-industry networks would bring significant value to the Board. His directorships in Taiwan-listed companies as well as his previous roles with accounting firms, multinational technology enterprises and large multinational manufacturing groups would strengthen the leadership of the Board.

Mr. LIN Chia-Yi

Mr. Lin has more than 29 years of extensive experience in the communication and computer industries. He exhibits entrepreneurial mindset with outstanding skills in strategic planning, business and leadership. With his excellent communication skills, he is adept at building trusting relationships with stakeholders, and is dedicated to delivering successful products to customers. He has proven experience in resource optimization, organizational capability building and operational efficiency, P&L management, risk control, and talent development. Through his participation in the implementation of the Group's "3+3" initiatives, Mr. Lin is currently leading the team in building artificial intelligence core technologies and advancing new business development in the robotics segment as an upfront investment which is beneficial to the Group's long-term development.



CORPORATE GOVERNANCE REPORT *(Continued)*

NOMINATION COMMITTEE *(Continued)*

Work Highlights for Directors Re-election *(Continued)*

2026 AGM *(Continued)*

Ms. CHEN Shu Chuan

Ms. Chen possesses more than 37 years of extensive experience in the financial sector, professional knowledge in operational judgement, accounting and financial analysis, operation and management, and has accumulated rich experience in risk management. She is a recognition and promotion of female leadership and professional experience with reference to her leadership and senior managerial positions, which brings diversity of perspectives to the Board composition and achieve gender diversity as one of the measurable objectives. Her Taiwan background, qualifications and experience, particularly sharing of overseas knowledge and experience acquired through her independent directorships with Taiwan-listed companies belonging to different industry sectors, is an invaluable addition to the Board. The nomination committee also assessed the independence of Ms. Chen, and was satisfied that Ms. Chen 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.

In essence, Mr. Huang, Mr. Lin and Ms. Chen possess the required character, competence, integrity, experience and diversity of perspectives to be re-elected as directors of the Company. Their respective involvement in the Group's key business initiatives provides continuity in leadership, strengthens execution monitoring and governance supervision and supports the Company's long-term strategic alignment. Their re-election will bring valuable insights, advice, expertise, better diversity of perspectives as well as sound judgements and objective views to the Board.

Following due consideration of the aforementioned factors, the nomination committee determined at such meeting to make recommendation to the Board for proposing the re-election of Mr. Huang, Mr. Lin and Ms. Chen at the Company's 2026 AGM.

The Board, having considered the recommendation of the nomination committee, accepted the re-election of the retiring directors as recommended by the nomination committee, and believes that the invaluable knowledge and experience of all the above retiring directors in the businesses of the Group continue to be of significant benefit to the Company. Accordingly, the Board recommended all of them to stand for re-election at the 2026 AGM.

Directors' Time Commitment

All directors have confirmed that they devoted sufficient time and attention to the affairs of the Company and its subsidiaries during the year under review and made sufficient contributions to the Board and its committees. The Company has also received from each director disclosures of his or her offices held in public companies or organisations and other significant commitments, together with relevant estimated time commitments, in accordance with the Listing Rules.

On 12 March 2026, the nomination committee has assessed the directors' time commitment and contributions, taking into account, among other things, the nature of the meetings held during the year, the Directors' attendance and participation, and their confirmations. The nomination committee is of the view, and the Board concurs, that all directors have devoted sufficient time to the Company's affairs and have discharged their responsibilities effectively.



CORPORATE GOVERNANCE REPORT *(Continued)*

NOMINATION COMMITTEE *(Continued)*

Nomination Policy

The Company adopted the nomination policy ("**Nomination Policy**"), as amended from time to time. The Nomination Policy sets out 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 assessing and evaluating whether a candidate is suitably qualified to be appointed as a director of the Company, the nomination committee takes into account, among other things: (i) the candidate's qualifications, skills, knowledge and experience, and the potential contributions that the candidate could bring to the Board; (ii) the candidate's time commitment and ability to devote sufficient time to perform director's duties; (iii) the candidate's personal ethics, integrity and reputation; (iv) the then current structure, size and composition of the Board and the Company's corporate strategy with reference to the Board Diversity Policy; and (v) Board succession planning considerations and the long-term needs of the Company; and in the case of a candidate for an independent non-executive director of the Company, the nomination committee also assesses the independence of such candidate with reference to the independence criteria set out in Rule 3.13 of the Listing Rules and the relevant requirements under the CG Code.

The nomination committee follows the procedures under the Nomination Policy in identifying and recommending candidates for directorship. In doing so, the nomination committee considers potential candidates with reference to the selection criteria set out in the Nomination Policy, evaluates their suitability having regard to the Board's composition and diversity, and makes recommendations to the Board for its consideration and approval. In the case of appointment of a new director, the nomination committee will identify and consider suitable candidates and make recommendations to the Board for determination.

In the case of re-appointment or re-election of directors, the nomination committee applies the same selection criteria and procedures and, where applicable, assesses whether the relevant director has remained independent, taking into account the requirements under the Listing Rules. In doing so, the nomination committee considers, among other things, the director's professional background, experience, time commitment, contribution to the Company and continued suitability for the Board, and, where an independent non-executive director has served for more than nine years, further considers his or her continued independence having regard to the relevant factors under the Listing Rules. The nomination committee will then make recommendations to the Board for its consideration, and the Board, having considered such recommendations, will then recommend the proposed re-appointment or re-election of the candidate to the shareholders for its approval at annual general meeting of the Company.

For proposing a candidate to stand for election as a director of the Company at a general meeting of the Company, the nomination committee applies the same selection criteria as mentioned above, and the Board will make recommendations to the Company's shareholders for consideration. In accordance with the requirements under the Listing Rules, the Company will publish an announcement or issue a supplementary circular setting out the relevant information of the candidate and will provide shareholders with sufficient time to consider such information prior to the general meeting.

Further details in relation to the aforesaid nomination procedure adopted by nomination committee are set out in the section headed "Nomination Policy" on page 181 to 184 of the Company's 2024 annual report.

CORPORATE GOVERNANCE REPORT *(Continued)*

NOMINATION COMMITTEE *(Continued)*

Board Diversity Policy and Board Composition

The Company has adopted a board diversity policy (the “**Board Diversity Policy**”) setting out the approach to achieving diversity on the Board. The Board Diversity Policy is reviewed annually and, on 13 March 2026, the Board reviewed the implementation and effectiveness of the Board Diversity Policy and considered that it remained effective and relevant to the Company’s needs and reflected the then current regulatory requirements and good corporate governance practice.

In reviewing the structure and composition of the Board and considering Board member appointment or re-appointment, the nomination committee takes into account a number of factors as measurable objectives, including gender, age, ethnicity, cultural and educational background, professional skills, experience and knowledge, as well as length of service. The nomination committee continues to monitor and review progress towards these measurable objectives by considering candidates on merits and with due regard to the benefits of 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 two executive directors, two non-executive directors and three independent non-executive directors. Details of the directors are set out in the section headed “Profile of Directors and Senior Management” forming part of the Company’s 2025 annual report and in the section headed “The Board” of this report. The Board considers that its current composition provides an appropriate balance of skills, experience and diversity, taking into account the Company’s business needs and development.

The Company regards gender diversity at the Board level as one important aspect of Board diversity. Following the appointment of Ms. Chen on 19 May 2023, the Board is no longer single-gender. The Board has set an objective to further enhance female representation on the Board over time. In this regard, the nomination committee adopted on 6 March 2024 a measure to identify potential candidates from a pool with a male/female ratio of at least 80:20 and will use its best efforts to identify and recommend suitable female candidates to the Board for consideration as and when appropriate, subject to the Nomination Policy and the Board Diversity Policy.



CORPORATE GOVERNANCE REPORT *(Continued)*

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 currently consists of one non-executive director and one executive director. The members are:

HUANG Ying Shih (also known as Philip HUANG)
(chairman of the corporate governance committee)
(appointed on 31 October 2025)

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 reviews 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 Meetings" below of this report. In addition to the committee meeting, the corporate governance committee also dealt with matters by way of circulation and signing of written resolutions during the year under review.

Work Performed During the Year

A summary of the work performed by the corporate governance committee during the year under review is set out as follows:

- (i) reviewed and confirmed that the existing documents and policies of the Group have remained relevant and appropriate to the needs of the Company and its Vision, Mission and Values and desired corporate culture and complied with relevant laws and regulations;
- (ii) reviewed the proposed amendments to the memorandum and articles of association of the Company;
- (iii) reviewed total time spent in training and continuous professional development of the directors and senior management of the Company; and
- (iv) reviewed and approved the Company's corresponding actions for facilitating directors to meet annual Directors' Training requirement.

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.

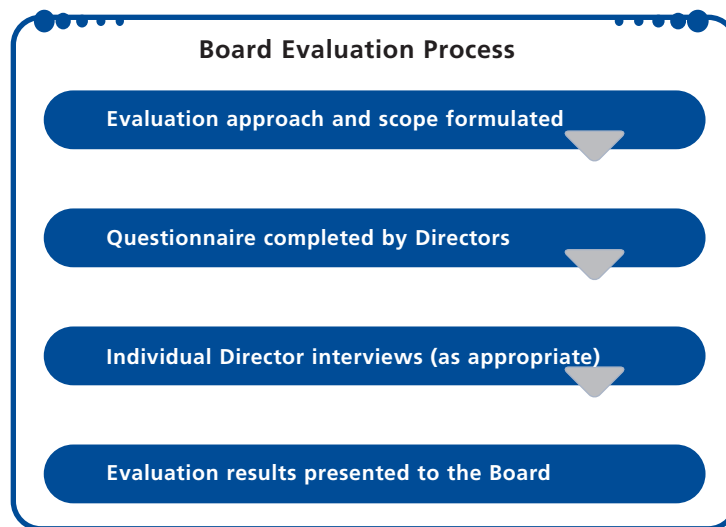
CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE COMMITTEE *(Continued)*

Board Evaluation and Board Effectiveness

The Board recognises board evaluation as a critical instrument to assess its performance, effectiveness and efficiency. During the year under review, the Board conducted an internal board evaluation exercise, which involved each Director completing a questionnaire to provide individual ratings and comments covering a range of topics. The objective of the evaluation is to ensure that the Board and its committees continue to act effectively in fulfilling their duties and responsibilities. The scope of the evaluation covered various aspects, including, but not limited to, Board structure, size, composition and diversity, the quality and efficiency of discussions at Board and committee meetings, as well as the overall operational effectiveness.

On 13 March 2026, the corporate governance committee reviewed and confirmed the evaluation results and recommended the same to the Board for its approval. With reference to the recommendations of the corporate governance committee, the Board reviewed the results of the board evaluation for the year 2025, and the Board considers that it and its committees have acted effectively in fulfilling their respective duties and responsibilities and have met respective performance objectives as well as each director has contributed positively to the overall effectiveness of the Board and the Board committees.



CORPORATE GOVERNANCE REPORT *(Continued)*

INDEPENDENT BOARD COMMITTEE

During the year under review, pursuant to the resolution passed at the Board meeting held on 31 October 2025, the three independent non-executive directors of the Company had approved the continuing connected transactions for the year ending 31 December 2026 on 7 November 2025 as more particularly described in the Company's announcement dated 28 November 2025. The three independent non-executive directors of the Company had also approved 2025 share grants of the Company by way of circulation and signing of written resolutions. The meeting attendance of each member of the independent board committee is set out in the section headed "Board, Committees and General Meetings" below.

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, general meetings and independent board committee 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	Independent Board Committee Meeting	Annual General Meeting (Note 2)	Extraordinary General Meeting (Note 3)
Executive Directors								
LIN Chia-Yi	4/4	N/A	N/A	N/A	N/A	N/A	1/1	1/1
KUO Wen-Yi	4/4	N/A	N/A	N/A	1/1	N/A	1/1	1/1
CHIH Yu Yang <i>(retired on 31 October 2025)</i>	4/4	N/A	N/A	N/A	N/A	N/A	1/1	N/A
Non-executive Directors								
HUANG Ying Shih <i>(appointed on 31 October 2025)</i>	1/1	N/A	N/A	N/A	1/1	N/A	N/A	1/1
CHANG Chuan-Wang	4/4	N/A	N/A	N/A	N/A	N/A	1/1	1/1
Independent Non-executive Directors								
LAU Siu Ki	4/4	8/8	4/4	2/2	N/A	1/1	1/1	1/1
CHEN Shu Chuan	4/4	8/8	4/4	2/2	N/A	1/1	1/1	1/1
CHIU Yen-Tsen	4/4	8/8	4/4	2/2	N/A	1/1	1/1	1/1

Note 1: All the directors participated in the Board meetings and committees meetings either by way of video conference facility or physically attended in person. Majority of the directors attended all the Board meetings physically in person in Hong Kong.

Note 2: All the directors participated in the 2025 AGM either by means of video conference facility or physically attended in person. Mr. CHIH Yu Yang, Mr. CHANG Chuan-Wang, Mr. LAU Siu Ki, Ms. CHEN Shu Chuan and Mr. CHIU Yen-Tsen attended the 2025 AGM physically in person in Hong Kong.

Note 3: All the directors participated in the 2025 EGM either by means of video conference facility or physically attended in person. Mr. HUANG Ying Shih, Mr. LAU Siu Ki and Ms. CHEN Shu Chuan attended the 2025 EGM physically in person in Hong Kong.

CORPORATE GOVERNANCE REPORT *(Continued)*

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 2025
Senior Management ^(Note 1)	83 (male)/17 (female)	83 (male)/17 (female)
Middle Management	70 (male)/30 (female)	69 (male)/31 (female)
General Staff	56 (male)/44 (female)	54 (male)/46 (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 2025 annual report incorporating this report).

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)) with a view to increase the female ratio by at least 1% over time. During the year under review, the female ratio of middle management level has increased by 1% and the female ratio of general staff level has increased by 2%, respectively. The Company will continue to seek opportunities to increase the proportion of female members over time as and when suitable candidates are identified.



CORPORATE GOVERNANCE REPORT *(Continued)*

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\$641,000 and US\$837,000 was paid to the Company's auditor, Deloitte Touche Tohmatsu for audit services. In addition, US\$129,000 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

Financial Statements

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.

Risk Management and Internal Control Systems

The Board has overall responsibility for the Group's RM and internal control systems 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. In accordance with Code Provision D.2.1, the Board ensures that the annual review of the effectiveness of the RM and internal control systems of the Company and its subsidiaries is adequately resourced. This includes ensuring the adequacy of resources, staff qualifications and experience, training programmes, and budget of the Group's accounting, internal audit, and financial reporting functions.

In particular, the Board oversees the Group's management in the context of the Group's RM and internal control systems (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 RM and internal control systems in (among other things) the design, implementation and monitoring of the RM and internal control systems on an on-going basis. The Group has established a structured process for identifying, evaluating, and managing significant risks, and has implemented procedures and internal controls for the handling and dissemination of inside information. This ensures 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.

CORPORATE GOVERNANCE REPORT *(Continued)*

ACCOUNTABILITY AND AUDIT *(Continued)*

Internal Audit

The Board (through its audit committee comprising, for the time being, all the independent non-executive directors) oversees and evaluates the Group's RM and internal control systems 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 RM and internal control systems. In respect of the year under review, semi-annual review of the Group's RM and internal control systems was conducted in August 2025 and March 2026 by the audit committee, and the audit committee confirmed in both occasions that the Group's RM and internal control systems continued to be effective and adequate throughout the year under review. For details, please refer to page 191 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 RM and internal control systems 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 control systems 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 RM and internal control systems 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 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 2024 and 31 December 2025 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 2024 and 31 December 2025 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;



CORPORATE GOVERNANCE REPORT *(Continued)*

ACCOUNTABILITY AND AUDIT *(Continued)*

Internal 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 2025, 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 2025 audit; and

CORPORATE GOVERNANCE REPORT *(Continued)*

ACCOUNTABILITY AND AUDIT *(Continued)*

Internal Audit *(Continued)*

- As an interim escalation from the Audit Working Group, on 15 July 2025 prior to the convening of the meeting of the audit committee with the Audit Working Group on 7 August 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.
- As an annual escalation from the Audit Working Group, on 20 November 2025 prior to the convening of the meeting of the audit committee with the Audit Working Group on 12 March 2026, 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 risk management and internal control systems, 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 and internal control systems; (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.



CORPORATE GOVERNANCE REPORT *(Continued)*

ACCOUNTABILITY AND AUDIT *(Continued)*

Corporate Ethics, Conducts, and Anti-Corruption Policies

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.

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.

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.

For details, please refer to the "Overview on Mechanisms for Independent Views and Inputs" section as set out in pages 158-166 of the Company's 2024 annual report as well as the Company's separate 2025 ESG Report as issued and published simultaneously upon the issuance and publication of the Company's 2025 annual report incorporating this report.



CORPORATE GOVERNANCE REPORT *(Continued)*

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management

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 RM system. The system is operated and monitored by the Group's RM 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 RM processes (e.g. to establish RM 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 RM Team and the supporting divisions and handling officers at the headquarters and business unit levels as well as the RM 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 RM 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 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 risk management framework and model, the annual risk management analyses (with the relevant risk scores, highlighting the major risk areas and corresponding enhancements, if any), and the planned risk management 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 risk management and internal control systems to the audit committee on an annual basis.

The principal risks that are covered by the risk management and internal control systems 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.



CORPORATE GOVERNANCE REPORT *(Continued)*

ACCOUNTABILITY AND AUDIT *(Continued)*

Continuing Connected Transactions

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" section of the Company's circular dated 5 December 2025. 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.

CORPORATE GOVERNANCE REPORT *(Continued)*

ACCOUNTABILITY AND AUDIT *(Continued)*

Management

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 risk management and internal control systems 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 risk management and internal control systems have 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.

Inside Information

The procedures for the handling and dissemination of inside information and handling enquiries from authorities (forming part of the Compliance 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.
- (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.



CORPORATE GOVERNANCE REPORT *(Continued)*

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 for Securities Transactions by the Directors (the “**Authorisation Procedures**”) 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 Compliance 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 (www.fihmobile.com) serves as an effective communication platform between the Company and (among others) its shareholders.



CORPORATE GOVERNANCE REPORT *(Continued)*

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 (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.



CORPORATE GOVERNANCE REPORT *(Continued)*

SHAREHOLDER COMMUNICATIONS *(Continued)*

During the year under review, the Company conducted shareholder engagements from time to time through various communication channels (including without limitation the 2025 AGM and 2025 EGM as mentioned below) contemplated by the shareholders communication policy. These engagements primarily involved the Company's individual and institutional investors and were facilitated by the Investor Relations ("IR") team to ensure professional and consistent dialogue. On an ongoing basis, shareholders directly reached the IR team via the Company's website or IR email; the IR team followed up on all enquiries in a timely, transparent, and equitable manner to ensure information was disseminated fairly to the market without providing any unfair advantage to any individual parties.

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 2025 AGM was held on 16 May 2025 and the 2025 EGM was held on 30 December 2025. All the directors of the Company attended the 2025 AGM and the 2025 EGM 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 2025 AGM, the Company obtained its shareholders' approval of the agenda items set forth in the 2025 AGM notice attached to the Company's circular dated 17 April 2025, and immediately after the close of the 2025 AGM, the Company responded to its shareholder's enquiries on the spot.

At the 2025 EGM, the Company obtained the approval of its independent shareholders for the agenda items set forth in the 2025 EGM notice attached to the Company's circular dated 5 December 2025.

On 13 March 2026, 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 13 March 2026, 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 2025 ESG Report as issued and published simultaneously upon the issuance and publication of the Company's 2025 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 Compliance 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 Compliance 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.



CORPORATE GOVERNANCE REPORT *(Continued)*

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 Compliance 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 Compliance 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 fourth amended and restated memorandum and articles of association of the Company on 16 May 2025 pursuant to the Company's shareholders' approval at the 2025 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 17 April 2025. An up-to-date consolidated version of the Company's fourth 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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