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If you have sold or transferred all your shares in BYD Electronic (International) Company Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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BYD | Electronics

比亞迪電子(國際)有限公司

BYD ELECTRONIC (INTERNATIONAL) COMPANY LIMITED

(incorporated in Hong Kong under the Companies Ordinance with limited liability)

(Stock Code: 285)

MAJOR TRANSACTION
IN RELATION TO ACQUISITION OF THE TARGET SHARES

Financial Adviser of the Company

CICC
中金公司

A letter from the Board is set out on pages 5 to 19 of this circular.

The Acquisition has been approved by written shareholders' approval from a Shareholder holding more than 50% of the issued share capital of the Company pursuant to Rule 14.44 of the Listing Rules. This circular is being despatched to the Shareholders for information only.

25 February 2024

CONTENTS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

"Acquisition" or "Transactions"	the conditional sale and purchase of the Target Shares and the Singapore Assets as contemplated under the Formal Agreement
"Acquisition Framework Agreement"	the preliminary acquisition agreement dated 26 August 2023 entered into between the Company and the Seller in respect of the Acquisition
"Announcements"	the announcements of the Company dated 28 August 2023 and 27 September 2023 in relation to the Acquisition Framework Agreement and the Formal Agreement respectively
"Board"	the board of Directors of the Company
"Business"	the mobility business of the Seller Group which manufactures precision structural components for mobile intelligent terminals and is mainly located in Chengdu and Wuxi
"Business Day(s)"	any day other than (a) a Saturday or a Sunday or (b) a day on which banking and savings and loan institutions are authorized or required to be closed in either (i) New York, (ii) St. Petersburg, Florida, (iii) Hong Kong, or (iv) Shenzhen, the PRC
"BYD"	BYD Company Limited (比亞迪股份有限公司), a joint stock company incorporated in the PRC with limited liability whose H shares are listed on the Main Board of the Stock Exchange and A shares are listed on the Main Board of the Shenzhen Stock Exchange
"Closing" or "Completion"	the consummation of the Transactions
"Closing Condition"	the conditions precedent to the consummation of the Acquisition as detailed in the Formal Agreement
"Company"	BYD Electronic (International) Company Limited (比亞迪電子(國際)有限公司), a company incorporated in Hong Kong with limited liability whose Shares are listed on the Main Board of the Stock Exchange

"Connected Person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration payable by the Group to the Seller Group in relation to the Acquisition. For further details, please refer to the sub-section headed "The Formal Agreement – Consideration" in the letter from the Board in this circular
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group as enlarged by the Target Group upon Closing
"Formal Agreement"	the formal sale and purchase agreement entered into between the Company and the Seller on 26 September 2023 in relation to the Acquisition
"Group"	collectively, the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Third Parties"	independent third party(ies) not connected with the Company or its connected persons
"Latest Practicable Date"	22 February 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
"Listing Rules"	The Rules Governing the Listing of Securities on The Hong Kong Stock Exchange of Hong Kong Limited
"Loan Agreement"	the loan agreement entered into between BYD, the Company and the Seller on 26 September 2023 pursuant to the Formal Agreement in relation to the provision of the shareholder's loan by BYD to the Company in relation to the Acquisition
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan

"Reorganization"	the reorganization completed in December 2023, following which the Target Company now hold, through its wholly owned subsidiaries, all of the equity interests of operating entities which hold the in-scope assets (other than the Singapore Assets) related to the Business
"RMB"	Renminbi, the lawful currency of the PRC
"Seller"	Jabil Circuit (Singapore) Pte. Ltd., a company incorporated in Singapore and an Independent Third Party
"Seller Group"	Jabil Inc. and its Subsidiaries (other than the Target Group)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) in the capital of the Company
"Shareholders"	holder(s) of the Share(s)
"Singapore Assets"	Seller's relationship with the existing customers in relation to Business, including related goodwill, strategies capabilities and other intangible assets, as such relationship is managed by Seller as of immediately prior to the Closing
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	has the meaning ascribed to it under the Listing Rules
"substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"Target Company" or "Target"	Juno Newco Target Holdco Singapore Pte. Ltd., a newly formed entity incorporated in Singapore, which will fully own the Business following the completion of the Reorganization
"Target Group"	the Target Company and its subsidiaries
"Target Shares"	the entire issued share capital of the Target Company
"US$" or "USD"	United States dollar(s), the lawful currency of the United States of America

"%"	per cent

For the purpose of illustration only and unless otherwise stated, conversion of US$ into RMB in this circular is based on the exchange rate of US$1.00 to RMB7.1727. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.

比亞迪電子（國際）有限公司
BYD ELECTRONIC (INTERNATIONAL) COMPANY LIMITED

(incorporated in Hong Kong under the Companies Ordinance with limited liability)

(Stock Code: 285)

Executive Directors
Mr. WANG Nian-qiang
Mr. JIANG Xiang-rong

Non-executive Directors
Mr. WANG Chuan-fu
Mr. WANG Bo

Independent Non-executive Directors
Mr. CHUNG Kwok Mo John
Mr. Antony Francis MAMPILLY
Mr. QIAN Jing-jie

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Longgang District
Shenzhen, 518116
The PRC

25 February 2024

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO ACQUISITION OF THE TARGET SHARES

INTRODUCTION

Reference is made to the announcements of the Company dated 28 August 2023 and 27 September 2023 in relation to the Acquisition Framework Agreement and the Formal Agreement respectively.

The purpose of this circular is to provide you with, among other things, (i) further information of the Acquisition; (ii) the financial information of the Group; (iii) the financial information of the Target Group; (iv) management discussion and analysis of the Target Group; (v) the unaudited pro forma financial information of the Enlarged Group; and (vi) other information as required under the Listing Rules.

I. THE FORMAL AGREEMENT

The Board is pleased to announce that on 26 September 2023 (after trading hours), the Company and the Seller entered into the Formal Agreement, pursuant to which, the Seller has conditionally agreed to sell, and the Company has conditionally agreed to acquire 100% of the equity interest in the Target Company and the Singapore Assets (which forms part of the Business) at the consideration of approximately RMB15.8 billion (equivalent to US$2.2 billion) (subject to adjustments as set forth below).

Principal terms of the Formal Agreement are set as follows:

Date

26 September 2023 (after trading hours)

Parties

(i) the Purchaser: the Company; and

(ii) the Seller: Jabil Circuit (Singapore) Pte. Ltd.

To the best of Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, the Seller and its ultimate beneficial owner(s) are Independent Third Parties of the Company.

Shares and Assets to be acquired

The Seller has conditionally agreed to sell, and the Company has conditionally agreed to acquire the Target Shares, representing 100% equity interest in the Target Company and the Singapore Assets. The Business transferred to the Target Group following the Reorganization comprises the mobility business of the Seller Group that manufactures precision structural components for mobile intelligent terminals and is mainly located in Chengdu and Wuxi.

Consideration

Pursuant to the Formal Agreement, the consideration shall be approximately RMB15.8 billion (equivalent to US$2.2 billion) (the "**Consideration**"), subject to the agreed completion accounts adjustment mechanism, with pre-closing and post-closing adjustments for cash, indebtedness and net working capital. The Consideration shall be settled by the Company in the following manner:

(a) an advance deposit of approximately RMB359 million (equivalent to US$50 million) paid to the parent company of the Seller prior to or upon the execution of the Formal Agreement;

(b) a further deposit of (i) approximately RMB947 million (equivalent to US$132 million) payable to an escrow agent and (ii) approximately RMB1,851 million (equivalent to US$258 million) paid to the parent company of the Seller at the execution of the Formal Agreement;

(c) an amount of approximately RMB287 million (equivalent to US$40 million) (the "**Escrow Amount**") shall be payable to an escrow agent and deposited in a special escrow fund to be established by the Seller pursuant to a customary escrow agreement at Closing, in order to provide for the reimbursement to the Company of certain contingencies during the period between the date of Closing and the third anniversary of the Closing; and

(d) an amount equal to the resulting calculation of the purchase price (the "**Closing Purchase Price**") which shall be ascertained no less than two Business Days prior to the Closing by the Seller prepared in accordance with the Formal Agreement having considered, among others, the estimated cash, indebtedness and the net working capital at the time of Completion, and the target net working capital which shall be approximately RMB1,435 million (equivalent to US$200 million), less: (i) the aforementioned deposits described in (a) and (b) above and any interest or other amounts earned thereon (collectively the "**Deposit**"); and (ii) the Escrow Amount, shall be payable to the Seller at Closing.

The Closing took place on 29 December 2023, and the final Consideration paid by the Group for the Acquisition was approximately RMB14.42 billion (equivalent to approximately US$2.01 billion).

Basis of determination of the Consideration

The Consideration was determined based on fair negotiations with reference to, among other things, the strategic synergetic effect and growth prospect of the businesses potentially realizable from the Acquisition. In particular, apart from the reasons for the Acquisition as detailed in the subsection headed "I. THE FORMAL AGREEMENT – REASONS FOR AND BENEFITS OF THE ACQUISITION" in this section below, the Company had primarily considered, among others, the expected enhancement in the level of operations and production capabilities and capacity of the Group and the sustainable revenue and profits contribution by the Target Group for consolidation into the Group upon Closing, the opportunity for the Group to expand the business of intelligent mobile terminal components, the expected improvement in the Group's customer and product structure, and taken into account the development trend of the consumer electronic industry, certain financial information (including historical earnings) of the Business, as well as indicators such as price-earnings ratios and enterprise value multiples of comparable companies as supplemental reference.

In terms of the industry development, the consumer electronics field is often at the forefront of applying every technological innovation. Together with the innovation and advancement of optics, acoustics, communications and other technologies in recent years, and the continuous high demand from end-users for more innovative functions, technologies and appearance of the electronic products, the product consumption cycle in the field of consumer electronics had been continuously shortened while market boundary continues to be broadened with continuous active demand from users. In addition, with the development of technologies such as 5G and the Internet of Things as well as the increase in the number of consumer electronics terminals owned by users, there is a growing number of interconnecting, transmitting data and sharing between multiples devices. At the same time, the consumer's new request for thinner and lighter electronic products with simple design etc. had opened up various types of new market demand and new opportunities for the growth and development in the consumer electronics industry. According to the statistics from research institution International Data Corporation (IDC), both the smartphone and PC & tablet industry is expected to resume resilient growth, wherein global shipments of smartphones were approximately 1,292 million, 1,350 million, 1,210 million and 1,170 million units for 2020, 2021, 2022 and 2023 respectively; and global shipments of PC & tablet during the same period were 461 million, 518 million 455 million and 303 million units. According to research institutions such as IDC and TechInsights, global smartphone shipments increased by 7.1% year-on-year to 317 million units in the fourth quarter of 2023, ending the previous nine consecutive quarters of sluggishness. It is expected that in 2024, both the smartphone and PC & tablet industry is expected to resume resilient growth, wherein global smartphone shipments will increase by 3% year-on-year, and PC & tablet shipments are also expected to increase to 403 million units. Considering the operating results of the Target Group were closely related to and catching the cycle of the consumer electronics industry and the operating performance of its customers, as when the consumer industry recovers, business of the Target Group is expected to grow.

The Target Group is principally engaged in the manufacture of precisive structural components for mobile intelligent terminals. Precisive structural components are the major parts that affects the appearance, model, texture, strength, and reliability of smartphones, of which innovation in the use of material is particularly important. Since the introduction of smartphones, the material used for the major structural components has evolved and upgraded continuously from the use of plastic to high-quality metal materials. The Target Group has always driven its customers to continuously upgrade by manufacturing products with advanced technologies, thereby obtaining orders from high-end customers and maintaining long-term cooperation relationships. With the increase in use of premium metal materials by different mobile phone brands in the market, the popularity and application of premium metal materials is expected to shorten the replacement cycle of high-end smartphones, leading to an increase in market demand. As the Business is associated with the production of high-end smartphone components, the Enlarged Group the Acquisition, the Group will also acquire the Target Group's strong research and development strength and good customer relationships, and enjoy the benefits from the recovery of the consumer industry.

The consumer electronic industry has been facing an overall downturn in recent years. This is mainly due to the complicated domestic and international situation, COVID-19 and a series of geopolitical conflicts and shutdowns caused by extreme weather which created a large impact towards the global economy. The operating revenue of the Target Group were US$4,423 million, US$4,248 million and US$4,205 million in each of the financial years ended 31 August 2021, 31 August 2022 and 31 August 2023 respectively. In addition, the gross profit and gross margin of the Target Group in the aforementioned financial years were US$341 million, US$256 million, US$451 million and 7.7%, 6.0% and 10.7% respectively. Benefiting from the optimisation of the structure of its smartphone businesses in 2023, the Target Group's gross margin for the latest financial year was significantly improved and were higher than the Group's gross margin of 5.9% and 7.85% in each of the financial period ended 31 December 2022 and 30 June 2023. Following the completion of the Acquisition, the Group will further assist the Target Group to raise its automation rate and reduce the operation cost. The Group expects that the gross profit margin of the Target Group will continue to improve as the consumer electronics industry as a whole recovers, and the Acquisition will help the Group enhance its overall performance.

As a strategy at our Group level, the Group had been continuously reinforcing its partnership with overseas customers. For the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, the revenue from overseas customers of the Group accounted for approximately 30%, 54% and 62% of the Group's total revenue, showing an increasing trend year by year. Benefiting from the major overseas customers strategy, the consumer electronics segment of the Group managed to achieve an overall business growth in operating revenue of RMB48,719 million, RMB71,632 million and RMB82,209 million respectively, despite the overall downturn of the consumer electronics industry in the past three financial years. As customers of the Target Group are overseas customers, the Acquisition is expected to assist the Group in further expanding its overseas market scale, which is in line with the overall strategic direction of the Group's consumer electronics business segment to deepen cooperation with major overseas customers and continue to expand new categories.

Furthermore, in terms of enhancement of the level of operations and production capabilities and capacity of the Group, if the Group intends to engage and establish same type of business as the Target Group with same scale of manufacturing capabilities, the Group expects that it will lead to an expenditure of not less than US$2.5 billion, exclusive of the cost of time, staff training costs, research and development costs and other costs to be incurred by the Group. Moreover, the Group will also be able to take over the in-depth strategic business relationship between the Target Group and its major costumers via the Acquisition, which can reduce the potential risk of its inability to enter the supply chain of the relevant customers.

Apart from the aforementioned factors considered, the Target Group had approximately 8.93 times of the price to earnings ratio ("**P/E ratio(s)**") of the audited net profit of the Target Group for the financial year ended 31 August 2023 which is lower than the P/E ratio of two comparable companies (the "**Comparables**"). The Target Group also has the lowest enterprise value multiples (EV/EBITDA) of 2.96 as compared with the Comparables. In selecting the samples for comparison purpose, the Company has, based on the public information available, identified two comparable companies with similar attributes of the Target Group including without limitations:

– the public element: the Business represented part of the principal business of Jabil Inc., a company listed on the New York Stock Exchange, and the Comparables are also companies listing on the Shenzhen Stock Exchange and the Shanghai Stock Exchange respectively;

– similar business nature: the business of the Comparables is also in the similar nature and industry of the Business concerning production of components for consumer electronics;

– similar specialised products: the Comparables were a few of the manufacturers in the industry which also developed and produced tailored precision structures components for mobile intelligent terminals for its customers;

– the customers and scales: the Comparables have similar business scales as the Target Group and under the same competition atmosphere as the Target Group;

– same geographical location: the Business is principally domiciled in Chengdu and Wuxi, the PRC; and the principal business activities of the Comparables are also mainly conducted in the PRC; and

– profit-making: the Comparables are profit-making in the trailing 12-months as of 31 December 2022.

Based on the aforementioned criteria, the Board considered that the Comparables identified are adequate and sufficient, and form a representative and exhaustive list of samples for serving as a reference to the fairness and reasonableness of the Consideration.

Set out below are the background of the Comparables based on public information available :

Company Name	Stock Code	Principal activities	P/E ratio *(Note 1)*	Enterprise value multiple (EV/EBITDA) *(Notes 2-3)*
Lens Technology Company Limited (藍思科技股份有限公司	300433.SZ	Manufacturing, matching and assembly of glasses, sapphire, ceramics, metal, plastic, touch modules, biometrics, acoustics and other appearance structures and functional components, which are widely applied to smart phones, smart wearables, tablets, laptops, new energy vehicles, IoT, smart medicine and other high-end products	18.32	8.35 *(Note 4)*
Foxconn Industrial Internet Company Limited (富士康工業互聯網股份有限公司)	601138.SH	Cloud and edge computing, industrial internet, smart home solutions, 5G and network communication equipment, as well as smart mobile devices and wearables	21.27	16.09 *(Note 4)*

Note:

1. This is based on the price to earnings ratio available from WIND, a financial information platform, as at 31 August 2023. The ratio is based on the stock price of the company divided by the average earnings per share over the last 12 months (Trailing 12 Months).

2. The formula for calculating the enterprise value multiple is EV/EBITDA, where EV = company's market capitalisation + interest-bearing liabilities – cash and cash equivalents; and EBITDA = profit before tax for the period + interest expense for the period – interest income for the period + depreciation for the period + amortisation for the period.

3. EV/EBITDA multiples have significant advantages, including that EV (enterprise value = company's market capitalisation + total debt – cash and cash equivalents) avoids the impact on value due to different divisions' tax rates and differences in capital structure, therefore increases the comparability of valuations of different companies. EBITDA considers the impact of non-cash expenses such as discounts and amortisation on the basis of net profit, and minimizes the risk of allowing management to embellish its profits through various accounting policies. EBITDA does not include gains from non-principal businesses such as gains from foreign investments made by the company and profits from businesses other than its principal business. Therefore, it can demonstrate a more realistic result from the company's operation.

4. Relevant data of the Comparables are extracted from Choice Database of Eastmoney Information Co., Ltd.

To conclude, the Consideration was not entirely determined from, and therefore cannot be explained purely by, quantitative analysis. For the aforementioned reasons, the Consideration is not directly inferable from the historical financial results of the Target Group as there are various unquantifiable and invaluable benefits and gains including but not limited to the related goodwill, strategies capabilities and production capabilities of the Target Group, the Target Group's relationship with the existing customers in relation to Business, as well as the strategic synergistic effect and growth prospect of the businesses of the Enlarged Group potentially realizable from the Acquisition. For the aforementioned reasons, the Board believes that the Acquisition is in the interests of the Company and the Shareholders as a whole and the Consideration was fair and reasonable.

The Consideration was satisfied by way of the Group's internal resources, as well as the shareholder's loan to be provided by BYD. In connection with the Formal Agreement, the Company, BYD and the Seller had also entered into the Loan Agreement on the date of the Formal Agreement, pursuant to which BYD as lender had agreed to provide a shareholder's loan to the Company in the principal amount of approximately RMB15.42 billion (equivalent to US$2.15 billion) or any other amount mutually agreed among the Company, BYD and the Seller (the "**Loan**")[*], at an interest rate based on the SOFR (being Secured Overnight Financing Rate) (yearly) on the drawdown date as agreed pursuant to the Loan Agreement (the "**Disbursement Date**") plus 68 bps (basis points) to finance the payment of the Consideration and resume the payment obligations of the Company in the event that the Company failed to pay any part of the Consideration. The Loan is repayable by the Group within one year from the Disbursement Date of the Loan and the Group intends to repay the Loan by the net cash inflow generated from the operating activities of the Enlarged Group. The Group may maintain and supplement the working capital of the Group from bank facilities with lower interest rate if needed.

[*] The Loan was adjusted to approximately RMB14.42 billion (equivalent to US$2.01 billion) based on the final Consideration.

BYD is a controlling Shareholder of the Company indirectly interested in approximately 65.76% of the issued share capital of the Company as at the date of the Loan Agreement, and therefore is a connected person of the Company under Chapter 14A of the Listing Rules. Borrowings from controlling shareholders, being a financial assistance received by the Group from a connected person, constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As the Loan was provided on normal commercial terms and it is not secured by the assets of the Group, the provision of the Loan by BYD is fully exempted from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

Reorganization

Pursuant to the Formal Agreement, the Reorganization had been principally carried out by the Seller and its subsidiaries prior to the Closing and any costs and expenses in connection with performing the relevant reorganization actions had been borne by the Seller. In addition, the Seller shall pay the tax arising from the direct transfer of any PRC assets as part of Reorganization.

Conditions Precedent

According to the Formal Agreement, completion of the Acquisition shall take place three Business Days following the satisfaction or, if applicable, the waiver, of the closing conditions including but not limited to:

(a) accuracy of certain fundamental and other warranties to be made by each of the parties;

(b) obtaining all required approvals, filings, and registrations from the relevant governmental and regulatory authorities (if applicable);

(c) completion of the Reorganization in all material respects; and

(d) obtaining of the requisite Shareholder's approval(s).

Upon Closing on 29 December 2023, the Target Company had become a subsidiary of the Company and the financial results of the Target Company had been consolidated into the financial statements of the Group.

Exclusivity#

Pursuant to the Formal Agreement, between the date of the Formal Agreement and the earlier of the Closing or the termination of the Formal Agreement, provided that the Company is not in material breach of the Formal Agreement or other ancillary agreements, the Seller shall not, directly or indirectly solicit, initiate, encourage, continue or accept, participate in any discussions, conversations, negotiations or other communications in relation to any proposals or offers (i) relating to a direct or indirect acquisition or purchase of the Business, or (ii) to enter into any merger, consolidation or other business combination relating to any member of the Target Group or the Business.

Termination#

Pursuant to the Formal Agreement, the Formal Agreement may be terminated in various situations including but not limited to:

(a) by the mutual written consent of the parties;

(b) by a party if the other party breaches any provision of the Formal Agreement and such breach would cause any closing condition not to be satisfied; and such closing condition is incapable of being satisfied by the date as agreed between the parties or has not been cured within the period of time specified in the Formal Agreement and such party is not a proximate cause of the related breach; or

(c) in the event any governmental authorities shall have issued any order that permanently enjoins or otherwise makes illegal the sale and purchase of the Target Shares pursuant to the Formal Agreement.

Transitional Arrangements Conducted Pursuant to the Formal Agreement

Upon Closing on 29 December 2023, the Company, the Seller and the Target Company had entered into a transition services agreement pursuant to which the Seller shall provide certain services such as IT services and support for a period of time at fees based on actual costs on a transitional basis to primarily allow the Company and the Target Group to develop the relevant capacities.

In relation to the existing employees employed by the Seller or its subsidiaries in relation to the Business prior to the Closing, to the extent permitted by laws and regulations, the Company and the Seller had, jointly used commercially reasonable efforts to transfer the employment of the existing employees to the Target Group as soon as practicable.

The Closing had taken place on 29 December 2023 and the information was provided in this circular for disclosure purpose only.

In relation to real properties, the Business also includes certain real properties that are leased, subleased or licensed by the Target Group, primarily in Chengdu and Wuxi China. There are no contractual or legal restrictions that preclude or restrict the ability to use the leased real properties, except to the extent that such use is not material to the Business, by any members of the Target Group for the operation of the Business as conducted as of the date of the Formal Agreement.

INFORMATION ON THE COMPANY, THE SELLER, THE TARGET COMPANY AND BYD

The Company

The Company is a Hong Kong limited liability company, whose shares are listed on the main board of the Stock Exchange. It is a global leading platform-based high-end manufacturing enterprise, providing customers with new materials development, product design and development, parts and components as well as complete machine manufacturing, supply chain management, logistics, after-sales and other one-stop services. The Group engages in a wide variety of businesses ranging from smart phones, tablet PCs, new energy vehicles, smart home, game hardware, unmanned aerial vehicles, Internet of Things, robots, communication equipment, health devices to other diversified market areas.

The Seller

The Seller is a private company incorporated in Singapore. It is a subsidiary of Jabil Inc., a company listed on the New York Stock Exchange, which is a manufacturing solutions provider with over 250,000 employees across 100 locations in 30 countries. The principal business of Jabil Inc. includes design engineering, manufacturing and supply chain services for the EMS (Electronics Manufacturing Services) and consumer industries; and materials technology services (plastics, metals, automation and tooling). Jabil Inc. provides world's leading brands with strong breadth and depth of end-market experience, technical and design capabilities, manufacturing know-how, supply chain insights and global product management expertise.

Target Company

The Target Company is a private company incorporated in Singapore with limited liability in August 2023. The Target Group principally engages in the Business, which is the mobility business of the Seller Group which manufactures precision structural components for mobile intelligent terminals and is mainly located in Chengdu and Wuxi, after the Reorganization and Closing.

Set out below is certain audited combined financial information of the Target Group for the two years ended 31 August 2022 and 2023:

	For the year ended	
	31 August 2022	**31 August 2023**
	US$ million	*US$ million*
Revenue	4,248	4,205
Profit before tax	172	249
Profit for the year	147	225
Net assets	811	1,055

Further details on the financial information of the Target Group are set out in Appendix II to this circular.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Closing on 29 December 2023, the Target Company had become a subsidiary of the Company and the financial results, and the assets and liabilities of the Target Group had been combined into the financial statements of the Group.

Assets and liabilities

As at 30 June 2023, the unaudited combined total assets and liabilities of the Group amounted to approximately RMB59,726 million and RMB32,921 million, respectively. Assuming the Closing took place on 30 June 2023, the unaudited pro forma total assets and total liabilities of the Enlarged Group would have increased to approximately RMB86,613 million and RMB59,837 million, respectively as a result of the Acquisition.

Earnings

As set out in Appendix II to this circular, for the year ended 31 August 2023, the audited combined revenue and profit after tax of the Target Group was approximately US$4,205 million and US$225 million, respectively.

As the financial results of the Target Group had been combined with those of the Group after Closing, the earnings of the Group had been affected by the performance of the Target Group from Closing. The Acquisition is expected to contribute towards broadening the revenue and earnings base for the Enlarged Group in the future.

Further details of the financial effect of the Acquisition together with the bases in preparing the unaudited pro forma financial information of the Enlarged Group are set out, for illustration purpose only, in Appendix IV to this circular.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Board believes that the Acquisition will broaden the Group's customer base and diversify its product portfolio, expand the business of smartphone components, significantly improve the Group's customer and product structure, enhance the strategic layout of core component products, and propel the industrial upgrading of the Group. While improving the Group's product supply capabilities, the Acquisition will also generate positive synergy with the Company.

The Group has accumulated deep expertise in areas such as fundamental research and development, supply chain, automation, informatization and lean management. The completion of the Acquisition will help to further enhance the operational efficiency of the Target Group, improve its overall competitiveness and profitability. At the same time, the injection of the Business will expand the production lines of cooperation between the Group and its major customers, elevate the strategic level of cooperation with its major customers, provide a solid platform for future expansion of new businesses of its major customers, assist the Group's business in maintaining long-term sustainable development, and create value for customers and shareholders of the Group.

The existing equipment of the Target Group is equipped with top-level configurations in the industry and is tailored for the latest product lines of customers. Currently, the equipment is relatively new and in good operational condition. Based on the Group's experience, similar equipment can normally be used for more than five years. The equipment and manufacturing capabilities provide the most advanced productivity in the industry and will help the Group reach new heights in the field of intelligent manufacturing.

The Target Group has well-established capabilities in research and development, operations, and management teams consisting of thousands of members, possessing leading global technical strength and excellent management experience in the industry. Furthermore, it possesses capabilities and experience in serving its customers' smartphone businesses, which are relatively rare in the industry. It is estimated that it would have taken 5 to 10 years if the Group were to establish teams of equivalent scale and capabilities. Cultivating talents takes priority over manufacturing products. Outstanding talents are the cornerstone of the Group's long-term development. The Target Group's teams will strengthen the Group's research and development and management capabilities, while the Group will provide a broader development space for the Target Group's teams.

For the foregoing reasons, the Directors are of the view that the Acquisition will strengthen the Group's supply chain, production, and manufacturing levels, bringing good investment returns to the Group, and the terms of the Formal Agreement are fair and reasonable, on normal commercial terms and are in the best interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition is more than 25% but are less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to reporting, announcement and Shareholder's approval requirements under Chapter 14 of the Listing Rules.

As none of the Directors has any material interest in the Acquisition and the transactions contemplated thereunder, none of the Directors is required to abstain from voting on the board resolutions approving the Acquisition and the transactions contemplated thereunder.

WRITTEN SHAREHOLDERS' APPROVAL AND RECOMMENDATIONS

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval may be obtained by written Shareholders' approval in lieu of convening a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Formal Agreement and the transactions contemplated thereunder; and (b) the written approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the issued share capital of the Company having the right to attend and vote at the general meeting to approve the Formal Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Shareholders has any material interest in the Formal Agreement and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Formal Agreement and the transactions contemplated thereunder.

The Company has obtained a written approval from Golden Link Worldwide Limited, which is a wholly owned subsidiary of BYD and a controlling shareholder of the Company interested in 1,481,700,000 shares of the Company (representing approximately 65.76% of the issued share capital of the Company) on the date of the Formal Agreement (i.e. 26 September 2023). Accordingly, no Shareholders' meeting will be convened by the Company to approve the Acquisition.

For Shareholders' reference, the Directors are of the view that the entering into of the Formal Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Shareholders as a whole, and would have recommended the Shareholders to vote in favour of such resolutions based on the reasons set out in this letter if the Company were to convene an extraordinary general meeting for the approval of the Acquisition and voting was required.

WAIVERS GRANTED BY THE STOCK EXCHANGE

As additional time was required to prepare and finalise certain information included in this circular, the Company had applied for waivers from strict compliance with Rule 14.41(a) of the Listing Rules to extend the deadline for despatch of this circular to a date more than 15 business days after the publication of the announcement of the Company dated 27 September 2023. The Stock Exchange had granted such waivers to extend the deadline for despatch of this circular to 15 May 2024. For details of the relevant applications and waivers, please refer to the announcements of the Company dated 9 October 2023, 29 December 2023, 31 January 2024 and 2 February 2024.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By order of the board of
BYD Electronic (International) Company Limited
WANG Nian-qiang
Director

I. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three financial years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 were set out in the relevant annual reports and interim report of the Company posted on the Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (http://electronics.byd.com). Please also see below quick links to the relevant annual reports:

Annual report of the Company for the year ended 31 December 2020 (pages 108-228) (https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0414/2021041401153.pdf)

Annual report of the Company for the year ended 31 December 2021 (pages 149-268) (https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0414/2022041400413.pdf)

Annual report of the Company for the year ended 31 December 2022 (pages 133-248) (https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0418/2023041801121.pdf)

Interim report of the Company for the six months ended 30 June 2023 (pages 22-52) (https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0828/2023082801295.pdf)

Each of the said consolidated financial statements of the Group is incorporated by reference to this circular and forms part of this circular.

II. STATEMENT OF INDEBTEDNESS

As at 31 January 2024, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding indebtedness of approximately RMB15,152,650 thousand, consisting of entrusted loans from the controlling shareholder and parent company of approximately RMB5,003,820 thousand, and RMB8,266,696 thousand, respectively, lease liability of approximately RMB1,882,134 thousand as detailed below. The entrusted loans from the controlling shareholder and parent company are provided through designated bank intermediaries.

	As at 31 January 2024
	RMB '000
Current liabilities	
Interest-bearing entrusted loans	13,270,516
Lease liabilities	508,924
	13,779,440
Non-current liabilities	
Lease liabilities	1,373,210
	1,373,210
Total indebtedness and lease liabilities	15,152,650

As at 31 January 2024, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had a pending litigation for a lawsuit filed by a subsidiary and an affiliate of Foxconn International Holdings Limited in 2007 and the estimate of ultimate outcome and amount to settle the obligation, if any, of the litigation cannot be made reliably up to date.

Save as disclosed above, the Enlarged Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, or agreed to be issued; or bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guaranteed, unguaranteed, secured and unsecured borrowing and debt, or other material contingent liabilities as at 31 January 2024.

III. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the financial resources available to the Enlarged Group including internally generated funds, and the financial support provided by the controlling shareholder, the Group will have sufficient working capital for its requirements for at least 12 months from the date of publication of this circular.

IV. FINANCIAL AND TRADING PROSPECTS

The Group is a global leading platform-based high-end manufacturing enterprise, providing customers with new materials development, product design and development, parts and components as well as complete machine manufacturing, supply chain management, logistics, after-sales and other one-stop services. The Group's businesses cover smart phones, tablet PCs, new energy vehicles, smart home, game hardware, unmanned aerial vehicles, Internet of Things, robots, communication equipment, health devices and other diversified market areas.

Considering the higher market interest rates in USD, the Group plans to repay loans as soon as practicable using the net cash inflows generated from the Enlarged Group's operations in USD, and supplement the Group's working capital with lower-interest-rate loans in RMB (if necessary). As of 30 June 2023, the Group's total revenue for the half-year period was RMB $56.18 billion, which revenue from overseas customers accounted for 67% of the total revenue.

According to the 2023 interim report of the Company, the Group will continue to capitalize on market opportunities, expand its presence in the research and development of core technologies and innovations, further consolidate its vertical integration advantages, and reinforce its major customer strategy. The Group has deepened its presence in the consumer electronics field for over 20 years, and has developed industry-leading capabilities in research and development, supply chain, and intelligent manufacturing, while accumulating extensive experience. These capabilities and experience will empower the Target Group and the Enlarged Group to achieve efficiency improvement, cost optimization, and profitability enhancement, driving sustainable profit growth.

The injection of the Business will expand the product lines of the Group and its customers, and therefore elevating the strategic level of cooperation with its customers. Upon Completion, the comprehensive advantages of the Enlarged Group will be further highlighted, which will help strengthen cooperation and explore new business opportunities with customers. The management is confident in the future increase in market share of the Group's existing business with customers, the introduction of new product lines, and the continuous growth of sales.

Other than the reasons as detailed in the section headed "Reasons for and benefits of the Acquisition" in the letter from the Board in this circular, the Acquisition represents a good opportunity for the Group to expand its production capacity and productivity, and improve the Group's customer and product structure. Following the Completion, it is expected that the comprehensive competitiveness of the Enlarged Group will be further strengthened. Leveraging industry-leading advantages in technology, talent, and management, the Enlarged Group can enhance cooperation with other customers and is expected to unlock more business opportunities in new areas, generating additional revenue and profits for the Group, and ensure the long-term sustainable development of the Group.

The following is the text of a report received from the Company's reporting accountant, Ernst & Young, of the Target Group for the purpose of incorporation in this circular.

Ernst & Young
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To the Directors of BYD Electronic (International) Company Limited

Introduction

We report on the historical combined financial information of Juno Newco Target Holdco Singapore Pte. Ltd. (the "**Target Company**") and its subsidiaries (collectively, the "**Target Group**") set out on pages 26 to 104, which comprises the combined statements of profit or loss, the combined statements of comprehensive income, statements of changes in equity and statements of cash flows of the Target Group for each of the three years ended 31 August 2021, 2022 and 2023 (the "**Relevant Periods**"), the combined statements of financial position of the Target Group as at 31 August 2021, 2022 and 2023, and the statement of financial position of the Target Company as at 31 August 2023, and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages 26 to 104 forms an integral part of this report, which has been prepared for inclusion in the circular of BYD Electronic (International) Company Limited (the "**Company**") dated 25 February 2024 (the "**Circular**") in connection with the acquisition of the entire issued share capital in the Target Company by the Company (the "**Acquisition**").

Directors of the Target Company's responsibility for the Historical Financial Information

The directors of the Target Company (the "**Target's Directors**") and the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Group as at 31 August 2021, 2022 and 2023 and of the financial performance and cash flows of the Target Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 26 have been made.

Dividends

We refer to note 34 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Periods.

No historical financial statements for the Target Company

As at the date of this report, no statutory financial statements have been prepared for the Target Company since its date of incorporation.

Ernst & Young
Certified Public Accountants
Hong Kong
25 February 2024

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in United States dollars ("**USD**") and all values are rounded to the nearest thousand (USD'000) except when otherwise indicated.

I HISTORICAL FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 August		
		2021	2022	2023
	Notes	*USD'000*	*USD'000*	*USD'000*
REVENUE	*5*	4,423,076	4,248,329	4,205,122
Cost of sales		(4,082,084)	(3,991,895)	(3,754,270)
Gross profit		340,992	256,434	450,852
Other income and gains	*5*	48,499	51,253	15,709
Government grants and subsidies	*7*	5,034	7,681	26,037
Selling and distribution expenses		(4,218)	(3,572)	(2,198)
Administrative expenses		(62,168)	(62,629)	(57,779)
Research and development expenses		(10,756)	(10,526)	(10,435)
Loss on derecognition of financial assets measured at amortised cost		(588)	(278)	(2,639)
Other expenses		(19,907)	(31,138)	(48,911)
Finance costs	*8*	(30,957)	(35,231)	(121,661)
PROFIT BEFORE TAX	*6*	265,931	171,994	248,975
Income tax expense	*11*	(37,836)	(25,243)	(23,516)
PROFIT FOR THE YEAR		228,095	146,751	225,459
Attributable to owners of the parent		228,095	146,751	225,459

I HISTORICAL FINANCIAL INFORMATION (continued)

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 August		
		2021	**2022**	**2023**
	Notes	*USD'000*	*USD'000*	*USD'000*
PROFIT FOR THE YEAR		228,095	146,751	225,459
OTHER COMPREHENSIVE INCOME				
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:				
Cash flow hedges	*23*			
Effective portion of changes in fair value of hedging instruments arising during the year		17,760	(21,937)	3,748
Reclassification adjustments for gains included in the combined statements of profit or loss		(27,164)	(1,634)	23,456
Income tax effect		1,749	4,169	(4,920)
		(7,655)	(19,402)	22,284
Exchange differences on translation of foreign operations		3,819	(4,452)	(3,435)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		(3,836)	(23,854)	18,849
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		(3,836)	(23,854)	18,849
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		224,259	122,897	244,308
Attributable to owners of the parent		224,259	122,897	244,308

I HISTORICAL FINANCIAL INFORMATION (continued)

COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	31 August 2021 USD'000	31 August 2022 USD'000	31 August 2023 USD'000
NON-CURRENT ASSETS				
Property, plant and equipment	*12*	1,103,738	816,212	724,712
Right-of-use assets	*13*	214,067	264,036	244,258
Goodwill	*14*	110,212	110,212	110,212
Other intangible assets	*16*	1,691	2,136	1,553
Deferred tax assets	*24*	60,896	74,925	77,724
Prepayments, other receivables and other assets	*15*	2,783	3,642	2,529
Total non-current assets		1,493,387	1,271,163	1,160,988
CURRENT ASSETS				
Inventories	*17*	784,014	699,341	532,279
Trade receivables	*18*	122,489	91,743	71,643
Contract assets	*19*	3,370	57,492	2,019
Prepayments, other receivables and other assets	*15*	1,976,900	2,438,780	2,743,321
Derivative financial instruments – assets	*23*	15,680	868	753
Cash and cash equivalents	*20*	56,703	32,892	194,712
Total current assets		2,959,156	3,321,116	3,544,727
CURRENT LIABILITIES				
Trade payables	*21*	978,620	834,810	699,446
Other payables, other liabilities and accruals	*22*	2,528,013	2,605,315	2,708,415
Lease liabilities	*13*	88,996	99,990	31,938
Derivative financial instruments – liabilities	*23*	7,890	61,635	51,146
Tax payable		13,430	10,901	12,616
Total current liabilities		3,616,949	3,612,651	3,503,561

I HISTORICAL FINANCIAL INFORMATION (continued)

COMBINED STATEMENTS OF FINANCIAL POSITION (continued)

	Notes	**31 August 2021** *USD'000*	**31 August 2022** *USD'000*	**31 August 2023** *USD'000*
NET CURRENT ASSETS/(LIABILITIES)		(657,793)	(291,535)	41,166
TOTAL ASSETS LESS CURRENT LIABILITIES		835,594	979,628	1,202,154
NON-CURRENT LIABILITIES				
Deferred tax liabilities	*24*	8,382	25,441	14,390
Lease liabilities	*13*	138,984	143,062	132,331
Total non-current liabilities		147,366	168,503	146,721
Net assets		688,228	811,125	1,055,433
EQUITY				
Equity attributable to owners of the parent				
Share capital	*25*	–	–	–
Other reserves	*26*	688,228	811,125	1,055,433
		688,228	811,125	1,055,433
Non-controlling interests		–	–	–
Total equity		688,228	811,125	1,055,433

I HISTORICAL FINANCIAL INFORMATION (continued)

COMBINED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 August 2021

	Share capital	Merger reserve	Cash flow hedge reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
	(note 25)	*(note 26)*	*(note 23)*	*(note 26)*	*(note 26)*		
At 1 September 2020	–	74,003	3,288	40,786	5,642	340,250	463,969
Profit for the year	–	–	–	–	–	228,095	228,095
Exchange differences on translation of foreign operations	–	–	–	–	3,819	–	3,819
Cash flow hedge	–	–	(7,655)	–	–	–	(7,655)
Total comprehensive income for the year	–	–	(7,655)	–	3,819	228,095	224,259
Transfer to statutory surplus reserve	–	–	–	3,672	–	(3,672)	–
At 31 August 2021	–	74,003*	(4,367)	44,458*	9,461*	564,673*	688,228

I HISTORICAL FINANCIAL INFORMATION (continued)

COMBINED STATEMENTS OF CHANGES IN EQUITY (continued)

Year ended 31 August 2022

	Share capital	Merger reserve	Cash flow hedge reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
	(note 25)	*(note 26)*	*(note 23)*	*(note 26)*	*(note 26)*		
At 1 September 2021	–	74,003	(4,367)	44,458	9,461	564,673	688,228
Profit for the year	–	–	–	–	–	146,751	146,751
Exchange differences on translation of foreign operations	–	–	–	–	(4,452)	–	(4,452)
Cash flow hedge	–	–	(19,402)	–	–	–	(19,402)
Total comprehensive income for the year	–	–	(19,402)	–	(4,452)	146,751	122,897
Transfer to statutory surplus reserve	–	–	–	4,452	–	(4,452)	–
At 31 August 2022	–	74,003*	(23,769)*	48,910*	5,009*	706,972*	811,125

I HISTORICAL FINANCIAL INFORMATION (continued)

COMBINED STATEMENTS OF CHANGES IN EQUITY (continued)

Year ended 31 August 2023

	Share capital	Merger reserve	Cash flow hedge reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
	(note 25)	*(note 26)*	*(note 23)*	*(note 26)*	*(note 26)*		
At 1 September 2022	–	74,003	(23,769)	48,910	5,009	706,972	811,125
Profit for the year	–	–	–	–	–	225,459	225,459
Exchange differences on translation of foreign operations	–	–	–	–	(3,435)	–	(3,435)
Cash flow hedge	–	–	22,284	–	–	–	22,284
Total comprehensive income for the year	–	–	22,284	–	(3,435)	225,459	244,308
Transfer to statutory surplus reserve	–	–	–	3,912	–	(3,912)	–
At 31 August 2023	–	74,003*	(1,485)*	52,822*	1,574*	928,519*	1,055,433

* These reserve accounts comprise the combined other reserves of USD688,228,000, USD811,125,000 and USD1,055,433,000 as at 31 August 2021, 2022 and 2023 in the combined statements of financial position.

I HISTORICAL FINANCIAL INFORMATION (continued)

COMBINED STATEMENTS OF CASH FLOWS

		Year ended 31 August		
		2021	**2022**	**2023**
	Notes	*USD'000*	*USD'000*	*USD'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		265,931	171,994	248,975
Adjustments:				
Finance costs	*8*	30,957	35,231	121,661
Foreign exchange gains/(losses)		5,733	(11,976)	(6,228)
Interest income		(1,818)	(2,024)	(1,720)
Depreciation of property, plant and equipment	*6*	226,199	274,377	196,998
Amortisation of intangible assets	*6*	519	811	1,015
Depreciation of right-of-use assets	*6*	33,889	62,066	54,477
Write-down of inventories to net realisable value	*6*	12,172	16,104	24,209
(Gains)/losses on disposal of items of property, plant and equipment	*6*	4,173	(2,999)	(2,129)
Management fees	*6*	23,749	20,806	21,139
Fair value losses, net:				
Derivative instruments	*6*	15,635	31,138	7,532
		617,139	595,528	665,929
(Increase)/decrease in inventories		(309,881)	68,569	142,853
(Increase)/decrease in trade receivables		(23,149)	30,746	20,100
Decrease/(increase) in contract assets		1,185	(54,121)	55,473
Increase in prepayments, other receivables and other assets		(85,277)	(9,890)	(24,853)
Increase/(decrease) in trade payables		273,946	(143,809)	(135,365)
Increase/(decrease) in other payables, other liabilities and accruals		12,571	(45,901)	(27,517)
(Decrease)/Increase in derivative financial instruments		(2,213)	13,848	9,298
Cash generated from operations		484,321	454,970	705,918
Interest received		266	195	248
Taxes paid		(25,890)	(24,556)	(41,718)
Net cash flows from operating activities		458,697	430,609	664,448

I HISTORICAL FINANCIAL INFORMATION (continued)

COMBINED STATEMENTS OF CASH FLOWS (continued)

		Year ended 31 August		
		2021	2022	2023
	Notes	*USD'000*	*USD'000*	*USD'000*
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(674,766)	(557,426)	(274,470)
Interest received from intercompany balances		1,552	1,829	1,472
Increase in amounts due from fellow subsidiaries and ultimate holding company		(249,310)	(470,198)	(299,221)
Purchases of other intangible assets		(1,255)	(1,269)	(465)
Proceeds from disposal of items of property, plant and equipment		366,768	317,096	178,931
Net cash flows used in investing activities		(557,011)	(709,968)	(393,753)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in amounts due to fellow subsidiaries		191,795	380,904	122,246
Decrease/(increase) in rental deposits		(220)	(859)	1,114
Principal portion of lease payments	*27*	(35,986)	(84,978)	(107,306)
Interests paid		(30,957)	(35,231)	(121,661)
Net cash flows from/(used in) financing activities		124,632	259,836	(105,607)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		26,318	(19,523)	165,088
Cash and cash equivalents at beginning of year		26,701	56,703	32,892
Effects of exchange rate changes on cash		3,684	(4,288)	(3,268)
CASH AND CASH EQUIVALENTS AT END OF YEAR	*20*	56,703	32,892	194,712

I HISTORICAL FINANCIAL INFORMATION (continued)

COMBINED STATEMENTS OF CASH FLOWS (continued)

		Year ended 31 August		
		2021	**2022**	**2023**
	Notes	*USD'000*	*USD'000*	*USD'000*
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances		56,703	32,892	194,712
Cash and cash equivalents as stated in the statements of financial position		56,703	32,892	194,712

I HISTORICAL FINANCIAL INFORMATION (continued)

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	**31 August 2023** *USD'000*
NON-CURRENT ASSETS		
Total non-current assets		–
CURRENT ASSETS		
Total current assets		–
CURRENT LIABILITIES		
Total current liabilities		–
NET CURRENT ASSETS		–
TOTAL ASSETS LESS CURRENT LIABILITIES		–
NON-CURRENT LIABILITIES		
Total non-current liabilities		–
EQUITY		
Share capital	*25*	–
Other reserves		–
Total equity		–

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Juno Newco Target Holdco Singapore Pte. Ltd. (the "**Target Company**") was incorporated in Singapore as a private company limited by shares on 16 August 2023. The registered office of the Target Company is located at 16 Tampines Industrial Crescent Singapore (528604).

The Target Company is an investment holding company and its subsidiaries are principally engaged in the mobility business which manufactures precision structural components for the mobile intelligent terminals (the "**Business**"). The ultimate holding company of the Target Company and its subsidiaries (collectively, the "**Target Group**") is Jabil Inc. (the "**Ultimate Holding Company**"), which was incorporated in the United State of America ("**USA**") and the immediate holding company of the Target Company is Jabil Circuit (Singapore) Pte. Ltd., a company established in Singapore.

The Target Company is an investment holding company. Pursuant to the Reorganization, as more fully explained in the paragraph headed "Reorganization" in the Circular, the Target Company became the holding company of the Target Group on 29 December 2023. Particulars of the Target Company's subsidiaries as at the date of this report are as follows:

Company Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Target Company		Principal activities
			Direct	Indirect	
Jabil (Shanghai) Electronic Technology Co., Ltd. */***(note a)*	People's Republic of China ("**PRC**")/Mainland China 2023-11-02	RMB 10,283,010,478	100%	–	Investment holding
GreenPoint (Wuxi) Electronic Technology Co. Ltd. ***(note b/h)*	PRC/Mainland China 2006-02-24	USD16,500,000	100%	–	Manufacture of components for consumer electronics products
Jabil Technology (Chengdu) Co., Ltd. ***(note c/e)*	PRC/Mainland China 2012-09-05	USD 1,200,868,285	–	100%	Manufacture of components for consumer electronics products
GreenPoint Precision Electronics (Wuxi) Co., Ltd. ** *(note b/f)*	PRC/Mainland China 2015-08-05	RMB213,453,000	–	100%	Manufacture of components for consumer electronics products
GreenPoint Technology (Wuxi) Co., Ltd. ("**GPW**") ***(note d/g)*	PRC/Mainland China 2005-01-26	RMB1,287,833,100	–	100%	Manufacture of components for consumer electronics products

* The subsidiary was registered as wholly-foreign-owned enterprise under PRC law.

** The English names of the Target Company's subsidiaries which were registered in Mainland China represent the translated names of these companies as no English names have been registered.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

1. CORPORATE INFORMATION (continued)

(a) No audited financial statements have been prepared for the entity as the entity was incorporated on 2 November 2023 and the entity's name was changed to Shanghai BYD Electronics Co., LTD on 23 January 2024.

(b) The statutory financial statements of the entities for the years ended 31 December 2020, 2021 and 2022 prepared under PRC Generally Accepted Accounting Principles (the "**PRC GAAP**") were audited by Wuxi Dazhong Certified Public Accountants Co Ltd., certified public accountants registered in PRC.

(c) The statutory financial statements of the entity for the years ended 31 December 2020, 2021 and 2022 prepared under PRC GAAP were audited by BDO China Shu Lun Pan Certified Public Accountants LLP., certified public accountants registered in PRC.

(d) The statutory financial statements of the entity for the years ended 31 December 2020, 2021 and 2022 prepared under PRC GAAP were audited by Wuxi Xinhu Certified Public Accountants Co Ltd., certified public accountants registered in PRC.

(e) From 10 October 2023 to 28 November 2023, Jabil Technology (Chengdu) Co., Ltd. increased its registered capital from USD210,000,000 to USD1,200,868,285. The entity's name was changed to ChengDu BYD Electronics Co., LTD on 29 December 2023.

(f) On 29 November 2023, GreenPoint Precision Electronics (Wuxi) Co., Ltd. changed its registered capital from USD30,000,000 to RMB213,453,000. The entity's name was changed to Wuxi BYD Precision Manufacturing Co., LTD on 29 December 2023.

(g) On 29 November 2023, GreenPoint Technology (Wuxi) Co., Ltd. changed its registered capital from USD181,000,000 to RMB1,287,833,100. The entity's name was changed to Wuxi BYD Electronics Co., LTD on 29 December 2023.

(h) The entity's name was changed to Wuxi BYD Electronics Technology Co., LTD on 29 December 2023.

During the Relevant Periods, GPW was engaged in both the Business and the plastic business (the "**Excluded Business**"). On 23 November 2023, the Excluded Business was disposed of to Jabil Circuit (Singapore) Pte. Ltd., the immediate holding company. On 29 November 2023, GPW was transferred to Jabil (Shanghai) Electronic Technology Co., Ltd.

During the Relevant Periods, the sales of components of consumer electronic products to external customers which is part of the Business (defined as the "**Included Singapore Operation**") were carried out by Jabil Circuit (Singapore) Pte. Ltd., the immediate holding company. The transfer of the Included Singapore Operation to the Target Company has been completed on 29 December 2023.

2.1 BASIS OF PRESENTATION

The Reorganization involved primarily the incorporation of the Target Company and Jabil (Shanghai) Electronic Technology Co., Ltd. by the Ultimate Holding Company, and the companies now comprising the Target Group were under the common control of the Ultimate Holding Company before and after the Reorganization. Accordingly, for the purpose of this report, the Historical Financial Information of the Target Group has been presented using the carrying amounts of the assets, liabilities and operating results of the Business conducted by the companies now comprising the Target Group for all periods presented.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.1 BASIS OF PRESENTATION (continued)

The combined statements of profit or loss, combined statements of comprehensive income, statements of changes in equity and statements of cash flows of the Target Group for the Relevant Periods include the results and cash flows of the Business carried out by all companies now comprising the Target Group, as well as the Included Singapore Operation which is an integrated part of the Business, from the earliest date presented under the common control of the Ultimate Holding Company. The combined statements of financial position of the Target Group as at 31 August 2021, 2022 and 2023 have been prepared to present the assets and liabilities of the Business using the existing book values from the Ultimate Holding Company's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganization.

As described in note 1 above, before the completion of the Reorganization, other than the Business, GPW also conducted the Excluded Business which was dissimilar to the Business and was run by divisions separated from those divisions within GPW which operate the Business. The Excluded Business was operated by separate management, maintained separate accounting books and records and had no more than incidental common facilities and costs sharing with the Business. On 23 November 2023, the Excluded Business was disposed of by GPW to the entity controlled by Jabil Circuit (Singapore) Pte. Ltd. The Excluded Business was not included in the Historical Financial Information of the Target Group during the Relevant Periods.

All intra-group transactions and balances have been eliminated on combination.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and accounting principles generally accepted in Hong Kong.

All HKFRSs effective for the accounting period commencing from 1 September 2020, together with the relevant transitional provisions, have been consistently applied by the Target Company in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for certain derivative financial instruments, which have been measured at fair value.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the preparation of the Historical Financial Information. The Group intends to apply these new and revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")*[2,5]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "**2022 Amendments**")*[2,5]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendment to HKFRS 17	*Insurance Contracts*[1,7]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[1,6]
Amendments to HKAS 21	*Lack of Exchangeability*[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

[1] Effective for annual periods beginning on or after 1 January 2023

[2] Effective for annual periods beginning on or after 1 January 2024

[3] Effective for annual periods beginning on or after 1 January 2025

[4] No mandatory effective date yet determined but available for adoption

[5] As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

[6] An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

[7] As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Target Group has expected that these standards will not have significant effect on the Target Group's financial performance and financial position.

2.4 MATERIAL ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Group's voting rights and potential voting rights.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The results of subsidiaries are included in the Target Company's profit or loss to the extent of dividends received and receivable. The Target Company's investments in subsidiaries are stated at cost less any impairment losses.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Target Group, liabilities assumed by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. For each business combination, the Target Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Target Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Target Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Target Group performs its annual impairment test of goodwill as at 31 August. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Target Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Target Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial information on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for non-financial asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statements of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statements of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the parent of the Target Group.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statements of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful lives and residual values are as follows:

	Estimated useful lives	**Residual values**
Leasehold improvements	1 to 10 years	–
Machinery and equipment	5 to 10 years	–
Office equipment and fixtures	5 years and below	–
Motor vehicles	3 to 4 years	–

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statements of profit or loss in the year/period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of one to three years.

Research and development costs

All research costs are charged to the statements of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Target Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Target Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Target Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Target Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	38.5 years
Buildings	1.1 to 20 years
Machinery and other equipment	2 to 5 years

If ownership of the leased asset transfers to the Target Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Target Group and payments of penalties for termination of a lease, if the lease term reflects the Target Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Target Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Target Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. When the Target Group enters into a lease in respect of a low-value asset, the Target Group decides whether to capitalise the lease on a lease-by-lease basis.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(c) Short-term leases and leases of low-value assets (continued)

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Target Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Target Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Target Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Target Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognized on the trade date, that is , the date that the Group commits to purchase or sell the asset.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statements of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statements of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group's combined statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Target Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Group could be required to repay.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Target Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Target Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Target Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Target Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Target Group may also consider a financial asset to be in default when internal or external information indicates that the Target Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Simplified approach

For trade receivables that do not contain a significant financing component or when the Target Group applies the practical expedient of not adjusting the effect of a significant financing component, the Target Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Target Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Target Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Target Group's financial liabilities include trade and other payables, other borrowings, and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Target Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statements of profit or loss. The net fair value gain or loss recognised in the statements of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (trade and other payables and borrowings)

After initial recognition, trade and other payables and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statements of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Financial liabilities at amortised cost (trade and other payables and borrowings) (continued)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statements of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statements of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Target Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Those derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statements of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Hedge accounting

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Hedge accounting (continued)

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statements of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statements of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statements of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statements of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the combined statements of financial position comprise cash on hand and at banks, and short term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Target Group expects to be entitled in exchange for those goods or services.

The Target Group sells products to certain customers who are also the suppliers of key materials used in the manufacturing of products. The Target Group obtains the control of the materials purchased from the customers and provides significant services to integrate materials with other goods and services into a portfolio of outputs. The Target Group considered itself as a principal in the arrangement and accordingly recognises revenue on a gross basis.

(a) Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customers, generally on delivery and acceptance of the goods.

(i) Rights of return

For contracts which provide customers with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognized which is net with the trade receivables from the customers due to the offsetting arrangements.

(b) Provision of services

Revenue from the provision of services is recognised over time using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

If the Group performs by transferring goods or services to customers before being unconditionally entitled to the consideration under the contract terms , a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from customers before the Target Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Target Group performs under the contract (i.e., transfers control of the related goods or services to the customers).

Employee benefits

Medical benefits

The Target Group's contributions to various defined contribution medical benefit plans organised by the relevant municipal and provincial governments in the PRC are expensed as incurred.

Pension scheme – Mainland China

The employees of the Target Group's subsidiaries, which operate in Mainland China, are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statements of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Pension scheme – outside Mainland China

The Target Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities in various areas other than Mainland China. The Target Group's liability in respect of these plans is limited to the contributions payable at the end of each period. Contributions to these plans are expensed as incurred.

Housing fund – Mainland China

The Target Group contributes on a monthly basis to a defined contribution housing fund plan operated by the local municipal government. Contributions to this plan by the Target Group are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currencies

The Historical Financial Information is presented in USD, which is the Target Company's functional and presentation currency. Each entity in the Target Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Target Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the reporting period.

Differences arising on settlement or translation of monetary items are recognised in the statements of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Target Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Target Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain PRC subsidiaries are currencies other than the USD. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into USD at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss are translated into USD at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statements of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the combined statement of cash flows, the cash flows of the PRC subsidiaries are translated into USD at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the PRC subsidiaries which arise throughout each of the Relevant Periods are translated into USD at the weighted average exchange rates for each of the Relevant Periods.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Target Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Withholding tax arising from the distribution of dividends

The Target Group's determination, as to whether to accrue deferred tax liabilities in respect of withholding taxes arising from the distributions of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions, is subject to judgement on the plan of the distribution of dividends. Withholding tax is provided for the profits of the subsidiaries which the Target Group considers it probable to be distributed in the foreseeable future.

Estimation uncertainty

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

Impairment of goodwill

The Target Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Target Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Depreciation

The Target Group calculates the depreciation of items of property, plant and equipment on the straight-line basis over their estimated useful lives after taking into account their estimated residual value and estimated useful lives, commencing from the date the items of property, plant and equipment are placed into use. The estimated useful lives reflect the Target's Directors' estimate of the period that the Target Group intends to derive future economic benefits from the use of the Target Group's items of property, plant and equipment.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing, and level of future taxable profits together with future tax planning strategies. Further details are included in note 24 to the Historical Financial Information.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Write-down of inventories based on the lower of cost and net realisable value

The Target Group, pursuant to the accounting policy for inventories, writes down inventories from cost to net realisable value and makes provision for slow-moving items and obsolescence at the lower of cost and net realisable value. The Target Group makes estimates of the selling prices, the costs of completion, and the costs to be incurred in disposal based on the historical experience and the prevailing market conditions.

Leases – Estimating the incremental borrowing rate

The Target Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Target Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Target Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Target Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

The Target Group's primary business is the manufacture, assembly and sale of mobile handset components, modules and other products. For management purposes, the Target Group is organised into one operating segment based on industry practice and management's vertical integration strategy. Management monitors the results of the Target Group as a whole for the purpose of making decisions about resource allocation and performance assessment. No further analysis about the operating segment thereof is presented.

Geographical information

(a) Revenue from external customers

All of the revenues are derived from external customers located in countries outside the PRC or Singapore.

(b) Non-current assets

As at 31 August 2021, 2022 and 2023 , substantially all of the non-current assets of the Target Group were located in the PRC.

Information about major customers

During the years ended 31 August 2021, 2022 and 2023, revenues of approximately USD 4,423 million, USD4,248 million and USD4,205 million were derived from respective top two customers.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 August		
	2021	**2022**	**2023**
	USD'000	*USD'000*	*USD'000*
Revenue from contracts with customers	4,423,076	4,248,329	4,205,122

Revenue from contracts with customers

(i) Disaggregated revenue information

	Year ended 31 August		
	2021	**2022**	**2023**
	USD'000	*USD'000*	*USD'000*
Types of goods or services			
Sale of mobile handset components, modules and other products	4,419,706	4,245,328	4,203,103
Rendering of services	3,370	3,001	2,019
Total revenue from contracts with customers	4,423,076	4,248,329	4,205,122
Geographical markets			
North America	4,379,143	4,205,031	4,179,393
Asia	43,933	43,298	25,729
Total revenue from contracts with customers	4,423,076	4,248,329	4,205,122
Timing of revenue recognition			
Goods transferred at a point in time	4,419,706	4,245,328	4,203,103
Services transferred over time	3,370	3,001	2,019
Total revenue from contracts with customers	4,423,076	4,248,329	4,205,122

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations

Information about the Target Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery and acceptance of goods and payment is generally due within 45 days from the date of billing, where payment in advance exists for some contracts related to the sales of tooling and fixtures. Some contracts provide customers with the right of return which gives rise to variable consideration subject to constraint.

The performance obligation satisfied overtime as services are rendered and payment is generally due within 45 days from the date of billing.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are as follows:

	31 August 2021	**31 August 2022**	**31 August 2023**
	USD'000	*USD'000*	*USD'000*
Amounts expected to be recognised as revenue:			
Within one year	182,552	181,990	152,751
	182,552	181,990	152,751

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations (continued)

Sale of goods (continued)

The amounts disclosed above do not include variable consideration which is constrained. The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue within one year.

An analysis of other income and gains during the Relevant Periods is as follows:

	Year ended 31 August		
	2021	**2022**	**2023**
	USD'000	*USD'000*	*USD'000*
Other income			
Sale of scrap and materials	5,712	7,491	7,566
Bank interest income	266	195	248
Intercompany interest income	1,552	1,829	1,472
Others	–	1,091	171
Total other income	7,530	10,606	9,457
Gains			
Exchange gain	40,969	37,648	–
Fair value gain on derivative instruments	–	–	4,123
Gain on disposal of items of property, plant and equipment	–	2,999	2,129
Total gains	40,969	40,647	6,252
Total other income and gains	48,499	51,253	15,709

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

6. PROFIT BEFORE TAX

The Target Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 August		
		2021	**2022**	**2023**
	Notes	*USD'000*	*USD'000*	*USD'000*
Cost of inventories sold		2,331,579	2,208,033	2,144,296
Cost of service provided		3,002	2,630	1,769
Government grants		5,034	7,681	26,037
Depreciation of property, plant and equipment	*12*	226,199	274,377	196,998
Depreciation of right-of-use assets	*13(a)*	33,889	62,066	54,477
Lease payments not included in the measurement of lease liabilities	*13(c)*	15,504	8,957	4,732
Auditors' remuneration		318	291	97
Amortisation of other intangible assets	*16*	519	811	1,015
Employee benefit expense (excluding directors', supervisors' and senior executive officers' remuneration *(note 9)*:				
– Wages and salaries		1,096,238	1,079,872	976,447
– Pension scheme contributions		95,237	70,748	75,863
Research and development cost:				
Current period expenditure		10,756	10,526	10,435
Write-down of inventories to net realisable value#		12,172	16,104	24,209
Loss/(gain) on disposal of items of property, plant and equipment**		4,173	(2,999)	(2,129)
Management fees*		23,749	20,806	21,139
Interest income	*5*	(1,818)	(2,024)	(1,720)
Fair value losses, net:				
Derivative instruments		15,635	31,138	7,532
Foreign exchange (gains)/losses, net		(40,969)	(37,648)	37,026

* Management fees represent the allocation of certain general and administrative expenses from the Ultimate Holding Company for the Business during the Relevant Periods. It was included in administrative expenses and cost of sales in the combined statements of profit or loss.

** Net loss on disposal of items of property, plant and equipment, net fair value losses and net foreign exchange losses were included in "Other expenses" in the combined statements of profit or loss.

Write-down of inventories to net realisable value is included in "Cost of sales" in the combined statements of profit or loss.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

7. GOVERNMENT GRANTS AND SUBSIDIES

		Year ended 31 August		
		2021	**2022**	**2023**
	Notes	*USD'000*	*USD'000*	*USD'000*
Related to income				
Subsidies on employee stability, expansion and training	*(a)*	3,619	2,719	595
Subsidies on operating expenses and tax refund	*(b)*	1,415	4,962	25,442
		5,034	7,681	26,037

Notes:

(a) The item represents subsidy income obtained by subsidiaries of the Target Group from the government for maintaining employee stability, expansion and training.

(b) The item represents subsidy income obtained by subsidiaries of the Target Group from the government for various enterprise operation related expense, such as subsidy for the logistics or other operating expenses.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 August		
	2021	**2022**	**2023**
	USD'000	*USD'000*	*USD'000*
Interest on intercompany balances *(note 30)*	26,185	26,516	113,982
Interest on lease liabilities *(note 13)*	4,772	8,715	7,679
	30,957	35,231	121,661

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Target Company was incorporated on 16 August 2023. On 16 August 2023, Greg Hebard, Tim Traud and Kiawee Toh were appointed as the executive directors of the Target Company.

During the Relevant Periods, the executive directors did not receive any remuneration from the Target Group. The remuneration was paid by the Ultimate Holding Company which then charged the Target Group management fees as disclosed in note 30 to the Historical Financial Information.

10. FIVE HIGHEST PAID EMPLOYEES

There are no directors included in the five highest paid employees during the Relevant Periods, details of whose remuneration are set out in note 9 above. Details of the remuneration for the Relevant Periods of the non-directors and highest paid employees are as follows:

	Year ended 31 August		
	2021	**2022**	**2023**
	USD'000	*USD'000*	*USD'000*
Salaries, allowances and benefits in kind	3,202	3,108	3,916

There were no discretionary bonuses or compensation paid for loss of office or as an inducement to join the Target Company for the above highest paid employees during the Relevant Periods.

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees		
	31 August 2021	**31 August 2022**	**31 August 2023**
Nil to HK$2,000,000	2	2	3
HK$2,000,000 to HK$2,500,000	1	1	–
Greater than HK$2,500,000	2	2	2
	5	5	5

11. INCOME TAX

The Target Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Target Group are domiciled and operate.

Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof. Pursuant to the PRC Corporate Income Tax Law (the "**PRC Tax Law**") effective on 1 January 2008, the PRC corporate income tax rate of the Group's subsidiaries operating in Mainland China during the relevant period was 25% of their taxable profits.

Juno Technology (Chengdu) Co., Ltd. which operates in Mainland China was entitled to enjoy a reduced enterprise income tax rate of 15% of the taxable profits during the Relevant Periods pursuant to the preferential tax policies for the Western Region Development Program.

The business of the Included Singapore Operation was carried out by the Jabil Circuit (Singapore) Pte. Ltd, the profits tax rate has been provided at 5% on the taxable profits during the Relevant Period pursuant to the Development and Expansion Incentive ("**DEI**") for the set-up of the Global EMS Business Centre and a Supply Chain Entity in Singapore.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

11. INCOME TAX (continued)

The Target Company is subject to income tax at a statutory tax rate of 17%.

The major components of the income tax expense for each of the year are as follows:

	Year ended 31 August		
	2021	**2022**	**2023**
	USD'000	*USD'000*	*USD'000*
Current – PRC			
Charge for the year	22,883	14,209	31,508
Current – Singapore	12,523	7,819	11,925
Deferred *(note 24)*	2,430	3,215	(19,917)
Total tax charge for the year	37,836	25,243	23,516

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rates for the jurisdiction in which the Target Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	Year ended 31 August					
	2021		**2022**		**2023**	
	USD'000	*%*	*USD'000*	*%*	*USD'000*	*%*
Profit before tax	265,931		171,994		248,975	
Tax at the statutory tax rate	66,483	25%	42,999	25%	62,243	25%
Lower tax rates for specific provinces or enacted by local authority	(32,656)	(12%)	(20,196)	(12%)	(42,339)	(17%)
Adjustments in respect of current tax of previous periods	(64)	–	(985)	(1%)	202	–
Expenses not deductible for tax	4,389	2%	3,767	2%	3,840	2%
Other super-deduction as required by taxation laws	(316)	–	(342)	–	(430)	–
Tax charge at the Group's effective rate	37,836	14%	25,243	15%	23,516	9%

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

12. PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment	Leasehold improvements	Office equipment and fixtures	Motor vehicles	Construction in progress	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
31 August 2021						
At 1 September 2020:						
Cost	1,025,558	614,482	43,375	1,326	261,678	1,946,419
Accumulated depreciation and impairment	(732,020)	(269,763)	(31,353)	(1,030)	–	(1,034,166)
Net carrying amount	293,538	344,719	12,022	296	261,678	912,253
At 1 September 2020, net of accumulated depreciation and impairment	293,538	344,719	12,022	296	261,678	912,253
Additions/(disposals)	(369,565)	1,420	234	–	785,589	417,678
Depreciation provided during the year	(162,740)	(57,213)	(6,041)	(205)	–	(226,199)
Exchange realignment	5	–	1	–	–	6
Transfers	606,613	86,166	7,685	524	(700,988)	–
At 31 August 2021, net of accumulated depreciation and impairment	367,851	375,092	13,901	615	346,279	1,103,738
At 31 August 2021:						
Cost	1,158,137	692,155	49,818	1,838	346,279	2,248,227
Accumulated depreciation and impairment	(790,286)	(317,063)	(35,917)	(1,223)	–	(1,144,489)
Net carrying amount	367,851	375,092	13,901	615	346,279	1,103,738

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Machinery and equipment	Leasehold improvements	Office equipment and fixtures	Motor vehicles	Construction in progress	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
31 August 2022						
At 31 August 2021 and at 1 September 2021:						
Cost	1,158,137	692,155	49,818	1,838	346,279	2,248,227
Accumulated depreciation and impairment	(790,286)	(317,063)	(35,917)	(1,223)	–	(1,144,489)
Net carrying amount	367,851	375,092	13,901	615	346,279	1,103,738
At 1 September 2021, net of accumulated depreciation and impairment	367,851	375,092	13,901	615	346,279	1,103,738
Additions/(disposals)	(306,285)	(4,971)	(544)	(3)	298,719	(13,084)
Depreciation provided during the year	(198,217)	(70,071)	(5,799)	(290)	–	(274,377)
Exchange realignment	(63)	–	(2)	–	–	(65)
Transfers	468,892	52,555	2,251	426	(524,124)	–
At 31 August 2022, net of accumulated depreciation and impairment	332,178	352,605	9,807	748	120,874	816,212
At 31 August 2022:						
Cost	1,245,005	734,784	50,605	2,225	120,874	2,153,493
Accumulated depreciation and impairment	(912,827)	(382,179)	(40,798)	(1,477)	–	(1,337,281)
Net carrying amount	332,178	352,605	9,807	748	120,874	816,212

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Machinery and equipment	Leasehold improvements	Office equipment and fixtures	Motor vehicles	Construction in progress	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
31 August 2023						
At 31 August 2022 and at 1 September 2022:						
Cost	1,245,005	734,784	50,605	2,225	120,874	2,153,493
Accumulated depreciation and impairment	(912,827)	(382,179)	(40,798)	(1,477)	–	(1,337,281)
Net carrying amount	332,178	352,605	9,807	748	120,874	816,212
At 1 September 2022, net of accumulated depreciation and impairment	332,178	352,605	9,807	748	120,874	816,212
Additions/(disposals)	(165,191)	(11,048)	70	–	281,781	105,612
Depreciation provided during the year	(123,550)	(68,195)	(4,953)	(300)	–	(196,998)
Exchange realignment	(83)	(1)	(2)	–	(28)	(114)
Transfers	230,668	54,268	715	12	(285,663)	–
At 31 August 2023, net of accumulated depreciation and impairment	274,022	327,629	5,637	460	116,964	724,712
At 31 August 2023:						
Cost	1,236,876	771,927	46,430	2,220	116,964	2,174,417
Accumulated depreciation and impairment	(962,854)	(444,298)	(40,793)	(1,760)	–	(1,449,705)
Net carrying amount	274,022	327,629	5,637	460	116,964	724,712

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

13. LEASES

The Target Group as a lessee

The Target Group has lease contracts for various items of leasehold land, buildings and machinery and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 38.5 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 1.1 and 20 years. Machinery and other equipment generally have lease terms of 1 to 3.75 years and/or are individually of low value. Some lease contracts included a purchase option that is exercisable at the end of the lease terms. Generally, the Target Group is restricted from assigning and subleasing the leased assets outside the Target Group.

(a) Right-of-use assets

The carrying amounts of the Target Group's right-of-use assets and the movements during the Relevant Periods are as follows:

	Leasehold land	**Buildings**	**Machinery and other equipment**	**Total**
	USD'000	*USD'000*	*USD'000*	*USD'000*
As at 1 September 2020	574	78,342	–	78,916
Additions	–	6,236	162,675	168,911
Modification	–	–	–	–
Depreciation charge	(17)	(13,643)	(20,229)	(33,889)
Exchange realignment	–	129	–	129
As at 31 August 2021 and 1 September 2021	557	71,064	142,446	214,067
Additions	–	105,083	7,255	112,338
Modification	–	(204)	–	(204)
Depreciation charge	(17)	(19,746)	(42,303)	(62,066)
Exchange realignment	–	(99)	–	(99)
As at 31 August 2022 and 1 September 2022	540	156,098	107,398	264,036
Additions	–	11,199	23,552	34,751
Modification	–	–	–	–
Depreciation charge	(17)	(21,008)	(33,452)	(54,477)
Exchange realignment	–	(52)	–	(52)
As at 31 August 2023	523	146,237	97,498	244,258

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

13. LEASES (continued)

The Target Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021	2022	2023
	USD'000	*USD'000*	*USD'000*
Carrying amount at 1 September	89,321	227,980	243,052
New leases	168,911	112,338	34,751
Modification	–	(311)	–
Accretion of interest recognised during the year	4,772	8,715	7,679
Payments	(40,758)	(93,693)	(114,985)
Exchange realignment	5,734	(11,977)	(6,228)
Carrying amount at 31 August	227,980	243,052	164,269
Analysed into:			
Current portion	88,996	99,990	31,938
Non-current portion	138,984	143,062	132,331

The maturity analysis of lease liabilities is disclosed in note 33 to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 August		
	2021	2022	2023
	USD'000	*USD'000*	*USD'000*
Interest on lease liabilities	4,772	8,715	7,679
Depreciation charge of right-of-use assets	33,889	62,066	54,477
Expense relating to short-term leases	15,491	8,658	4,430
Expense relating to leases of low-value assets	13	299	302
Total amount recognised in profit or loss	54,165	79,738	66,888

(d) The total cash outflow for leases is disclosed in note 27 to the Historical Financial Information.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

14. GOODWILL

	31 August 2021	**31 August 2022**	**31 August 2023**
	USD'000	*USD'000*	*USD'000*
Cost and net carrying amount:			
GPW Business	110,212	110,212	110,212

<u>Impairment testing of goodwill</u>

Goodwill acquired through business combinations is allocated to the Business of GPW (the "**GPW Business**") as a cash-generating units for impairment testing:

The recoverable amount of the GPW Business has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year periods approved by senior management.

The pre-tax discount rate applied to the cash flow projections, the revenue growth rate, gross margin and the terminal growth rate used to extrapolate the cash flows of the cash-generating unit beyond the five-year period are as follows:

	31 August 2021	**31 August 2022**	**31 August 2023**
Revenue growth rate	1%	1%	1%
Gross margin	4.3%	4.3%	4.3%
Pre-tax discount rates	13.5%	13.5%	13.5%
Terminal growth rate	2.3%	2.3%	2.3%

Revenue growth rate – The rate reflects management's estimation of future market development.

Budgeted gross margin – The basis used to determine the value assigned to the budgeted gross margin is the average gross margin achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Pre-tax discount rates – The rate reflects management's estimate of the risks specific to the unit.

As at 31 August 2021, 2022 and 2023, the recoverable amount of the GPW Business to which goodwill was allocated exceeded its carrying amount by USD292,589,000, USD235,130,000 and USD184,861,000, respectively.

Decreases in the revenue growth rate or gross margin as shown below (with other assumptions remaining unchanged) would result in the GPW Business cash-generating unit's recoverable amount equal to its carrying amount:

	31 August 2021	**31 August 2022**	**31 August 2023**
Revenue growth rate	1.6%	0.9%	0.7%
Gross margin	4.3%	3.1%	2.2%

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	31 August 2021 USD'000	31 August 2022 USD'000	31 August 2023 USD'000
Non-current portion:				
Deposits and other receivables		2,783	3,642	2,529
Current portion:				
Deposits and other receivables	*(a)*	1,799,694	2,213,178	2,508,265
Other assets	*(b)*	106,206	155,549	157,891
Prepayments		20,802	14,813	17,872
Contract direct costs	*(c)*	50,198	55,240	59,293
		1,976,900	2,438,780	2,743,321

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 August 2021, 2022 and 2023, the loss allowance was assessed to be minimal.

(a) The balances due from related parties included in the other receivables are as follows:

	31 August 2021 USD'000	31 August 2022 USD'000	31 August 2023 USD'000
Due from Ultimate Holding Company *(note 30)*	1,684,978	2,125,215	2,410,775
Due from fellow subsidiaries *(note 30)*	30,640	43,778	37,446
	1,715,618	2,168,993	2,448,221

(b) Other assets represented the costs incurred to fulfil contracts with customers for the sales of toolings and fixtures. The capitalised contract costs are charged to profit or loss when the related toolings and fixtures are transferred to the customers.

(c) It represented the capitalised costs directly related to the anticipated contracts with the customers and the costs are expected to be recoverable. The capitalised costs are amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods to which the asset relates.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

16. OTHER INTANGIBLE ASSETS

	Software
	USD'000
31 August 2021	
Cost at 31 August 2020, net of accumulated amortisation	1,023
Additions	1,255
Disposals	(68)
Amortisation provided during the year	(519)
At 31 August 2021	1,691
At 31 August 2021	
Cost	6,641
Accumulated amortisation	(4,950)
Net carrying amount	1,691

	Software
	USD'000
31 August 2022	
Cost at 31 August 2021, net of accumulated amortisation	1,691
Additions	1,269
Disposals	(13)
Amortisation provided during the year	(811)
At 31 August 2022	2,136
At 31 August 2022	
Cost	7,807
Accumulated amortisation	(5,671)
Net carrying amount	2,136

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

16. OTHER INTANGIBLE ASSETS (continued)

	Software
	USD'000
31 August 2023	
Cost at 31 August 2022, net of accumulated amortisation	2,136
Additions	465
Disposals	(33)
Amortisation provided during the year	(1,015)
At 31 August 2023	1,553
At 31 August 2023	
Cost	8,052
Accumulated amortisation	(6,499)
Net carrying amount	1,553

17. INVENTORIES

	31 August 2021	**31 August 2022**	**31 August 2023**
	USD'000	*USD'000*	*USD'000*
Raw materials	104,580	117,442	66,329
Work in progress	335,564	365,737	337,508
Finished goods	356,042	232,266	152,651
Provision	(12,172)	(16,104)	(24,209)
	784,014	699,341	532,279

18. TRADE RECEIVABLES

	31 August 2021	**31 August 2022**	**31 August 2023**
	USD'000	*USD'000*	*USD'000*
Trade receivables	122,489	91,743	71,643
Impairment	–	–	–
	122,489	91,743	71,643

The Target Group's trading terms with its customers are mainly on credit. The credit period is generally one to two months. The Target Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. As at 31 August 2021, 2022 and 2023, the Target Group had a concentration of credit risk as 100% of receivables is related to the Target Group's top five customers, respectively. The Target Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

18. TRADE RECEIVABLES (continued)

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	31 August 2021	**31 August 2022**	**31 August 2023**
	USD'000	*USD'000*	*USD'000*
0 to 30 days	121,723	64,636	71,500
31 to 60 days	766	27,107	–
61 to 90 days	–	–	85
90 days to 1 year	–	–	58
	122,489	91,743	71,643

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns by product type. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 August 2021, 2022 and 2023, the loss allowance was assessed to be minimal.

The net carrying amounts due from parent and fellow subsidiaries included in the above are as follows:

	31 August 2021	**31 August 2022**	**31 August 2023**
	USD'000	*USD'000*	*USD'000*
Due from fellow subsidiaries *(note 30)*	2,713	2,623	4,845
Due from the Ultimate Holding Company *(note 30)*	23	36	317
	2,736	2,659	5,162

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

19. CONTRACT ASSETS

	31 August 2021 *USD'000*	31 August 2022 *USD'000*	31 August 2023 *USD'000*
Contract assets arising from:			
Rendering of services	3,370	3,001	2,019
Sale of industrial products*	–	54,491	–
	3,370	57,492	2,019
Impairment	–	–	–
	3,370	57,492	2,019

* The increase in contract assets in 2022 was the result of the sale of industrial tooling and the receipt of consideration is conditional on the delivery of the finished goods in the following years.

The expected timing of recovery or settlement for contract assets is as follows:

	31 August 2021 *USD'000*	31 August 2022 *USD'000*	31 August 2023 *USD'000*
Within one year	3,370	57,492	2,019

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 August 2021, 2022 and 2023, the loss allowance was assessed to be minimal.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

20. CASH AND CASH EQUIVALENTS

		31 August 2021	**31 August 2022**	**31 August 2023**
	Notes	*USD'000*	*USD'000*	*USD'000*
Cash and bank balances	*(i)*	56,703	32,892	194,712
Cash and cash equivalents		56,703	32,892	194,712

Notes:

(i) As at 31 August 2021, 2022 and 2023, the cash and bank balances of the Target Group denominated in Renminbi ("**RMB**") amounted to USD46,391,581, USD27,120,372 and USD31,444,153, respectively.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

21. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	31 August 2021	**31 August 2022**	**31 August 2023**
	USD'000	*USD'000*	*USD'000*
Within 90 days	978,620	834,810	699,446
	978,620	834,810	699,446

The trade payables are non-interest-bearing and normally settled within terms of 0 to 90 days.

The balances due to ultimate holding company and fellow subsidiaries included in the above are as follows:

	31 August 2021	**31 August 2022**	**31 August 2023**
	USD'000	*USD'000*	*USD'000*
Due to the fellow subsidiaries *(note 30)*	22,603	15,261	6,945
Due to the Ultimate Holding Company *(note 30)*	455	684	906
	23,058	15,945	7,851

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

22. OTHER PAYABLES, OTHER LIABILITIES AND ACCRUALS

	Notes	31 August 2021 USD'000	31 August 2022 USD'000	31 August 2023 USD'000
Other payables	(a)	1,681,753	2,066,669	2,192,751
Payables for purchase of property, plant, and equipment		442,148	184,442	192,815
Accrued expenses		96,051	72,148	59,720
Contract liabilities	(b)	182,552	181,990	152,751
Accrued compensation and employee benefits		125,509	100,066	110,378
		2,528,013	2,605,315	2,708,415

Notes:

(a) The balances due to fellow subsidiaries included in the other payables are as follows:

	31 August 2021 USD'000	31 August 2022 USD'000	31 August 2023 USD'000
Due to fellow subsidiaries *(note 30)*	1,678,159	2,059,063	2,181,309

(b) Details of contract liabilities are as follows:

	31 August 2021 USD'000	31 August 2022 USD'000	31 August 2023 USD'000
Short-term advances received from customers	182,552	181,990	152,751
Total contract liabilities	182,552	181,990	152,751

Contract liabilities include short-term advances received for the sales of tooling and fixtures.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

23. DERIVATIVE FINANCIAL INSTRUMENTS

	31 August 2021		31 August 2022		31 August 2023	
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Forward contracts	10,224	1,399	868	31,441	753	35,767
Cash flow hedges	5,456	6,491	–	30,194	–	15,379
Total	15,680	7,890	868	61,635	753	51,146

Cash flow hedge – Foreign currency risk

Foreign currency forward contracts are designated as hedging instruments in cash flow hedges of forecast purchases in RMB. These forecast transactions are highly probable. The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange forward contracts match the terms of the expected highly probable forecast transactions. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the foreign exchange forward contracts are identical to the hedged risk components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

23. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge – Foreign currency risk (continued)

The Group holds the following foreign exchange forward contracts:

31 August 2021

	Maturity Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total
Foreign currency forward contracts (highly probable forecast purchases)					
Notional amount *(USD'000)*	648,656	460,595	109,066	93,876	1,312,193
Average forward rate *(RMB/USD)*	6.49	6.54	6.54	6.63	–

31 August 2022

	Maturity Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total
Foreign currency forward contracts (highly probable forecast purchases)					
Notional amount *(USD'000)*	557,551	428,437	98,965	80,145	1,165,098
Average forward rate *(RMB/USD)*	6.63	6.69	6.73	6.72	–

31 August 2023

	Maturity Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total
Foreign currency forward contracts (highly probable forecast purchases)					
Notional amount *(USD'000)*	369,363	17,114	17,942	–	404,419
Average forward rate *(RMB/USD)*	6.93	7.06	7.00	–	–

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

23. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge – Foreign currency risk (continued)

The impacts of the hedging instruments on the combined statements of financial position are as follows:

31 August 2021

	Notional amount *USD'000*	Carrying amount *USD'000*	Line item in the combined statements of financial position	Change in fair value used for measuring hedge ineffectiveness for the year *USD'000*
Foreign currency forward contracts	1,312,193	(1,035)	Forward contract liabilities	17,760

31 August 2022

	Notional amount *USD'000*	Carrying amount *USD'000*	Line item in the combined statements of financial position	Change in fair value used for measuring hedge ineffectiveness for the year *USD'000*
Foreign currency forward contracts	1,165,098	(30,194)	Forward contract liabilities	(21,937)

31 August 2023

	Notional amount *USD'000*	Carrying amount *USD'000*	Line item in the combined statements of financial position	Change in fair value used for measuring hedge ineffectiveness for the year *USD'000*
Foreign currency forward contracts	404,419	(15,379)	Forward contract liabilities	3,748

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

23. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge – Foreign currency risk (continued)

The impacts of the hedged items on the combined statements of financial position are as follows:

	Change in fair value used for measuring hedge ineffectiveness for the year	**Change in cash flow hedge reserve**
	USD'000	*USD'000*
As at 31 August 2021		
Highly probable forecast purchases	17,760	(7,655)

	Change in fair value used for measuring hedge ineffectiveness for the year	**Change in cash flow hedge reserve**
	USD'000	*USD'000*
As at 31 August 2022		
Highly probable forecast purchases	(21,937)	(19,402)

	Change in fair value used for measuring hedge ineffectiveness for the year	**Change in cash flow hedge reserve**
	USD'000	*USD'000*
As at 31 August 2023		
Highly probable forecast purchases	3,748	22,284

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

23. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge – Foreign currency risk (continued)

The impacts of the hedged items on the combined statements of financial position are as follows: (continued)

	Total hedging gain/(loss) recognised in other comprehensive income			Amount reclassified from other comprehensive income to profit or loss			Line item (gross amount) in the statement of profit or loss
	Gross amount	Tax effect	Total	Gross amount	Tax effect	Total	
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	
As at 31 August 2021							
Highly probable forecast purchases	17,760	(2,664)	15,096	(27,164)	4,413	(22,751)	Cost of sales
As at 31 August 2022							
Highly probable forecast purchases	(21,937)	3,899	(18,038)	(1,634)	270	(1,364)	Cost of sales
As at 31 August 2023							
Highly probable forecast purchases	3,748	(563)	3,185	23,456	(4,356)	19,100	Cost of sales

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

24. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

	Depreciation in excess of depreciation allowance	Lease liabilities	Contract liabilities	Accrued expenses	Impairment of assets	Cash flow hedges	Tax losses	Others	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
At 1 September 2020	39,990	16,993	5,886	8,878	3,959	–	53	1,675	77,434
Deferred tax credited/(charged) to the statements of profit or loss during the year *(note 11)*	9,317	25,573	3,242	846	901	–	(6,825)	(718)	32,336
Deferred tax credited/(charged) to other comprehensive income during the year	–	–	–	–	–	969	–	–	969
Deferred tax movement due to the recognised tax loss of the Excluded Business	–	–	–	–	–	–	10,561	–	10,561
At 31 August 2021	49,307	42,566	9,128	9,724	4,860	969	3,789	957	121,300
At 1 September 2021	49,307	42,566	9,128	9,724	4,860	969	3,789	957	121,300
Deferred tax credited/(charged) to the statements of profit or loss during the year *(note 11)*	13,218	(2,320)	(28)	528	(545)	–	2,415	1,148	14,416
Deferred tax credited/(charged) to other comprehensive income during the year	–	–	–	–	–	4,169	–	–	4,169
Deferred tax movement due to the recognised tax loss of the Excluded Business	–	–	–	–	–	–	(3,983)	–	(3,983)
At 31 August 2022	62,525	40,246	9,100	10,252	4,315	5,138	2,221	2,105	135,902
At 1 September 2022	62,525	40,246	9,100	10,252	4,315	5,138	2,221	2,105	135,902
Deferred tax credited/(charged) to the statements of profit or loss during the year *(note 11)*	13,589	(12,675)	(1,462)	655	2,926	–	(1,075)	(174)	1,784
Deferred tax credited/(charged) to other comprehensive income during the year	–	–	–	–	–	(4,920)	–	–	(4,920)
Deferred tax movement due to the recognised tax loss of the Excluded Business	–	–	–	–	–	–	(1,146)	–	(1,146)
At 31 August 2023	76,114	27,571	7,638	10,907	7,241	218	–	1,931	131,620

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

24. DEFERRED TAX (continued)

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows: (continued)

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation	Right-of-use assets	Cash flow hedges	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*
At 1 September 2020	(18,596)	(15,425)	(780)	(34,801)
Deferred tax credited/(charged) to the statements of profit or loss during the year *(note 11)*	(8,937)	(25,829)	–	(34,766)
Deferred tax credited/(charged) to other comprehensive income during the year	–	–	780	780
At 31 August 2021	(27,533)	(41,254)	–	(68,787)
At 1 September 2021	(27,533)	(41,254)	–	(68,787)
Deferred tax (credited)/charged to the statements of profit or loss during the year	(13,117)	(4,514)	–	(17,631)
Deferred tax credited/(charged) to other comprehensive income during the year	–	–	–	–
At 31 August 2022	(40,650)	(45,768)	–	(86,418)
At 1 September 2022	(40,650)	(45,768)	–	(86,418)
Deferred tax (credited)/charged to the statements of profit or loss during the year	14,049	4,084	–	18,133
Deferred tax credited/(charged) to other comprehensive income during the year	–	–	–	–
At 31 August 2023	(26,601)	(41,684)	–	(68,285)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

24. DEFERRED TAX (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the amount of USD3,650,000, USD17,073,000 and USD18,015,000 in the combined statements of financial position at 31 August 2021, 2022 and 2023. The following is an analysis of the deferred tax balances of the Target Group for financial reporting purposes:

	31 August 2021	**31 August 2022**	**31 August 2023**
	USD'000	*USD'000*	*USD'000*
Net deferred tax assets recognised in the combined statements of financial position	60,896	74,925	77,724
Net deferred tax liabilities recognised in the combined statements of financial position	(8,382)	(25,441)	(14,390)

25. SHARE CAPITAL

On 16 August 2023, the Target Company was incorporated with authorised share capital of USD1 divided into 1 share of a par value of USD1 each. On 16 August 2023, 1 share was issued to Jabil Circuit (Singapore) Pte. Ltd. at USD1.

A summary of the Target Company's share capital is as follows:

	Number of shares in issue	**Share capital**
		USD'000
At 31 August 2023	1	–

26. RESERVES

The amounts of the Target Group's reserves and the movements therein for the Relevant Periods are presented in the combined statements of changes in equity.

(a) Merger Reserve

The merger reserve represents the paid-up capital of the subsidiaries comprising the Target Group, deemed distribution to the then shareholders for the Excluded Business and the goodwill arising from the acquisition of the GPW Business by the Ultimate Holding Company which was pushed down to the Historical Financial Information of the Target Group.

(b) Statutory Surplus Reserve

In accordance with the People's Republic of China (the "**PRC**") Company Law and the articles of association of the Target Company's subsidiaries, each of the Target Company's subsidiaries registered in the PRC is required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to its statutory surplus reserve. When the balance of this reserve reaches 50% of its capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of capital after this usage.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

26. RESERVES (continued)

(c) Exchange fluctuation reserve

The exchange fluctuation reserve represents the exchange differences arising from the translation of financial statements of foreign operations.

27. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

For the years ended 31 August 2021, 2022 and 2023, the Target Group had non-cash additions to right-of-use assets and lease liabilities of USD168,911,000, USD112,338,000 and USD34,751,000, respectively, in respect of lease arrangements for leasehold land, buildings, machinery and other equipment.

For the years ended 31 August 2021, 2022 and 2023, the Target Group recognised non-cash charges of management fees of USD23,749,000, USD20,806,000 and USD21,139,000 respectively, in respect of the services provided by the Ultimate Holding Company.

(b) Changes in liabilities arising from financing activities

	Due to fellow subsidiaries	**Lease liabilities**
	USD'000	*USD'000*
At 1 September 2020	1,486,364	89,321
Changes from financing cash flows	165,610	(40,758)
New leases	–	168,911
Modification	–	–
Interest expense	26,185	4,772
Foreign exchange movement	–	5,734
At 31 August 2021	1,678,159	227,980

	Due to fellow subsidiaries	**Lease liabilities**
	USD'000	*USD'000*
At 1 September 2021	1,678,159	227,980
Changes from financing cash flows	354,388	(93,693)
New leases	–	112,338
Modification	–	(311)
Interest expense	26,516	8,715
Foreign exchange movement	–	(11,977)
At 31 August 2022	2,059,063	243,052

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

27. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities (continued)

	Due to fellow subsidiaries	**Lease liabilities**
	USD'000	*USD'000*
At 1 September 2022	2,059,063	243,052
Changes from financing cash flows	8,264	(114,985)
New leases	–	34,751
Modification	–	–
Interest expense	113,982	7,679
Foreign exchange movement	–	(6,228)
At 31 August 2023	2,181,309	164,269

(c) Total cash outflow for leases

The total cash outflow for leases included in the combined statements of cash flows is as follows:

	31 August 2021	**31 August 2022**	**31 August 2023**
	USD'000	*USD'000*	*USD'000*
Within operating activities	15,504	8,957	4,732
Within financing activities	40,978	94,552	113,871

28. CONTINGENT LIABILITIES

The Target Group had no material contingent liabilities as at 31 August 2021, 2022 and 2023.

29. COMMITMENTS

The Target Group had the following capital commitments at the end of each of the Relevant Periods:

	31 August 2021	**31 August 2022**	**31 August 2023**
	USD'000	*USD'000*	*USD'000*
Contracted, but not provided for:			
Plant and machinery	207,470	90,102	106,284
	207,470	90,102	106,284

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

30. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the Historical Financial Information, the Target Group had the following material transactions with related parties during the Relevant Periods:

Nature of transactions	*Notes*	Related parties	Year ended 31 August 2021	2022	2023
			USD'000	*USD'000*	*USD'000*
Purchases of inventories	*(i)*	Fellow subsidiaries	73,580	41,754	28,173
Sales of inventories	*(i)*	Fellow subsidiaries	7,659	1,928	6,740
Purchases of services	*(ii)*	Fellow subsidiaries	557	623	249
Sales of services	*(ii)*	Ultimate holding company	8	12	35
		Fellow subsidiaries	755	818	1,016
Purchases of plant and machinery	*(iii)*	Fellow subsidiaries	3,183	509	91
Sales of plant and machinery	*(iii)*	Fellow subsidiaries	166	339	466
Interest income	*(iv)*	Fellow subsidiaries	1,552	1,829	1,720
Interest expense	*(v)*	Fellow subsidiaries	26,185	26,516	113,982
Management fees	*(vi)*	Ultimate Holding Company	23,749	20,806	21,139

Notes:

(i) The sales and purchases of inventories were conducted in accordance with prices and terms mutually agreed between the parties.

(ii) The sales and purchases of services were conducted in accordance with prices and terms mutually agreed between the parties.

(iii) The sales and purchases of plant and machinery were made at net book values.

(iv) During the Relevant Periods, the Target Group obtained funds from its fellow subsidiaries according to the cash poll arrangements, with interest rates ranging from 3.08% to 3.92%.

(v) During the Relevant Periods, the Target Group obtained loans from its fellow subsidiaries according to the cash pool arrangement to support the daily operations of the Target Group. The loans are unsecured, with interest rates ranging from 0.6% to 6.89%.

(vi) The management fees represented IT and other administrative support services that are provided by the Ultimate Holding Company and charged to the Target Group on an actual incurred basis.

In the opinion of the Target's Directors, all the transactions were conducted in the ordinary and usual course of business.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

30. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

Nature of balances	*Notes*	Related parties	31 August 2021 *USD'000*	31 August 2022 *USD'000*	31 August 2023 *USD '000*
Trade receivables	*(i)*	Ultimate holding company	23	36	317
	(i)	Fellow subsidiaries	2,713	2,623	4,845
Prepayments, other receivables and other assets	*(ii)*	Ultimate holding company	1,684,978	2,125,215	2,410,775
	(iii)	Fellow subsidiaries	30,640	43,778	37,446
Trade payables	*(i)*	Ultimate holding company	455	684	906
	(i)	Fellow subsidiaries	22,603	15,261	6,945
Other payables, other liabilities and accruals	*(iv)*	Fellow subsidiaries	1,678,159	2,059,063	2,181,309

Notes:

(i) The balances of trade receivables and trade payables are unsecured, interest-free and have no fixed terms of repayment.

(ii) The balances of prepayments, other receivables and other assets with the Ultimate Holding Company are unsecured, interest-free and have no fixed terms of repayment.

(iii) The balances of prepayments, other receivables and other assets with fellow subsidiaries are mainly intercompany balances under cash pool arrangements. The balances are unsecured and have no fixed terms of repayment, with interest rates ranging from 3.08% to 3.92%.

(iv) The balances of other payables, other liabilities and accruals with fellow subsidiaries are mainly intercompany balances under cash pool arrangements. The balances are unsecured and have no fixed terms of repayment, with interest rates ranging from 0.6% to 6.89%.

(v) On 29 December 2023, all the above related party balances were settled in full.

(c) Compensation of key management personnel of the Target Group:

	Year ended 31 August		
	2021	**2022**	**2023**
	USD'000	*USD'000*	*USD'000*
Salaries, allowances and benefits in kind	3,202	3,108	3,916

Further details of the Target's Directors' emoluments are included in note 9 to the Historical Financial Information.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

31 August 2021

Financial assets

	Financial assets at fair value through profit or loss Mandatorily designated as such	**Financial assets at amortised cost**	**Total**
	USD'000	*USD'000*	*USD'000*
Trade receivables	–	122,489	122,489
Financial assets included in prepayments, other receivables and other assets	–	1,722,331	1,722,331
Derivative financial instruments	15,680	–	15,680
Cash and cash equivalents	–	56,703	56,703
	15,680	1,901,523	1,917,203

Financial liabilities

	Financial liabilities at fair value through profit or loss	**Financial liabilities at amortised cost**	**Total**
	USD'000	*USD'000*	*USD'000*
Trade payables	–	978,620	978,620
Derivative financial instruments	7,890	–	7,890
Lease liabilities	–	227,980	227,980
Financial liabilities included in other payables	–	2,209,443	2,209,443
	7,890	3,416,043	3,423,933

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

31. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows: (continued)

31 August 2022

Financial assets

	Financial assets at fair value through profit or loss Mandatorily designated as such *USD'000*	**Financial assets at amortised cost** *USD'000*	**Total** *USD'000*
Trade receivables	–	91,743	91,743
Financial assets included in prepayments, other receivables and other assets	–	2,175,178	2,175,178
Derivative financial instruments	868	–	868
Cash and cash equivalents	–	32,892	32,892
	868	2,299,813	2,300,681

Financial liabilities

	Financial liabilities at fair value through profit or loss *USD'000*	**Financial liabilities at amortised cost** *USD'000*	**Total** *USD'000*
Trade payables	–	834,810	834,810
Derivative financial instruments	61,635	–	61,635
Lease liabilities	–	243,052	243,052
Financial liabilities included in other payables	–	2,321,257	2,321,257
	61,635	3,399,119	3,460,754

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

31. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows: (continued)

31 August 2023

Financial assets

	Financial assets at fair value through profit or loss Mandatorily designated as such *USD'000*	**Financial assets at amortised cost** *USD'000*	**Total** *USD'000*
Trade receivables	–	71,643	71,643
Financial assets included in prepayments, other receivables and other assets	–	2,453,755	2,453,755
Derivative financial instruments	753	–	753
Cash and cash equivalents	–	194,712	194,712
	753	2,720,110	2,720,863

Financial liabilities

	Financial liabilities at fair value through profit or loss *USD'000*	**Financial liabilities at amortised cost** *USD'000*	**Total** *USD'000*
Trade payables	–	699,446	699,446
Derivative financial instruments	51,146	–	51,146
Lease liabilities	–	164,269	164,269
Financial liabilities included in other payables	–	2,442,767	2,442,767
	51,146	3,306,482	3,357,628

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

There are no significant differences between the carrying amounts and the fair values of the Target Group's financial instruments.

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments and other receivables, financial liabilities included in other payables, amounts due from/to fellow subsidiaries, amounts due from/to the Ultimate Holding Company approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Target Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The Target Group enters into derivative financial instruments with various counterparties. The carrying amounts of these derivative financial instruments are the same as their fair values. The derivative financial instruments are measured using valuation techniques similar to forward pricing, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties and foreign exchange spot and forward rates.

The fair values of the non-current portion of lease liabilities, non-current deposits and receivables, have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Target Group's own non-performance risk as at the end of each of the Relevant Periods were assessed to be insignificant.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Target Group's financial instruments:

Assets measured at fair value:

As at 31 August 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Derivative financial instruments	–	15,680	–	15,680

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

As at 31 August 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Derivative financial instruments	–	868	–	868

As at 31 August 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Derivative financial instruments	–	753	–	753

Liabilities measured at fair value:

As at 31 August 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Derivative financial instruments	–	7,890	–	7,890

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value: (continued)

As at 31 August 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Derivative financial instruments	–	61,635	–	61,635

As at 31 August 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Derivative financial instruments	–	51,146	–	51,146

Assets for which fair values are disclosed:

As at 31 August 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Prepayments, other receivables and other assets	–	2,783	–	2,783

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets for which fair values are disclosed: (continued)

As at 31 August 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Prepayments, other receivables and other assets	–	3,642	–	3,642

As at 31 August 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Prepayments, other receivables and other assets	–	2,529	–	2,529

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments, other than derivatives, comprise balances with related companies and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Target Group's operations. The Target Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Target Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of the Target's Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Target Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. In addition, certain portions of the loans from related companies are denominated in currencies other than the USD. The Target Group tends to accept foreign currency exchange risk avoidance or allocation terms when arriving at purchase and sale contracts. The Target Group takes rolling forecast on the foreign currency revenue and expenses and matches the currency and the amount incurred so as to alleviate the impact on business due to exchange rate fluctuations.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the United States dollar exchange rate, with all other variables held constant, of the Target Group's profit before tax and other comprehensive income.

	Increase/ (decrease) in United States dollar exchange rate	**Increase/ (decrease) in profit before tax and other comprehensive income**
	%	*USD'000*
2021		
If USD weakens against RMB	5%	(49,997)
If USD strengthens against RMB	-5%	49,997
2022		
If USD weakens against RMB	5%	(35,510)
If USD strengthens against RMB	-5%	35,510
2023		
If USD weakens against RMB	5%	(37,793)
If USD strengthens against RMB	-5%	37,793

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Target Group trades only with recognised and creditworthy third parties. It is the Target Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Target Group's exposure to bad debts is not significant.

Since the majority of the Target Group's products were sold to certain customers, the Target Group had concentrations of credit risk.

As at 31 August 2021, 2022 and 2023, 100%, 100% and 100% of the Target Group's trade receivables were due from the five largest debtors, respectively.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Target Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 August. The amounts presented are gross carrying amounts for financial assets.

As at 31 August 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Trade receivables	–	–	–	122,489	122,489
Financial assets included in prepayments, other receivables and other assets					
– Normal*	1,722,331	–	–	–	1,722,331
Cash and cash equivalents	56,703	–	–	–	56,703
	1,779,034	–	–	122,489	1,901,523

As at 31 August 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Trade receivables	–	–	–	91,743	91,743
Financial assets included in prepayments, other receivables and other assets					
– Normal*	2,175,178	–	–	–	2,175,178
Cash and cash equivalents	32,892	–	–	–	32,892
	2,208,070	–	–	91,743	2,299,813

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 August 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Trade receivables	–	–	–	71,643	71,643
Financial assets included in prepayments, other receivables and other assets					
– Normal*	2,453,755	–	–	–	2,453,755
Cash and cash equivalents	194,712	–	–	–	194,712
	2,648,467	–	–	71,643	2,720,110

* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Liquidity risk

The Target Group policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed facilities from banks and related companies to meet its commitments over the foreseeable future in accordance with its strategic plan.

The maturity profile of the Target Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Financial liabilities

	31 August 2021					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Trade payables	978,620	–	–	–	–	978,620
Derivative financial instruments*	7,890	–	–	–	–	7,890
Lease liabilities	–	23,109	69,228	73,700	85,811	251,848
Other payables	2,209,443	–	–	–	–	2,209,443
	3,195,953	23,109	69,228	73,700	85,811	3,447,801

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	31 August 2022					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Trade payables	834,810	–	–	–	–	834,810
Derivative financial instruments*	61,635	–	–	–	–	61,635
Lease liabilities	–	24,726	83,142	49,642	134,015	291,525
Other payables	2,321,257	–	–	–	–	2,321,257
	3,217,702	24,726	83,142	49,642	134,015	3,509,227

	31 August 2023					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Trade payables	–	699,446	–	–	–	699,446
Derivative financial instruments*	51,146	–	–	–	–	51,146
Lease liabilities	–	10,912	23,927	59,070	101,275	195,184
Other payables	2,442,767	–	–	–	–	2,442,767
	2,493,913	710,358	23,927	59,070	101,275	3,388,543

* The amount represents the contractual amounts to be exchanged in derivative financial instruments for which net cash flows are exchanged.

Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Target Group monitors capital using a gearing ratio, which is net debt divided by the total capital. Net debt is calculated as lease liabilities less cash and cash equivalent. The gearing ratio as at the end of each reporting period is as follows:

	Year ended 31 August		
	2021	**2022**	**2023**
	USD'000	*USD'000*	*USD'000*
Lease liabilities	227,980	243,052	164,269
Less: Cash and cash equivalent	(56,703)	(32,892)	(194,712)
Net debt	111,931	161,356	(46,871)
Total equity	688,228	811,125	1,055,433
Gearing ratio	16%	20%	N/A

34. DIVIDENDS

No dividends have been paid or declared by the Target Group during the Relevant Periods.

35. TRANSFERS OF FINANCIAL ASSETS

Financial assets that are derecognised in their entirety

In the ordinary course of business, the Target Group has factored a part of receivables to financial institutions without recourse for its short-term financing needs, and has entered into non-recourse receivables factoring agreements with a number of banks to transfer certain receivables to those banks. Under certain receivable factoring agreements, the Target Group is not required to undertake default risks and the delayed repayment risk from the debtors after the transfer of receivables, and all risks and rewards related to the ownership of the receivables are transferred. The definition of termination of financial assets is met. Therefore, the Target Group derecognised the receivables under the factoring agreements at carrying amount. As at 31 August 2021, 2022 and 2023, the carrying amount of transferred receivables under the relevant factoring agreements amounted to USD12,659,000,USD3,574,000 and USD702,000, respectively. For the years ended 31 August 2021, 2022 and 2023, the Group has recognised losses of approximately USD588,000, USD278,000, and USD2,639,000 on the date of transfer of the factored trade receivables, respectively.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company, the Target Group or any of the companies now comprising the Target Group in respect of any period subsequent to 31 August 2023.

*Set out below is the management discussion and analysis of the Target Group for the three financial years ended 31 August 2021, 2022 and 2023 (the "**Relevant Periods**").*

BUSINESS REVIEW

The Target Company is a private company incorporated in Singapore with limited liability in August 2023. Following the Reorganization which was completed in December 2023, Target Group will principally engage in the Business, which consists of the mobility business of the Seller Group which manufactures precision structural components for mobile intelligent terminals and is mainly located in Chengdu and Wuxi.

FINANCIAL REVIEW

The financial information of the Target Group as extracted from its Accountants' Report is set out below:

Segmental information

The Target Group operates in one single segment which is the manufacture, assembly and sale of mobile handset components, modules and other products. In this regard, no segmental information is presented.

Revenue

The Target Group's revenue represented its results of sales of mobile handset components, modules and other products which were derived from contracts with customers. The external customers of the Target Group were from the Asia and North America. The consolidated revenue of the Target Group for the three financial years ended 31 August 2021, 2022 and 2023 was approximately US$4,423 million, US$4,248 million and US$4,205 million, respectively. The decrease of the revenue of the Target Group during the Relevant Period mainly resulted from the global COVID pandemic, recession in end markets, changing technology and industry standards, commercial acceptance for products and shifting market demand, product obsolescence, and loss of business.

Profit

As at 31 August of each of 2021, 2022 and 2023, the Target Group recorded operating profit after tax of approximately US$228 million, US$147 million and US$225 million, respectively. The profit decreased significantly for the financial year ended 31 August 2022 approximately from US$228 million to US$147 million mainly due to the global COVID pandemic and the lockdown measures across the globe as well as the increase in the finance costs of the Target Group. The financial performance was better and gradually recovering for the financial year ended 31 August 2023 as a result of economic recovery.

Other expense of the Target Group was approximately US$19.9 million, US$31.1 million and US$48.9 million for the financial years ended 31 August 2021, 2022 and 2023, respectively, mainly comprised of net fair value losses on derivative instruments, net foreign exchange losses and net loss on disposal of items of property, plant and equipment. Increase in other expense in the year ended 31 August 2022 was mainly due to the increase of US$15.5 million in net fair value losses on derivative instruments. Increase in other expense of US$17.8 million in the year ended 31 August 2023 was mainly attributable to an increase of US$37.0 million in net foreign exchange loss and a decrease of US$23.6 million in net fair value losses on derivative instruments.

Liquidity, financial resources and capital structure

Total assets of the Target Group were approximately US$4,453 million, US$4,592 million and US$4,706 million as at 31 August of each of 2021, 2022 and 2023 respectively, comprising mainly of the property, plant and equipment, as well as the inventories of the Target Group.

As at 31 August of each of 2021, 2022 and 2023, bank balances and cash of the Target Group were approximately US$57 million, US$33 million and US$195 million respectively.

As at 31 August of each of 2021, 2022 and 2023, the Target Group had total liabilities of approximately US$3,764 million, US$3,781 million and US$3,650 million respectively, which mainly comprised of (i) trade payables of approximately US$979 million, US$835 million and US$699 million as at 31 August of each of 2021, 2022 and 2023 respectively; and (ii) other payables, other liabilities and accruals of approximately US$2,528 million, US$2,605 million and US$2,708 million as at 31 August of each of 2021, 2022 and 2023 respectively. The trade payables of the Target Group were non-interest-bearing and normally settled within terms of 0 to 90 days, whereas other payables, other liabilities and accruals of the Target Group mainly comprised (i) contract liabilities incurred as a result of the short-term advances received from customers; and (ii) other payables which were non-interest-bearing and had an average term of three months.

The Target Group managed its capital structure and made adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 August 2021, 31 August 2022 and 31 August 2023.

The Target Group monitors capital using a gearing ratio, which is net debt divided by the total capital. Net debt is calculated as lease liabilities less cash and cash equivalent. Total capital refers to total equity excluding the merger reserve. The Target Group's gearing ratio was approximately 16%, 20% and N/A as at 31 August of each of 2021, 2022 and 2023, respectively.

As at 31 August of each of 2021, 2022 and 2023, the Target Group's consolidated net assets amounted to approximately US$688 million, US$811 million and US$1,055 million, respectively.

The Target had in issue a total of 1 ordinary share as at the Latest Practicable Date. No dividends have been paid or declared by the Target Group during the Relevant Periods.

Foreign exchange exposure

The Target Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. In addition, certain portions of the loans from related companies are denominated in currencies other than the USD. The Target Group tends to accept foreign currency exchange risk avoidance or allocation terms when arriving at purchase and sale contracts. The Target Group takes rolling forecast on the foreign currency revenue and expenses and aims to match the currency and the amount incurred so as to alleviate the impact on business due to exchange rate fluctuations.

Foreign currency forward contracts are designated as hedging instruments in cash flow hedges of forecast purchases in RMB. These forecast transactions are highly probable. The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

Charge on assets

There was no charge on the assets of the Target Group as at 31 August of each 2021, 2022 and 2023.

Significant investments, material acquisitions and disposals

The Target Group did not have any significant investments, material acquisitions or disposals during the Relevant Periods.

Future plan for material investments or capital assets

The Target Group has no future plan for material investments or capital assets as at 31 August 2023.

Employees and remuneration policy

As at 31 August 2023, the Target Group had approximately 56,353 employees. As at 31 August 2023, the Target Group's staff costs primarily consisted of wages and salaries and other benefits (excluding directors', supervisors' and senior executive officers' remuneration) of approximately US$1,088 million.

The Target Group also provided various employee benefits such as (i) medical benefits; (ii) pension scheme; and (iii) housing fund by way of contribution to various defined plans organised by the relevant governmental authorities.

Contingent liabilities

As at 31 August of each of 2021, 2022 and 2023, the Target Group did not have any significant contingent liabilities.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. Basis of Preparation

In connection with the acquisitions of 100% equity interest in Juno Newco Target Holdco Singapore Pte. Ltd. (the "**Target Company**") (the "**Acquisition**"), the unaudited pro forma consolidated statement of financial position of the Enlarged Group (as defined in this Circular) (the "**Unaudited Pro Forma Financial Information**") has been prepared by the Directors (as defined in this circular) in accordance with paragraph 29 of Chapter 4 of the Listing Rules and is solely for the purpose to illustrate the effect of the Acquisition on the Group's financial position as at 30 June 2023 as if the Acquisition had been completed on 30 June 2023.

The Unaudited Pro Forma Financial Information has been prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2023 as extracted from the published unaudited condensed consolidated financial statements dated 28 August 2023 for the six months period ended 30 June 2023 (the "**Interim Report**") and the audited combined financial information of the Target Company and its subsidiaries (collectively referred to as the "**Target Group**") as set out in the accountants' report of the Target Group in Appendix II to this Circular, after making pro forma adjustments relating to the Acquisition that are factually supportable and directly attributable to the Acquisition as set out in the accompanying notes below.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 30 June 2023. Neither does the Unaudited Pro Forma Financial Information purports to predict the future financial position of the Enlarged Group.

The Unaudited Pro Forma Financial Information should be read in conjunction with the published financial information of the Group as set out in Appendix I to this Circular, the audited combined financial information of the Target Group as set out in Appendix II to this Circular and other financial information included elsewhere in this Circular.

2. Unaudited Pro Forma Financial Information

	The Group as at 30 June 2023	The Target Group as at 31 August 2023	The Target Group as at 31 August 2023	Pro forma adjustments		Pro forma Enlarged Group as at 30 June 2023
	(Unaudited)	*(Audited)*	*(Unaudited)*	*(Unaudited)*		*(Unaudited)*
	RMB'000	*USD'000*	*RMB'000*	*RMB'000*		*RMB'000*
	Note (1)	*Note (2)*	*Note (3)*		*Note (4)*	
NON-CURRENT ASSETS						
Property, plant and equipment	13,706,467	724,712	5,236,624	–		18,943,091
Right-of-use assets	1,499,701	244,258	1,764,959	–		3,264,660
Goodwill	–	110,212	796,370	(796,370)	*(i)(c)*	3,326,330
				3,326,330	*(i)(e)*	
Prepayments, other receivables and other assets	966,575	2,529	18,274	38,105	*(i)(d)*	1,022,954
Other intangible assets	8,339	1,553	11,222	4,335,480	*(i)(b)*	4,355,041
Deferred tax assets	469,683	77,724	561,618			1,031,301
Other non-current financial assets	335,800	–	–			335,800
Total non-current assets	16,986,565	1,160,988	8,389,067			32,279,177
CURRENT ASSETS						
Inventories	17,904,846	532,279	3,846,142			21,750,988
Trade receivables	13,701,483	71,643	517,678			14,219,161
Trade receivable financing	2,426,469	–	–			2,426,469
Contract assets	–	2,019	14,589			14,589
Prepayments, other receivables and other assets	1,478,456	2,743,321	19,822,689	(17,690,356)	*(iii)*	3,610,789
Derivative financial instruments	835	753	5,441			6,276
Pledged deposits	14,527	–	–			14,527
Cash and cash equivalents	7,212,917	194,712	1,406,950	(11,864,207)	*(i)(a)*	12,291,130
				15,535,470	*(ii)*	
Total current assets	42,739,533	3,544,727	25,613,489			54,333,929
Total assets	59,726,098	4,705,715	34,002,556			86,613,106

	The Group as at 30 June 2023	The Target Group as at 31 August 2023	The Target Group as at 31 August 2023	Pro forma adjustments		Pro forma Enlarged Group as at 30 June 2023
	(Unaudited)	*(Audited)*	*(Unaudited)*	*(Unaudited)*		*(Unaudited)*
	RMB'000	*USD'000*	*RMB'000*	*RMB'000*		*RMB'000*
	Note (1)	*Note (2)*	*Note (3)*		*Note (4)*	
CURRENT LIABILITIES						
Trade and bills payables	22,346,411	699,446	5,054,057			27,400,468
Other payables, other liabilities and accruals	5,270,932	2,708,415	19,570,465	(15,761,703)	*(iii)*	9,108,597
				28,903	*(iv)*	
Lease liabilities	394,617	31,938	230,778			625,395
Derivative financial instruments	1,462	51,146	369,571			371,033
Tax payable	340,531	12,616	91,161			431,692
Interest-bearing bank and other borrowings	3,004,861	–	–	15,535,470	*(ii)*	18,540,331
Dividend payable	371,779	–	–			371,779
Total current liabilities	31,730,593	3,503,561	25,316,032			56,849,295
NET CURRENT ASSETS/(LIABILITIES)	11,008,940	41,166	297,457			(2,515,366)
TOTAL ASSETS LESS CURRENT LIABILITIES	27,995,505	1,202,154	8,686,524			29,763,811
NON-CURRENT LIABILITIES						
Deferred tax liabilities	354,382	14,390	103,979	737,033	*(i)(b)*	1,195,394
Lease liabilities	508,009	132,331	956,197			1,464,206
Deferred income	328,475	–	–			328,475
Total non-current liabilities	1,190,866	146,721	1,060,176			2,988,075
Net assets	26,804,639	1,055,433	7,626,348			26,775,736

	The Group as at 30 June 2023	The Target Group as at 31 August 2023	The Target Group as at 31 August 2023	Pro forma adjustments		Pro forma Enlarged Group as at 30 June 2023
	(Unaudited)	*(Audited)*	*(Unaudited)*	*(Unaudited)*		*(Unaudited)*
	RMB'000	*USD'000*	*RMB'000*	*RMB'000*		*RMB'000*
	Note (1)	*Note (2)*	*Note (3)*		*Note (4)*	
EQUITY						
Share capital	4,052,228	–	–			4,052,228
Other reserve	22,752,411	1,055,433	7,626,348	(7,626,348)	*(i)*	22,723,508
				(28,903)	*(iv)*	
Net assets	26,804,639	1,055,433	7,626,348			26,775,736

Notes:

(1) The unaudited consolidated statement of financial position of the Group as at 30 June 2023 is extracted without adjustment from the published unaudited interim condensed consolidated statement of financial position of the Group for the six months ended 30 June 2023.

(2) The audited combined statement of financial position of the Target Group as at 31 August 2023 is extracted from the accountant's report of the Target Group as set out in Appendix II to this Circular.

(3) For the purpose of the Unaudited Pro Forma Financial Information, the combined statement of financial position of the Target Group is translated from US$ into RMB at the exchange rate of US$1=RMB7.2258 (the exchange rate published by the People's Bank of China on 30 June 2023). Such translation is for illustration purpose only, and does not constitute a representation that any amount has been, could have been, or may otherwise be exchanged or converted, or vice versa, at the above rate.

(4) Notes to the pro forma adjustments:

(i) Under Hong Kong Financial Reporting Standard 3 Business Combinations ("**HKFRS 3**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), the Group will apply the acquisition method to account for the Acquisition in its consolidated financial statements.

(a) In accordance with the Formal Agreement, the aggregate consideration (the "**Consideration**") for the Acquisition should be an amount in cash equal to US$2.2 billion (equivalent to RMB15.8 billion) with adjustments for net working capital overage or underage compared with target net working capital, cash and indebtedness as of the day immediately prior to closing.

The Consideration will be satisfied by cash, by way of the Group's internal resources, as well as the shareholder's loan to be provided by BYD Company Limited ("**BYD**") in the aggregate principal loan facility amount of US$2,150,000,000 or any other amounts mutually agreed among the counterparties.

Calculation of the total consideration for the purpose of preparation of the Unaudited Pro Forma Financial Information, is as below,

	RMB'000 (translated at US$1=RMB7.2258)
Amount equivalent to US$2,200,000,000	15,896,760
Adjustment on Net Working Capital Overage or Underage:	
Net current assets of the Target Group	297,457
Less: Cash and cash equivalent	1,406,950
Less: Lease liabilities (current)	230,778
Less: Amounts due from/to the Seller Group	1,928,653
Adjusted Net Working Capital of the Target Group	(2,807,368)
Less: Target Net Working Capital of USD200,000,000	1,445,160
The Net Working Capital Underage	(4,252,528)
Adjustment on cash and indebtedness:	
Add: Cash and cash equivalent	1,406,950
Add: Lease liabilities	(1,186,975)
Consideration	11,864,207

Note: For the purpose of this Unaudited Pro Forma Financial Information, Adjusted Net Working Capital of the Target Group is calculated based on the net current assets of the Target Group excluding cash and indebtedness (i.e. lease liabilities) which will be added back separately, and balances due from/to the Seller Group which will be settled in full prior to the completion of the Acquisition. Net Working Capital Overage or Underage means the excess or deficit between the Adjusted Net Working Capital amount and the Target Net Working Capital of USD200,000,000(as defined in the Formal Agreement). Cash means cash and cash equivalent of the Target Group and indebtedness refers to lease liabilities.

(b) For the purpose of this Unaudited Pro Forma Financial Information, the Directors have performed an assessment of the fair value of each of the identified assets and liabilities of the Target Group as at 30 June 2023 for purchase price allocation purpose as required under HKFRS 3.

The identifiable intangible asset is the customer relationship with the main customers in relation to the Target Group's mobility business for manufacturing and sales of components for consumer electronics products. It is valued as RMB4,335,480,000, based on income approach – multi-period excess earnings method. Deferred tax liabilities related to the identifiable intangible asset is calculated using the statutory tax rate 17% for the Target Company as RMB737,033,000.

(c) The identifiable net assets of the Target Group (other than the intangible asset and related deferred tax liabilities identified in note (b) above) refers to the net assets of RMB7,626,348,000 recorded by the Target Group as at 30 June 2023, deducting the goodwill of RMB796,370,000 arisen from the past acquisition conducted by the Target Group, and excluding the net amount due from/to the Seller Group of RMB1,928,653,000 which will be settled in full prior to the completion of the Acquisition. The fair value of the identifiable net assets approximate their carrying values as at 30 June 2023 given their short term in nature for the current assets and liabilities and the variance between the replaced value and the book value of fixed assets is considered not material.

(d) In accordance with the Formal Agreement, certain assets (the "**Delayed Assets**") will remain with the Seller Group following the Closing until 28 February 2024, at which time the Seller shall or shall cause its Affiliate to physically transfer the Delayed Assets to the Group or its designee for no consideration. The fair value of the option to receive the Delayed Assets is estimated based on the fair value of the Delayed Assets.

(e) Goodwill arising from the Acquisition of the 100% equity interest in the Target Group is calculated as follows:

	RMB'000
Consideration *(note a)*	11,864,207
Minus:	
Fair value of identifiable intangible asset *(note b)*	4,335,480
Deferred tax liabilities in relation to the identifiable intangible asset *(note b)*	(737,033)
Fair value of identifiable net assets of the Target Group *(note c)*	4,901,325
Fair value of option to receive the Delayed Assets *(note d)*	38,105
Goodwill arising on the Acquisition	3,326,330

Goodwill arising from the acquisition of the Target Group represents the excess of the fair value of the consideration to be paid by the Group over the fair value of identifiable intangible assets, the identifiable net assets of the Target Group, and the option to receive the Delayed Assets. The Directors consider the recognition of goodwill by the Enlarged Group is linked to the benefits originated from the Target Group's mobility business for manufacturing and sales of components for consumer electronics products.

(ii) The Director assumes that the shareholder's loan provided by BYD in the principal amount of RMB15,535,470,000 (equivalent to US$2,150,000,000, translated at US$1 = RMB7.2258) has been received on the completion of the Acquisition.

(iii) The Director assumes that the amount due from the Seller Group of RMB17,690,356,000 and the amount due to the Seller Group of RMB15,761,703,000 are settled in full before the completion of the Acquisition.

(iv) Adjustment represents the accrual of transaction costs directly attributable to the acquisition.

(v) Apart from the notes above, no other adjustment has been made to reflect any trading results or other transactions of the Enlarged Group entered subsequent to 30 June 2023 for the purpose of preparation of the Unaudited Pro Forma Financial Information.

(5) Since the fair values of the identifiable net assets of the Target Group and the Total Consideration as at the date of the completion of the Acquisition may be materially different from their respective values used in the preparation of the Unaudited Pro Forma Financial Information, the final amounts of the assets, liabilities and goodwill to be recognised in connection with the completion of the Acquisition may be materially different from the estimated amounts as shown above, accordingly, this Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group following the completion of the Acquisition.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

EY 安永

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To the Directors of BYD Electronic (International) Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of BYD Electronic (International) Company Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2023 and related notes as set out on in Appendix IV of the circular dated 25 February 2024 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**") in connection with the acquisition of 100% equity interest in Juno Newco Target Holdco Singapore Pte. Ltd. (the "**Target Company**") (collectively referred to as the "**Acquisition**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page 109-115 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group's financial position as at 30 June 2023 as if the Acquisition had taken place at 30 June 2023. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2023 as set out in the interim report of the Company date 28 August 2023. Information about the Target Company's financial position has been extracted by the Directors from the financial information of the Target Company as of 31 August 2023, on which an accountant's report has been published in Appendix II to the Circular.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements*, and *Other Assuran*ce and *Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition had taken place at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Acquisition, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Acquisition in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young
Certified Public Accountants
Hong Kong
25 Febrary 2024

I. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

II. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the shares of the Company and its associated corporations

As at the Latest Practicable Date, the interest and short positions of the Directors 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 were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") were as follows:

(i) Long position in the shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of the total issued share capital as at the Latest Practicable Date	*Note*
Mr. WANG Nian-qiang	Beneficial owner and beneficiary	17,102,000	0.76%	*(1)*
Mr. WANG Bo	Beneficiary	2,805,000	0.12%	*(2)*
Mr. QIAN Jing-jie	Beneficial owner	5,000	0.00%	

Notes:

(1) Of which 8,500,000 shares are held by Mr. WANG Nian-qiang and 8,602,000 shares are held by Gold Dragonfly Limited ("**Gold Dragonfly**"), a company incorporated in the British Virgin Islands and wholly-owned by BF Gold Dragon Fly (PTC) Limited ("**BF Trustee**") as trustee of BF Trust, the beneficiaries of which include Mr. WANG Nian-qiang.

(2) The shares are held by Gold Dragonfly, a company wholly-owned by BF Trustee as trustee of BF Trust, of which Mr. WANG Bo is one of the beneficiaries.

(ii) Long positions in the shares of associated corporations

Name of associated Corporation	Name of Director *(Note 3)*	Capacity	Number of shares held as at the Latest Practicable Date	Percentage shares capital of associated as at the Latest Practicable Date	*Note*
BYD	Mr. WANG Nian-qiang	Beneficial owner	18,299,740	0.63%	*(1)*
	Mr. WANG Chuan-fu	Beneficial owner	518,351,550	17.81%	*(2)*

Notes:

(1) These are the A shares of BYD held by Mr. WANG Nian-qiang. The total issued share capital of BYD as at the Latest Practicable Date was RMB2,911,142,855, comprising 1,813,142,855 A shares and 1,098,000,000 H shares, all were of par value of RMB1 each. The A shares of BYD held by Mr. WANG Nian-qiang represented approximately 1.01% of the total issued A shares of BYD as of the Latest Practicable Date.

(2) These are the 513,623,850 A shares, 3,727,700 A shares held in No.1 Assets Management Plan through E Fund BYD and 1,000,000 H shares of BYD held by Mr. WANG Chuan-fu, which represented approximately 28.53% and approximately 0.09% of the total issued A shares and H shares of BYD as at the Latest Practicable Date, respectively. Mr. Wang Chuan-fu is also an executive director and chairman of the board of BYD.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or 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 Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or were required to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO; or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests of substantial shareholders

(i) Long position in the shares

As at the Latest Practicable Date, so far as was known to the Directors, the persons (other than the Directors) having interests in the Shares and underlying Shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholder	**Capacity**	**Number of Shares**	**Percentage of the total issued share capital as at the Latest Practicable Date**	*Note*
Golden Link Worldwide Limited ("**Golden Link**")	Beneficial interest	1,481,700,000	65.76%	*(1)*
BYD (H.K.) Co., Limited ("**BYD HK**")	Interest of controlled corporation	1,481,700,000	65.76%	*(1)*
BYD	Interest of controlled corporation	1,481,700,000	65.76%	*(1)*

Note:

(1) BYD is the sole shareholder of BYD HK, which in turn is the sole shareholder of Golden Link. As such, both BYD HK and BYD were deemed to be interested in the shares of the Company held by Golden Link.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, other than a Director or chief executive of the Company, there was no person who had an interest or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other members of the Group or any options in respect of such capital.

III. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business which competed or might compete with the business of the Group, or had or might have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

IV. INTERESTS IN CONTRACT OR ARRANGEMENT AND ASSETS

Save as disclosed above and except for the framework agreement for deposit services dated 14 May 2021, the goods supply agreement, the goods purchase agreement, the master agreement for the provision of utility services, the processing services agreement, the property leasing framework agreement, the supply chain management service agreement, the processing services agreement, the automotive components purchase agreement, the power supply services agreement and the comprehensive services agreement dated 8 December 2021, the supplemental goods purchase agreement, the supplemental goods supply agreement and the supplemental processing services agreement dated 11 November 2022, and the power supply services supplemental agreement dated 16 October 2023, and the supplemental comprehensive services master agreement dated 26 December 2023 entered into between the Company and BYD, none of the Directors was materially interested in any contracts or arrangement entered into by any member of the Group which is subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

None of the Directors has any direct or indirect interest in any assets which have been, since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

V. LITIGATION

As at the Latest Practicable Date, no litigation or claim which may be of material importance is known to the Directors to be pending or threatened against any member of the Enlarged Group.

VI. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up.

VII. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered, or is proposing to enter, into any service contract with the Group which is not expiring or may not be terminated by the Company within a year without payment of any compensation (other than statutory compensation).

VIII. MATERIAL CONTRACTS

As at the Latest Practicable Date, save as the Formal Agreement, there is no material contract (not being contracts entered into in the ordinary course of business) entered into by members of the Group within the two years immediately preceding the Latest Practicable Date.

IX. EXPERTS AND CONSENTS

The names and qualifications of the professional adviser who has been named in this circular or given its opinion or advice which are contained in this circular are set forth below:

Name	Qualification
Ernst & Young	Certified public accountants

Ernst & Young has given and has not withdrawn its written consent to the issue of this circular with the inclusion of their letter and/or reference to its names or opinions in the form and context in which they appear.

As at the Latest Practicable Date:

(a) Ernst & Young did not have any direct or indirect interests in any assets which have been, since 31 December 2022 (being the date to which the latest published audited financial statements of the Group were made up), acquired, disposed of or leased to, or which are proposed to be acquired, disposed of by or leased to, any member of the Group; and

(b) Ernst & Young did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

X. GENERAL

(a) The joint company secretaries of the Company are Mr. Li Qian and Mr. Cheung Hon-wan. Mr. Li Qian is a fellow of the Hong Kong Chartered Governance Institution (formerly known as the Hong Kong Institute of Chartered Secretaries), and Mr. Cheung Hon-wan is a member of the Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is situated at Part of Unit 1712, 17th Floor, Tower 2, Grand Central Plaza, No. 138 Shatin Rural Committee Road, New Territories, Hong Kong.

(c) The head office and the principal place of business of the Company is situated at No. 1, Bibao Second Road, Baolong Street, Longgang District, Shenzhen, the PRC.

(d) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(e) The English texts of this circular shall prevail over the Chinese texts in case of inconsistency.

XI. DOCUMENTS ON DISPLAY

Copies of the following documents will be on display on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (http://electronics.byd.com) for a period of 14 days from the date of this circular:

(a) the Formal Agreement;

(b) the Loan Agreement;

(c) the accountants' report of the Target Group from the reporting accountants, Ernst & Young, the text of which are set out in Appendix II to this circular;

(d) the report on the unaudited pro forma financial information of the Enlarged Group illustrating the effect of the Acquisition from the reporting accountants, Ernst & Young, the text of which is set out in Appendix IV to this circular; and

(e) the written consent referred to in the paragraph headed "Experts and Consents" in this Appendix.