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FIH® 富智康®

FIH Mobile Limited
富智康集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2038)

PRELIMINARY ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The Board hereby announces the audited consolidated results of the Group for the year ended 31 December 2023 together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023** *US$'000*	2022 *US$'000*
Revenue	*2*	**6,445,798**	9,394,319
Cost of sales		**(6,335,982)**	(9,202,363)
Gross profit		**109,816**	191,956
Other income, gains and losses	*3*	**229,512**	132,630
Impairment loss under expected credit loss model, net of reversal		**(133,823)**	(80,534)
Impairment loss recognised for property, plant and equipment		**(4,882)**	(3,703)
Selling expenses		**(5,386)**	(8,913)
General and administrative expenses		**(156,914)**	(179,644)
Research and development expenses		**(57,108)**	(74,452)
Interest expenses		**(60,600)**	(29,578)
Share of loss of associates		**(344)**	(3,085)
Share of loss of a joint venture		**(20,175)**	(4,361)
Loss before tax	*4*	**(99,904)**	(59,684)
Income tax expense	*5*	**(20,869)**	(12,451)
Loss for the year		**(120,773)**	(72,135)

	Note	**2023**	2022
		US$'000	*US$'000*
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		**(84,735)**	(79,405)
Remeasurement of defined benefit pension plans		**243**	384
		(84,492)	(79,021)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(15,324)**	(221,898)
Share of translation reserve of associates		**(337)**	(2,712)
Share of translation reserve of a joint venture		**1,093**	(2,454)
		(14,568)	(227,064)
Other comprehensive expense for the year, net of income tax		**(99,060)**	(306,085)
Total comprehensive expense for the year		**(219,833)**	(378,220)
Loss for the year attributable to:			
Owners of the Company		**(120,680)**	(72,107)
Non-controlling interests		**(93)**	(28)
		(120,773)	(72,135)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(220,037)**	(377,523)
Non-controlling interests		**204**	(697)
		(219,833)	(378,220)
Loss per share	*7*		
Basic		**(US1.52 cents)**	(US0.91 cent)
Diluted		**(US1.52 cents)**	(US0.91 cent)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	**2023** ***US$'000***	2022 *US$'000*
Non-current assets			
Property, plant and equipment		**639,374**	728,302
Right-of-use assets		**39,019**	40,198
Investment properties		**406**	10,189
Equity instruments at fair value through other comprehensive income	*8*	**62,002**	143,610
Interests in associates		**25,270**	25,951
Interest in a joint venture		**14,103**	33,185
Deferred tax assets	*9*	**18,790**	14,557
Deposit for acquisition of right-of-use assets		**26,908**	27,366
Other receivables		**34,625**	–
		860,497	1,023,358
Current assets			
Inventories		**591,557**	731,898
Trade and other receivables	*10*	**971,716**	1,905,645
Bank deposits		**50,343**	24,280
Cash and cash equivalents		**1,845,323**	1,825,109
		3,458,939	4,486,932
Current liabilities			
Trade and other payables	*11*	**1,643,013**	2,704,356
Contract liabilities		**331,543**	273,157
Lease liabilities		**1,235**	1,498
Bank borrowings	*12*	**703,676**	676,054
Provision	*13*	**2,014**	2,779
Tax payable		**55,484**	50,588
		2,736,965	3,708,432
Net current assets		**721,974**	778,500
Total assets less current liabilities		**1,582,471**	1,801,858

	Notes	**2023** **_US$'000_**	2022 *US$'000*
Capital and reserves			
Share capital		**316,200**	317,550
Reserves		**1,242,287**	1,464,103
Equity attributable to owners of the Company		**1,558,487**	1,781,653
Non-controlling interests		**2,885**	6,123
Total equity		**1,561,372**	1,787,776
Non-current liabilities			
Deferred tax liabilities	*9*	**11,236**	3,752
Deferred income	*14*	**7,119**	8,067
Lease liabilities		**2,744**	2,263
		21,099	14,082
		1,582,471	1,801,858

Notes:

1. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

1.1 Impacts on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 "Income Taxes" ("IAS 12") so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The application of the amendments has had no material impact on the Group's financial position and performance.

1.2 Impacts on application of Amendments to IAS 12 International Tax Reform — Pillar Two Model Rules

The Group has applied the amendments for the first time in the current year. IAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current year because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements when the Pillar Two legislation is enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

1.3 *Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies*

The Group has applied the amendments for the first time in the current year. IAS 1 "Presentation of Financial Statements" is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 "Making Materiality Judgements" (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies.

2. REVENUE AND SEGMENT INFORMATION

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

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

Segment revenue and results

The Group's revenue is from contracts with customers and mainly arising from the manufacturing services (including sales of goods and processing service) amounting to US$6,445,798,000 (2022: US$9,394,319,000) to its customers in connection with the production of handsets.

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

As at 1 January 2022, contract liabilities amounted to US$105,207,000. All the contract liabilities at the beginning of the reporting period were included in the revenue recognised in the reporting period.

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

	2023	2022
	US$'000	*US$'000*
Segment revenue (external sales)		
Asia	**3,798,328**	5,797,599
Europe	**1,050,945**	1,152,224
America	**1,596,525**	2,444,496
Total	**6,445,798**	9,394,319
Segment profit (loss)		
Asia	**70,072**	108,217
Europe	**(127,511)**	(51,242)
America	**47,890**	70,817
	(9,549)	127,792
Other income, gains and losses	**209,668**	107,347
Impairment loss recognised for property, plant and equipment	**(4,882)**	(3,703)
General and administrative expenses	**(156,914)**	(179,644)
Research and development expenses	**(57,108)**	(74,452)
Interest expenses	**(60,600)**	(29,578)
Share of loss of associates	**(344)**	(3,085)
Share of loss of a joint venture	**(20,175)**	(4,361)
Loss before tax	**(99,904)**	(59,684)

Segment profit (loss) represents the gross profit earned (loss incurred) by each segment and the service income and certain gains and losses (included in other income, gains and losses) after deducting all selling expenses and impairment loss under expected credit loss model, net of reversal. This is the measure reported to the Chief Executive Officer for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	2023	2022
	US$'000	*US$'000*
Segment assets		
Allocated		
Asia	**585,995**	1,396,586
Europe	**72,710**	97,812
America	**300,558**	392,846
Total	**959,263**	1,887,244
Unallocated		
Property, plant and equipment	**620,132**	710,449
Inventories	**577,136**	711,938
Cash and bank deposits	**1,706,572**	1,660,599
Others	**326,229**	315,357
Corporate assets	**130,104**	224,703
Consolidated total assets	**4,319,436**	5,510,290
Segment liabilities		
Allocated		
Asia	**22,885**	26,789
Europe	**17,530**	17,737
America	**311,082**	263,099
Total	**351,497**	307,625
Unallocated		
Trade and other payables	**1,619,520**	2,670,446
Others	**11,098**	11,827
Corporate liabilities	**775,949**	732,616
Consolidated total liabilities	**2,758,064**	3,722,514

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

3. OTHER INCOME, GAINS AND LOSSES

	2023	2022
	US$'000	*US$'000*
An analysis of the Group's other income, gains and losses is as follows:		
Interest income from bank deposits and bank balances	**52,499**	44,111
Service income	**11,099**	25,283
Sales of materials and scraps	**12,161**	2,170
Repairs and modifications of mouldings	**13,850**	8,751
Net foreign exchange gain	**5,497**	13,205
Government subsidies *(note a)*	**24,018**	28,362
Rental income	**9,493**	5,885
Net gain on disposal and write-off of property, plant and equipment	**4,968**	1,422
Gain on disposal of investment properties	**78,452**	6,235
Gain on disposal of assets classified as held for sale *(note b)*	**23,085**	–
Compensation loss to lessees	**(12,787)**	–
Write-off of trade and other payables	**7,675**	–
Net fair value loss on financial assets at fair value through profit or loss ("FVTPL") — equity instruments	**–**	(1,900)
Others	**(498)**	(894)
	229,512	132,630

Notes:

(a) This mainly represented subsidies granted for the Group's operations in the PRC. During the year ended 31 December 2022, the Group recognised government grants of US$157,000 (2023: Nil) in respect of COVID-19-related subsidies, of which are mainly employment support scheme provided by local government.

(b) According to an arbitral award issued by the China International Economic and Trade Arbitration Commission on 6 June 2023, the Group has disposed of certain property, plant and equipment in Beijing, the PRC, at a consideration of RMB106,918,900 (equivalent to approximately US$15,100,000) to 北京亦莊城市更新有限公司 (Beijing E-Town Urban Renewal Co., Ltd. for identification purposes only) which is a party independent of the Group. As at 30 June 2023, the directors of the Company considered that the held-for-sale criteria as set out in IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" ("IFRS 5") were met, by taking into account the fact that the subject assets were immediately available for sale, and the sale was to be highly probable as appropriate level of management had committed to a plan to sell the assets. Accordingly, the respective assets were classified as assets held for sale as at 30 June 2023. The disposal was completed on 26 September 2023 in which the carrying amount of the property, plant and equipment at date of disposal was US$761,000 and the Group has recognised a gain on disposal of assets classified as held for sale of US$14,339,000 in the current year. The details of the transaction are set out in the Company's announcement dated 7 June 2023.

On 7 July 2023, the Group entered into a sale and purchase agreement with a subsidiary of 鴻海精密工業股份有限公司 (Hon Hai Precision Industry Co. Ltd. for identification purposes only) ("Hon Hai"), the ultimate holding company of the Company, to dispose of certain property, plant and equipment and investment properties in Hungary at a consideration of US$9,927,000. As at 30 June 2023, the directors of the Company considered that the held-for-sale criteria as set out in IFRS 5 were met, by taking into account the fact that the subject assets were immediately available for sale, and the sale was to be highly probable as appropriate level of management had committed to a plan to sell the assets. Accordingly, the respective assets were classified as assets held for sale as at 30 June 2023. The disposal was completed on 7 July 2023 in which the carrying amounts of the property, plant and equipment as well as investment properties at date of disposal were US$1,060,000 and US$121,000 respectively and the Group has recognised a gain on disposal of assets classified as held for sale of US$8,746,000 in the current year. The details of the transaction are set out in the Company's announcement dated 7 July 2023.

4. LOSS BEFORE TAX

	2023	2022
	US$'000	*US$'000*
Loss before tax for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	**142,787**	159,567
Depreciation of right-of-use assets	**3,331**	3,534
Depreciation of investment properties	**925**	2,330
Total depreciation and amortisation	**147,043**	165,431
Less: Amount capitalised in inventories	**(117,195)**	(135,046)
Amount included in research and development expenses	**(3,959)**	(5,474)
	25,889	24,911
Interest on:		
Bank borrowings	**60,281**	28,611
Lease liabilities	**319**	967
	60,600	29,578
Staff costs		
Directors' emoluments	**2,523**	2,406
Retirement benefit scheme contributions (excluding directors)	**11,856**	16,918
Other staff costs	**255,901**	351,932
Total staff costs	**270,280**	371,256
Less: Amount capitalised in inventories	**(169,211)**	(247,170)
Amount included in research and development expenses	**(18,189)**	(28,521)
	82,880	95,565
Auditor's remuneration	**663**	1,073
Cost of inventories recognised as expense	**6,311,453**	9,167,531
Provision for warranty	**1,661**	7,761
Write-down of inventories to net realisable value	**22,868**	27,071

5. INCOME TAX EXPENSE

	2023	2022
	US$'000	*US$'000*
Current tax		
— Hong Kong	**–**	–
— Other jurisdictions	**17,484**	10,140
	17,484	10,140
Overprovision in prior years		
— Hong Kong	**–**	–
— Other jurisdictions	**–**	(1,640)
	–	(1,640)
	17,484	8,500
Deferred tax		
— Current year	**3,385**	3,951
	20,869	12,451

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

Tax charge mainly consists of income tax in the PRC attributable to the assessable profits of the Company's subsidiaries established in the PRC. Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2022: 25%). One of the Company's PRC subsidiaries was awarded with the Advanced — Technology Enterprise Certificate and entitled for a tax reduction from 25% to 15% for a period of three years, i.e. effective from 2022. Besides, another one of the Company's PRC subsidiaries was entitled to a concessionary tax rate of 15% under the China's "Great Western Expansion" campaign. Except these subsidiaries, other PRC subsidiaries are subject to Enterprise Income Tax at 25% (2022: 25%).

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

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

6. DIVIDENDS

No dividend was paid, declared or proposed for the years ended 31 December 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

7. LOSS PER SHARE

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

	2023	2022
	US$'000	*US$'000*
Loss attributable to the owners of the Company		
Loss for the purposes of basic and diluted loss per share	**(120,680)**	(72,107)

	2023	2022
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss (2022: basic and diluted loss) per share	**7,914,531,751**	7,961,423,605

The calculation of diluted loss per share for both current and prior years does not assume the anti-dilutive impact from the share options issued by its subsidiary and the potential ordinary shares.

8. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023	2022
	US$'000	*US$'000*
Equity securities listed in USA *(note a)*	**420**	2,060
Unlisted equity securities *(note b)*	**61,582**	141,550
	62,002	143,610

Notes:

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

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

As at 31 December 2023 and 2022, included in unlisted equity securities above, there is the Group's investment in HMD, a company incorporated in the Republic of Finland, which is engaged in the development, manufacture and sale of telecommunication devices, software and related services, of approximately US$25,700,000 (2022: US$103,900,000) and fair value loss of US$78,200,000 (2022: US$80,748,000) was recognised in other comprehensive income for the year ended 31 December 2023.

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

9. DEFERRED TAXATION

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

	Allowances for inventories and trade and other receivables	Warranty provision	Accelerated tax (accounting) depreciation	Tax losses	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000* *(note)*	*US$'000*
At 1 January 2022	(2,922)	(443)	3,901	(3,986)	(11,967)	(15,417)
Charge (credit) to profit or loss for the year	1,125	151	(7,201)	4,118	5,758	3,951
Exchange adjustments	162	27	38	(132)	566	661
At 31 December 2022	(1,635)	(265)	(3,262)	–	(5,643)	(10,805)
(Credit) charge to profit or loss for the year	(254)	62	252	(4,933)	8,258	3,385
Exchange adjustments	28	2	40	41	(245)	(134)
At 31 December 2023	(1,861)	(201)	(2,970)	(4,892)	2,370	(7,554)

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

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

	2023	2022
	US$'000	*US$'000*
Deferred tax assets	**(18,790)**	(14,557)
Deferred tax liabilities	**11,236**	3,752
	(7,554)	(10,805)

Deferred tax assets were recognised for other deductible temporary differences of approximately US$60,322,000 (2022: US$37,738,000) on allowances for inventories and trade and other receivables, warranty provision, accelerated accounting depreciation and other accrued expenses.

At 31 December 2023, the Group has not recognised deductible temporary differences on allowances for inventories and trade and other receivables, warranty provision, deferred income and other accrued expenses of approximately US$325,885,000 (2022: US$187,610,000) as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

At the end of the reporting period, the Group has unused tax losses of approximately US$2,047,116,000 (2022: US$2,079,531,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately US$19,437,000 (2022: Nil) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of US$2,027,679,000 (2022: US$2,079,531,000) either due to the unpredictability of future profit streams or because it is not probable that the unused tax losses will be available for utilisation before their expiry. Included in unrecognised tax losses are losses of approximately US$534,221,000 (2022: US$384,433,000) which will expire by five consecutive years. Other losses may be carried forward indefinitely.

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

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. No deferred tax liability has been recognised in respect of temporary differences associated with undistributed earnings of subsidiaries from 1 January 2008 onwards of approximately US$917,198,000 (2022: US$849,315,000) as at the end of the reporting period because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

10. TRADE AND OTHER RECEIVABLES

	2023	2022
	US$'000	*US$'000*
Trade receivables	**958,516**	1,744,534
Less: Allowance for credit losses	**(225,333)**	(91,668)
	733,183	1,652,866
Other taxes recoverable	**122,291**	142,095
Other receivables, deposits and prepayments	**116,242**	110,684
Total trade and other receivables	**971,716**	1,905,645

As at 1 January 2022, trade receivables from contracts with customers amounted to US$1,695,575,000.

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

During the year ended 31 December 2023, certain trade receivables were derecognised under factoring arrangement with financial institutes at cash proceeds of US$1,780,174,000 (2022: US$2,402,526,000).

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

	2023	2022
	US$'000	*US$'000*
0–90 days	**685,387**	1,476,163
91–180 days	**39,082**	83,477
181–360 days	**7,733**	89,506
Over 360 days	**981**	3,720
	733,183	1,652,866

As at 31 December 2023, included in the Group's trade receivables balances are debtors with aggregate carrying amount of US$258,666,000 (2022: US$228,567,000) which are past due as at the reporting date. Out of the past due balances, US$8,714,000 (2022: US$93,226,000) has been past due over 90 days or more and is not considered as in default based on the credit quality of the debtors. The Group does not hold any collateral over these balances.

11. TRADE AND OTHER PAYABLES

	2023	2022
	US$'000	*US$'000*
Trade payables	**1,091,218**	1,981,288
Other tax payables	**78,216**	65,327
Accrued staff costs and employee benefits	**115,541**	137,637
Others	**358,038**	520,104
	1,643,013	2,704,356

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

	2023	2022
	US$'000	*US$'000*
0–90 days	**1,049,531**	1,790,822
91–180 days	**28,469**	167,299
181–360 days	**4,476**	5,087
Over 360 days	**8,742**	18,080
	1,091,218	1,981,288

12. BANK BORROWINGS

	2023	2022
	US$'000	*US$'000*
Bank loans — due within one year	**703,676**	676,054

Analysis of bank borrowings by currency:

US$	**703,676**	563,800
RMB	**–**	112,254

The bank borrowings as at 31 December 2023 are unsecured, obtained with original maturity of one to seven months (2022: one to seven months) and carry interest at fixed interest rate ranging from 5.96% to 6.25% (2022: 2.20% to 5.41%) per annum. Out of total bank borrowings, bank borrowings of US$234,300,000 (2022: US$195,000,000) contain a repayment on demand clause. The weighted average effective interest rate on the bank borrowings is 6.06% per annum (2022: 4.65% per annum).

13. PROVISION

	2023	2022
	US$'000	*US$'000*
At 1 January	**2,779**	6,323
Exchange adjustments	**(14)**	(404)
Provision for the year	**1,661**	7,761
Utilisation of provision/upon expiry of the warranty period	**(2,412)**	(10,901)
At 31 December	**2,014**	2,779

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

14. DEFERRED INCOME

	2023	2022
	US$'000	*US$'000*
Government subsidies	**7,119**	8,067

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

15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING

The disclosures set out in the table below include financial assets and financial liabilities that are offset in the Group's consolidated statement of financial position.

The Group currently has a legally enforceable right to set off certain bank balances with bank borrowings at the same bank that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

	As at 31 December 2023		
Financial assets/liabilities subject to offsetting	**Gross amounts of recognised financial assets (liabilities)** ***US$'000***	**Gross amounts of recognised financial (liabilities) assets set off in the consolidated statement of financial position** ***US$'000***	**Net amounts of financial assets presented in the consolidated statement of financial position** ***US$'000***
Bank balances	–	–	–
Bank borrowings	–	–	–
Interest receivables	–	–	–
Interest payables	–	–	–

	As at 31 December 2022		
Financial assets/liabilities subject to offsetting	Gross amounts of recognised financial assets (liabilities) *US$'000*	Gross amounts of recognised financial (liabilities) assets set off in the consolidated statement of financial position *US$'000*	Net amounts of financial assets presented in the consolidated statement of financial position *US$'000*
Bank balances	220,026	(220,026)	–
Bank borrowings	(220,026)	220,026	–
Interest receivables	3,102	(2,977)	125
Interest payables	(2,977)	2,977	–

During the year, net interest income of US$3,186,000 (2022: US$2,567,000) relating to the above arrangement was included in interest income.

IMPORTANT

The consolidated final results of the Group for the year ended 31 December 2023 as set out in this announcement have been reviewed and audited in accordance with the relevant accounting standards. The Group's results of operations in the past have fluctuated and may in the future continue to fluctuate (possibly significantly) from one period to another period. Accordingly, the Group's results of operations for any period should not be considered to be indicative of the results to be expected for any future period. In particular, as there is the Chinese New Year holiday (especially a long break in the People's Republic of China ("China" or the "PRC") and Vietnam and Taiwan) in the first quarter of each year which is generally a low season post-Chinese New Year for the industry in which the Group operates, the Group's performance in the first quarter is usually worse and not comprehensive and representative, compared with that in the other following quarters.

The Company refers to its profit warning announcement of 2 November 2023 and its announcement relating to additional inside information about expected 2023 annual performance dated 27 February 2024 respectively, which provided (among other things) certain updates on its expected 2023 annual performance and included information about the various factors that contributed to the Group's consolidated net loss for the current period and that have persisted and were expected to continue into at least the first half of 2024. In this respect, please also refer to "Outlook and Industry Dynamics" below.

This announcement contains forward-looking statements regarding the Company's expectations and outlook on the Group's order book, business operations, performance, opportunities, risks, threats and prospects. Such forward-looking statements are subject to risks and uncertainties and do not constitute guarantees of the future performance and order book of the Group and are subject to factors that could cause the Group's actual results and order book to differ (possibly materially/significantly) from those expressed in the forward-looking statements. These risks and uncertainties and factors may include, but may not be limited to, changes in general industry and macro-economic environment (such as intensifying geo-political tensions and political conditions and deglobalisation and de-sinicisation) and the economic performance of the industries and sectors and customers we serve, the potential effect of events beyond our control (such as the conflict between Russia and Ukraine, conflicts in the Middle East, escalating tensions between China and the United States, changes in energy prices, terrorism, global health epidemics and weather events), the effect of inflationary pressures on our costs of production and margin performance and on the economic outlook of our markets, changes in money markets (such as interest rate hikes and credit crunch and inflationary rate and volatility in foreign exchange rates), the potential effect of fluctuations in the value of the currencies in which we transact business, changes in capital markets, market saturation, weak demand and slow recovery and vigorous competition and handset commoditisation, shifts in customers' demand and preferences and sluggish demand and prolonged replacement cycle and shortened demand visibility and managing fluctuations in customer demand and other customer-related challenges that may occur, the effect of

changes in the pricing and margins of products, the risk of customer delays and changes and cancellations or forecast inaccuracies in both ongoing and new programs, the lack of visibility of future orders, particularly in view of changing economic conditions, low asset utilisation, "China Plus One" strategy, and de-risk and decoupling from China and geo-economic fragmentation, friend shoring, near shoring, customer outsourcing strategy and customer concentration risk, growing margin erosion pressure, competitive challenges affecting our customers, our ability to secure new customers and maintain our current customer base and deliver product on a timely basis, seasonality of sales, and higher revenue volatility, changes in sales and product mix, the risks associated with excess and obsolete inventory which includes the risk that inventory purchased on behalf of our customers may not be consumed or otherwise paid for by the customer, the risks associated with excess open purchase order and obsolete inventory (including the risk that inventory purchased on behalf of our customers may not be consumed or otherwise paid for by the customer, resulting in an inventory write-off), the risks of concentration of work for certain customers, the particular risks related to new or recent customers or programs or services (which risks include customer and other delays, start-up costs, potential inability to execute, the establishment of appropriate terms of agreements), changes in commodity/component price, the ability to realise anticipated savings from restructuring or similar actions, the risk that new program wins and/or customer demand may not result in the expected revenue or profitability, our growth and diversification strategies and plans (and potential hindrances thereto), our credit and collection and default risk, risks associated with international sales and operations, pace of technology advancement, and changes in market/legal/regulatory/compliance/government/tax policy (e.g. government's blacklisting and export controls), risks related to information technology systems and data security, the potential adverse impacts of events outside of our control. Although the Group believes these statements are based on and derived from reasonable assumptions, they involve risks, uncertainties and assumptions that are beyond the Group's ability to influence, control or predict, relating to operations, markets and the business and macro environment generally. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual outcomes, including the future results of our business and operations, may vary materially/significantly from those indicated. In addition, new and unpredictable risks, challenges and threats emerge from time to time and it is not possible for the management to predict all such factors or to assess the impacts of such factors on the Group's business. For more details, please see "Outlook and Industry Dynamics" below. The Company undertakes no obligation to update or revise any such forward-looking statements to reflect any subsequent events or circumstances, except as otherwise required by applicable requirements laid down by the Listing Rules and the SFO.

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

DISCUSSION AND ANALYSIS

Introduction

Since its activation in 2003 and the listing of its shares on the Main Board of the Stock Exchange in 2005, the Company has been a subsidiary of Hon Hai (and together with its subsidiaries and associates (as defined in the Listing Rules, the "Hon Hai Technology Group"; Hon Hai is a company incorporated in Taiwan whose shares are listed on the Taiwan Stock Exchange Corporation), and a leader in the handset industry worldwide providing leading-edge manufacturing technology and vertically integrated manufacturing services and product development services to its customers with improved product and service quality, cost effectiveness, increased flexibility, faster volume to market and time to market, and overall value. The Group changed its head office from Langfang, China, to Taipei with effect from 26 March 2021, and the Group has continued to focus on and expand its operation outside Mainland China.

The Company is customer-centric and offers solutions that span from initial design and product development through ramp-up and volume manufacturing and this business model offers a comprehensive range of leading edge end-to-end manufacturing and engineering services to its customers tailored to meet specific market and customer product lifecycle requirements in respect of handsets and other wireless communication devices and consumer electronic products and this full range and wide array of capabilities provide our customers with expertise across the entire value chain. The products and services include unique and innovative product development and design, casings (including casings sold to customers and casings used to manufacture complete handsets for delivery to customers), components, PCBA (Printed Circuit Board Assembly), full-system assembly, supply chain services and solutions, and after-market services of return management and services and product repair/refurbish solutions in mobile device and smart consumer electronics devices. In addition to handsets, the Group is engaged in the manufacturing of other wireless communication devices and consumer electronic products and accessories and related areas, such as eReaders, tablets, and voice interaction products like smart speakers. Within design and development, the Group provides customers with a broad spectrum of OEM (Original Equipment Manufacturing) and ODM (Original Design Manufacturing) capabilities and our strength lies in delivering product and software development and manufacturing solutions of high complexity that require strong engineering and technical and design proficiency. The Group's ODM offering includes the development of hardware and software platforms and design solutions in collaboration with customers, as well as management of the program's design and development and aspects of the supply chain and manufacturing and cost optimisation. We have a well-established quality management system that focuses on continual process improvement which enables us to consistently deliver high-quality products and services to meet the requirements of customers. Our customers leverage our services to meet their requirements throughout the entire lifecycle of their products and to reduce manufacturing costs, improve supply chain management and efficiency to become more dependable reduce inventory obsolescence, and shorten time to volume and time to market utilizing our large-scale manufacturing infrastructure in various locations and our ability to serve a broad range of end markets. Resourceful supply chain management practices, including diversifying component sources and fostering greater resilience, emerged as a key focus. The Group operates a network of sites and centers of excellence strategically located worldwide in China, India, Vietnam, Taiwan, Mexico and

America which can fulfill customers' requirements in different countries and reduce landed costs of products. Technology innovation is at the center of our ability to deliver these end-to-end capabilities. Despite the regional shift in the manufacturing sites; the great China region remains one of the Group's Research and Development (R&D) centers and the integration of these product realisation services along with our global presence increases our ability to continue providing the accelerated time-to-market production and time-to-market solutions to fulfill our clients' demands of high-quality products. These all-round capabilities enable the Group to build strong and long-lasting strategic relationships with our customers and to become an integral part of their business.

The handset manufacturing industry is highly dynamic and competitive and growingly saturated. Since late 2017, the Group has faced challenging market conditions and high margin erosion pressure and contraction of demand, and those conditions have continued into 2023. During periods of recession in the electronics industry and lacking short-term ways to stimulate demand and sales growth, the customers become more price sensitive and remain focused on preserving their bottom lines by holding down costs. A low operating margin is viewed as an impediment to growth, considering the impact it can create on expansion plans and currently this is viewed as a significant restraining factor for the market. Even though, component prices are declining due to the weak demand but the key focus still lies on utilisation and unabsorbed overhead costs. The Group was not insulated from the economic swings of recent years because of its global nature of operations with more offshore facilities. The mobile phone market is elastic as it's not a necessity and there are already a lot of phones out there, so if prices were to go up fewer people would buy new phones and fewer people would upgrade their existing phones. Aggressive pricing is a common business dynamic as entry barrier is low, and peers in China and India are very cost competitive and margin erosion pressure on both the Group's casing and system assembly business is extremely high and continues to increase, especially when market demand is weak and there is excessive inventory and surplus capacity and the market sector is mired in overcapacity. The availability of excess manufacturing capacity at many of our competitors creates intense pricing and competitive pressure on the EMS industry as a whole. Idle cost of the Group has been increasing as capacity utilisation (including factory buildings) is deteriorating despite the Group has been aggressively disposing of idle assets. To ensure that the Group has been prepared for an uncertain demand environment, over the past several years, it has aggressively restructured its business operations and carried out downsizing and consolidation activities and eliminated the used, obsolete, redundant, surplus and loss-making/under-performing assets to become an asset-light corporate group and a lean and flat organisation and reduced headcounts and strengthened business development capability and cut costs and expenses with the intention of improving utilisation and realising cost savings in the long term and further cutting its fixed overheads and burdens and preserving cash, and such downsizing and trimming activities have continued into 2023. The consolidation activities included consolidation of the buildings and production facilities within the manufacturing sites, largely to align our capacity and infrastructure with current and anticipated customer demand. Through the extra effort made, the Group successfully sold land and buildings in Hangzhou, the sale was completed during the current period, which recorded a before-tax gain on disposal of United States dollars ("US$" or "USD") 6.2 million in December 2022 and US$78.5 million in April 2023. Furthermore, the Group has made provision for compensations to the lessees and the service providers of US$12.8 million in April 2023. In addition, the Group successfully sold land, buildings and structures in Hungary, which recorded a before-tax gain of around US$8.7 million in July 2023, as announced by the Company on 7 July 2023, and the Group

successfully sold certain buildings, structures and facilities in Beijing, which recorded a before-tax gain of approximately US$14.3 million in September 2023, as announced by the Company on 7 June 2023. In accordance with IAS (International Accounting Standard) 16 and IAS 40, we should de-recognise the assets when we lose control over them. Therefore, these gain on disposal are recognised when the transfer of ownership takes place. We do not expect similar disposal gains of huge amount in coming years.

2023 was a fraught period of economic slowdown. Despite the gradual relief from the pandemic and the alleviation of supply chain bottlenecks, the global economy continues to be impacted by various ongoing factors such as stubborn inflation, high interest rates, restrictive financial conditions, feeble global trade and investment, and geo-political realignments. According to IMF latest report published in October 2023, world economic growth will slow from 3.5% in 2022 to 3% in 2023, which remains well below the historical average. By sector, the global electronics sector's growth remained wane. The S&P Global PMI data released in January 2024 suggests that the headline PMI, covering manufacturing and services across over 40 economies, rose to 51.0 in December 2023, yet remain well below the survey's long-run average of 53.2. A closer look reveals that manufacturing continued to be a key drag on the global economy, with factory output dropping marginally in December for a seventh successive month. The fall underscores a pronounced and ongoing decline in the operational conditions within the global electronics manufacturing landscape.

To curb inflation resulting from the COVID-19 pandemic and the Russia-Ukraine conflict, major economies such as the U.S. and Europe have raised interest rates sharply since the start of 2022. For instance, the tight monetary stance adopted by the Federal Reserve System ("FED") led to steady hikes in the benchmark interest rate. Since 2022, the FED has raised rates 11 times thus far to a range of 5.25% to 5.5%, a 22-year high. Affected by these aggressive interest rate hikes, inflation eased over the past year but still remained at a high level compared to the FED's target rate of 2%, indicating the presence of ongoing inflation pressures. Although the interest rate hikes could curb the rampant inflation, they also affected people's purchasing power, dampening consumer appetites and pushing them to curb or postpone discretionary spending, such as on mobile phones. On top of this, they also made it difficult for businesses to clear inventory and increase investment. As customers become more cautious about placing orders, demand visibility is significantly shortened, making it challenging for the Group to predict order books, arrange material sourcing, plan for personnel and demand, and schedule production efficiently. Asset utilisation remains a challenge amid these uncertainties.

In this high inflationary environment, it is crucial for the Company to prioritise effective cost management and continuously seek avenues for optimising operational efficiency. By identifying opportunities for process improvements and embracing innovative strategies, the Company can, to some extent, mitigate the impact of rising costs and adapt to the evolving market dynamics and enhance the cost competitiveness amidst the challenges posed by inflation. On the other hand, the mix of products ordered by and shipped to major customers will affect the Group's gross margins as high volume and low complexity manufacturing services typically have lower gross margins than more complex and lower volume services. Cost reductions without compromising on quality, especially cost containment in parts of our supply chains, is a tough work. During the downturn, delivering top-notch customer service is of paramount importance as this will enable us to stand tall in the future, even when service and cost are competing priorities. Every player in the industry is striving to gain and maintain

competitive differentiation by adopting new approaches or by realising latent sources of success in existing operations. In the quest for recovery, companies in the handset industry are competing against each other to increase their market presence and share while continuing to face challenges like slim operating margins, low visibility, high inflation, shortening replacement lifecycle and managing a global supply chain. Our customers are trying to overcome these challenges through innovations and launching new products and services.

In addition, rising geopolitical tensions across the world in recent years could aggravate the already subdued global economy. A series of international geopolitical events, such as the protracted U.S.-China trade wars, the ongoing Russia-Ukraine war, and the Israel-Hamas war, have all cast a shadow over the global economic landscape, making the global economic development more unpredictable. Particularly, tensions between the U.S. and China have escalated over the past few years and caused ripple effects across the global economy. In 2023, the United States expanded a series of export controls on key technologies/equipment and imposed a set of sanctions against China, such as the prohibition of exporting chips, semiconductor equipment, and software to Chinese technology giants, as well as the expansion of U.S. trade blacklists. Moreover, the White House also announced an executive order restricting investment in high-tech industries such as quantum computing and artificial intelligence in China in August 2023. In turn, China also took steps for retaliation, such as curbing exports of niche metals critical to chips and other tech, banning exports of technology for making rare-earth magnets, and imposing other restrictions related to vital industrial metals. The U.S.-China trade war and the resulting restrictions have intensified calls in the U.S. and other countries to reduce dependence on China, leading many multinational corporations to move out of China in recent years. As for the ongoing Russia-Ukraine war, while the overall impact of the war on the economy was relatively smaller compared to the previous year, the future development of the conflict remains highly uncertain. The escalation of geopolitical tensions, as Federal Reserve Governor Lisa Cook said on 8 November 2023, could lead to lower economic activity and increased fragmentation of global trade flows and financial intermediation, raising financing and production costs and contributing to more sustained supply chain challenges and inflationary pressures. Moreover, an IMF blog post on 28 August 2023, also underscored the costs raised by fragmentation, indicating that greater international trade restrictions could potentially reduce global economic output by as much as 7% over the long term.

China, the world's second-largest economy, plays a crucial role in global economic recovery, as developed nations grapple with persistent high inflation, rising interest rates, and sluggish economic growth following the pandemic. However, China's economy and exports have faced external and internal pressures throughout the year. China experienced a robust beginning following three years of COVID-19 restrictions but had a bumpy recovery over the past year. Amid domestic and international headwinds, China's official figures show that its economy grew at 5.2% in 2023. Although it surpassed the government's target, it still recorded one of its slowest rates in more than three decades, indicating that the recovery is relatively slow. In addition, ratings agency Moody's also downgraded its outlook on China's government credit ratings to negative from stable in December 2023, citing risks related to structurally and persistently lower medium-term economic growth and ongoing challenges in its property sector. Regarding China's Manufacturing Purchasing Managers' Index ("PMI"), a sensitive indicator, it recorded a value of 49 in December 2023, suggesting that China's manufacturing activity remained in contraction territory. It's also worth mentioning that, in 2023, major global economies faced the issue of inflation; however, China was in the midst of a

deflationary crisis. In 2023, China's Consumer Price Index (CPI) remained persistently below 0.5%, with several months even showing negative growth. This reflects the current imbalance in the domestic market in China, where demand recovery lags behind supply. To date, various statistics and indicators still highlight a weakened momentum in China's post-pandemic economic recovery.

Throughout the year, China's recovery was under whelming. Its economic growth remained impeded by various structural and non-structural headwinds, including tepid global and domestic demand, geopolitical tensions, demographic and labour market challenges, high debt levels, and a real estate crisis, among others. Firstly, the global economic slowdown led to a decline in global demand for Chinese goods, affecting exports. Meanwhile, China's sluggish domestic demand has further exacerbated the challenges to economic growth. Secondly, the "de-risking" move by the developed world in recent years and the reworking of supply chains have reduced foreign direct investment into China. According to data published in China's balance of international payments (BOP), China recorded its first-ever quarterly deficit in foreign direct investment (FDI) in the third quarter of 2023. Thirdly, greater life expectancy, combined with lower fertility rates, is resulting in a rapidly aging society. For a country whose economy remains reliant on affordable sources of labor to drive its manufacturing sector, China's aging working population presents a serious economic problem. These shifts will lead to reduced productivity, and as China's large surplus labor pool begins to dwindle, manufacturing wages will increase, and the sector will decrease in profitability. Furthermore, high youth unemployment in China is also deteriorating. The unemployment rate for youth continued to climb in the first half of this year and reached a record high of 21.3% in June, prompting the government to suspend publishing data on the issue for five months. Fourthly, ballooning local government debt and the housing/property market have become the 'grey rhinos' of China. The Chinese property market fell into crisis in recent years. The downturn is likely to drag on, posing a major threat to China's growth prospects over the next three to five years.

Numerous ongoing economic headwinds have pushed consumers to curb or postpone discretionary spending, leading to increased channel inventory and hindering smartphone vendors' investments and operations in several markets. These challenges played a pivotal role in sapping momentum for smartphone sales in 2023. Moreover, additional unfavorable factors, such as prolonged phone replacement times, phone commoditisation, and the growth of the refurbished smartphone market scale, have further exacerbated the challenges faced by the smartphone market. According to preliminary data from the International Data Corporation (IDC) Worldwide Quarterly Mobile Phone Tracker, global smartphone shipments declined 3.2% year over year to 1.17 billion units in 2023, marking the lowest full-year volume in a decade. To mitigate the concentration risk of dependence on a single customer, product, and region, the Group is committed to diversifying revenue contributions from mobile phones and devoting additional resources to business development functions and capabilities. However, inherent difficulties exist in penetrating existing customers and developing new ones. Facing strong headwinds, customers are compelled to minimise risks, optimise costs, and may shift production between EMS (Electronic Manufacturing Services) and ODM service providers for various reasons. These include changes in the competitive landscape and consumer behaviour, the "China Plus One" strategy, deglobalisation, reshoring, near-shoring, demand for products, market acceptance of new products and models, global economy fluctuations, regional geopolitical tensions, reshoring plans of suppliers/customers, labor costs, pricing concessions, more favourable payment terms and conditions, tax efficiency, risk diversification, enterprise

risk management, environmental, social, and governance (ESG) compliance, optimisation of logistics costs and value chain, quality of engineering and product development services, on-time delivery, and tax benefits. Customers may also adjust their outsourcing strategies and the amount of business they outsource to integrate vertically, consolidate through their supply chain capacity, rotate their supply chain partners, or increase specialisation through further contracting or concentrating the location of their EMS suppliers.

The Group continues to monitor the dynamics and impacts of the global economic and financial environment, alongside geo-political tensions. By carefully reading and responding to the market, especially movements of its competitors, the Group can better understand the status of market inventory and liability, and how the market will recover from the current turbulence. The Group works to manage our risk, strategies, capital structure, treasury risk management, organisation, priorities, costs, overheads, footprint, credit risks, receivables collection, working capital management, capital expenditures, and resources in a proactive manner. This approach helps us anticipate and prepare for any necessary changes, make continuous improvements, and maintain a lean, agile, and cost-competitive position. With the R&D capabilities and competencies and know-how in working with a wide range of materials and craftsmanship and the provision of a wide spectrum of value-adding design services and manufacturing solutions ranging from traditional metal stamping and plastic injection to system assembly solutions, the Group is able to fulfill its customers' changing and diverse needs in performance, cost, volume-to-market, time-to-market and manufacturability and product design requirements and offer comprehensive and competitive one-stop-shopping manufacturing solutions that are customised to each customer's needs worldwide. To maintain our market position and strengthen our competitiveness, we have taken proactive measures to drive the development of innovative and captivating design solutions that cater to the evolving needs and preferences of our target market. Our global design teams are focused on delivering flexible solutions and expertise which aims to help customers reduce overall product costs, improve time-to-market, introduce competitively differentiated products, and drive hardware innovations. By leveraging the power of innovation and collaboration within our organisation, we strive to achieve operational excellence and gain a stronger competitive edge.

As a whole, the market for OEM and ODM services is characterised by rapidly changing technology and continuing process development, and the Group devoted resources to these two areas to enhance our capabilities and long term sustainability. As the technological landscape continues to change and our customers continue to pursue new, exciting frontiers with their products, the Group must constantly evolve our business model to provide competitive services attractive to a wide breadth of industries. Our continued effort on business diversification and development and transformation and downsizing and remaining lean and expanding overseas operations and making continuous improvements are critical to the long term sustainability and competitiveness of the Group and strategically positioning the Group to take advantage of the future growth prospects of OEM/ODM industry and makes us a stronger and trusted long term partner to our customers. The Group adopted a proactive and aggressive business strategy, establishing a dedicated business development team to drive expansion into new markets and seize growth opportunities. We believe our strategic focus on developing innovative design solutions, fortifying supply chain management, diligently managing costs through effective bill-of-material oversight, and improving our value add through streamlined production processes positions. Through these initiatives, our customer-centric approach can promote increased efficient customer response, particularly for customer

relationships that extend across multiple production locations when more customers are now increasingly evaluating supply chain alternatives in Asia Pacific region and establish the Group as a prominent force in the industry, unlocking our full potential for sustainable growth. Since the EMS industry is a low margin industry, in order to meet the customers' cost expectations, the Group has to lean out all processes.

Key Relationships with Customers, Suppliers and Employees

Key relationships with Customers

In addition to fostering manufacturing flexibility across various international production sites, the Group's strategic approach and business model champion collaborative partnerships with customers. This approach spans from the initial concept design stage to the culmination of the production process, encompassing aspects such as sourcing, development, production start-ups, mechanical design, assembly, and after-market services for finished products. The Group is devoted to delivering a comprehensive range of cost-competitive, vertically-integrated global supply chain solutions tailored to diverse volume requirements.

These initiatives not only expedite production start-ups and efficiently transition new products to mass production but also play a pivotal role in accelerating product time-to-volume, time-to-market, and scaling production to meet rapidly changing customer demands. Recognising the current market demand and supply situation, customers can leverage the Group's supply chain solutions throughout the entire life cycle of their products, facilitating the launch of new products into the highly competitive marketplace within an expedited timeframe. This approach reduces the costs associated with delivering high-quality products to the market, shortens supply chain cycle times, minimises working capital requirements for inventory, and ultimately lowers the overall total cost of ownership.

Acknowledging the critical significance of supply chain management, the Group places a priority on strengthening practices to ensure the smooth and efficient delivery of components and materials. Through meticulous supply chain optimisation, the goal is to minimise costs, improve lead times, and establish a distinct competitive advantage within the industry. Leveraging supply chain practices globally enables the Group to respond effectively to the current market demand and best material costs, minimise lead times, enhance the efficiency of planning cycles to meet customer demand volatility, optimise asset utilisation, and effectively manage inventory levels.

Cost management remains a crucial element of the overall strategy. The Group maintains rigorous oversight of the Bill of Materials (BOM), actively seeking opportunities to maximise cost-efficiency while upholding unwavering product quality standards. This involves sustaining strong relationships with suppliers to negotiate favourable pricing terms, exploring alternative sourcing options, and continually evaluating quality and value of components, and suppliers' performance.

Rapid changes in technology and craftsmanship, evolving industry standards and requirements, handset market landscape, consumer behaviour, and requirements for continuous improvement in products and services resulted in shorter product life cycles. The Group secures front-end trends by working closely with supply chain and suppliers (including Hon

Hai Technology Group via vertical integration), managing both procurement and inventory and quick response manufacturing services and creating win-win for both the Group and customers by developing practical and total solutions which can enhance competitiveness of customers via continuous and close interaction with the materials/component marketplace. We operate flexible manufacturing facilities and design our processes to accommodate customers with multiple product lines and configurations. Simultaneously, we are dedicated to enhancing our Manufacturing Value Add (MVA) by streamlining production processes, reducing waste, and improving operational efficiency. By elevating our MVA, we can optimise productivity, reduce manufacturing costs, and expedite product delivery, thus solidifying our competitive position in the market. All these help to foster and maintain the Group's long-term relationship with customers and expand these relationships to include additional product categories and services. Such repeatable execution driven by a collaborative and customer-centric culture that continuously evaluates and optimises our business processes and adapts to ever-changing macro-economic conditions and provides clear value to customers. The building up of such competencies is also critical to the development of new customers.

As mentioned above, due to the deterioration of the global economy and China's slower-than-expected economic recovery, uncertainty persists in the global demand for consumer electronic products. Regarding the smartphone market, in addition to economic headwinds, it has encountered other significant challenges in recent years. Factors such as market saturation and the ongoing impact of prolonged replacement cycles, mainly resulting from improving device quality, along with the lack of product differentiation and innovation, contribute to these challenges. As the end-market demand becomes sluggish, uncertain, and volatile, these unfavorable factors intensify the competition in the global handset market. Our customers are more cautious in their demand planning, expense and cost control, and cash flow management. Demand visibility is greatly shortened. Some customers have too many inventory on hand and still fight hard to consume those inventory and they are inclined to cancel potential new projects (even some which are already ranged under development by ODMs) to push out the new models to a later time frame to reduce risk and working capital requirement.

In light of the high uncertainty of handset demand, customers which own manufacturing facilities and capabilities may reduce outsourcing so as to optimise its own capacity utilisation. One of the Group's customers had been keen to find new manufacturing partners in China and India and reduced the percentage of outsourcing to us and this has been affecting the sales to this customer significantly. On the other hand, customers may fail to successfully sell their products, and customers' products may not be price competitive and fail to gain widespread commercial acceptance and customers may experience dramatic market share shifts in demand which may cause them to lose market share or even downside/exit businesses. As the margins of the customers are reduced, they are prone to cut the prices of the hand sets we sell to them and margin erosion pressure on us is extremely high. At the same time, the Group has been aggressive in getting more orders in order to optimise utilisation. If production volume is low, we will have huge unabsorbed manufacturing overhead costs and idle costs which will affect the already low gross profit margin. This explains why the Group has been putting effort into cutting costs and terminating loss-making/under-performing operations.

The short-term nature of the Group's customers' commitments and demand visibility and the rapid changes in demand for their products reduced our ability to accurately estimate future demand and requirements and the timing and predict order book of our customers with

reasonable certainty. This made it difficult to plan and schedule production and shipment, and resource planning and hiring in an efficient and cost-effective manner so as to optimise utilisation of our assets and workforce and capacity and at the same time fulfilling orders. Yields and efficiencies were greatly affected and idle costs increased dramatically and margin erosion pressure continued to be extremely high. To mitigate the challenges posed by low demand visibility, we are enhancing our business development efforts in different regions by assigning key account managers to be located close to our clients. This proximity will improve communication efficiency and the close interaction enables us to respond quickly to their needs, fostering stronger relationships and gaining better visibility into their demand patterns. We will also critically review the expansion of service and product offerings to a wider range of solutions that cater to diverse customer requirements. By having more options available, we increase our chances of securing contracts and winning bids, thus enhancing our demand visibility. There is also a need to continuously improve our cost competitiveness of our BOM and MVA through various measures. These include enhancing supply chain flexibility, optimising resource utilisation, and exploring diversified collaboration models to meet the unique needs of different customers. Strengthening customer relationships, collaborating closely with key customers and suppliers, adopting flexible production and inventory management strategies, and diversifying our customer base and product offerings will enable us to better anticipate and respond to changing demand patterns. Through these proactive measures, we aim to improve demand visibility. But as the uncertainties are high, the Group had to control overheads and reduce inventory level and open purchase order exposure and liabilities and get rid of idle assets to reduce idle costs and remain lean but agile and streamline production processes and monitor closely market and competition landscape and labour availability and review business model and contribution margin performance of the orders and credit position of customers and communicate well with customers and determine the levels and volume of business that the Group can take. The geo-political tensions and untamed inflation had stalled the global economy and the repercussion affected all of our customers.

As the Group's customers in different segments faced different types of headwinds, the Group's segment performance in different countries was affected by different degrees and extent and in different areas. As the current economic crisis unfolded against the backdrop of a keen competitive market environment, slow recovery, and reduced income and the increase in borrowing costs put a strain on the solvency of customers and companies, the Group had kept monitoring the credit and collection and default risks. In particular, the Group has been controlling business amounts and capping trade receivables amount with HMD Global Oy ("HMD") to control credit exposure and made adequate expected credit loss allowances in the book to reflect the collection and default risks.

As long-term partnerships and relationships have been established with customers, the Group is able to communicate effectively with the customers and accelerate manufacturing while meeting delivery, specifications and quality requirements from customers. At the same time, the Group has been consistently putting effort on improving operation management, cost effectiveness, process and efficiency optimisation, quick response manufacturing, lean manufacturing, quality management, R&D, streamlining production process to improve learning curves and yield, human resource management and talent development to deliver all projects and services in a timely and efficient and professional manner. The Group is dedicated to continue to build good corporate governance structure and competitive

advantages and core competencies that are core to our success and competitiveness and long term sustain ability and this includes focuses on global deployment in India and Vietnam, as mentioned above, competitive costs, superior quality and customer service, continuous dedication of resources to R&D competence building, and enhancement of end-to-end service offerings, talent development especially in R&D and industrial design and engineering capabilities, rapid and shorter product development cycles, use of new material and technologies and solutions that are environmentally friendly, ability to design for large-volume and low-cost production, and control of multiple production inputs through our vertically integrated operations. Given that the industry is dominated by consolidated significant players and in cases where the Group is going to develop new smaller customers, it would be difficult for the Group to develop new customers that have similar business scale as the Group's existing major customers and would to a certain extent affect the Group's bargaining power. Further, it takes time to develop new customers and for the Group to gear up its production facilities to produce products and provide services that are customised for new customers. In cases where the Group switches to or adds new customers, it typically takes the Group approximately two to ten months to customise the Group's production facilities depending on the requirements of customers, delivery lead time, the complexity and sophistication and volume of products and craftsmanship and technologies needed and associated business models and business/credit risks.

In light of the handset market saturation, the Group has to be technologically innovative and intensifies its focus on manufacturing efficiency and productivity and devotes resources to keep pace with technological changes in the industry and adapt our services so that our customers can use better and cost competitive solutions in their products. Regardless of the size and scale of the customer, we establish the long term business relationships with our customers by providing high quality products and services of global standards at competitive prices in an efficient manner, manufacturing industry-leading and state-of-the-art products for its customers in different countries, offering customised services and solutions and flexibility to customers, and creating customer delight and satisfaction among passionate people engaged in a world-class manufacturing environment, and continues to prolong, develop, penetrate and foster closer relationships and partnerships with them for mutual benefit of the Group and such customers in the long run and leverage talents of the Group. The Group believes its long term business relationship with major customers are the result of the Group's proven track record of meeting commitments in quality and delivery and delivering the core value and services which are crucial to the increase of customers' competitiveness in the growingly difficult and competitive and saturated market. We are a high-performance, accountable organisation with a talented and engaged workforce that is deeply passionate about driving growth and development through excelling customer service and offerings. But there has been more than usual pressure on pricing coming from the largest players in the industry fighting against the deteriorating trend in market share development and prolonged replacement cycle time and all of the Group's customers have been facing keen competitions in the handset market and intensifying challenges of various kinds, both operational and financial and winning business is subject to lengthy, competitive bid selection processes and we have to dedicate significant development expenditures and engineering resources in pursuit of a single customer opportunity. To reduce concentration risk, we focus on identifying and developing relationships with new customers that meet our targeted profile, which includes financial stability, need for OEM/ODM services or turnkey manufacturing, growth potential and long-term relationship stability. The Group has also made concentrated efforts to devote resources and effort on business development capability and continue to explore opportunities in new

projects, new products, new industry sectors and new customer development in different countries on the solid foundation of existing products and service offerings and domain expertise and customers. Confronting with more diversified product lines and customer demands, the Group deliberately enhanced the core competence and differentiated us from our competitors by means of keeping pace with technological changes and competitive conditions in OEM and ODM industry, effectively adapting our services as our customers react to technological and craftsmanship and market and macro-economic changes and competitive conditions in their respective market segments, optimising and streamlining production and lean manufacturing process, upgrading equipment, improving quality and responsiveness and flexibility and yield, magnifying efficiency, escalating automation, executing solid cost-control measure and cultivating talents.

From Enterprise Risk Management (ERM) perspective, the Group has been operating in a highly competitive and dynamic market without growth a sustainable business with a well-balanced and diversified portfolios from a customer and product and geographical diversification perspective and is looking for continuous improvement all the time with ample resources dedicated to competence building and R&D capability.

Major customers

The Group's major customers consist of reputational brands, which offer creditable products and have already secured a substantial market share in their market of expertise. The Group's strategy revolves around establishing and nurturing long-term business relationships with leading companies with size and growth characteristics and seek to expand these relationships to encompass additional product lines and services, continuously develop and penetrate Chinese and overseas and international brand customers, put efforts to grow and diversify its lineup. We strive to expand its production capacity in India and Vietnam in order to meet the needs of customers to develop markets overseas and we have been successful to capitalize on the growth of domestic market in these countries and have continued to actively develop new customers of different industries in India and diversify both customer and product base. However, the Group's customers continued to face several unavoidable macroeconomic problems inclusive of Ukraine-Russia warfare which disturbed the world's supply chain and the surging inflation rate across all countries together with quantitative tightening policy have pushed up the risk of economic depression in the globe. On the demand side, under the difficult economic situation and fears of an economic slowdown, income elasticity of demand is high and customer preference has been changed to saving more money to support the growing living cost; in other words, the decline in demand in durable goods including consumer electronics in 2023 continues to be the most impactful reason to worsen the Group's customers' business performance and the competition pressure continues as the market slows down and most channels are still filled with inventory. Positive experience with prior model is not significant in affecting the demand of smartphones. This indicates that consumers have less loyalty towards a particular brand of smartphone. They are more willing to try and switch to different brands because they are expose to many others type of smartphones. Competitors have to fight for the remaining very limited demands if existing inventory cannot cover and this is why we were pessimistic for 2023 demand and our conservative stance for 2024 demand. The Group relies on a relatively small number of customers for a substantial portion of our sales, and the performance of our customers in the end markets and their outsourcing strategies could affect/reduce our shipment performance directly and significantly.

To reduce concentration risk, new customer development is crucial to the Group and the Group focused on expanding its customer portfolio and adopted a proactive and aggressive business strategy and established a dedicated business development team to identify and develop relationships with new customers that meet the Group's targeted profile, which includes good market growth potential, the need for OEM/ODM services or turnkey manufacturing solutions on a global basis, viability, financial stability and long-term relationship stability can drive expansion into new markets and seize growth opportunities and reduce concentration risks. But it is a fact it is growingly difficult to develop new customers of large or significant size and the time needed for new customer development can be very long and this is why the customer portfolio of the Group includes some small customers and the Group has to put tremendous effort and resources to expand overseas and there have been some successes.

(i) The Group's key Chinese customer initially focused on its domestic market, capital, technical and know-how advances. But in these years, the customer has shifted focus to global expansion and made extremely success in different countries and markets (like India and other developing countries especially Central and Eastern Europe and Southern America). As the macroeconomic challenges continue to take place around the world, this customer has adjusted its 2023 corporate strategies to focus on operation optimisation, future business development such as EV and emphasis not only on the scale but also the profitability. The piled-up inventory since the second quarter of 2023 and the lukewarm demand were the main reasons that smartphone vendors were hesitate to ramp up. In the third quarter 2023, the destocking finally come to an end, and the sign of economy rebound has surfaced. Fueled by the reduced BOM cost amid the de-escalation of supply chain disruptions, this customer achieved a record-high gross margin and successfully reached the lowest inventory levels in 11 quarters. With the premiumisation strategy and positive feedback on the latest flagship smartphone, this customer is the only one company who saw a positive year-over-year shipment changes in the third quarter of 2023 in China. IDC concluded 146 million smartphones shipped in India in 2023, with a nominal 1% growth YoY and thanks to the 11% shipments growth in second half which compensate the 10% decline in the first half of 2023. Although India smartphone market achieved 1% shipments growth, the market share ranking of this customer dropped from number 2 to number 4 due to the shipments to the online channel drop yet it was still able to continue lead the entry level (sub-US$100) segment in India.

(ii) An established U.S.-based Internet company in the long run is one of the major customer of the Group. Along with a long history of cooperation, the Group provides comprehensive engineering and production services to deliver superior, reliable, and trustworthy premium smartphones that meet the customer's demand. To differentiate ourselves from competitors, we collaborate with this customer from the NPI (New Program Introduction) stage and promptly ramp up production to meet the customer's time-to-market and time-to-volume strategies. We continuously develop automation robot software, robot central control systems, and AI inspection algorithms to reduce labor dependency and eliminate manual inconsistencies. In addition, we employ real-time big data analysis and visualisation tools to improve yield and support the customer in all aspects of production. To mitigate the risk of concentration in a particular region/country, we offer competitive geographical advantages and management excellence to this customer to mitigate the concentration risk on certain region/country. Despite the

macroeconomic downturn, this customer continues to put its effort one quipping more and more advance AI technologies on its device. The prestige brand image, trustworthy quality and innovated technologies are the unique characteristics of this customer, and those elements will help our customer to navigate through this sudden economic slowdown and gain the applicable market share.

(iii) Hon Hai Precision Industry Co. Ltd. is one of the world's largest electronics manufacturer and acquired Ensky Technology Pte. Ltd. ("Ensky") on 1 January 2020 as a wholly-owned subsidiary of Hon Hai. Ensky has a long-established relationship with U.S. customers and sells consumer electronic products to them. Due to the change of its business model since 2022, the buying entity was gradually transitioned from Ensky to Hon Hai. There has been very strong market demand for eReaders and voice interaction products as one of the U.S. customers has been growing very fast and dominant worldwide. The Group has been manufacturing consumer electronic products such as eReaders and tablets, and voice interaction products for a sustained period of time and the Group is now its strategic supplier of these consumer electronic products due to the Group's strong engineering and global operation and manufacturing capabilities, which can cope with customer global diversification development and do high end and more complicated programs, and satisfy the end customer's requirements and expectations in terms of the ability to ramp up production in a reduced timeframe while achieving very high yield rate. But there are many challenges as the macroeconomic environment is not good and market research indicates that consumers are not budget-conscious. In addition, smart speakers now become increasingly saturated in the U.S. market. The sales to Hon Hai are grouped under Asia segment as Hon Hai is incorporated in Taiwan. Hon Hai is listed on the Taiwan Stock Exchange Corporation and the ultimate controlling shareholder of the Group.

(iv) Sharp Corporation ("Sharp") is a connected person of the Company pursuant to the Listing Rules, as it is an associate of Hon Hai, the ultimate controlling shareholder of the Company. Sharp offers a variety of electronic products including smart phones, home appliances, displays and other IoT devices. The current selling markets of this customer include Japan, Taiwan, Indonesia and U.S., with more than 90% of total shipments going to its home market, Japan for the last decade. Starting from Japan telecommunications carriers adjusting the order volume in anticipation of the recent demand decline, the Japan mobile market has seen lots of turbulences. On 15 May 2023, Japanese electronics company Kyocera has announced its officially leaving the consumer smartphone business due to decreased demand for its products. "We can no longer find marketability for the general market", Kyocera President Hideo Tanimoto said. Less than a few weeks after the announcement, the fifth ranking vendor, FCNT, three successors of Fujitsu Ltd.'s mobile phone business, filed for bankruptcy protection with Tokyo District Court under the civil rehabilitation law on 30 May 2023, leaving debts of 143.1 billion yen in total due to depreciation of yen and severe competition. Recognising an opportunity, Sharp has unveiled multiple new phones this year to meet diverse consumer demands. In line with its commitment to promoting a sustainable economy, Sharp has introduced the AQUOS wish3 — an eco-friendly mobile phone that incorporates a back cover and specific internal components made from recycled materials, thereby increasing the recycled material content to 60%. AQUOS wish3 is positioned as an entry-level phone yet equipped with 5G and dust and water resistance which has proven to be an appealing

option for seniors. On the other hand, Sharp continues to explore the non-mobile phone business and has offered other electronic devices such as MiFi routers and tablets with the help of the Group's R&D resources and capabilities.

(v) HMD is an independent Finnish company. In 2023, HMD announced that they were entering the market independently as a force to create a new world for telecommunications with a multi-brand strategy including Nokia and other partners as well as HMD original devices, focused on consumer needs. Previously, HMD — the home of Nokia phones' — was an exclusive partnership HMD have held for the past seven years. HMD is a leader in sustainability with their repairable devices, and the top choice for taking a digital detox. In addition, HMD offers a suite of solutions for enterprise customers. The company is driven by the needs of its customers and puts sustain ability, longevity, security, durability, and afford ability at the core of everything it does. Sustain ability is legitimately wired into their business, products and culture.

(vi) A new India customer became a major customer in the first half of 2023. It was set up in 2006 and engaged in the business of supplying telecommunication equipment and providing services in the nature of installation, commissioning, erection and maintenance thereof and managing telecommunications network of service providers and its business in India grew rapidly. The Group provided system assembly manufacturing services for hardware like base band unit, remote radio head and adaptive/active antenna to this customer.

Referring to above, one of the top five customers of the Group is the Hon Hai Technology Group (to which Hon Hai and Sharp belong). The revenue derived from the sales of goods and rendering of services by the Group to Hon Hai and Sharp in Hon Hai Technology Group accounted for approximately 15.43% and 7.58% of the Group's total revenue from the sales of goods and rendering of services, respectively for the current period. Hon Hai is the ultimate controlling shareholder of the Company and hence a connected person of the Company pursuant to the Listing Rules. Revenue attributable to the Hon Hai Technology Group accounted for approximately 23.67% of the Group's total revenue in the current period.

Amongst the Group's five largest customers during the current period, which accounted for approximately 88.98% of the Group's total revenue, four of them have had long-term and well-established relationships with the Group for over five years whilst other one have been the Group's customers for around three years. These major customers are not required to commit to a certain minimum purchase value or volume from the Group over a set period and we bid on a program-by-program basis and typically receive customer purchase orders for specific quantities and timing of products. Our customer-focused factories are flexible and adaptable and can be reconfigured as needed to meet customer-specific product requirements and fluctuations in volumes. However, volatility in demand will impact our material requirement planning and production planning and asset utilisation. Demand visibility is the ability to see undistorted and accurate demand within the timeframe necessary to react to it. The more visible is the demand, the greater the likelihood of reliable demand forecast. Better visibility into supply chains translates to fewer disruptions, increased customer satisfaction and lower costs. A majority of supply agreements entered into with customers require the customer to purchase unused inventory that we have purchased to fulfill the forecasted manufacturing demand committed by customers. Some of these agreements require us to provide specific price reductions to our customers over the term of the contracts. In the current

dynamic and highly competitive handset industry characterized by prolonged replacement time, innovation and enhanced user experience and product pricing and quality are paramount and loss of or changes in market position of any of these customers or their products in any region may materially and adversely affect the Group's business, financial condition and results of operation, especially in view of the concentration of its sales to these customers. In addition, if one or more of our major customers were to become insolvent or otherwise become unable to pay us on a timely basis, or at all, our financial condition could be jeopardised. The Group's reliance on major customers means that the Group's performance is intricately tied to the performance and competitiveness and development of these customers and their outsourcing and offshoring or onshoring strategy in a challenging handset industry and global economic environment with a lot of OEM and ODM competitors and the Group has to keep monitoring the current economic environment and market landscape and the change of market trend and end customer behaviour and the potential impacts on both the general economy and consumption power and preferences and credit position of customers the Group serves, as well as end markets and individual market and geographical segment of the Group. The Group continues to closely manage and control expenses and headcount and capital resources to remain lean and agile and maximise preparedness and the ability to respond in a quick manner as external circumstances and uncontrollable and unpredictable geo-political situation change. But as reiterated, idle costs are high and it needs time to get rid of idle assets.

The current credit period extended to the Group's major customers (whether or not it is a connected person of the Company) ranges from 30 to 90 days, which is in line with those granted to other customers. The expected credit loss allowance for the current year was US$133.8 million, a notable increase when compared to the expected credit loss allowance of US$80.5 million in 2022. In 2022, the pandemic stalled the economic engine worldwide, and the repercussions of this were not limited to any one industry. Those unfavourable factors including the hit of slow-moving global economy, high inflation and interest rates and protracted Ukraine warfare and cost-of-living crisis and keen competition and drop of demand and poor business performance, continued to put a strain on the solvency of customers and companies in 2023 and there was a drop of demand for the Group's products and services from these customers. Some of the Group's customers, including major customers like HMD, which distributes phones to Europe and Africa, experienced financial distress and tight cash flow. The Group faced significant challenges in recovering trade receivables from HMD, leading to a substantial increase in overdue amounts, collection risk, and default risk to an extremely high level. Facing challenges in recovering trade receivable from HMD, the Company implemented risk minimisation measures in the second half of 2022. These measures included capping the trade receivable balance with HMD and aligning shipment quantities with payment statuses. For the ongoing feature phone projects, shipment quantities were restricted to the corresponding amount of payments made by HMD, preventing outstanding trade receivables exceeding a preset cap amount. Despite HMD's unsuccessful fund raising efforts in 2022 and continued poor cash position in 2023, the Company vigilantly monitored the level of outstanding trade receivables. It also evaluated HMD's ability to continue as a going concern, assessing the risk to the collection of overdue trade receivables and associated default risk. As at 31 December 2023, the management assessed the expected credit loss allowance of trade receivable due from HMD with a gross carrying amount of US$215.3 million individually. Management of the Company confirmed that, due to the deterioration of HMD's financial performance, it was acknowledged that there was a significant increase in the credit risk of the trade receivables due from HMD, leading to the recognition that HMD

might not be able to meet its obligations as they came due, based on what is known and knowable. To assess the expected credit loss allowance for trade receivable, an independent external valuer was appointed to assist in estimating the expected credit loss allowance for the trade receivable, determining an appropriate probability of default rate, estimated loss given default rate, and incorporating forward-looking adjustments.

Based on the result of the assessment for HMD, a life time expected credit loss (not credit-impaired) of US$137.8 million was recognised during the year ended 31 December 2023 (2022: US$77.5 million). Pursuant to International Financial Reporting Standard ("IFRS") 9, the Group utilises a provision matrix to calculate expected credit loss allowances for trade receivables that are not credit-impaired or have increasing credit risk. The provision matrix is based on the aging of debtor groups with similar loss patterns. The provision rate is derived from the Group's historical observed default rates, considering forward-looking information that is reasonable and supportable and available without undue costs or effort. At each reporting date, the historical observed default rates are reassessed, and changes in forward-looking information are taken into consideration. Given the high uncertainties in the global economy, the handset market, and heightened geopolitical tensions, the Group re-evaluated expected credit loss allowances by increasing the percentage for overdue trade receivables during the current period.

Additionally, the Group has smaller customers, and exposure to financially troubled customers or suppliers may adversely affect our financial results. The Company will continue to closely monitor the situation, factors affecting cash position, and payment and creditworthiness of customers. If necessary, it will adjust credit limits, credit days, and/or control the volume of business with these customers, taking necessary collection actions and credit control actions (such as shipment blocks) according to the Company's policy. Adequate expected credit loss allowances arising from trade receivables will be made in accordance with the requirements of relevant accounting standards and the outlook of the credit position of the customers. Management will regularly review information about specific customers, ensuring that adequate impairment allowances have been provided for credit-impaired debtors evident to management as being in financial difficulty or trouble. Furthermore, we adjusted our supply chain management planning by giving high priority to shipping out slow-moving components projects first to avoid excess inventory accumulation. The Company continued to reduce excess open purchase orders and component inventory amounts. The Group will also dramatically reduce the sales amount to HMD in 2024 to reduce overall risk.

On top of mobile devices manufacturing business, the Group also has a strong after-market Services including reverse logistics, repair/refurbish services and manufacturing services locate in North America region which offer integrated solutions providing American customers the end-to-end value-added manufacturing services and after-market-service covering the entire product life cycle with best-in-class quality, cost and ability to deliver under the circumstance of global supply chain restructure. The services include after-market management, repair/refurbish services, product asset-recovery, excess inventory on-line sales service, integrated regional manufacturing, packaging, and fulfillment. Forward/reverse logistics and manufacturing expertise are provided by the Group to multiple product lines like drones, drone devices, smart home devices, set-top boxes, IoT products, medical product, and automotive electronics and its customers including name brand OEM, mobile carriers and retail channels. The Group aims to keep growing fulfillment service and regional manufacturing services to automotive and medical industry. The core competencies which the

Group upholds and demonstrates in this part of business are (1) strong core team with talents and expertise in the field of both EMS and after-market services area; (2) geographically central HUB location advantage in Dallas Texas for logistic services and proximity location advantage of boarder Mexico factory for manufacturing strategies under global supply chain restructure; (3) robust quality system and crucial certifications, such as ISO 13485 for medical and IATF 16949 for automotive; (4) high-mix-low-volume flexible support model and end-to-end business solutions, from design, production, fulfilment to after-market services; (5) comprehensive product engineering capability and global supply chain supports from FIH global resources; and (6) E2E (End-to-End), complete after-market service solutions and online-offline operation integrations, and customised service-models.

Key Relationships with Suppliers

(i) Supply chain management:

Supply chain performance is always a key indicator in determining operation execution excellence within the Group. To address time-to-market, volume-to-market and time-to-volume requirements in this business, performance of manufacturing operation depends on quality, in-time availability and cost of components and other raw materials, and highly efficient management to inventory. Supply instability will affect our production schedule and then shipment to customers. In particular, the impact of a delay or interruption in supply from a single-sourced component supplier can be catastrophic and we may be required to source these items from other third parties on a delayed basis or on less favourable terms. The Group sources components and other materials required for conducting businesses from Hon Hai and 1,497 reputable and qualified suppliers around the world. The Group has maintained stable business relationships over a long history with almost all of them and a dedicated team maps the supply and demand balances of each supplier and maintains an overview of market risks and works closely with internal engineering teams, among other tasks. Maintaining on-time delivery of quality material at best-in-class competitive pricing and, at the same time, avoiding being restrained by certain key supply sources has been a constant challenge to procurement team of the Group. In addition to managing cost of top critical material, the Group will from time to time take necessary actions in maintaining a suitable dynamics among inventory, outstanding purchase order and working capital. Customers do not usually accept price increase when cost rise resulted from increasing material cost. Adequate cash reserve is always kept by the Group in warranting sustainability of its operations. Considering unprecedented challenges presented by unbounded circumstances over the past couple years, the rise and fall of business has practically been largely dictated by supply chain performance, by its deliverables. Geopolitical uncertainties inclusive unabating U.S.-China confrontational relationship, Russia-Ukraine conflict, more recent Israeli-Hamas clashes, continual high inflation and tight monetary policy among major economies continue to dictate global economy in 2023. Vendors delivering basic materials and components including chipsets, memory, electronic parts, display modules, camera modules, batteries, connectors, enclosures, and packaging material together make up the supply partners of the Group. They are selected through a clear set of requirements developed over a long supply management history. It contains specifically technical requirements, quality and reliability standard, price competitiveness, technical competence, innovation and engineering capacity, logistics requirement, service

assessment, commercial terms, customers' requirement, capacity, peer recognition in the industry and financial strength. Vendors are then evaluated and admitted through qualification processes defined within the Group. Supply availability and price fluctuations of materials and components are constantly being studied and followed. Exposure to supply disruption potentially caused by excessive dependency on consolidated purchasing sources is determined to be low. And supplier performance measurement (TQSCE, i.e. Technology, Quality, Supply, Cost and ESG) is continuously being taken and monitored by the operation on a regular basis.

Components may not always be readily available at times of supply in constraint. The Group, from time to time, may not be able to continually obtain sufficient supply in meeting production schedules. And it is one of the reasons why it is challenging to publish order books and shipment volume forecast on regular basis. Purchases made to top five suppliers in spend by the Group accounted for approximately 45.9% of total purchases made in the current period. Whilst the Group could have worked with many accessible sources in the market, over the years the Group has continually consolidated its spend to limited number of key suppliers to continually enjoy ease of procurement processing, supply continuity and favourable commercial terms (especially in pricing). All top five suppliers in spend have had a long lasting and well-developed business partnership with the Group over the last five years or longer. They are not bounded by contract, nor are asked to keep manufacturing capacity, or, to produce and supply or guarantee minimum supply to the Group. At such, liability exposure is considered well administered for the Group. Given best-in class pricing is secured through purchase consolidation with handful of key suppliers, safety buffer planned and built on top of the demand keeps supply disruption risk in the form of supply delay or interruption to ODM business reasonably contained. Customers are informed and are aware of continuing supply challenge. Information is always adequately shared to customers on a timely manner. Contingency is always built in, it can be triggered when situation arises. Additionally, good number of alternative sources available in the market are always kept as fallback to always work with. Except chipset, memory and certain key components, the Group does not anticipate experiencing unforeseen market fluctuations such as significant material cost increase or supply delay in case the Group decides to engage with a new supply source. Its capacity in practicing best in class material pricing in the industry clearly displays procurement proficiency and commercial strength of the Group, it is considered a core competence built upon benefits leveraged through scale of its operations, bulk volume in purchase, and continuous close participation and networking with the market. One of the top five suppliers in spend to the Group is Hon Hai Technology Group. Hon Hai is the ultimate controlling shareholder of the Company and hence a connected person of the Company pursuant to the Listing Rules. Purchases attributable to the Hon Hai Technology Group accounted for approximately 8.6% of the Group's total purchases in the current period.

Procurement team may employ basic tools and appropriate tactics to contain demand/ supply dynamics from time to time. Pricing and supply requirements are communicated and negotiated with designated sources on a quarterly basis. Session for next coming quarter usually starts from third week entering into a new quarter and lasts till two weeks before quarter ends, i.e. when experiencing supply instability/disruption, by supply visibility, they will basically be dealt with one quarter or longer before they may actually occur later in time; in some cases, in extreme situation, unforeseen disruptions may come

up at very short notice, and those shall be resolved with intense senior management level escalation and follow-up review with the suppliers or through near term allocation adjustment. Planning and maintaining visibility are the basics in securing supply. Near term forecast is continually offered to suppliers on weekly basis, longer term numbers are shared through sourcing team. Planning and visibility are built on top of demand forecasting confirmation received from suppliers. Communication and negotiation taking place in each quarter are tools in determining pricing and supply in future quarters, bargain/trade-off is being made well before actual delivery confirm is given. Preferential supply strategy, in TQSCE, is always the guide in decision making. Demand and supply dynamics has shifted since late 2022, high level tactics have been adjusted to, (1) leverage preferential sources, balance demand/supply; (2) explore additional options if supply fails to meet demand in time; (3) drive best market pricing by commodity; (4) request reasonable order lead time, maintain minimum order coverage; and (5) seek supply from open market when necessary.

Regardless market dynamics, material availability in a full square kit is fundamentally essential in manufacturing, for which functionality or dollar value of the component will make no difference to production operation. If a product can be manufactured into one and shipped in time is all that matters. No doubt, keeping a demand supply balance with agility is critically important to our business success.

For details, please refer to the "The Group's Value Chain" section of the Company's separate 2022 environmental, social and governance report as issued and published on 13 April 2023.

In response to potential risks associated with the Group's reliance on its major customers and major suppliers, the Group has worked out and followed its business plan with goal to expand customer base and product categories and its supply mix, effective systems in internal control and ERM are implemented and maintained to assess and contain such risks. For details, please refer to the "Accountability and Audit" section of the Company's 2022 corporate governance report, which forms part of the annual report of the Company as issued and published on 13 April 2023. In order to cope with mounting geo-political risk, global economy slowdown, weak demand, inflation risk and to minimise impact on operations, the Group continually examines market situation and general economy and material supply and market price trends and maintains close association and communication with customers, suppliers and logistic service companies through flexible and efficient procurement and sales strategies.

(ii) *Material supply and price:*

Adjustment cycle continues into 2023. Restoring inventory back to healthy level has been and still is top priority in business. Supply constraint which troubled entire electronics industry over the last three years had started to dissipate since the third quarter 2022. It had drastically turned into over-supply toward end of 2022. Demand stayed to be illusive and remained to be highly volatile with very limited forward visibility.

It is fair to say no supply constraint is experienced in 2023. Irrational and unrealistic supply limitations are no longer in existence. Demand is expected to be filled with supply after terms are suitably negotiated and agreed upon. Adjustment in handset industry has been lagging, behind most other consumer electronics businesses. Consumer spending has been weak since the second half of 2022. Worries about economy's future continue to grow. Post-COVID market in China did show resilient recovery during March 2023, yet momentum failed to persist, it lasted only for the month. China export continued to be weak given fragile global economy and as result of continuing relocation of manufacturing capacity to outside of China. China domestic market has been an over-supply market. Huge capacity built over the decades as global factory for global demand is now available for domestic market, yet market has been struggling in making adjustment and identifying new opportunity for future growth. U.S. market has shown better resilience in the past months. Inventory has come down within a high consumer pricing environment.

In the past ten months, there are sectors where dwindling demands have prompted decisions to sustain the market through limit supply. Good examples are main chipset, memory, LCD cell and some key ICs. And, at the same time, there are certain semiconductor sectors in automotive application, in AI server market, supply in those applications remains tight, lead time could have been reduced yet is till long, pricing holds strong. Supply strategy implemented by key IC suppliers has showcased additional market force. In such case, component pricing is no longer dictated entirely by demand and supply dynamics alone. In contrast to a weak market demand, leading semiconductor makers raised their selling prices from beginning of 2023 up to 10% or more by claims on higher cost. EE active component pricing went down 1.5% passive parts came lower around 3%. Memory pricing is always extremely sensitive, is always subject to change from day to day. Memory pricing came to pre-COVID level, to the point where resorted to sustaining pricing through limiting production output. Memory pricing made a turn toward end of third quarter and started to rise. It is projected price will continue to rise in coming quarter. Custom-made components were more vulnerable and were tied to specific product demand, in which case, on a broader scale, display pricing came 4% lower; battery went down for nearly 2%, even sub-tier material rose and held at high level. Camera module went down 5%, charger was 6% lower.

Far as we can see, no supply challenge is expected, pricing is expected to come down in most commodities as clearing channel inventory continues; inflation and tight monetary policy in major economies, geopolitical conflict inclusive Russia-Ukraine conflict, continuing U.S.-China confrontational relationship and recent Israeli-Hamas clashes are apparent uncertainties. Though market visibility is limited, we're cautiously optimistic. If any, worry will have to be if market can hold up, if recession may escalate, how hard and how long. The Group continues to commit its efforts to try to overcome business difficulties and put in efforts to negotiate, discuss and arrange with its customers, vendors, suppliers and logistics partners to share risk, champion mutual benefits and foster long-term relationship among the parties in difficult times. In addition, there are also other challenging conditions that the Group has faced since late 2017 have continued into 2023 and is expected to continue into 2024.

Key Relationships with Employees

Employees are valuable assets to the Group. Therefore, the long-term strategy of the Group is to cultivate and develop employees internally and to recruit outside professionals and build up the competencies. Product development and manufacture are both complicated process and require professionals and experts. Therefore, the Group pays attention to keep enhancing the quality and quantity of staff force in order to secure its leadership and competency. The Group has been working diligently in different countries to attract and retain talents. As to talent development, the Group recognises that its future success will be highly dependent on its continuity to attract and retain qualified and brilliant employees by offering more equal employment opportunities, competitive compensation and benefits, more favourable working environment, broader customer reach, bigger scale in resources, training and job rotation and enrichment and diversification, coupled with better career prospect across various products and programs and business lines and promotion opportunities. The Group places great emphasis on career planning and talent development for employees in different countries by encouraging employees to attend internal and external training programs. Internal training programs include courses for core competency and professional competency and technical development to enhance employees' capabilities, while external training programs include hands-on courses and workshops and seminars or conferences organised by external parties that provide excellent training and professional development opportunities for employees that bring theory and practice together to improve the competency of the Group. Furthermore, much of the training that had started as face-to-face in classroom environments has been pursued online. The Group prides itself on providing a safe, effective and congenial working environment and it values the health and well-being of its staff. Adequate arrangements, training and guidelines have been arranged and implemented to ensure a healthy and safe working environment. The success of the Group is dependent on its talents, with its focus on human capital initiatives and strategic workforce planning in terms of talent acquisition, training and development, knowledge building, motivations, rewards and retention, as well as localisation. The Group complies with relevant labour laws and regulations to protect employees' rights and interests. The Group always emphasises employee benefits as well as harmonious labour relations, and highly values employees' opinions and feedbacks. In order to communicate effectively with staff, the Group provides channels like e-meetings, emails, or mail boxes for employees to reflect on their thoughts. Currently, the communication between the Group and employees is well conducted and employees can fully express their opinions, raising any labour issues to promote and maintain a positive labour relationship. Pursuing sustainable corporate development and embracing integrity is our highest guiding principle, and the Company has established relevant business ethic guidelines. Based on the guidelines, employees are required to follow the moral and ethical standards and advocate integrity, honesty and confidentiality to protect the rights and interests of the Company and its shareholders as a whole and enhance the Company's competitiveness and long-term sustainability.

Fushan Technology Vietnam is recently having more and more positive changes like diversified customers, expanding production and factories. Along with these, the human factor is also being emphasised because we mind that employee bring core values to our business. Accompanying FIH Group, we care about our employees through 4 core values: Care, Confidence, Determination, and Integrity by creating a good working atmosphere that people are respecting each other and to be recognised and trusted in their job assignment. Employees have a chance to make creativeness in their job and innovation to reduce the cost and increase work efficiency and better-quality result and also create equal chance for everyone. So that's why Fushan changed the "Thursday sharing" to "Kaizen sharing" where the innovative ideas are revealed even though they are just valuable ideas that have not been applied. Besides, the Company is always showing our caring to employees working life through benefit in kinds such as premium insurance to take care individual and their own family; team building program for indirect labor (IDL) to be organised twice per year to help employees not only to refresh their mind after working time but also enhance sharing with each other and highly motivation from Leadership to their subordinates. Especially, we are preparing to celebrate 10th anniversary of company history establishment with the key leading point "Fushan empowering Future".

Sustainable development with harmonious relationship is one of our policy. We always care, listen to employees' feedbacks and issues in their daily work through the "Skip Level Coffee" Program — meeting directly with company's representative every two weeks. In 2023, we have already conduct over 40 batches with around 300 issues — closed 86% and opened 14% and "shop-floor tour" program (listen to employee voice in the workshop) already conduct 50 tours with 551 issues and closed 92%, 8% opened. Besides, we have the opportunity to exchange and learn about the cultures of other countries through cultural sharing programs such as India's Diwali festival. Moreover, Fushaners also demonstrate the spirit of social community through the Blood donation activity where over 200 members successfully donated blood within 4 hours only.

Regarding Fushan Training program, we are continuing with our strategy of "customised training courses by Business requirements and self-learning culture mindset" since 2022 until now and maintaining sustainability training program such as periodically re-training to enhance knowledge and responsibility for employee like: Cyber security (over 900 trainees), ESD training (around 500 trainees), Integrity & anti-corruption (applied to all employees), Quality Awareness (over 300 trainees), Corporate Social Responsibility ("CSR") & Environment, Health and Safety ("EHS") Management System Awareness (over 490 trainees). In addition, we make new training course for human cultivation according with career development, adapting to the change. For Fresher, we conduct 3 sections of "Fresher training program" to help Fresher members quickly adapt with culture and job in Fushan. For Manager, we apply new training course "Manager roles training" which promote the management skills and provide enough procedures processes and make them have a good awareness of their roles and responsibilities in their daily management. Continually with Fushan trainer (44 sections with over 800 attendances) is outstanding training activities to promote self-learning culture and sharing culture for all employees. Besides above substantiality training courses mentioned, we also adapt the requirement from customers like SPC course & 6 sigma course.

In addition to internal training, employees are encouraged to attend external trainings or seminar which organise by VCCI (Vietnam Chamber of Commerce and Industry) or ILO (International Labour Organisation) like "Dialogue at workplace"; "Factory improvement tool" and "Collective bargaining". Along with the development of technology, to kaizen & support daily operation, to reduce paperwork and manual work, it could be said that 2023 is the year for HR Digital Transformation with some main achievements to upgrade HRIS system for better service in terms of paperless and efficiency.

India's electronic manufacturing industry has witnessed a sharp transition in the last few years with various initiatives to market electronics. In the face of fierce competition to attract and retain employees at a time when limited resources with experience are available, we have ensured 100% customer demand fulfilment in the core where the direct labour workforce are impacted by seasons, festivals, and by other factors (i.e. exams, marriage). India sites are witnessing, low volumes due to business downturn, the human resources key goals are to optimise headcount and create leaner, more efficient businesses model. AP (Andhra Pradesh) Site had moved from 24x7 operation into 24x6 to bring in better efficiencies. Despite the constant changes, we have maintained the motivational level of the workforce through series of learning and engaging sessions, New product skills, effective communication, team building and completed Hazardous Substance Process Management ("HSPM") awareness session for new client business readiness including internal audit certification.

In TN (Tamil Nadu) site the direct labour engagement at Dormitories on Vinayaga Chaturthi, Ayudhapooja was celebrated with gaiety. Actively facilitated potential new business/customer visits to factory. In recent get together event, the Diwali celebrations at BFIH, wellness event — with our healthcare partner arranged, dental, eye, health check-up for direct labour/Indirect direct labour at TN site. State police personnel gave cyber safety/mobile phone safety for women-training at TN dormitory. In addition, front line team leads and key personnel participated in blood donation camp organised by AP SriCity on the eve of police commemoration week became memorable.

As part of the CSR activity, BFIH is proud to collaborate with SEB's to promote education, health, and livelihoods in remote tribal communities near Vellore, Tamil Nadu, India. As part of the health program in collaboration with SEB's, BFIH provided meals to nearly 500 students for across nine SEB's schools. This initiative has significantly reduced school dropouts in the region and parents are motivated to send their children to school. BFIH prepared, aligned and are fully subscribed to the principles of RBR (Responsible Business Alliance) and SA 8000: 2014 from the second quarter of 2023. The preparation to the certification and qualification process for both started from April 2023. Lastly, HR has been 100% compliant to employee financial well-being in EPF & ESI Contributions paid on time.

Over the past year, in view of the Group's changes in product portfolio and excess capacity, we have undertaken initiatives to restructure our business operations with the intention of diversification, improving utilisation and realising cost savings and remaining as an asset-light and lean group. These initiatives included the restructuring the under performing parts of its manufacturing operations and disposing idle assets, moving production between facilities (new business in Vietnam and India) and reducing the level of staff, realigning our business process and reorganising our management, largely to align our capacity and infrastructure with current and anticipated customer demand. The employee size in China is also reduced due to business downturn but our goals are to retain key talents for business transformation and maintain optimise headcount for more efficient operation.

Regarding R&D capability which is central to the competitiveness of the Group, the Group has built up its core competence via establishing a global experienced R&D team with offices in PRC, Taiwan, India, and Vietnam to support its significant opportunities for business growth (such as new technology and materials, and new customers) by investing in R&D on top of its strong manufacturing and engineering capabilities to implement and execute the corresponding R&D requirements of the Group's customers. The Group has continued to devote resources to enhance R&D competence and strives to reinvent productivity to empower people and organisations to achieve an increased agility, streamline engineering processes, move faster and more efficiently, simplify its organisation, and remain lean and optimise its cost structure. By encouraging employees to bring up innovation at work, cooperating with customers on pioneer projects and supporting start-ups on manufacturing (or even with equity investments), the Group has successfully accumulated relevant experiences on procurement, value and design engineering and product development, quality management, production management, repair services, and sales and marketing competence.

As of 31 December 2023, the Group had a total of 36,657 (31 December 2022: 44,055) employees. Total staff costs incurred during the current period amounted to US$270 million (full-year 2022: US$371 million) and the year-on-year decrease was mainly due to the optimisation and rightsizing of staff force according to business needs.

The Group offers a comprehensive and competitive remuneration policy which is reviewed by the management on a regular basis. In general, the Group's merit-based remuneration policy rewards its employees for good performance, contributions and productivity. The Group treats all employees equally and fairly, and evaluates employee performance (including determining promotions and wage increments) objectively based on merit, ability, and competence. To encourage employee retention, the Group has implemented annual bonuses, time-based/performance-based incentives and other incentive programs. Employee retention is always a big challenge for all corporations. In a highly competitive global economy and as product development and manufacture are both complicated processes and require professionals and experts, retaining qualified and skilled key employees is essential for the sustainable competitive advantage. Offering competitive compensation and benefits, favourable working environment, broader customer reach, bigger scale in resources, training and job rotation coupling with better career prospect across various products and programs and business lines are undertaken as actions for the Group to increase the employee loyalty and retention rate. In particular, further to the Company's circular as issued and published on 13 April 2023, the Company has adopted a new share scheme (the "New Share Scheme") and a new share option scheme (the "New Share Option Scheme") respectively on 19 May 2023 following the approval of its shareholders, pursuant to which (among other things) the board of directors of the Company (the "Board") (or its duly authorised officer(s) or delegate(s)) may offer share awards or share options (as the case may be) to the eligible employees of the Group upon and subject to the respective terms and conditions set out therein (for a summary of the principal terms of the New Share Scheme and the New Share Option Scheme respectively, please refer to the Company's circular as issued and published on 13 April 2023). Both the New Share Scheme and the New Share Option Scheme comply with the requirements of Chapter 17 of the Listing Rules. Employees also enjoy insurance coverage provided by the Group. The emoluments payable to the directors of the Company are determined by the Board from time to time with reference to the Directors' Remuneration Policy of the Company as amended from time to time (for details, please refer to the "Remuneration Committee — Directors' Remuneration Policy" section of the Company's 2022 corporate governance report, forming part of the Company's 2022 annual report as issued and published on 13 April 2023) as well as the recommendations of the Company's remuneration committee.

For more details about the Group's key relationships with its employees, please refer to the "Human Capital — The Group's Greatest Asset" section of the Company's separate 2022 environmental, social and governance report as issued and published on 13 April 2023.

Review of Results and Operations

Financial Performance

The financial KPIs (Key Performance Indicators) include year-on-year changes in sales, gross margins, net margin, and return on equity. For peer analysis, as peers may have different histories, backgrounds, company goals, DNA, business and growth strategies, growth drivers, customers, market dynamics, organisational culture, leadership, risk profile and appetite, shareholder structure and background, business models (such as outsourcing or insourcing or co-sourcing or nearshoring) and life cycle, client profile and base and mix, revenue and product mix (casing versus system assembly and other non-handset businesses), product offerings, specific operating processes, operational scale, product and service strategy, differentiation, positioning, and diversification, risk appetite, geographical presence, business segments, market trends, pricing strategy and policy, geographical footprint, government support, ESG compliance and promotion, tax incentives entitlement, competitive edges, core competencies, R&D capabilities, asset utilisation, cash flow and position, creditworthiness, dividend policy, capital structure, and cost structure, it may be difficult to make direct comparisons at the consolidated group account level.

Gross profit and gross margins are common financial KPIs for a manufacturing business, measuring how effectively the company turns its revenue into profit. They reflect how much of its sales a company retains after paying the upfront costs of producing the goods or services it sells. This metric serves as a great indicator of a company's financial health, revealing whether a business can pay its operating expenses while having funds left for growth. A higher percentage of gross profit indicates a stronger ability to control the cost of sales and the quality of products, which encompasses variable costs such as BOM cost, direct labor costs, variable manufacturing costs, overheads and yields, and efficiency. This improvement in efficiency can enhance the contribution margin to cover fixed overheads. Low utilisation results in unabsorbed fixed overheads. The more profitable the business, the greater the funds available to cover operating expenses and ultimately pass on to the shareholders. Within a given company, changes in gross margin over time provide useful insight into internal improvements in sales management, capacity utilisation, supply chain and procurement management, efficiency optimisation, risk management, operation management, inventory control, productivity, quality control, yield control, direct cost control, manufacturing overheads control, or changes in pricing policies, activity levels, overall cost competitiveness, and the market landscape.

Net profit and net profit margin are financial KPIs measuring earnings/losses resulting from subtracting operating expenses and other gains and losses (such as equity investments fair value change), as well as tax and interest costs, from gross profit earned. It shows the residual of all revenues and gains over all expenses and losses for the period. This KPI assesses how well a company turns revenue into profits and is often regarded as the ultimate metric of profitability — the "bottom line" — because it represents the profit remaining after deducting all operating and non-operating costs, including taxes. It indicates how much of each dollar earned by the company translates into profits, resulting in a net change in shareholders' equity

from the Company's operations. It measures the ability to control operating expenses, optimise tax and capital structure, and minimise other kinds of non-operating gains and losses (such as foreign exchange gains and losses and equity investments fair value change). These factors reflect on the profitability of a business and show how fast the company can grow in the long-term prospect.

Return on equity (ROE) is the ratio of net income against each unit of shareholder equity, indicating the capacity of a business to use shareholders' investments efficiently. It measures a company's profitability and how much profit a company generates for its shareholders. In other words, management often utilises it to measure how effectively and efficiently a company uses the resources provided by its equity investors to create profits. The Return on Equity ratio not only provides a measure of an organisation's profitability but also its efficiency. A high or improving ROE demonstrates to shareholders that their investments are being used to grow the business effectively.

In the first half of 2023, the Group recognised consolidated revenue of US$2,677 million, representing a decrease of US$1,448 million or 35.1%, compared to US$4,125 million for the same period last year. In the second half of 2022, as capacity and production ramped up, pandemic-induced supply chain constraints that had been impacting the market since 2021 eased. These constraints were no longer the most pressing issue, as component orders were quickly cut, and suppliers started to be concerned about oversupply and inventory accumulation. The industry shifted to a demand-constrained market, and end customers became even more price-sensitive. The latest models, carrying a hefty price tag, became inaccessible to budget-conscious consumers who were only seeking affordable handsets. By 'price-conscious,' we mean being sensitive to price increases and changing their behaviours (such as changing brands, shopping around, not buying at all, etc.) when prices go up. Meanwhile, marketing budgets have grown as competition intensifies. Brands now collaborate more with media outlets to reach consumers. The increase in costs is passed on through higher retail pricing, putting pressure on consumers. There is a growing perception that innovation in new models has slowed, often providing only incremental improvements, and consumers are now keeping their smartphones for longer periods before considering an upgrade. The allure of frequent upgrades, which was more prevalent in previous years, has diminished. This deceleration in the frequency of upgrade cycles poses challenges for achieving continuous growth in smartphone sales.

Due to the drop in demand, many handset brands faced inventory accumulation challenges and struggled to clear inventory since the third quarter of 2022. The year-on-year decline in global handset shipment statistics reflected weaker market demand due to a higher cost of living, a deteriorating economy, a lengthier replacement cycle, and a growing refurbished smartphone market. Companies are always looking for ways to price their products to stay ahead of the competition. As the handset market becomes demand-constrained, the Group adopted a proactive and aggressive business strategy, establishing a dedicated business development team to drive expansion into new markets and seize growth opportunities. In the 'Geographical Segment' section below, detailed explanations are provided on the year-on-year change in sales for individual customers.

In the year of 2023, although the world is gradually recovering from the crisis of COVID-19, its impact on the business continues to persist and even expand. Customers, faced with supply chain disruptions during the previous COVID-19 period, significantly increased their order demands to secure larger quantities and increased their inventory levels to avoid stockout. This exaggerated demand does not stem from genuine market demand growth. As the supply chain returned to normal, customers were faced with excessive inventory, resulting in a reduction, postponement, or even cancellation of new orders. In light of this challenge, the Group is actively monitoring market sales trends in real-time, closely communicating with customers to assess the confidence and accuracy of demand forecasts, shortening material procurement lead times, and ensuring prudent and timely inventory management to avoid excessive or premature stocking that may lead to idle resources and financial burden. In order to consume the excess inventory, customers have also started to cancel or postpone the new product Request for Proposal (RFP) processes. In response, the Group continues to actively participate in the new RFP proposals from existing customers and is also exploring opportunities to develop relationships with new customers and expand its product lines. In addition, the global economic challenges arising from high inflation and interest rates, depreciation in emerging market currencies and resulting fluctuation in consumer demand, resulting in severe economic instability, were more challenging to the Group's operations.

The Asia segment is the largest geographical segment of the Group. China's economy rebounded in 2023 shortly after the Chinese Government dismantled its heavy-handed COVID-19 controls in December 2022, lifting businesses and consumers out of crippling pandemic disruptions. China's better-than-expected GDP growth in the first quarter was spearheaded by a sharp rebound in consumer spending, especially in services, non-durable goods, and semi-durable goods. This rebound, however, seemed largely self-contained, and some analysts believed that the strong growth reported in the first quarter was the product of the 'backloading' of economic activity from the fourth quarter of 2022, which was weighed down by pandemic restrictions and then a chaotic reopening. Weak goods imports were evidence that the strong headline growth number did not translate into wider regional benefits, and headwinds from a global slowdown point to a bumpy ride ahead. A more than year-long sweeping streak of global monetary policy tightening to rein in red-hot inflation dented world economic growth, leaving many countries, including China, reliant on domestic demand to spur momentum. Vendors are passing on inflationary component costs to users, which is dampening demand further. Heavy sales and promotions helped deplete existing inventory rather than drive shipment growth.

On top of the OEM business, to face the challenges posed by formidable competition from ODM enterprises, the Group has to devote resources and effort on innovative design solutions, efficient supply chain and cost management, and the enhancement of our MVA. To navigate the highly competitive landscape, we have to align our strategies with market demands, prioritise operational excellence, and capitalise on our strengths. The Group strived to invest in R&D and improve efficiency and maintain a good and stable yield by enhancing production automation, asset utilisation and capacity, quality assurance and quality control, and tighter control on manufacturing overheads and capital expenditure. The Group's automation engineering team continued to increase automation coverage across different manufacturing processes to diminish the impact of rising labour costs and enhance efficiency. The Group's dedicated and professional procurement team were leveraged to sourcing materials with competitive prices. Furthermore, there was continuous strong support from the Hon Hai Technology Group to offer in scale, component support and stable supply of key components and a vertically integrated supply chain that allows for production synergies. The Group can

leverage on the Hon Hai Technology Group's resources, giving the Group more flexibility in outsourcing capacity. By doing so, we aim to enhance our competitiveness, seize growth opportunities, and successfully navigate the dynamic business environment. By closely monitoring the economic indicators and making informed decisions, we aim to position our business for long-term success and capitalise on any opportunities that may arise. Factors such as market dynamics, policy changes, and other economic variables will continue to influence the overall business environment. We remain vigilant and adaptable to these changes, ensuring that our strategies are aligned with the evolving market conditions and increase sales and shipments as low asset utilisation resulted in idle costs and assets, and unabsorbed overheads and the risk of the need to book additional asset impairment loss increased.

Profit and Loss account

The Group recognised a consolidated revenue of US$6,446 million in the current period, representing a decrease of US$2,948 million or 31.4%, when compared to US$9,394 million for the same period last year. The reasons for the year-on-year decline in sales are stated above. Consumer demand continues to face a very challenging environment amid the global economic slowdown in 2023. The global consumer electronics market is adversely affected by various headwinds, including prolonged geopolitical uncertainty, a slowdown in the global economy, slow recovery, cost-of-living crisis, reduced propensity to spend, rapid increase in budget-minded users, limited visibility, inflationary pressure, high interest rates and cost of borrowing, commoditisation, and increasing life cycle of smart phones. Low and middle-income groups have continued to be materially impacted by inflation, and many have reduced non-essential spending. Net loss attributable to owners of the Company for the current period was US$120.7 million, as compared to net loss attributable to the owners of the Company of US$72.1 million for the corresponding period last year. The attributable factors are:

(I) Decline in gross profit: The Group recognised a gross profit of US$110 million in current period, representing an decrease of US$82 million when compared to US$192 million for the same period last year. Gross profit margin for the current period was 1.70%, compared to 2.04% for the same period last year and the deterioration in gross profit margin was due to the significant drop in the sales revenue and contribution margin as a result of sluggish handset demand and keen competition and huge margin erosion pressure and unabsorbed overheads resulted from comparatively low asset utilisation. The gross margin of both the system assembly business and casing business is also razor-thin due to intensifying competition triggered by excess capacity in the market. Both system assembly and casing factories face strict competition from peers as the production process is mature and well-adopted by competitors. As visibility is shortened, orders become more low-volume, reducing revenue per SMT line and increasing SG&A expenses. Higher-mix manufacturing requires frequent reconfiguring of SMT lines for shorter production runs. SMT lines run slower to assure quality, inventory must be frequently restocked, and increased testing is required. The larger EMS companies are highly leveraging resources by taking orders for extended production runs where they can manufacture in low-labor-cost regions like Asia. The shrinking of profit margin and huge margin erosion pressure continue to be common industry norms.

In the competitive EMS industry with excess capacity, profit margins were razor-thin and relatively low as component prices were on average and key focus lay on the labour costs and capacity utilisation and yield and cost control. To meet its customers' cost expectations, it must lean out all processes. Most of the orders are low margin and push adaptable EMS companies to seek profit by increasing productivity and more effectively managing their supply chains. Cost savings are nearly always passed along to customers. The market was pessimistic for 2023 demand and the challenging conditions that the Group faced since late 2017 continued into 2023 and most channels were still filled with inventory and peers had to fight for the remaining very limited demands if existing inventory could not cover. A lot of peers are working on specialization to stand out and gain market share, and they are also looking at vertical integration to control their supply chains better. The competition pressure becomes growingly huge and the difficult operational environment that the Group operates and faces prevail and there is continued pressure on the Group's gross margins generally and this was aggravated by the sluggish demand due to prolonged phone replacement as a result of lack of upgrades and the threat of soaring inflation and interest rate hikes and persistent existence of surplus capacity in the market and sales recovery of the Group was constrained, including constantly becoming and remaining more cost-efficient in order to reduce the losses. As the margins of the customers were reduced, they were prone to cut the prices of the handsets we sold to them and margin erosion pressure on us was extremely high. The margin compression risk continues as sales growth is driven by the system assembly business, which has very low gross margin. The casing factories have been facing strictest competition as the production process is mature and well adopted by competitors, resulting in the shrinking profit margin and erosion pressure is extremely high and these becomes an industry norm. In China, the general casing manufacturing industry faced excess production capacity and crowded competition, and the gross margin of the Group's casing business continues to face huge pressure. The low entry barrier and availability of excess manufacturing capacity at many of our competitors and the Group created intense pricing and competitive pressure on the EMS industry as a whole and a majority of the market participants faced challenges with respect to the operating margin. China peers were particularly very cost competitive and the Group had to relocate some of the productions to India and Vietnam to capitalize on the huge domestic market there. In addition, some customers, who adopted the China Plus One policy, also asked the Group to move some of the manufacturing activities overseas in order to reduce the reliance on China supply chain. It is well acknowledged that some countries have approached mobile phone market saturation and demand dropped and cut-throat competition continues to increase and prices continue to be driven down to gain competitive edge and a majority of the market participants face challenges with respect to the shrinking operating margin in the EMS industry and EMS providers today must survive year-to-year on razor-thin profit margins and do whatever is necessary to survive. As market volatility and uncertainties increased dramatically and handset replacement cycle lengthened and demand dropped significantly, all these unfavourable factors intensified the competition of the global handset market and our customers were more cautious in their product roadmap and procurement planning, inventory control, cash flow management and demand forward visibility was greatly shortened.

At the same time, the Group had been aggressive in getting more orders in order to optimise asset utilisation and adopted a proactive and aggressive business strategy and established a dedicated business development team to pursue new and exciting frontiers and drive expansion into new markets and seize growth opportunities. There is a need to optimise our workforce utilisation rate, which is affected by a number of factors, including hiring of new employees, reliable forecast and projection of demand for our products and services, and thereby maintaining an appropriate workforce in each of our operating sites, management of attrition, training and development and matching the skill sets of our employees to the needs of the customers and industry are very important. The average cost of manufacturing labour in China is higher than neighboring countries like India and Vietnam and the adoption of "China Plus One" policy to mitigate supply chain risk of China prompted manufacturers to move out of China. The Group had been putting effort on continuous development and penetration of the Chinese and international brand customers, expanding production capacity in India and Vietnam and R&D and ODM capability in India and increasing local sourcing in India. The markets with fastest-growing demand were mostly developing countries such as India and Africa where the average income level was low and people tended to purchase much affordable mobile phones, which were low-end and mid-end models with lower margins. In particular, strong USD affected the purchasing power of the people and they became more price-sensitive and curtailed non-essential and discretionary spending and kept more cash. In order to meet the shift in consumer market and customers' demands, the Group accepted more low-end devices manufacturing orders which contributed to profit erosion too. Feature phone sales to penetrating the smartphone sector penetrating the smartphone sector downside pressure as high inflationary rates affected HMD sales of low end feature phones in African continent and India. Elevated inflation rates erode consumer purchasing power and afford ability, consequently dampening the demand for feature phones. We also capped the trade receivable amount to control risks. In this inflationary environment, it is crucial for the Group to prioritise effective cost management and continuously seek avenues for optimising operational efficiency. By identifying opportunities for process improvements and embracing innovative strategies, we put effort to mitigate the impact of rising costs and adapt to the evolving market dynamics. These proactive measures will maintain the Group's competitive position amidst the challenges posed by inflation.

While the Group continues to closely monitor the rapidly-changing and competitive handset market and conditions and the Group's capacity and asset utilisation, the Group has continued to carry out rightsizing/restructuring activities, including the optimization of staff force and disposal and/or liquidation of under-utilised/depreciated/obsolete assets. In view of the Group's changes in product portfolio and excess capacity, in 2020, the Group refined its approach and took necessary steps to become an asset-light corporate group and impaired and/or wrote off various under-utilised/obsolete assets of US$42.7 million and the restructuring continued into 2021 and 2022 as it took time to carry out the downsizing and restructuring works and streamline the operations. Thanks to the rightsizing/restructuring carried out in the past couple of years, the Group becomes leaner and the company-wide cost trimming initiative and headcount cut resulted in annual savings in expenses which helped reduce costs and overheads in the long run. Despite of the Group's continuous effort to dispose of under-utilised/obsolete/depreciated assets in the past years, with the protracted Ukraine war and slow down of global economy which weakened handset demand, capacity and asset utilisation of the Group continued to be bad

and disappointing and the idle costs and unabsorbed overheads were still high. People were also heavy burdens on the Group. The global economy slowdown continued to affect the recovery path of the Group seriously and demand sluggishness greatly reduced room for improving asset utilisation and capacity optimisation and there was a desperate need to optimise operations' workforce utilisation. To effectively address these challenges, we took decisive action in the first quarter of 2023 to reduce operational costs and enhance organisational efficiency. This included implementing a restructuring initiative in Northern China with the aim of retaining only top talent within the organisation to ensure a streamlined and high-performing workforce and prioritise spending related to future business. These rightsizing/restructuring activities have given rise to, among others: (a) severance payments, booked as general and administrative ("G&A") expenses, upon the optimisation of staff force, totaling US$26.3 million for the current period, compared to a total of US$17 million for the year ended 31 December 2022; and (b) gains from asset disposals, write-off, and impairment of US$0.1 million for the current period, compared to total losses of US$2.2 million for the year ended 31 December 2022. We will continue to review and monitor external market dynamics, the performance of the business, phone demand, and evaluate if there is a need to shut down loss-making/under performing operations and carry out restructuring activities.

(II) Other income, gains, and losses for the current period were US$229.5 million, representing an increase of US$96.9 million from that for the same period last year.

(i) There was an increase in expected credit loss allowance of US$53.3 million, mainly due to the long overdue trade receivables balance of HMD. As explained, market continued to be extremely tough and global economic and political uncertainties, market volatility, and reduction in end market demand seriously affected the business and cash position of some of the Company's customer and collectively increased the credit risk and there was a need for the Group to make adequate expected credit loss allowances in the book to reflect the actual and potential collection risks of these customers. Pursuant to IFRS 9, the Group performs impairment assessment on trade receivables under expected credit loss model. For customer with increasing credit risk, the management appointed an independent valuer to assist in the estimation of the expected credit loss allowance of the trade receivables due from such customer by determining an appropriate probability of default rate, forward looking adjustments and estimated loss given default (LGD) rate. LGD denotes the share of losses, i.e. the actual receivables loss in the event of customer default, or what is expected to be irrecoverable from among the assets in insolvency proceedings. The Group uses a provision matrix to calculate expected credit loss allowances for trade receivables which are not credit- impaired or with increasing credit risk. The provision matrix is based on debtor's aging of groups of various debtors that have similar loss patterns. The provision rate is based on the Group's historical observed default rates taking into consideration of forward-looking information that is reasonable and supportable and available without undue costs or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In light of the high uncertainties of the global economy and weak consumption power and handset market and geo-political tensions, the Group reassessed the expected credit loss allowances by increasing the expected credit loss percentage for overdue trade receivables during the period.

During the current period, based on the provision matrix and the assessment, the Group provided net impairment loss under expected credit loss model of US$133.8 million (2022: US$80.5 million) and the accumulated amount of expected credit loss allowance made as at 31 December 2023 was US$225.3 million.

(ii) On 2 November 2022, the local government of Hangzhou, Zhejiang Province, PRC, and Honxun Electrical Industry (Hangzhou) Co., Ltd. (an indirect wholly-owned subsidiary of the Company) entered into compensation agreements, under which the local authority resumed ownership of the land and properties. The gain on the disposal is recorded on the Group's consolidated statement of profit or loss over the years according to the cancellation of land use rights and related certificates in relation to the properties. The details were disclosed in the Company's discloseable transaction announcement dated 2 November 2022. A before-tax gain on the disposal of US$78.5 million was recorded in the first half of 2023 (Nil in the first half of 2022 and US$6.2 million in the second half of 2022). Furthermore, the Group made provision for compensations to the lessees and service providers of US$12.8 million in the current period. In addition, the Group entered into an agreement for the sale of land and buildings in Hungary on 7 July 2023 and also disposed of certain buildings in Beijing, as announced by the Company on 7 June 2023, generating a gain on disposal of US$8.7 million and US$14.3 million, respectively.

(iii) There was a year-on-year decrease in service income by US$14 million (for the year ended 31 December 2023: US$11 million, for the year ended 31 December 2022: US$25 million) due to a decrease in the product development service provided to customers. Regarding interest income, as the group held more USD and after the FED continuously raised the interest rate, the USD interest rate was much higher than that of RMB, and the interest income increased by US$8.4 million (for the year ended 31 December 2023: US$52.5 million, for the year ended 31 December 2022: US$44.1 million).

(iv) There was also a year-on-year decrease in foreign exchange gain by US$7.7 million (for the year ended 31 December 2023: gain of US$5.5 million, for the year ended 31 December 2022: gain of US$13.2 million). In the first half of 2022, the group experienced a foreign exchange gain of US$13.6 million, due to its holding of USD assets and the appreciation of USD during the period. On 7 December 2022, the Chinese Government lifted zero-COVID controls and the RMB appreciated against USD in the first quarter of 2023 and the Group recorded foreign exchange loss. But the economic recovery lacked momentum and FED continued to raise interest rates to fight inflation, the RMB turned to depreciate against USD in the second quarter of 2023. As a whole, during the current period, the decrease in foreign exchange gain is mainly due to the decrease in foreign exchange gain generated on the forward contracts entered into by the Group and the decrease in foreign exchange revaluation gain of USD-denominated trade receivables balance as the appreciation of USD against RMB was weaken in 2023 comparing to 2022. Exchange rates of RMB and USD will continue to be volatile and the Group will continue to maintain its consistent hedging strategy to minimise foreign exchange exposure caused by exchange rate volatility.

(III) The Group took aggressive steps to minimise operating expenses, headcount, and control capital expenditures to better align with the future needs of the business. Regarding operating expenses, for the current period, it was US$219 million, compared to US$263 million for the same period last year. For selling expenses, the decrease of US$4 million was mainly due to a reduction in sampling fees and customer duty with a decline in sales, and staff cost savings caused by prior restructuring/rightsizing initiatives. For G&A expenses, the decrease of US$23 million was mainly because of staff cost savings of US$13 million resulted from the prior optimisation of G&A headcount, service fees payment being reduced by US$9 million after restructuring, and no share options expenses of BFIH as an acceleration of vesting under IFRS 2 upon the cancellation of BFIH's share options in the current year (first half of 2022: US$9.5 million). The total decrease was partly offset by the increase of severance payment of US$9.3 million (2023: US$26.3 million; 2022: US$17 million) during the current year. For R&D expenses, the decrease of US$17 million was due to reduced payment of professional service fee and molding expenses for development of handsets and a decrease in staff cost after restructuring/rightsizing. The Group will continue to focus on prioritising spending related to future business and avoiding cost overruns.

(IV) Regarding interest expenses, since 2022, the FED has raised rates 11 times thus far to a range of 5.25% to 5.5%, a 22-year high. Affected by these aggressive interest rate hikes, inflation eased over the past year but still remained at a high level compared to the FED's target rate of 2%, indicating the presence of ongoing inflation pressures. In the current period, although we borrowed less USD, yet U.S. interest rate increased dramatically, and the interest rate during current period was high compared to the interest rate in the first half of 2022 and interest expenses increased. As a whole, there was a decrease in net interest income for the Group during the current period. Interest income and interest expenses for the year ended 31 December 2023 were US$52.5 million and US$60.6 million, respectively, and net interest expense was US$8.1 million. In contrast, the interest income and interest expenses for the same period in 2022 were US$44.1 million and US$29.6 million, respectively, and net interest income was US$14.5 million.

(V) There was also a year-on-year increase in the share of losses of the Group's loss-making associates and joint venture, which were accounted for using the equity method in the Group's consolidated financial statements. During the current period, the share of losses of the Group's associates and joint venture amounted to US$0.3 million and US$20.2 million, respectively (compared with losses of US$3.1 million and US$4.4 million for the same period in 2022). The share of loss of the joint venture includes the share of impairment of goodwill of US$16.2 million, as the joint venture suffered a loss due to hardware sales facing strong headwinds, and the EV market in mainland China is becoming hyper-competitive, impacting both the volume and selling price. The margin erosion pressure is becoming increasingly high.

(VI) Income tax expenses during the current period was US$20.9 million, when compared to income tax expenses of US$12.5 million for the same period of 2022 and the year-on-year increase was mainly due to the US$8.7 million income tax expenses recognised on the gain of disposal of land and the properties of Honxun mentioned above.

Despite most of the world's major economies having re-opened, there are still many other challenges and it needs time for the Group to turn around. China, the world's second-largest economy, is beset by a series of other crises, from a debt-laden property sector to flagging consumer confidence, global inflation, the threat of recession elsewhere and geopolitical tensions with the U.S.

As demand is weak and the market is growingly saturated and macro-economics and geo-political landscape are tough and dynamic and volatile, a lot of uncertainties will continue to affect our performance and our current/past operating results and earnings/losses may not be indicative of our future operating results and earnings/losses and risk profile and quarterly performances. It is also too complex for longer term forecast to last and hold, the Group remains vigilant to the challenges which will unfold over time and will be prepared and reacts to the best of its capacity and makes business decision of terminating loss making operations and reducing headcount in a decisive manner.

On the basis of a preliminary review of the Group's latest unaudited management accounts and other information currently available, the Company currently expects that: (a) the Group's financial resources (including cash, cash flow, banking facilities and liquidity positions) and working capital remain sufficient to finance its continuing operations and capital commitments; (b) the Group would have sufficient funds to satisfy its working capital and capital expenditure requirements for the forthcoming 18-month period; and (c) no significant events nor circumstances might adversely affect the Group's ability to fulfill its financial obligations or meet its debt covenants in a material respect. However, to seek to ensure that the Group will maintain that, and given the significant decline in market demand and slowdown of economy and Ukraine warfare and high inflation and strong USD and interest rate hikes, the Group has continued to focus on proactive measures to control overall costs and operating expenses and improve yield and efficiency, and to seek to ease pressure on margin erosion, while at the same time working closely with customers to fulfill their demand at a reasonable cost in a timely manner amidst fierce market competition and build up business development capability, and with suppliers to secure stable supply of materials and components. Support of local government is of equal importance. It is the Group's business strategy to become more asset-light and lean, and accordingly, the Group has continued its regular review of the need to carry out downsizing/restructuring of the under-performing/loss-making parts of its manufacturing operations, headcount reduction and has generally suspended capital expenditure on non-critical investments and/or capital assets and has also got rid of its obsolete, depreciated and under-utilised assets. Utilisation will continue to be a burden and can only be improved gradually when the market ultimately picks up momentum. The Company will continue to closely monitor the situation and asset utilisation, and where it considers necessary, will implement further appropriate measures like carrying out further rightsizing and restructuring activities which can improve utilisation and realise cost savings. The Company has been working hard and doing everything that it reasonably can to improve its performance through these long-lasting challenging times. As a whole, there is a continuous need to drive for better internal operational efficiency and excellence of manufacturing processes, testing processes, inventory and supply chain management, quality management and capital expenditure control. There is also a need to improve yield to lower manufacturing costs, conduct the benchmarking of cost leaders' processes and costs of external EMS to improve the competitiveness of the Group's manufacturing costs, yield, efficiency and core competence. It is also the long term commitment of the

Group to invest in R&D competence building and business development capability. In conclusion, good vendor management, supply chain management, manufacturing management, business control management, environment protection, quality management, corporate governance, order fulfillment and inventory management are critical to ensure cost efficient operations on a global basis. The Company will keep matters under close review as 2024 progresses.

During the current period, ROE representing the amount of net income returned as a percentage of shareholders' equity, which measures a Company's profitability by revealing how successfully a company utilises the resources provided by its equity investors and the Company's accumulated profits in generating income was 7.7% negative, when compared with the ROE for the same period last year of 4% negative. The ROE declined as a result of increased loss making.

Basic loss per share for the current period was US1.52 cents.

Dividends

The Company has adopted the following dividend policy, aiming to enhance transparency and facilitate its shareholders and potential investors in making more informed investment decisions. The form, frequency, and amount of dividends to be declared each year, along with the dividend pay-out ratio, will be dependent upon the Group's business outlook and strategy, financial performance, cash flow generated from operations, projected working capital, capital structure, future expansion plans, capital expenditure and requirements, cash position, and other relevant factors that the Board may from time to time deem appropriate.

The performance of the Group has been volatile in the past couple of years, with economic slowdown, a drop in handset demand, U.S. ban, geopolitical tensions, soaring inflation, interest rate hikes, and a strong USD leading to uncertainties for the coming periods. The Group needs time to recover (please refer to the "Outlook and Industry Dynamics" section below) and to maintain a healthy capital structure. Therefore, the Company will continue to closely monitor the situation, and when it considers necessary, will adjust and/or enhance its dividend policy, as appropriate.

On 7 March 2024, the Board resolved not to recommend the payment of a final dividend for the current period.

On 22 December 2021, the Company announced that the Company proposed to spin-off and separately list the equity shares of BFIH, its Indian subsidiary which is one of the largest Electronics Manufacturing Services providers in India, on BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE"), which are the two main stock exchanges in India (the "Proposed Spin-off"). In that announcement, the Company also announced that the Stock Exchange had confirmed that the Company might proceed with the Proposed Spin-off pursuant to Practice Note 15 of the Listing Rules and that BFIH had filed its draft red herring prospectus in relation to the Proposed Spin-off with the Securities and Exchange Board of India ("SEBI"), BSE and NSE. To give due regard to the interests of the shareholders of the Company by allowing them to directly benefit from the Proposed Spin-off (and taking into account that the Company would not be able to provide its shareholders with an assured

entitlement to the equity shares of BFIH pursuant to the Proposed Spin-off due to the legal restrictions and practical difficulties involved) and subject to the Proposed Spin-off being completed, the Company proposed to pay a special cash dividend to the shareholders of the Company of an aggregate amount which would not be less than 40% of the net proceeds to be received by the Company from the sale of existing equity shares in BFIH pursuant to the Proposed Spin-off.

As noted in the Company's announcement dated 20 October 2022, in view of the market conditions, the Company has decided to delay the timetable for the Proposed Spin-off and the Company intends to continue to pursue the Proposed Spin-off when market conditions improve.

Further to the Company's announcement dated 20 October 2022, on 12 May 2023, the Company announced that, in view of the market conditions since then, BFIH has decided to further delay the timetable for its Proposed Spin-off, which accordingly will not be open for subscription by 9 June 2023, being the last date on which the Proposed Spin-off can be opened for subscription according to the final observations received from SEBI on 10 June 2022. The Company still considers that the Proposed Spin-off (if it proceeds) will be commercially beneficial to the Company and BFIH and the Company intends to continue to pursue the Proposed Spin-off when market conditions improve.

Accordingly, if the Proposed Spin-off proceeds, details of the special cash dividend, including the amount and timing of payment, will be announced by the Company in due course.

Meanwhile, as noted in the above announcements of the Company, shareholders and potential investors of the Company should note that the Proposed Spin-off is subject to, among other things, the approvals from the relevant regulators in India, market conditions and other factors, and accordingly, there is no assurance that the Proposed Spin-off and the proposed payment of a special cash dividend by the Company following the completion of the Proposed Spin-off will take place or as to when it may take place.

Diversification

The Group has been engaged in 5G, IoV (Internet of Vehicles) and AI (Artificial Intelligence) since 2019 for building up the Internet and the mobile ecosystem, actively expanding the Group's participation in the relevant product and service segments of the 5G, IoV and AI businesses through the utilisation of the Group's expertise and experience and core competencies in providing its innovative software design and hardware development services as well as wireless communication and information exchange technologies in support of the development of such business segments together with ancillary networks and ecosystem. At the end of December 2021, the Mobile Drive Group ("Mobile Drive") previously wholly-owned by the Group has become jointly owned by the Group and Stellantis N.V. ("Stellantis"), one of the world's leading automakers and a mobility provider, combining with wide resource and solid experience from both sides, Mobile Drive leveraged its expertise in wireless communication and automotive industry to focus on the software and hardware integration to develop a smart cockpit solution for in-vehicle infotainment system. With that, Mobile Drive's respective financial results, assets and liabilities have no longer been consolidated into the Group's financial statements and the share of profits/losses has been accounted for by equity

method in the Group's consolidated financial statements. The Group has become the strongest anchor partner for the joint venture to provide all the supports from the hardware manufacturing side. In 2021, Mobile Drive has received the highest level of ISO 26262 certification, a recognition of unsurpassed R&D capabilities, marking a significant milestone for the company. Strictly following the ISO 26262 specifications, Mobile Drive continues providing high-quality, end-to-end Smart Cockpit and Advanced Driver Assistance Systems (ADAS) solutions with the highest functional safety and reliability to its customers. Extending the success of installing Mobile Drive's ADAS solution on LUXGEN's car in 2022, Mobile Drive announced the first fully self-developed ADAS in Taiwan, which has been in mass production and shipping in the mid of 2023. In collaboration with generative AI technology, Mobile Drive has successfully achieved software-defined cars and has not only generated significant discussions when its ADAS introduced late last year but has also received positive reviews from users after practical usage. The Group leveraged some of its less utilised capacities and incorporated its past experience in information and communications technology industry to actively expanded its portfolio of in-car electronic products. In addition to the Telematics Box (T-BOX), which is equipped with the certified Emergency Call (eCall) system, other products include the Central Control Unit (CCU), Zonal Control Unit (ZCU), Electronic Smart Mirrors (E-Mirrors), Power Distribution Center (PDC), Smart Keyless Entry Systems, and various display screens and camera monitoring products.

In addition, as business spans multiple end markets, the Group strives to provide its customers on a global basis with not only product development and manufacturing support and solutions, but also vertical integration and a full range of cost-competitive services including repair services on a global basis. Countries are now leading the charge on embracing a circular economy surrounding smartphones that encourages repairs, refurbishments and upgrades instead of replacement. The Group's After Market Services (AMS) division provides comprehensive capabilities of return management and services and product repair/refurbish solutions in mobile device, drone and smart consumer electronics devices in both North America and Great China markets. The capabilities from SUR (Same Unit Repair), refurbishment, Fulfilment to Call Center Service…which will cover customer's product warranty policy and improve customer satisfaction. The service centers and hubs are proximity close to market and are scalable with ability to ramp up in a rapid manner and end-to-end manufacturing capabilities allow the handling of high-mix-low-volume customers. The Group believes that this strategy differentiates the Group from its competitors and will help to support its customers' products during their entire life cycles and reduce the lead time required to ramp up the production and bring the products to the highly dynamic and competitive market and fosters long-term business relationships with customers. Thanks to the growth of the drone market in the last two years, AMS team has become one of the largest drone after-market-service providers in the field. The extensive global expertise provided a solid foundation for serving existing and potential clients regardless of national boundaries.

Changes in Overseas Operation

For the past three decades, Western businesses have heavily invested in China due to its low labour and manufacturing costs, as well as its growing consumer market. However, this has led to an over-reliance on China for their business interests, which can be risky given geopolitical tensions and unforeseen disruptions. With a backdrop of trade tensions and increasing production costs in China, zero-COVID-19 policy in the past years has accelerated existing trends in encouraging multinational companies to adopt The "China Plus One"

strategy to reduce companies' dependence on China and encourage companies to diversify their operations by expanding outside of China and establish production hubs in other promising developing nations in Southeast Asia such as India and Vietnam, while still maintaining a presence in the country. These nations, with its varied economic strengths and strategic trade agreements, offers a compelling case for investment and they are not just an alternative but a complementary addition to China, providing both market diversification and cost advantages. Even before the pandemic, many companies were beginning to seek cost-competitive options to China to alleviate supply chain risks. The vulnerabilities of what was believed to be a reliable Chinese manufacturing and distribution process were exposed by the pandemic, and have contributed to the fast-track of a manufacturing shift to other Asian countries. Closer economic ties between Association of Southeast Asian Nations (ASEAN) countries and both mainland China and the U.S. encourage production relocation to the ASEAN-six countries: Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam. The 10 ASEAN member states are becoming more integrated economically with mainland China, while the ASEAN-six countries are also part of a nascent US-led partnership that aims to counterbalance mainland China's economic influence in the Indo-Pacific region. The China Plus One strategy is not about choosing between China and another country; it's about leveraging the strengths of multiple hubs to build a more resilient, agile, and cost-effective supply chain. It's a nuanced approach that requires careful planning, deep regional understanding, and strategic execution. For ASEAN countries, this is not just an opportunity but a call to action — to upgrade their capabilities, streamline regulations, and position themselves as indispensable cogs in the new global supply chain machinery. Companies increasingly believe that diversifying the sourcing portfolio from China will help address numerous challenges, whether in supply chain, logistics or availability of raw materials. India and Southeast Asia in particular are undertaking initiatives and implementing policies that will facilitate their emergence as the new hubs for manufacturing. Although China will remain a key player, it is expected that many more businesses will move towards a China Plus One supply chain strategy in the future. To promote new investments, Southeast Asian countries are increasing the ease of doing business, implementing tax cuts, offering fiscal incentives for special economic zones/industrial parks, and boosting infrastructure spending. With supply chains stretched thin and backups at ports in the first half of 2022 and China's zero-COVID policy, some of the Group's customers have been asking to carry out some of the production out of China to reduce reliance. On the other hand, near shoring is becoming growingly popular. Near shoring happens when a customer decides to outsource work to companies that are less expensive and geographically closer to their end markets. Near shoring is gaining speed and relevance as "deglobalisation" continues to take place, accelerated by growing tensions between the U.S. and China. As China's export dominance wanes, a massive opportunity is opening for other emerging market countries to fill the void, including Mexico, India, and Southeast Asian nations. The Group believes that maintaining a global footprint and expertise and regional capacity and capability are vital to reduce obsolescence and maximise cost competitiveness whilst simultaneously retaining the capacity to supply products and services around the world at comparable quality, and mitigating supply chain risk and improving overall production efficiency and diversifying country risk whilst providing customers the ability to quickly adapt to external ever-changing regional, trade and manufacturing dynamics. The customers are also growingly demanding a board range of manufacturing solutions and services globally and at the same time transitioning to regional support in local areas to take advantage of time to volume and time to market and specific customisation as this is key to their winning in those markets. This expansion and customer and product diversification effort and vertical integration strategy and service offerings (in

particular ODM services) will continue with larger expansion in India with huge domestic market which continues to grow in coming years. India, with its robust manufacturing sector and favourable government policies, has emerged as a significant beneficiary of this strategy and India is quickly becoming the "China Plus One" location, as supply chains move West, out of China. India also benefits from a cost advantage with positive demographic tailwinds. India is also experiencing growth in manufacturing clusters on the back of a production-linked scheme that offers revenue-linked subsidies. India also has attractive attributes such as a diverse business landscape, a large pool of skilled and affordable workforce (particularly in the manufacturing sector), competitive labour costs, huge domestic market with growing spending ability and robust GDP, large English-speaking young population, strategic location, strong macroeconomic indicators, and as table political environment and all these making India an attractive destination for businesses looking to reduce production costs. Additionally, on the policy front, India's favourable business environment, including the development of new industrial corridors, initiatives including Make-in-India and FDI (Foreign Direct Investment) liberalisation have made it easier for businesses to set up operations in India and helped bolster India's position as a promising player in the supply chain. By leveraging India's strengths, global businesses can effectively mitigate risks and ensure business continuity and resilient supply chains. At present, there is a lot of focus on Vietnam and India, as both countries are critical economic zones for new supply chain connections and both Vietnam and India can complement each other in the Indo-Pacific supply chain network.

(a) India Operation

Bharat FIH Limited (BFIH) is the Group's legal entity in India and is one of the largest EMS provider in India which commenced operations in 2015 with a focus on the manufacturing of mobile phones serving the largest smartphone OEMs in India. BFIH's aim is to maintain its position as the leading EMS provider in India and to become a leader in the country's ODM market in the near term. In addition to BFIH's well-established EMS services and capabilities, which mainly comprise manufacturing services, BFIH has been building the capabilities to provide OEMs with a comprehensive, vertically integrated "one-stop solution" comprising a range of ODM services including product design and development, component manufacturing and sourcing, logistics, and after-sales services. With expansion of service offerings, BFIH will be able to further reduce manufacturing costs, improve supply chain management, reduce inventory obsolescence and product fulfilment time, and meet their time-to-market, volume-to-market and time-to-money requirements. Mechanical parts and casings are key components of mobile phone and BFIH has also started mechanics services for feature phones years ago so that it can reduce the dependence on third party providers. It is also building the capabilities to provide mechanics services for smart phones and this can assist mobile phone OEMs with their time-to-market and time-to-volume requirements. In this regard, BFIH intends to deepen its localisation strategy to manufacture and source components and other inputs, thereby reducing dependence on imports and hedging against the risk of global supply instability.

According to the International Data Corporation's (IDC) Worldwide Quarterly Mobile Phone Tracker, India's smartphone market faced a 1% YoY (year-over-year) shipments growth with 146 million units shipped in 2023. This came on the heels of a challenging first half and a stronger than expected shipments with several new model launches in the last quarter of 2023. Most vendors chose to reduce their product prices and offer

additional channel margins in the last quarter to better manage the inventory levels as consumer demand was still weak. India smartphone ASP achieved a record of US$255, rising 14% YoY in 2023, and also marked the third consecutive year of double-digit ASP growth. The high ASP can be attributed to the increasing share of the premium-segment (US$600+) from 6% in 2022 to 10% in 2023, along with a rapid uptake in 5G shipments to a record 55% share.

Since March 2021, BFIH has been using its EMS experience and the ODM capabilities to diversify into new high growth industries other than mobile phones including telecom, mechanics, electric vehicles, televisions and hearables to reduce risk exposure from single segment of mobile phones and create further opportunities for revenue diversification. BFIH is keen to enhance its R&D capabilities and commence exports to attractive growth markets. BFIH's collaborative relationships with industry-leading OEM customers are crucial to its success. BFIH intends to further empower its strategic business units to formulate strategies tailored to the needs of specific industries, and to deliver ODM solutions to its OEM customers on a modular and collaborative basis. Through such collaboration, BFIH deepens its relationships with its major customers by providing them with a wider range of vertically integrated service offerings, and integrating innovative solutions into their design processes and product development.

BFIH conducts its operations across three campuses based in the states of Andhra Pradesh and Tamil Nadu in India, each of which integrates manufacturing, warehousing, logistics and accommodation facilities. Its campuses comprise an aggregate of approximately 90+ production lines consisting of surface mount technology (SMT) lines, full product assembly lines and sub-assembly mechanics lines. Its campuses are staffed with a workforce of over 12,000 of whom approximately 82% are women. BFIH's operations are enhanced by its product R&D teams who operate at its R&D centre based at the Indian Institute of Technology (Madras) Research Park. BFIH's R&D capabilities enable it to offer customers innovative EMS and ODM solutions, and also provide technological solutions to increase operational and cost efficiencies in its own processes.

BFIH is going to invest further in its R&D capabilities, which are integral to its vertical integration strategy and its ability to offer OEMs a broad range of services across the ODM value chain. BFIH is focusing on building design and product development capabilities, which will enable it to become involved at an early stage in its OEM customers' product lifecycle and position it to capture other parts of the ODM value chain. In furtherance of its R&D strategy, BFIH continues to deploy and its localisation program and recruits a number of hardware, mechanical, industrial and software design engineers, with the aim of building a strong local product design and development team who will enhance the capabilities of its existing R&D resources. BFIH R&D center offers product design and development services catering to segments including smartphones, IoT (Internet of Things), network infrastructure, EV sub-systems and smart TV. R&D skills of BFIH include industrial and UI/UX (User Interface/User Experience) design, mechanical design, hardware design and software and firmware design. For industrial and UI/UX Design, it aims to be creative differentiator with intuitive UI/UX, product look and feel according to Indian/global customer taste and focuses on innovative, creative ideas and execution. For mechanical design, BFIH focuses on creating robust design, experiment with modular concepts with emphasis on cost optimisation, innovation and execution. The mission is to offer best-in-class quality and reliability of the entire product

that BFIH designs. For hardware design, BFIH creates robust hardware design which are aligned with customer usage behaviour and closely coordinated with chipset manufacturers and all designs focus on cost competitiveness, quality and reliability of product. For firmware and software design, BFIH aims to leverage abundant Indian IT skills to improve the performance and reliability of products and customises Android for auto application and develop telematics as per OEM requirements.

Rising Stars Hi-tech Private Limited (RSHT), a wholly-owned subsidiary of BFIH, was incorporated in 2021. It is an Electronics Manufacturing Services (EMS) company whose principal business includes manufacturing of Television, Electric vehicles, Telecom, IT hardware devices and other electronic parts and components. Currently, all Telecom business is processed under RSHT while all future IT Hardware business shall also be processed under it. RSHT is also shortlisted under PLI schemes for the categories of Telecom and IT Hardware, and is expected to receive Telecom scheme incentives in the near term.

The recruitment, training, talent development and retention of skilled and experienced management and employees is essential to enable BFIH to deliver high quality services to its customers. BFIH continues to provide its workforce with training and development programmes, including external vocational and skills training. As part of its ESG initiatives, BFIH will continue to recruit and promote women in its workforce. Its environmental initiatives include the integration of sustainable practices in its business by building green capabilities, managing water consumption and monitoring our CO2 (Carbon Dioxide) emissions. BFIH continues to adhere to the required standards of environmental compliance in its operations (including ISO 14001:2015 certification for environmental compliance management systems), and strives to ensure ESG adherence across its business and supply chain, thereby also assisting its OEM customers and their ultimate consumers in their ESG objectives and aspirations.

In order to expand business in the short-term, engagement with new age start-ups and e-commerce companies is being increased for electronics manufacturing. Cost and efficiency measures to compete vis-à-vis Vietnam and China are being ramped up. Business models are being relooked at to suit the overall interests of BFIH. Head count for ODM functions is being increased to develop capability to offer complete end-to-end design solution to the customers. For the long-term, the vision is to offer maximum value addition by fabricating PCBs and displays, make phones and other accessories such as TPU (Thermoplastic Polyurethane) covers, wearable shells and power adapters for laptops and switches.

BFIH is keen to do export business as BFIH's location in India provides it with a geographical advantage and enables it to deliver products to local markets in those regions quickly and at competitive cost. In past, it exported some feature phones to the Middle East and continues to explore opportunities to collaborate with mobile operators in Europe and the U.S., with a view to exporting mobile phones and hearables that they can offer to their network customers. In furtherance to its export strategy, BFIH has started exporting desktop monitors to Netherlands and shall soon be exporting to USA before the close of 2023. In addition to mobile phone and hearables exports, BFIH intends to explore other opportunities that global OEM customers present as part of their own

strategy of geographic diversification in their manufacturing and supply chains, and which leverage on the geo-political advantages that India offers. BFIH expects that the Production Linked Incentives (PLIs) that it is eligible for, as well as certain duty remission policies for exports, will further enhance its export opportunities. It intends to explore the benefits of the Mobility in Harmony (MIH) Open EV alliance at the global level for product development and exports. The key short-term objective of the telecom and networking products BFIH is to gain market share in EMS services of this industry as well as explore opportunities to export our telecom and networking products. Currently, no component shortage is being witnessed which can have a material impact on BFIH's operations. Rising inflation and a rise in input costs is weakening demand for mass market smartphone models and this remains as the biggest risk on business in 2023.

On 13 May 2023, the Group published an announcement which updated the market on the possible major transaction relating to the possible spin-off and separate listing of BFIH and reference was made to the Company's announcement dated 20 October 2022 and the Company's 2022 annual report as issued and published on 13 April 2023. BFIH received final observations from the Securities and Exchange Board of India ("SEBI") on 10 June 2022, which meant that BFIH could file a red herring prospectus with SEBI and such other authorities as may be required and subsequently launched the proposed spin-off. In view of the market conditions since the date of the 20 October 2022 announcement, BFIH decided to further delay the timetable for its proposed spin-off, which accordingly would not be open for subscription by 9 June 2023, being the last date on which the proposed spin-off could be open for subscription according to the final observations received from SEBI. The Company still considers that the Proposed Spin-off (if it proceeds) will be commercially beneficial to the Company and the Company intends to continue to pursue the Proposed Spin-off when market conditions improve. Shareholders and potential investors of the Company should note that the proposed spin-off is subject to, among other things, applicable laws and regulations, market conditions and other factors and accordingly, there is no assurance that the proposed spin-off will take place or as to when it may take place. Further announcement(s) will be made by the Company in respect of the proposed spin-off as and when appropriate.

(b) Vietnam Operation

Vietnam has been one of the world's fastest growing emerging markets in the past decade, which is boosted by strong foreign direct investment inflows into its manufacturing sector. Encouraging foreign investment is a major policy of the Government of Vietnam and rapid growth of manufacturing exports and large new inflows of foreign direct investment have been important growth drivers for Vietnam. The outstanding feature that helps Vietnam to attract foreign investment is stable politics and social security. Vietnam has a favourable geographical position for trade with the world, being both a regional connection center and a gateway to penetrate economies in the western region of the Indochinese Peninsula. With a population of almost 100 million people, Vietnam is a low-cost manufacturer with an abundant supply of qualified workforce with very competitive labour costs, making it an attractive hub for production. Many manufacturers in the global supply chain of major firms are gradually focusing on Vietnam and the demand for skilled labour keeps increasing. In addition, with 12 new free trade agreements, and Vietnam's accession to the ASEAN (Association of Southeast Asian Nations), Economic Community (AEC), it is a good opportunity to connect Vietnam with the region's market of more than

600 million people and world market. Vietnam's institutions, laws have been gradually improved in association with integration, not only creating good conditions for investors to operate in the long-term, but also helping businesses participate in supply chains and favourable global value. Poor global economy and Ukraine-Russia war and high inflation in many import countries have affected manufacturing sector of Vietnam, especially in first half of 2023, many companies faced difficulties and had to cut headcounts. However, in 2023 Vietnam has successfully controlled inflation, Vietnam's average inflation increased by 3.25%, reaching the target set by the National Assembly of controlling inflation at 4.5%. This is the 12th consecutive year that Vietnam has maintained a single-digit inflation level since high inflation in 2011, contributing to ensuring macroeconomic stability.

There is a growing trend of electronics manufacturing migrating into Vietnam. This brings ample opportunities to our Vietnam site Fushan Technology (Vietnam) Limited Liability Company (a subsidiary of the Company, incorporated in Vietnam) ("Fushan") to diversify its business as more and more customers are approaching Fushan with wide a range of products of different categories, from home appliances, feature phones and smart phones, car accessories, ICT (Information and Communications Technology), EV projects, tablets, etc. The business diversification route of Fushan started in early 2019, from manufacturing traditional mobile phones to more complicated smartphones, smart speakers and IoT modules. For further diversification and utilising the new opportunities, Fushan expanded its business licenses, acquired relevant processing certifications and placed further investment on training enhance and diversify the skills of its existing experienced workforce to ensure that Fushan can meet the product manufacturing and customer requirements. The factory also aims for further diversification of customer focus and operation efficiency elevation to increase its competitiveness to the next level. In 2022, Fushan started its own sales operation to capture local and international business opportunities and the factory has succeeded in receiving great and promising responses. Fushan has been leveraging its own strengths and seizing this opportunity to create another milestone.

Up to this day, the continued tightening of monetary policies in most countries has had a significant impact on global businesses, economies, investments, and consumer activities. This has led to increased risks in the banking system, as well as in public and corporate debt. The Chinese economy is experiencing a slow recovery with numerous uncertainties. Moreover, high inflation rates in certain import markets affected. These factors led to Vietnam's GDP growth only reaching 5.05%, lower than target by one percentage point but Vietnam is still in group of countries with high growth rates. In 2024, Vietnam targets economic growth of 6–6.5% while IMF forecasts Vietnam's GDP growth will reach 5.8% in 2024 and 6.9% in 2025.

Geographical Segments (please refer to note 2 of "Revenue and Segment Information" above)

The Group determines operating segments based on reports reviewed by management for the purpose of allocating resources to the segment and assessing its performance. Segment profit (loss) represents the gross profit earned (loss incurred) by each segment, service income, and certain gains and losses (included in other income, gains and losses), after deducting all

selling expenses and impairment loss under the expected credit loss model, net of reversal. The Group's operations are organised into three operating segments based on the location of customers, and segment profit (loss) represents the gross profit earned (loss incurred) by each segment, service income, and certain gains and losses (included in other income, gains and losses), after deducting all selling expenses and impairment loss under the expected credit loss model, net of reversal. Aligning with the Hon Hai Technology Group strategies and adapting to the fast-changing consumer appetite for future technology demand, the Group's future business plan will focus on remaining lean and asset light, agile global business development and competence building in non-phone areas leveraging the Group's competitive advantages in telecommunication, hardware/software integration mechanical/material and phone production expertise, diversifying in terms of customer, products, and geography, being technologically advanced, and continually monitoring market competition, macro-economic conditions, geo-political tensions, economic slowdown, market demand, and credit and collection risks of customers. On the demand side, people are not only happy to use the same device for longer, which has been the lasting trend for a few years now, but there is also continuous pressure from global economic uncertainty on one hand and the growing appeal of used devices on the other. The global economy remained in a fragile state in 2023, with the impact of inflation lingering and the slow pace of economic growth continuing to subdue demand for mobile phones, and consumers giving up replacement purchases. In terms of device afford ability, premium phones will benefit from the polarisation of the handset market, as higher-income groups of consumers will be less affected by the weaker economy, while customers in the low- and mid-range part of the market are expected to become even more cost-conscious. Opposite to the consecutive decline of new smartphone shipments, the used smartphone market continues to grow. In 2023, there were 309 million units of used smartphones shipped, representing a 9.5% increase over 2022. The market for second-hand phones is expected to grow with a much higher compound annual growth rate of 8.8% from 2022 to 2027 according to an IDC report. As explained, the handset market now becomes demand-constrained, and the competition pressure continues as the market slows down. OEMs and ODMs have to fight for the remaining very limited demands and have better control over their inventory.

Asia Segment

The Group's main regional markets in the Asia segment are Mainland China, India, Japan and Taiwan (Hon Hai) and these markets continued to face significant difficulties during the period. Demand in China is set to remain subdued as consumers ease back on how regularly they upgrade their smartphones. Weak demand and high inventory caused customers to become more cautious and realign their focus on risk mitigation, drastically cutting back orders for both feature phones and smartphones. The revenue of the Asia segment in the current period was US$3,798 million, representing a decrease of US$1,999 million or 34.5% when compared to US$5,798 million for the same period last year. The result for the current period was US$70 million, representing a decrease of US$38 million when compared with the result for the same period last year, and the decline was mainly due to the decrease in shipments to customers (including Hon Hai) resulting from poor demand and a change in the outsourcing strategy of one major customer who found new manufacturing partners in China and India. In India, local competitors have become a serious threat to our India operation by passing on the PLI (Product Linked Incentive) scheme benefit to this customer. For Sharp phone business, inflation in Japan and the devaluation of the Japanese yen have led to the rise

of domestic prices, and the willingness of terminal customers to change machines is reduced. Sharp is actively looking for production partners outside of China to counterbalance the higher labor costs of China. For the manufacturing of consumer electronic products for Hon Hai, the macro-economic environment is not good, and consumer spending on electronic devices is still weak. The customer of HH for e-Book and smart speakers has a lot of inventory on hand, and the inventory carrying cost is very high. It becomes more conservative, controlling the budget, procurement volume, and inventory very tightly. Additionally, as the market is stagnant, competitors of Hon Hai offer much more competitive prices and very aggressive investment.

According to IDC, the Asia-Pacific region, including Japan and China, continued to lead the global smartphone market in 2023. Smartphone shipments in the Asia-Pacific region decreased by 4.1%, reaching 581 million units, accounting for 49.9% of the total global smartphone shipments. Among them, smartphone shipments in China decreased by 5.0% year-on-year to 271.3 million units in 2023. Although smartphone shipments in China turned positive in the last quarter of 2023 due to the launch of new products and replenishment effects, smartphone shipments in China in 2023 remained at the lowest level in a decade. Additionally, in India, smartphone shipments increased slightly by 1% year-on-year to 146 million units in 2023, with a 11% increase in the second half of the year, offsetting the significant decline of 10% in the first half. Shipments in the fourth quarter increased by 26% due to the launch of several new models, exceeding expectations.

During the current period, the loss of sales to the above major customers accounted for the large year-on-year decline in sales of the Asia segment. Despite these factors, the Asia segment remained the Group's core performance contributor in 2023. The decline in demand directly affected the utilisation of capacity and assets (particularly land and buildings), and there was a need to continue downsizing and restructuring activities, downsizing or terminating loss-making operations, and selling idle assets. During the period, the Group carried out a large-scale redundancy action in Northern China to optimise the headcounts. The poor situation is anticipated to continue into 2023, affecting the performance and recovery of the Asia segments in 2024.

Europe Segment

The recorded revenue of the Europe segment in the current period was US$1,051 million, representing a decrease of US$101 million or 8.8% when compared to US$1,152 million for the same period last year. The recorded loss of this segment was US$128 million, compared with the recorded loss of US$51 million for the same period last year, and the decline was mainly due to a decrease in shipment resulting from continuous tight control on shipment to HMD and the need to make additional expected credit loss allowance of US$137.8 million during the current year for overdue trade receivables of HMD.

The worldwide feature phone market continued to decline. In emerging markets, the ongoing decline was primarily the result of brand makers and mobile operators transitioning product portfolios away from feature phones to affordable entry-level smartphones, affecting sales of HMD (a Finnish company) to these markets. The feature phone market mainly consists of price-sensitive consumers in emerging countries like India, Africa, and Southeast Asia, where network coverage is limited. However, as these emerging market governments invest in

improving network infrastructure, the feature phone market faces challenges such as the decreasing price of smartphones, limited innovation in feature phones, and a growing consumer preference for smartphones. Projections indicate a decrease in the global feature phone market revenue from US$10.6 billion in 2024 to US$8.7 billion in 2028, with a compound annual growth rate of -4.95%. This has a significant impact on HMD, as it operates in a shrinking and competitive feature phone market. This dynamic poses a risk to HMD's market share and revenue.

The Group used to adopt a proactive approach and monitor and control outstanding trade receivables with HMD and implemented risk control strategies and actions against HMD to mitigate the impact of its financial situation. HMD's unsuccessful fund raising in 2022, coupled with escalating overdue trade receivables, prompted the Group to adopt an even more cautious approach. Starting from the second half of 2022, the Group ceased to accept new Nokia-branded feature phone projects and only continued the production of in-the-market products (IMP) and capped the trade receivable amount with HMD. As HMD has nearly used all the credit limit available, the balance of trade credit became small, and we aligned shipment quantities with payment statuses, and HMD could only get the shipment of phones upon paying an equivalent amount of cash. Since June 2023, on top of requesting HMD to prepay before shipment, FIH has refrained from initiating new projects with HMD, except for a U.S. operator project expected to conclude by June 2024. All other ongoing projects are slated to terminate shipments at the end of March 2024. This underscores the evolving nature of our project timelines and the need for strategic adjustments. In addition, our supply chain management planning has been adjusted to prioritise the shipment of slow-moving component projects, mitigating the risk of surplus and obsolete inventory. All of above measures lead to the year-on-year decline in sales of the Europe segment. Recognising the limited and diminished growth opportunities in feature phones, FIH emphasises the importance of adopting new technologies/emerging technology trends to innovate and enhance its products and services and moving away from the feature phone market. This strategic shift aligns with FIH's goal to position itself at the forefront of technological advancements, emphasising the importance of adopting new technologies to innovate and enhance its products and services.

On the other hand, one of the Group's another major customers, which is a U.S.-based Internet customer with a strong foothold in the States, expanded its sales in Europe and exhibited strong and encouraging growth. In spite of the overall decrease in smartphone shipments in the European region, this major customer has expanded its market reach by introducing its flagship hardware to additional European countries. The expansion partially offsets the decline in sales to the HMD of Europe segment. According to a YouGov poll conducted in 2023 across 18 international markets, in general, European market tends to have lower proportions of consumers who are conscious about mobile phone prices.

America Segment

For the America segment, core businesses include the selling of phones manufactured in China and Vietnam to a U.S.-based Internet customer, and provision of services including reverse logistics, repair and refurbishment of smartphone for OEMs and carriers, and electronic products after-market services by the Group's entities located in the U.S. and Mexico. Due to

significantly dampened consumer demand, inflation, and economic uncertainties, the recorded revenue of the Group's America segment in the current period was US$1,597 million, representing a decrease of US$848 million, or 34.7% when compared to US$2,445 million for the same period last year, and the decline was directly led by the low consumer sentiment and weak demand. The result for the current period was US$48 million, representing a decrease of US$23 million due to drop in volume when compared with result for the same period last year.

A major customer of the Group is an established U.S.-based Internet company, with whom the Group has a long history of cooperation. The Group provides comprehensive engineering and production services to deliver superior, reliable, and trustworthy premium smartphones that meet the customer's demand. To differentiate ourselves from competitors, we collaborate with this customer from the NPI (New Program Introduction) stage and promptly ramp up production to meet the customer's time-to-market and time-to-volume strategies. We continuously develop automation robot software, robot central control systems, and AI inspection algorithms to reduce labor dependency and eliminate manual inconsistencies. In addition, we employ real-time big data analysis and visualisation tools to improve yield and support the customer in all aspects of production. To mitigate the risk of concentration in a particular region/country, we offer competitive geographical advantages and management excellence to this customer. The pandemic situation has improved in the first half of 2023, and the supply chain returned to normal, with no short-term risks of material shortages foreseen. This indicated a relatively stable supply of materials and components. Given the external environment's influence, the overall market conditions remain unfavorable, and there was a slight decline in sales in 2023 compared to 2022, which could be attributed to market recession, intensified competition, lower-than-anticipated demand, or other factors impacting business operations. In summary, 2023 presents challenges such as a sluggish market and external uncertainties that have impacted the performance. However, with the supply chain normalising and stabilised material supplies, we are better equipped to tackle these challenges.

In the year 2023, although the world is gradually recovering from the crisis of COVID-19, its impact on the business continues to persist and even expand. As the supply chain has returned to normal, customers have not only indeed been faced with excessive inventory but also sluggish consumer demand. As mentioned above, fewer new phones have been sold, yet more and more used phones have appeared in the market. According to IDC data, the North America market alone took 26.4% of the global used smartphone market share in 2023, and the shipment volumes are expected to increase continuously with a CAGR of 8.8% from 2022 to 2027. In order to consume the excess inventory and survive under weak demand, one of the Group's smartphone customers had reduced its order and postponed the new product Request for Proposal (RFP) processes. In response, the Group has shifted its focus on existing mobile phone customers and actively developed relationships with new customers to expand its product lines. Currently, The Group is in the production of a wearable product designed specifically for kids and delivering a 5G Fixed Wireless Access (FWA) for new customers, and engaging in discussions regarding new product designs, development, and production with potential clients. It is expected that growth will continue in the fields of wearables and 5G FWA.

Building upon the R&D capabilities established since 2021, the Group puts strong efforts on customer and product diversification and aims to diversify its product lines from low-margin mobile phones and routers to encompass wireless communication devices. In line with this strategy, the Group has been actively responding to emerging customer demands by venturing into the design and manufacturing of wireless data modules for globally recognised brands.

By collaborating closely with customers, the Group is also exploring opportunities in the realm of final terminal devices. The Group has secured partnerships for eBook design and manufacturing, as well as for the burgeoning market of e-ink related products, IoT devices and automounts robots for recycling business. In the field of Electric Vehicles (EV), the Group is collaborating with a customer on LTE cluster manufacturing for 2-wheeled vehicles. Furthermore, leveraging its solid hardware and software design expertise and capabilities, the Group has gained the trust of top-tier automotive manufacturers and has entered the new domain of automotive products and commenced shipments in the beginning of 2024. We are committed to fostering stronger and more cohesive relationships with our existing customers while actively reaching out to potential new clients.

The Group has a strong after-market services including reverse logistics, repair/refurbish services and manufacturing services located in North America region which offer integrated solutions providing American customers the end-to-end value-added manufacturing services and after-market-service covering the entire product life cycle. In the last three years, the Group has invested and upgraded various manufacturing capabilities at the Mexico site. It is including SMT capacity and plastic injection molding machines. Not only preparing for the potential demand in the next 5 years' growth but also providing a Vertical Integration solution to customers who looking for simplified supply chain in American region. Besides, thanks to the global supply chain restructuring, foresee there will be more projects transferred from Asia in the near future. Mexican Peso ended 2023 with its best performance in decades and it may keep driving the operation cost up in 2024. And the Mexico president election will be conducted in June this year, a strong Mexican Peso is expected.

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

Peers

After considering the Group's business and customer structure, along with other factors, we have divided the competitors into casing business and EMS business for a better understanding in the annual report. However, it should be noted that the Group provides a one-stop solution and manufactures both casing and system assembly together and sells complete handsets to some customers. Since 2018, many smartphone vendors proceeded to adopt the metal mid-frame with glass/glastic back cover for better Wifi/LTE signal performance and wireless charging, which lowered the utilisation rate of CNC (Computer Numerical Control) machines, so the smartphone centric mechanical vendors were forced to adjust their product mix. As a skeleton of 5G smartphone, the structure, precision and processing method on metal mid frame is far more complex than traditional metal cases, and a higher average unit price was expected. Yet, in order to stimulate mobile phone sales to clean up pile-up inventory since last year, Chinese brand companies offer bargain 4G/5G entry phones which further damage the casing business profit in an already over-supply competition. In reality, most of our casing competitors have already extended their business to non-mobile phone products due to the saturation of China smartphone market and hiked operation cost. China domestic labour costs and turnover rate have risen sharply, yet the efficiency of assembly line workers has not increased correspondingly and the cost advantage of China is no longer comparable with other

countries in Southeast Asia like Vietnam and India in the medium term. Therefore, the Group will put effort to diversify its customer mix, product mix, and manufacturing location and devoted itself to improving existing technologies and manufacturing, delivering innovation on both processes and materials, enhancing the core competence and capability of mechanical engineering (which is critical to the successful running of casing business), quality and efficient customer responsiveness and speed, shorter mold manufacturing cycle time and cost effectiveness and efficiency of casing business.

For our peers of casing business, they are companies listed in the PRC or Hong Kong and have been the vendors of our customers for a long time with well-established business relationships with the Group's customers. They also have customers, which are not customers of the Group. As the current macroeconomic situation become more fragile, although they have put efforts on diversifying and optimising their product mix to promote long-term growth, their proportion of revenue from mobile phones remain relatively large, which make their financials susceptible to fluctuations in smartphone demand in 2023. Performance of our casing peers in 2023 are listed as follows:

(i) Peer 1 is a PRC-listed company with shares listed on the Shenzhen Stock Exchange. Its core business includes consumer electronics precision structural parts and modules, electronic connectors, smart electronic product components, new energy vehicle connectors and modules, robots, and industrial Internet. Since 2018, the company has aimed to lower the proportion of revenue from mobile phones, boosting margin performance by expanding into the tablet, notebook, and smart wearables business. In the third quarter of 2023, its revenue declined by 1.4% year-over-year, primarily due to the decrease in global shipments of smartphones, tablets, and notebook products amid weak demand. However, its gross profit margin increased by 3.9 percentage points, benefiting from the optimisation of the product mix. Notably, the new energy business is experiencing rapid growth, with higher and gradually increasing margins.

(ii) Peer 2 is a Hong Kong-listed company whose business includes handset casings and high-precision components, household and sports goods, network communications facilities, and smart electrical appliance casings. In the first half of 2023, the company recorded a 29.9% year-over-year decline in revenue, since multiple economic headwinds and the weak Android smartphone market have adversely affected its handset-related business. However, the company's gross profit margin improved by 2.4%, driven by the increased revenue proportion from key North American smartphone customer. In fact, over the past few years, the company has experienced a continuous decline in revenue due to the persistently sluggish smartphone market. To enhance its operational performance, the company is shifting focus towards more profitable products, including tri-proof and high-precision components, and VR/AR related business. Furthermore, in order to streamline its organisational structure, in the first quarter of 2023, the company spun off its household and sports goods business, which is now listed on the Shenzhen Stock Exchange, and entered into a sale and purchase agreement with an independent third party for the disposal of its smart electrical appliance casing business.

System assembly business of OEM business model, which is the major business model of the Group, has a low barrier to entry and low gross margins. In terms of competition analysis, the Group only earns processing fees and manufacturing fees while yield, efficiency and quality differentiation are of critical importance to reducing customers' price sensitivity and

developing long-term business relationship. But the amount working capital employed to finance system assembly business can be high. Moreover, other external factors, including the U.S.-China trade tensions, geopolitics and protectionism, the China smartphone's market saturation, and weak consumer purchasing power also affected the companies significantly in its OEM business. In response to these factors, some competitors in this industry aggressively established manufacturing capacities out of China and put more effort on other high-margin and high-growth businesses, even expand into new industries by leveraging their resources. The Group's Indian operation is strong due to its ownership of a very large system assembly capacity and its vertical integration from PCBA to complete handset assembly, while currently there are only a few peers with existing overseas capacities or overseas capacities that are just being established, so the Group can utilise its existing capacities in India, Vietnam and other countries to capture first-mover advantages.

For our peers of EMS business listed in Hong Kong, U.S., and PRC, as mentioned above, they have been exploring new business opportunities and expanding their product categories to improve the margins and to diversify the risk of high dependency on mobile phones or few customers. Performance of our EMS peers in 2023 are listed as follows:

(i) Peer 1 is a Hong Kong listed company whose business includes consumer electronics (assembly, components, and parts), new intelligent products, and new energy vehicle. In the third quarter of 2023, the company reported a dramatic 31% revenue increase, benefiting from a significant increase in smartphone shipments of its North American and Android customers. Although, the company's revenue from EMS/ODM and components still accounts for a large portion of total sales. it has been accelerating the expansion of diversified products, including new intelligent products such as smart home, gaming hardware, robotics, unmanned aerial vehicles, residential energy storage products, etc. In particular, its residential energy storage has been experiencing a rapid growth, due to the ongoing robust demand and the increasing penetration rate in Europe. Also, its revenue from new energy vehicle business has been continuing to soar, benefitting from the significant increase of new energy vehicle shipments of its parent company. As for profitability, the company's gross profit margin went up by 3.2 percentage points year-over-year in the third quarter of 2023. This improvement can be attributed to an increased proportion of high-margin revenue from new energy vehicle and residential energy storage, along with improved capacity utilisation in consumer electronics.

(ii) Peer 2 is a reputable U.S. listed company which is an EMS provider focusing on delivering complete design, engineering and manufacturing services to automotive, computing, consumer, industrial, infrastructure, medical, clean technology and mobile OEMs. In the third quarter of 2023, the company reported a 3.8% decline in revenue. This decrease was attributed to a broader downturn in the consumer electronics market during that period, amidst ongoing challenges. However, despite this decline, net profit increased by 2.4%, and the gross profit margin saw a year-over-year improvement of 1.3%, primarily due to favourable mix with growth in higher-margin automotive and clean technology business. The company's strategic approach of fully diversifying product categories and geographical allocations played a crucial role in positioning it more robustly to navigate the prevailing headwinds.

(iii) Peer 3 is a Shenzhen listed company whose main business is EMS service for consumer

electronics, network communication product, smart wearable devices and automotive electronics. The company has aggressively built its capacities in India and Vietnam, directly competing with the Group. Even more, one of the Group's customer is proceeding to partner with the company for the establishment of manufacturing resources in Vietnam to develop the local market and the whole Southeast Asia region. With the mass production of new products for its Chinese customers and high production capacity utilisation across facilities, the company achieved a remarkable revenue growth of +86.1% year-on-year in the third quarter of 2023. Despite the growth in the mobile phone business, the company is expanding its product portfolio to non-mobile phone business including smart wearables and new energy products, and moving into the automotive electronics segment. Additionally, the company is consolidating its business units and relocating its resources to promising business, such as automotive electronics segment which witnessed a more than 500% revenue increase in the third quarter of 2023.

(iv) Peer 4 is a Shenzhen listed company having several business segments including precise components, structural parts and module, charger, assembly, materials and automotive components. In the recent years, the company has restructured its organisation and aggressively developed the emerging consumer electronics products, including AR/VR, smart robotics, and foldable phones, in line with its core strategy — "vertical integration". Additionally, the company is increasing the capacity for the new business, like automotive and photovoltaics inverter. However, its consumer electronics business still maintains a significant proportion of its revenue. Consequently, amidst the persistently weak overall economic environment, its revenue for the third quarter of 2023 experienced a decline of 5.1%, with a 0.8% decrease in the gross profit margin.

In summary, due to lots of external influences, including political tensions, sluggish demand and so on, most of our competitors have taken actions on changing their product/customer mix and overall business strategy. They gradually lowered dependency on mobile phone business and developed other sales engines to respond to the changes in market conditions. The Group have been closely monitoring the market movement and continuously optimising the capacity utilisation in China, India, Vietnam, strengthening our vertical integration ability, aggressively developing new products and services for various customers in the area of IoT/5G, automobile electronics, robotics, healthcare electronics, etc.

Investments

On the basis that the value of each of the investments mentioned below as of 31 December 2023 is less than 5% of the Group's total assets as at 31 December 2023, the Company does not consider any such investment as a significant investment for the purposes of the Listing Rules.

Investments in Business relating to Nokia-branded Products

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

in 2018, and based on the valuation carried out by an independent professional valuer, the Group has fully impaired the goodwill of US$79.4 million in its financial statements of 2018.

HMD switched its supply chain from a single vendor model to a multi-ODM set-up since the second quarter of 2019. Up to now, all of HMD's smartphone portfolio is manufactured by the other ODMs. For the manufacturing side, the feature phone business continued to be managed with a focus on profitability, to maintain portfolio competitiveness. HMD has managed to reach an agreement with Nokia and according to the agreement, HMD is allowed to sell their products alongside Nokia products. Hence, the agreement enables HMD to ramp-up their brand awareness while still reaping the benefits from the Nokia brand.

In August 2020, the Group purchased a US$38.3 million worth of HMD's convertible bonds (the payment of which was deemed to be made through outstanding receivables of an equivalent amount). During the course of the transaction, the evaluation by the management of the Company (covering, among other things, financial due diligence, independent valuation, etc.) of HMD's management accounts, cash flow analysis, financial forecasts, business performance and prospects, valuation analysis and other relevant information and documents then available, and also the relevant negotiations and documentation with the management of HMD and its other investors respectively (with the aim to securing more favourable terms for the Group to optimise the Group's return from its entire investment in HMD as a whole in the circumstances), were recorded and reported to the Board for its consideration. But as explained in above sections, cash position of HMD is still tight and the Group has been monitoring this. The convertible bonds were fully converted and currently, with the previous investments, the Group's total investment represented 14.38% of HMD's total issued shares.

With reference to the valuation carried out by independent professional valuers, the management has assessed the fair value of the investment in HMD as at 31 December 2023. The Group took corresponding adjustments to the fair value change for the Group's direct and indirect investment in HMD through other comprehensive income ("OCI"). The investment team will continue to monitor the progress its fund raising and business performance and liquidity.

Other Investments

The Group invested US$1 million in CloudMinds Inc. ("CloudMinds"), an operator of cloud-based AI robots in China in 2015. The company has filed an IPO application with the U.S. SEC (Securities and Exchange Commission) in December 2019. Due to the impact of COVID-19, global economic downfall, and sanction imposed by U.S. Department of Commerce, Bureau of Industry and Security (BIS), the company decided to change its listing market to Hong Kong. Hence, CloudMinds has completed its recapitalisation process and several rounds of financing to enhance its future technology development and financial status starting from the end of 2020. In the second half year of 2022, CloudMinds has initiated its Pre-IPO round and currently in the preparation stage of IPO and monitoring the capital market to determine the best time to file for the listing application. Based on the recent performance and with reference to the valuation carried out by independent professional valuer, the management has assessed the fair value of the investment in CloudMinds as at 31 December 2023. The Group took corresponding adjustment to the fair value change in this investment.

Augentix Inc, founded in 2014 in Taiwan, is a fabless multimedia SoC (System on Chip)

design company offering proprietary algorithms products with efficient intelligent vision applications. Thus, since the product introduction, it has been widely used in the field of home IoT (Internet of Things), professional IP camera, and consumer surveillance by leading brands around the globe. Against the global economic headwinds in 2023, Augentix still achieved a 2.5-fold increase in shipments, with nearly 88% revenue growth. Additionally, Augentix is extending its product offering to SoC solutions for automotive cameras, actively expanding the product mix. The Group invested around US$0.7 million in Augentix by subscribing Augentix's convertible note in December 2019 and the note has been fully converted to common shares in November 2020. Through this investment, the Group expects a deeper collaboration with Augentix to further develop in IoT and V2X industry. In November 2023, Augentix has successfully completed a new round of financing to reenforce its cash position and financial strength. Along with all the orders on hand, Augentix is expecting a notable growth this year. As at 31 December 2023, the Group's stake in Augentix is 1.09% on the fully diluted basis.

The Group made a strategic investment of around US$1 million in Ossia Inc. ("Ossia") in June 2020. Ossia, the creator of Cota® Real Wireless Power™ redefines wireless power by safely delivering targeted energy to multiple devices simultaneously at a distance. Ossia's Cota technology is a patented smart antenna technology that automatically keeps multiple devices charged without any user intervention and enables an efficient and truly wire-free, powered-up world that is always on and always connected. Ossia is a fabless technology licensing company, and headquartered in Redmond, Washington. Ossia has secured over 250 global patents for wireless power technology and is establishing Cota RF wireless power at a distance as a global standard for wireless power transmission/transfer (WPT) systems and has announced several Cota-enabled products coming to market, including Cota Forever Magnetic Phone Charger, Cota Power Station, Cota Asset Tracker, Cota-powered IoT sensor, Cota Power Table, Cota Universal Base, ePaper RFID Tags, Cota-enabled security camera and so forth. Notably, the Cota Forever Magnetic Phone Charger was named a CES 2024 Innovation award winner, it is also Ossia's 7th CES Innovation awards. Ossia's Cota Real Wireless Power also received the 2024 Smart City Innovation of the Year award and Wireless Technology Innovation award from IoT Breakthrough, a leading market intelligence organisation. The Group will be a preferred partner and contract manufacturer for Ossia's customers wanting to build or integrate Cota wireless power into their devices, sensors, automotive applications and IoT products.

SoundHound (Nasdaq: SOUN), is a global leader in conversational intelligence, offers voice AI solutions that let businesses offer incredible conversational experiences to their customers. Built on proprietary technology, SoundHound's voice AI delivers best-in-class speed and accuracy in numerous languages to product creators across automotive, TV, and IoT, and to customer service industries via groundbreaking AI-driven products like Smart Answering, Smart Ordering, and Dynamic Interaction™, a real-time, multi modal customer service interface. Along with SoundHound Chat AI, a powerful voice assistant with integrated Generative AI, SoundHound powers millions of products and services, and processes billions of interactions each year for world class businesses. The Group participated in SoundHound's more than US$100 million PIPE (Private Investment in Public Equity) round of financing for SoundHound with a US$1 million investments together with a number of the other investors of this round included Oracle, Qatar First Bank, Koch Industries, MKaNN, VIZIO, HTC, Structural Capital, and so forth. After the completion of the PIPE round, SoundHound closed its SPAC merger transaction, becoming a NASDAQ listed company (NASDAQ: SOUN). The

recent surge in demand of conversational AI is giving SoundHound a unique advantage and has made SoundHound the obvious partners for the companies looking for to embracing such technology. From January to September 2023, the company achieved a revenue of US$28.72 million, indicating a 33% year-on-year growth. The increase in revenue primarily resulted from the growing customer base in Germany and Korea. To broaden its product applications, SoundHound completed a merger with SYNQ3 on 3 January 2024. SYNQ3 specialises in AI-powered automated ordering solutions for enterprise brands, enhancing the ordering process for restaurant guests. This integration is expected to expand SoundHound's market presence, covering ten thousands of locations and implementing advanced generative AI capabilities.

Founded in 2007, Acevector Limited (Formerly known as Snapdeal) is a leading e-commerce platform in India, started as a coupon booklet business, but transformed into an online deal platform in 2010 and an online e-commerce marketplace in 2012. The Group invested US$200 million comprising US$150 million in cash and US$50 million subscribed from its existing shareholder at a discounted price in 2015. On 21 December 2021, Snapdeal filed the Draft Red Herring Prospectus (DRHP) toward the SEBI for the purpose of IPO. However, due to the obligation to protect investors, SEBI started to tighten the IPO regulation and required technology companies to be profitable before going public. In light of this, Snapdeal has carefully evaluated the situation and has made the decision to withdraw the DRHP in December 2022. At the same time, it consolidated its business units under a group brand and changed its name from Snapdeal to Acevector. In the period from January to September 2023, the company is actively managing its operating expenses, leading to a significant improvement compared with last year.

The Group made a strategic investment in GFT Ventures I in March 2022. GFT Ventures I is a private fund with the initial target of US$100 million, yet, due to the overwhelming demand, the fund was closed on over US$137 million in committed capital.

The fund focuses on series seed or A stage startups in several specific areas including AI/Data Science, Automation, other Frontier technology. The fund has nine active startup investments that are fantastic opportunities.

As the Group has been expanding in different industries in recent years, strategic investment is one of the movements to develop new businesses and diversify the dependency on mobile phone and single customer. The general partners of the fund have over 20 years experiences in venture capital, AI and semiconductor fields. Leveraged by their knowledge, the Group would have insights, more opportunities and exposures to the emerging technology companies.

For exploring more opportunity and business in V2X industry, the Group has made significant development.

On 31 December 2021, the Group has closed the deal and introduced Stellantis, world's number 4 leading automakers and mobility provider, to invest US$40 million in Mobile Drive Group, which was automotive technology focused and wholly-owned by the Group. After closing, Mobile Drive Group has become a joint venture which is equally owned by the Group and Stellantis. The investment in Mobile Drive Group and the subsequent share of profits/losses of Mobile Drive Group will be accounted for by equity method in the Group's consolidated financial statements.

Combining with wide resource and solid experience from both sides, Mobile Drive Group would rely on the expertise in wireless communication and automotive industry to focus on the software and hardware integration in smart cockpit and in-vehicle infotainment system, delivering the disruptive in-vehicle V2X solution to the entire industry, and the Group would become the strongest anchor partner to provide all the supports from the hardware manufacturing side. During the course of the transactions, the management of the Company's evaluation of the Mobile Drive Group's management accounts, cash flow analysis, financial forecasts, business performance and prospects, valuation analysis and other relevant information and documents then available (particularly in the context of determining the consideration for the Group's disposal of 50% interest in the Mobile Drive Group), and also the relevant negotiations and transaction documentation with Stellantis (with the aim to securing more favourable terms for the Group as a viable joint venture opportunity of the Group to optimise the Group's investment in the Mobile Drive Group in the circumstances), were recorded and reported to the Board for its consideration.

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

As at 31 December 2023, the fair value of the Group's equity investments designated as FVTOCI was US$62 million, which represented 1.4% of the Group's total assets.

Other Investment-related Matters

In such a dynamic and volatile equity investment market, the Group's investment team is invariably cautious, and therefore the team will continue to monitor the performance and financial position, cash flow, burn rate and fund raising activities of investees, related macro-economic factors and competition landscape and technological changes and innovation, viability of business models as well as execution capabilities of the respective management teams of those investees and outlook of investees. The investment team maintains a close relationship with the respective management teams of those investees, and conducts periodical in-house analyses. Based on the result of the analyses, the investment team will consider hedging the risk exposure should the need arise. The Group is not currently aware of any potential cause which would lead to any substantial loss arising from the change in the fair value of the Group's investments in certain listed companies during the current period. In order to have a better utilisation of the cash and enrich the investment portfolio, the Group has been actively exploring and evaluating good investment potential opportunities that can add value to the Group, though at this stage, the Group does not currently have any plan for a significant investment contemplated by the Listing Rules.

As the mobile phone market has become a mature market with less gained traction, the market is in dire need of new applications to drive its growth, such as 5G, satellite communications, and AI. Notably, many new smartphones have already integrated the generative AI functionality. Counterpoint's report indicates that AI phones are positioned to revolutionise the smartphone market, which the shipment for AI phones is expected to reach 522 million units, equivalent to a CAGR of 83%. At the same time, Canalys also anticipates that AI phones will drive replacement demand, with an overall smartphone shipments rebound to 1.17 billion units in 2024, reflecting a 4% growth from 2023. As for the automotive market, the ACES trends (autonomous driving, connected vehicles, electrification of the power train, and shared mobility) are driving rapid changes in the automotive industry. McKinsey predicts that the global automotive software and electronics market is expected to reach US$460 billion by 2030, representing a 6% CAGR. Due to the fast pace of market changes, the Group continually seeks the investment opportunities in the industries with huge potentials, and adjusted investment strategies to be more focused on 5G, IoV (Internet of Vehicle), medical electronics and AI, which include but not limited to AI robots, IoT smart devices, smart home products, IVI (In-Vehicle Infotainment) and telematics system, V2X (Vehicle-to-Everything) technologies, or others for synergies creation via establishing strategic partnerships with technology companies. In addition, to fulfill the commitment of achieving Net Zero in 2050, the Group is taking a proactive approach to put green investing as one of the top priorities. By engaging with companies that are devoted to developing various green and eco-friendly technologies and products, the Group will focus on discovering the related industrial investment opportunities in operating efficiency enhancement, low-emission energy sources, and low-carbon transition, helping communities, enterprises, countries, and the Group itself to mitigate climate change and promote sustainability.

Among the characteristics that the Group looks for in determining the attractiveness of investment candidates are complementary technology ancillary to and in support of the Group's business operations and new business including IoV; favourable long-term growth prospects; and cultural fit with the Group. The Group has an experienced investment team and will continue to hire talents and has prioritised investments of comparatively low risks and with long-term growth prospect which may take years before the investment can be realised. As a whole, the Group will be cautious on expanding its investment portfolio to create synergies but at the same time to cope with the possible uncertain economic environment and volatility of the capital market.

Since 31 December 2021, the Mobile Drive Group previously wholly-owned by the Group has become a joint venture which is 50%-owned by the Group and Stellantis individually, and the subsequent share of profits/losses of the joint venture will be accounted for by equity method in the Group's consolidated financial statements. During the current period, there had been no material acquisitions and disposals of the Group's subsidiaries and associates and joint venture(s). For the sake of completeness, during the current period, to simplify its corporate structures and to reduce on-going administrative burden and costs, the Group has continued to close down certain of its non-operating subsidiaries (comprising mostly investment-holding entities) where the aggregate value of such subsidiaries' respective total assets, profits or revenue (or consolidated total assets, profits or revenue, as the case may be) represents less than 5% under any of the applicable percentage ratios defined in the Listing Rules. Also, on 12 September 2023, the Company announced the Group's disposal of the entire equity interest in FIH (Tian Jin) Precision Industry Co., Ltd. to Tianjin Haofa Storage and Transportation Co., Ltd. (for identification purposes only) at a consideration of RMB95,400,000. Further, on

2 November 2023, the Company announced the Group's cooperation with Beijing Asia Unicom Aviation Education Technology Group Co., Ltd. (for identification purposes only) to establish and operate (through a PRC joint venture) a middle-level vocational school within the Group's Langfang industrial park. For details, please refer to the Company's announcements.

Compliance with Relevant Laws and Regulations

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

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

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

PRC

In relation to the PRC value-added tax (VAT), please refer to the background and previous developments as described in page 116 of the Company's 2023 interim report as issued and published on 14 September 2023. The draft Value-Added Tax Law (consultation draft) (Draft VAT Law) is still pending the approval of the National People's Congress. At this stage, the Group's PRC subsidiaries will continue to monitor the legislation process of the VAT regime and assess the potential impacts of the Draft VAT Law on their operations in anticipation of its enactment.

In relation to the draft revisions to the PRC Company Law for public consultation, please refer to the background and previous developments as described in page 116 of the Company's 2023 interim report as issued and published on 14 September 2023. On 29 December 2023, the PRC National People's Congress formally approved the latest revisions to the PRC Company Law (Revised Company Law) which will come into effect on 1 July 2024 with a universal impact on all PRC companies (including foreign-invested

entities), covering substantial changes in areas such as corporate governance, capital contribution, management responsibilities, corporate information disclosure, corporate litigation and registrations. In particular, the governance structures and constitutional documents of the Group's PRC subsidiaries being foreign-invested entities (Group FIEs), together with their respective business, legal or compliance models and practices, shall be adjusted to accommodate the corresponding requirements under the Revised Company Law, which may imply additional costs of legal/regulatory compliance. Pending the 1 July 2024 effective date, the Group FIEs have been assessing the impacts of the Revised Company Law and (as appropriate) will devise and implement appropriate corporate initiatives and actions.

In respect of the PRC Foreign Investment Law which took effect on 1 January 2020 (FIL), please refer to the background and previous developments as described in page 116 of the Company's 2023 interim report as issued and published on 14 September 2023. In particular, the governance structures and constitutional documents of the Group FIEs, together with their respective business, legal or compliance models and practices, shall be adjusted to accommodate the corresponding requirements under the PRC Company Law, which may imply additional costs of legal/regulatory compliance. During the 5-year transition period from 1 January 2020 to 31 December 2024 under the FIL for the Group FIEs to conform with the then effective PRC Company Law (currently, the Revised Company Law), the Group FIEs have been assessing the impacts of the FIL and (as mentioned above) the Revised Company Law and (as appropriate) will devise and implement appropriate corporate initiatives and actions prior to 31 December 2024 being the expiry date of the 5-year transition period.

India

During the current period, the newly-promulgated Indian laws and regulations did not have a significant impact on the Group's Indian subsidiaries and their operations.

Vietnam

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

In relation to the policy of reduction of VAT from 10% to 8% which took effect from 1 July 2023, please refer to the background and previous development as described in pages 116 and 117 of the Company's 2023 interim report as issued and published on 14 September 2023. According to the Vietnamese government's Decree No. 94/2023/ND-CP dated 28 December 2023, the aforesaid policy has been extended and continued to apply until 30 June 2024. It follows that the Group's Vietnamese subsidiaries and their customers could continue to enjoy the cost-saving benefits derived from such VAT reduction for a longer period.

Apart from the above, the Group also takes into account the relevant laws and regulations regarding global transfer pricing, in order to ensure efficiency and sustainability of the operating models and global tax footprint as well as sufficient tax risk management. During the current period, apart from the above, there were no major changes in applicable tax laws and regulations which have a significant impact on the Group's tax expenses, and the Group will continue to monitor possible impacts and implications arising from applicable new and/or revised tax laws and regulations. Also, the Group has been closely following the global and local level developments following the Base Erosion and Profit Shifting (BEPS) Action Plans of the Organisation for Economic Cooperation and Development (OECD). The Group is committed to duly comply with applicable laws and regulations introduced or updated due to the BEPS Action Plans, including more documentation requirements triggered by the local transfer pricing documentation and Country-by-Country Reporting (CbCR) obligations in the jurisdictions where the Group operates. The Group falls within the CbCR scope of the Company's ultimate controlling shareholder, Hon Hai, for such purposes.

The Group has kept abreast of the accelerating pace of tax, legal and regulatory developments in the different jurisdictions in which its key operations are located, and there are on-going reviews of existing investment holding structures and operations as well as business models and capital structures in light of the latest tax, legal/regulatory and business requirements and environment. In this respect, the Group's major operating subsidiaries have taken appropriate steps (e.g. by consulting with legal advisers and tax advisers) to ensure that each of them is aware of the local laws and regulations that have a significant impact on its business operations and takes these relevant local laws and regulations into account in relation to its business operations, business model(s) and value chain management, as appropriate. The Group believes that it complies with applicable relevant local laws and regulations in all material respects. The Group has also complied with applicable requirements laid down by the Listing Rules and the SFO.

The Group has also responded to trade restrictions imposed by the relevant jurisdictions on components or assembled products by obtaining and maintaining necessary import and export licences and paying necessary import and export duties and tariffs. In addition, the Group has abided by the relevant currency conversion restrictions and foreign exchange and repatriation controls on foreign earnings. Further, the Group has depended in part on its ability to provide its customers with technologically sophisticated manufacturing and production processes and innovative mechanical product designs and developments, and accordingly, has been protecting its and its customers' respective intellectual property rights.

In relation to the Group's compliance with the relevant laws and regulations that have a significant impact on the Group in respect of environmental, social and governance (ESG) aspects, please refer to the Company's separate 2022 ESG report as issued and published on 13 April 2023, bearing in mind that the Company's separate 2023 ESG report is scheduled to be issued and published in April 2024.

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

Liquidity and Financial Resources

The Group's capital resources consist of cash principally provided by operating activities and bank credit facilities. The Group regularly reviews borrowing capacity and makes necessary adjustments for changes in money market and economic conditions, market risks, and changes in our working capital requirements. The Group centrally manages the funding and treasury activities in accordance with corporate policies. The main objectives are to ensure appropriate levels of liquidity, to have adequate funds available for working capital or other investments at reasonable costs required to grow the business, to maintain a healthy capital structure, and to balance exposures to market risks, uncertainties, and volatilities. As demand falls, we have been keen to control inventory levels, as a bullwhip effect could lead to negative financial consequences.

As at 31 December 2023, the Group had a cash balance of US$1,845 million (31 December 2022: US$1,825 million). Free cash flow, representing the net cash from operating activities of US$103 million (31 December 2022: net cash from operating activities of US$409 million) minus capital expenditure of US$93 million (31 December 2022: US$143 million), was US$10 million inflows (31 December 2022: US$266 million inflows). The Group has abundant cash to finance its operations and investments. The Group's gearing ratio, expressed as a percentage of interest-bearing external borrowings of US$704 million (31 December 2022: US$676 million) over total assets of US$4,319 million (31 December 2022: US$5,510 million), was 16.3% (31 December 2022: 12.27%). All of the external borrowings were denominated in USD (31 December 2022: USD and RMB). The Group borrowed according to real demand and there were no bank committed borrowing facilities and no seasonality of borrowing requirements. The outstanding interest-bearing external borrowings were all at a fixed rate ranging from 5.96% to 6.25% (31 December 2022: fixed rate ranging from 2.20% to 5.41%) per annum, with an original maturity of one to seven months (31 December 2022: one to seven months).

As at 31 December 2023, the Group's cash and cash equivalents were mainly held in USD, RMB and INR.

Net cash from operating activities during the current period was US$103 million.

Net cash used in investing activities during the current period was US$40 million, of which, mainly, US$93 million represented the expenditures on property, plant and equipment related to the facilities in the Group's major sites in the PRC and India, US$26 million represented placement of bank deposits, US$83 million represented proceeds from disposal of property, plant and equipment, investment properties and assets classified as held for sale and US$3 million represented purchase of equity instruments at fair value through other comprehensive income.

Net cash used in financing activities during the current period was US$37 million, primarily due to net increase in bank borrowings of US$29 million, payments on repurchase of ordinary shares of US$3 million, interest paid on bank borrowings of US$57 million, payment on capital reduction of a subsidiary of US$3 million and repayment of lease liabilities of US$2 million.

Exposures to Currency Risks and Related Hedges

As inflation has reached a 40-year high in U.S., the U.S. Federal Reserve has continuously imposed interest rate hikes in order to counter the negative impacts led by inflation. As the result, USD has been strengthened against all other major currencies around the world. In order to mitigate foreign exchange risks, the Group actively utilised both natural hedge technique and financial methods to manage its foreign currency exposures including entering into the short-term forward foreign exchange contracts (usually with tenors of less than three months) from time to time to hedge the currency risks resulting from its operations and investments denominated in foreign currencies.

Capital Commitments

As at 31 December 2023, the capital commitments of the Group were US$32 million (31 December 2022: US$6.3 million). Usually, the capital commitments will be funded by cash generated from operations.

Pledge/Charge of Assets

There was no pledge nor charge of the Group's assets as at 31 December 2023 and 31 December 2022.

Contingent Liability

There was no material contingent liability for the Group as at 31 December 2023 and 31 December 2022.

Donations

The Group has, in the financial year ended 31 December 2023, made donations for charitable or other purposes to a total amount of approximately US$397,000.

Outlook and Industry Dynamics

Market and OEM Industry Review and Challenges to the Group

In the electronics industry, the entry barrier for OEM industry is very low and its profit margin is limited, so when the gross margin of the market declines, only those with a large scale of production can survive. Due to the competitive environments, OEMs willingly reduce their profit margins in order to secure the contracting relationships with major brand manufacturers to meet their capacity. Especially, as the economy of China is opening up, China has attracted low-end and established favourable investment conditions. As China has taken over the low-end manufacturing chain, the competition in the industry has intensified, further reducing the profit margin of OEMs. This is why the Group has kept monitoring the current economic environment and market landscape and its potential impact on both the general economy and consumption power and preferences of customers we served as well as our end markets and closely manage and control our costs and capital resources so that the Group can respond in a quick manner as circumstances change. As many of our costs and

operating expenses are relatively fixed, a reduction in customer demand, particularly a reduction in demand for a product that represents a significant amount of revenue, can harm our gross profit margins and results of operations.

Increase in domestic production costs and insufficient supply of the talents. Compared to the consumers' need for the customised production and the accelerating upgrades of its related technology, a lack of high-level compound talents has become a bottleneck, restricting the development of the industry. As social values change, the supply of grassroots employees is also generally insufficient. As the costs for labour recruitment and production are gradually increasing while the product development cycle in the industry is shortening and the demand for better and more outputs is continuing, more grassroots labour are in need for the producers. However, the rapid development of the domestic economy and the acceleration of the rise in salary level have placed higher demands on the cost control capabilities of enterprises in the industry. As a result, for the cost saving purpose, enterprises in the industry are actively developing industrial robots, building smart factories and committing to improve the production efficiency.

Keen Competition and Margin Erosion Pressure

As the smartphone industry is dynamic and competitive, a slowdown in growth leads to industry consolidation, which results in larger and more geographically diverse competitors having significant combined resources to compete against the Group and may put pressure on the supply chain. As competition remains fierce, competition from EMS/ODM/OEM peers is deemed to intensify to create pressure on the Group's business and there may be a slowdown in new customer acquisition with rapidly growing smartphone vendors in the market. The Group also faces competition from the manufacturing operations of its current and potential customers, which are constantly evaluating the advantages of manufacturing products in-house against outsourcing, OEM against ODM. All of these developments have caused pressure on the Group's sales, and the sales mix and customer mix, potentially leading to margin pressure, loss of market acceptance of its services, compression of its profits or losses, and loss of its market share. To address the above challenges and uncertainties and to alleviate the impact of price erosion on gross margins, the Group must remain lean and agile by making quick and decisive business and operational decisions, and carrying out restructuring and downsizing actions to reduce blood bleeding. The cycle time of new product development must be shortened to align with the product launch schedule of customers and shorten the time to market. Besides, the Group will keep developing higher margin businesses inclusive of IoT devices, 5G applications and automotive software and hardware. The Group's future business plan has been adjusted and will focus on new customer development and revenue growth and continually monitor the market competition conditions to respond accordingly.

Macroeconomic Headwinds

2023 was one of the most challenging, uncertain, and global unrest years in decades, the compounding impacts put additional upward pressure on prices and caused high inflation, which led most central banks around the world continue to raise interest rates to fight inflation. Looking ahead, the market holds a cautiously optimistic outlook for the future economy. According to the IMF's January 2024 report, global economy growth is projected at 3.1% in 2024 and 3.2% in 2025, with the 2024 forecast 0.2 percentage point higher than the previous report in October 2023 on account of greater-than-expected resilience in the United

States and several large emerging market and developing economies, as well as fiscal support in China. Nevertheless, forecasts for both 2024 and 2025 remain below the historical average of 3.8% (2000–2019). This is due to factors such as elevated central bank policy rates to fight inflation, a withdrawal of fiscal support amid high debt weighing on economic activity, and low underlying productivity growth. Specifically, developed economies are expected to experience a slight decline in 2024, followed by an increase in 2025, with the Eurozone recovering from low growth in 2023 and the U.S. undergoing a slowdown. Emerging markets and developing economies are anticipated to achieve stable growth in both 2024 and 2025. Regarding inflation, in the midst of unwinding supply-side issues and restrictive monetary policy, global headline inflation is expected to fall to 5.8% in 2024 and to 4.4% in 2025, with the 2025 forecast revised down. In the United States, the FED also remains cautious about the economic outlook in 2024 despite market optimism about the possibility of a soft landing. At the FED's January 2024 meeting, it announced to hold the interest rate steady and made it clear that it was not ready to start cutting rates with inflation still running above the central bank's target. Shortly afterward, the Bureau of Labor Statistics reported that headline CPI and core CPI rose by 3.1% and 3.9%, respectively in January. This exceeded market expectations and suggested that the significant economic recalibration in the U.S. following the pandemic has yet to reach its conclusion.

Smartphone Market Outlook

Regarding the outlook of the smartphone market, given the ongoing macroeconomic headwinds coupled with the impact on demand, the market is expected to continue facing challenges, but momentum is moving quickly toward recovery. Although 2023 marked the lowest full-year shipments in a decade, driven largely by macroeconomic challenges and elevated inventory early in the year, growth in the second half of the year has cemented the expected recovery for 2024. Primarily, according to the latest report of IDC, the fourth quarter of 2023 saw 8.5% year-on-year growth with 326.1 million shipments, higher than the forecasted 7.3% growth, mainly because low-end Android smartphones' rapid expansion in emerging markets in the second half of 2023. Looking ahead to 2024, with the development and widespread adoption of new technologies such as 5G, satellite communication, and generative AI, the market is hopeful for a recovery. Likewise, in Qualcomm's latest earnings call, the company projected that global smartphone shipments would remain stable or experience a slight increase in 2024 and a high single-digit to low double-digit percentage growth in 5G phones. Meanwhile, MediaTek also forecasted that the smartphone market will return to low single-digit percentage growth in 2024, driven by the adoption of generative AI which will drive a wave of smartphone upgrades and the penetration rate of 5G phones is expected to increase to 60%.

In terms of the largest smartphone market, China, 2023 also marked the lowest shipments volume in a decade, attributed to a soft economic recovery along with weak consumer confidence. While the Chinese smartphone market remains challenged, it is moving towards recovery with the fourth quarter of 2023 with a year-on-year growth of 1.2%, marking the end of ten consecutive quarters of year-on-year decline. The resilient high-end consumers in the tier 1–3 cities were the key drivers, fueling demand for flagship products. In contrast, demand for low- to mid-range devices remained weak, hindering the overall market growth as they constitute over half of the smartphone market in China. Reviewing the entirety of 2023, the overall smartphone market remained sluggish in the first half-year due to economic conditions and in the second half-year, with an improvement in the economic environment and increased

enthusiasm and attention towards the smartphone market, demand gradually improved. However, brand companies maintained a cautious and conservative attitude towards shipments. Looking forward, according to IDC's December 2023 report of the China smartphone market, the shipments is projected to reach 287 million units in 2024, marking a 3.6% year-on-year increase and achieving the first annual growth since 2021. Meanwhile, the market is closely monitoring whether future fiscal and monetary policies in China can enhance consumer confidence, consequently driving the overall recovery of the smartphone market.

Regarding the Indian smartphone market, according to an IDC report published in February 2024, India's smartphone shipments grew by 1% year-over-year to 146 million in 2023. Over the year, the growth was hampered by factors such as inventory challenges, minimal improvements in inflation, and fluctuating demand for most of the year. The first half of the year was challenging due to ongoing macroeconomic turbulence leading to low demand and an inventory build-up. Yet, the market started recovering in the second half of the year supported by 5G upgrades and several new models launches. Looking ahead to 2024, despite better macroeconomic conditions, premiumisation and diffusion of affordable 5G, as the major challenges faced in the previous year are expected to persist, continuing to impact the new year, the road to recovery for the Indian smartphone market appears strained. As per IDC's estimation, there will be flat to low single-digit annual growth in 2024, primarily driven by upgraders in the (US$200 to US$400) segment, supported by financing schemes, extended warranties, and upgrade programs. In addition, it's worth noting that the 2024 Indian elections could impact the Indian smartphone industry through potential changes in government policies on manufacturing, import tariffs, and digital infrastructure investments, affecting consumer confidence and spending, regulatory environments, and encouraging local versus international manufacturers, thereby shaping the market's growth and competitive landscape.

Geopolitical Tensions

In 2024, ongoing geopolitical risks are expected to persist, continuously impacting the global economy and reshaping international structures. The escalating tech war between the U.S. and China, in particular, is projected to continue its detrimental impact on the global economy. This confrontation has already affected various sectors, including trade, technology, and investment, over recent years. An IMF blog post from 28 August 2023, underscores the costs of fragmentation, indicating that greater international trade restrictions could potentially reduce global economic output by as much as 7% over the long term. In addition, it's worth mentioning that 2024 has been dubbed a "super election year" or even the biggest election year in history, with more than 60 countries worldwide set to hold national elections. This widespread political activity is expected to further impact global market dynamics. As for the United States, the November 2024 election may heighten tense diplomatic relations and affect market sentiment since both candidates are committed to maintaining high tariffs on China, with Trump even considering imposing tariffs exceeding 60% if elected. Such policies could lead to increased costs for consumers and businesses worldwide and influence global trade patterns. Additionally, elections in other populous countries, such as Russia, Mexico, and India, are also under the international spotlight, each expected to contribute in various ways to the global economic landscape.

Manufacturing Diversification

In recent years, escalating geopolitical tensions between China and the United States, coupled with the outbreak of the COVID-19 pandemic, have caused substantial uncertainty in the global economy and highlighted the risks of relying too heavily on a single region for global supply chains. Consequently, global electronics manufacturers have increasingly sought to reduce their reliance on China by diversifying their supply chains to include other specific regions. According to the results of AmCham Shanghai's 2023 China Business Survey released in September 2023, 22% of respondents are decreasing investment in China in 2023, with the top reason being uncertainty about the U.S.-China trade relationship followed by expectations of slower growth in China; 40% of respondents are redirecting or planning to redirect investment originally planned for China, a 6-percentage point increase from last year, with most looking towards Southeast Asia. Within this region, Vietnam and India remain consistent attractions for global electronic manufacturers to relocate, fueled by several favourable factors such as trade liberalisation, favourable government incentives, competitive labor costs, and government reforms. More and more leading smartphone and PC OEMs have built their own local factories or partnered with those that have local production capabilities. However, while individual companies are reassessing their approach to China, in the near term, China is still expected to remain a vital hub for global manufacturing value chains given its sheer size and significant manufacturing influence.

Product Perspectives

With the popularity of innovations and technologies, the smartphone industry has become commoditised and highly homogenised with standardised specifications leading to increased market competition as the industry became more fragmented. As a result, self-developed chips turned to be one of the important strategies for major smartphone vendors to differentiate themselves and establish their competitive advantage. In the past years, mainstream smartphone brands have launched several products with self-developed chips including Image Signal Processing (ISP), Neural Processing Unit (NPU), and System on Chip (SOC). However, a major Chinese mobile phone brand has announced its withdrawal from the IC design business, and thousands of Chinese IC design companies have closed due to the high cost of self-developing chips and no luck with recovery in the mobile phone market in the first half of 2023. The smartphone market remained quiet until the second half of 2023, when a wave of new smartphones featuring generative AI functionality was introduced. This surge followed the announcements from the top two smartphone chipset manufacturers, Qualcomm and MTK, who revealed their premium chips embedded with AI capabilities. Also, there has been a significant development for foldable smartphones in 2023. Apart from Apple, almost all major manufacturers have introduced their own foldable phones. Counterpoint Research pointed out that with technological advancements, the expensive cost of structure for foldable products will decrease and therefore more market opportunities for foldable phones in the coming year. Last but not least, we have seen new mobile devices with untraditional designs in terms of appearance and size in 2024 CES. Examples include the Rabbit r1 AI Pocket Companion showcased by AI startup Rabbit Inc. and Humane's AI Pin. These AI-driven companion devices might potentially change the way of human-device interaction and invites users to rethink the conventional smartphone experience.

R&D Competence Building

To meet its customers' increasingly sophisticated needs, the Group has continuously maintained its business strategy of keep investing in R&D which is core competence of the Group, and cultivates global research talents to secure the competency and is continuously engaged in product research and design activities to architect and manufacture its customers' products in the most cost-effective and consistent manner, with a focus on assisting its customers with product creation, development and manufacturing solutions thereby further strengthening competencies. Due to the ever-intensifying competition in the smartphone industry, companies are continuing to spend on R&D. For smartphone makers, the scope of differentiation has been reduced due to each company aggressively investing in R&D. While on the one hand, this helps the companies grow the popularity of their smartphone models, on the other, it has become essential due to rapidly evolving customer needs and tastes and preferences. The Group has dedicated PD (Product Development)/PM (Product Manufacturing) and R&D teams that are composed of experienced talents with superior industrial design capabilities and solid experiences in mass production, which gives the Group its own capabilities of creation, and ability of continuously improving qualities, yield rate, mass production, and customised design. To keep maintaining competitive edge against industry rivals, the Group's design centers are undergoing the optimisation practices on product development process to achieve increased agility and also to meet the tremendous pace of technological changes and customers' needs. The design centers are proactively establishing product portfolio and use it as a marketing tool to approach potential clients; this approach can increase the product development efficiency. The product development cost can be shared by various clients; hence, the implementation for this approach can enhance the competency. To aggressively keep abreast on the latest industry trend, employees are encouraged to keep up with new mobile device industry's technological knowledge (e.g. 5G) and to embrace new technological requirements for stepping into the Artificial Intelligence of Things (AIoT), Internet of Vehicle (IoV) and medical devices industries. Seminars and technology roadmap sharing meetings are hosted with clients and key component suppliers and targeted vendors who are defining or leading in particular technological categories to keep employees connected with innovation trend. Internally, design centers are striving to promote an atmosphere for keeping abreast of new technologies by granting rewards to encourage R&D staff for submitting patents applications and hosting inter department technology sharing sessions, and attending trade shows.

The Group's design centers are in close proximity to leading global clients and new technology zones. They are also located in those highly competitive markets in the mobile devices industry. They are able to provide services from product innovation concepts to final product productions, in whole or in part. Their full R&D function resources, global manufacturing support, experienced teams in serving worldwide clients' requirements for large demand, and complex product projects become fundamental for tightening business relationships with customers. Their proven record of serving worldwide clients demonstrates the ability and adaptability to serve not only brand customers but also leading telecommunications operators. The one stop R&D services model along with experienced program/engineering service and in-house manufacturing capability can significantly decrease customers' program management efforts; hence, the customers can then focus on their core in promoting their brand products. These value-added services uphold the customer-centric service mindset. As a whole, the R&D team helps to deliver corporate strategies; so that it highlights promising ways to reposition the business through new platforms.

The R&D team serves as the Group's innovation engine. Offensively, the R&D team's role is the leading vanguard for the Group's transformation in outreach in different fields; defensively, its full service function differentiates the Group's R&D team from pure manufacturing service factories and/or R&D service companies. The R&D team stands in solid position to promote the Group's manufacturing resource advantage to customers in product designs. The R&D team also contributes to the manufacturing upgrades and assist factories for the digitalised manufacturing process. All these have allowed the Group to develop a full range of smartphones products with innovations in industrial design, camera and audio applications to differentiate the Group's products from market competition and enable the Group to penetrate global mobile market share. The Group has fully utilised the strength of the Hon Hai Technology Group in vertical integration for product creation. The one-stop shopping service and abundant resource of the Group (with support from the Hon Hai Technology Group, providing scale, solid experience and control in key components) are especially attractive for Chinese brands. The Group's ability to continuously upgrade its technologies and stay ahead of its competitors will be a big determinant in the Group being able to maintain competitive advantage and alleviate the margins erosion pressure. To enhance the competitiveness of us, the R&D team will continue to innovate on technologies so that we can further enhance our technology strengths and innovation on software development, cloud computing, industrial design, image and audio quality, user experience, Artificial Intelligence, automation and robots, advanced networking system, medical IoT, advanced mechanical and manufacturing Technologies, etc. which will be adopted by various products that the Group will offer, including not only mobile phones, but also data modules, network products, IoT devices, ESG friendly things (ePaper devices) and automotive products. The R&D team leverages on the entire product portfolio of mobile and wearable devices to address the opportunity for consumer IoT market and differentiate the IoT products with advanced voice user interfaces and better audio and video features. With over 15 years' experience in consumer products development and over 10 years' experience in Android software development, the Group will contribute its great capabilities in software and hardware integration and optimisation to roll out disruptive products for automobiles (telematics box, in-vehicle infotainment system, smart cockpit, etc.), taking advantage of the Group's extensive knowledge of user experience and software development in mobile ecosystems to seamlessly integrate the automobile into the driver's mobile-centric lifestyle. The Group has made further investment in R&D of new technologies to ensure future business momentum and identify and address the changing demands of customers, industry trends and competitiveness. Including next generation communication, low-earth-orbit (LEO) ground user terminal, flat phased array antenna development and 6G NTN technology. In India, the Group has been building up its R&D capability and capacity.

FIH has amassed over 20 years of design experience in mobile devices and telecommunications products, and is now actively applying this expertise to the development of Telematics Boxes. We aim to provide automotive manufacturers with solutions that are developed more rapidly and with higher quality than those of traditional vendors. Benefiting from the stringent demands of mobile phone antenna design, we demonstrate a high level of proficiency in the field of Telematics Boxes, successfully integrating traditionally dispersed antennas into compact Shark Fin antennas or Conformal antennas. Our expertise in thermal design ensures that our automotive electronic products can withstand harsh environments. Additionally, our extensive experience in software integration guarantees communication reliability and network security with the complex systems on vehicles. FIH has already supplied products to one world-class automobile manufacturer and plans to continue expanding our customer base and product line.

Looking ahead, the Group understands the tremendous challenges that have occurred previously and will continue to anticipate new factors that might emerge in 2024. In 2020, the Group has carried out large scale rightsizing and restructuring to eliminate redundant assets and become leaner and has continued to carry out the rationalisation works which improved utilisation and realised cost savings. The Group has implemented and maintained sound and effective systems of internal control and ERM to cope with all these challenges and uncertainties from time to time as well as to maintain and enhance its performance. For details, please refer to the "Accountability and Audit" section of the Company's 2022 corporate governance report, which forms part of the Company's 2022 annual report as issued and published on 13 April 2023.

Key Risks Faced in 2023

Regarding key risks faced in the first half of 2023, please refer to the major risk items below.

Industry Risks

Risks Pertaining to the Handset Business and Poor Demand

As mentioned above, there was a year-over-year decline in global handset shipments in 2023. Amid the lingering effects of post-pandemic inflation and macroeconomic challenges on the global economy, mobile phone manufacturers faced another challenging period in 2023 following a difficult year in 2022. The global economy has remained in a fragile state in 2023, with the mounting cost of living stretching consumers' budgets, the impact of inflation lingering, and the slow pace of economic growth continuing to subdue demand for mobile phones worldwide. Although interest rate hikes could curb rampant inflation, they also affected people's purchasing power, dampening consumer appetites and pushing them to curb or postpone discretionary spending, such as on mobile phones. Additionally, the extended smartphone replacement cycle and the burgeoning refurbished smartphone market in recent years have also had a significant impact on the market. Moreover, as reported by IDC, China, being the largest global smartphone market, experienced a 5% year-over-year decline in smartphone shipments in 2023 due to the soft economic recovery and weak consumer sentiment. The volatility in the Chinese market continued to impact global market volumes.

Externally, the EMS business model is facing big challenges, excessive capacity, and fierce competition and the existence of a high number of market participants in OEM market due to low entrance barrier in all areas and the highly cost-competitiveness of peers in China and India results in competitive pricing and aggressive pricing is a common business dynamic and our customers are extremely price sensitive, which reduces market revenue potential and pricing pressure continued to be high and it is hard to win new business and we may have to offer prices as low as some of our competitors and it is difficult to maintain historical or target margins. The EMS industry is a low margin industry and competitors always provide EMS services at prices we are unable or unwilling to offer and the Group must lean out all processes control costs and offer industry-leading manufacturing services at a competitive cost so as to meet customers' cost expectations. The Group also has to control BOM (Bill of Materials) costs and manufacturing costs and improve efficiency, productivity and yields, and counter gross margin erosion pressure while continuing to monitor the impact of factors affecting the

business of customers and their financial health. Internally, we may also need to make changes on organisation, resource allocation, technology focus and culture. As component prices are on an average, the key focus lies on the labour costs and yields. A low operating margin is viewed as an impediment to growth, considering the impact it can create on expansion plans. The Group has ceased to manufacture loss making Nokia-branded smartphones in 2019 and HMD has adopted a multi-ODM strategy and the Group now only manufactures feature phones for HMD. To control the credit risk, the Group ceased to accept new feature phone programs from the mid of 2022 and will basically cease to manufacture feature phones for HMD from 2024. With all those negative factors such as unfavourable product mix, increasing pricing pressure, low utilisation, it is extremely challenging to simultaneously maintain market share and defend against margin erosion pressure while remaining cost competitive, lean and agile, and technologically advanced. Through years of developing mobile and smart phones, the Group has accumulated deep technology and R&D capabilities and also established reputation in the industry. These are the Group's biggest assets to create values for new target business and market. But in the past, the Group has focused on a narrow product category, mobile phones. To enter into new territories, we have to establish new position in the chosen market and product segments and this requires necessary adjustment on our resources allocation and building a strong business development team. The mix of products ordered by and shipped to major customers will affect the Group's gross margin as high volume and low complexity manufacturing services typically have lower gross margins than more complex and lower volume services and higher concentrations of lower margin programs affected overall gross margin. Some customers may consider insourcing previously outsourced business or some of the future productions so as to optimise their capacity and asset utilisation and save costs. One major customer has found new manufacturing partners in China and India and the sales to this customer dropped dramatically during current period and it is expected that the shipment to this major customer will continue to face huge pressure in 2024. Because of the uncertainty drop in demand, instead of placing orders of large quantity, customers place more frequent orders of smaller quantity and production schedules from our customers in terms of volume and mix of products or services may fluctuate and this makes it very difficult to forecast order book. With shorter demand forward visibility, the Company has to control and optimise inventory level and working capital and material open purchase order risk in this tough period of time. Because of keen competition and surplus capacity in the market and the Group as a result of some of the Group's customers facing strong headwinds, gross margin erosion pressure of both casing and system assembly business are unprecedentedly high and such pressure will continue into 2024 with an arduous recovery path ahead. As a whole, the challenging conditions that the Group has faced since late 2017 have continued into 2023 and will continue into 2024 and there is continued pressure on the Group's gross margins generally. Based on our core competencies and considering of the cutting throat competition from China suppliers, we may have advantages to focus on new markets in North America and Western Europe, where China competitors may have constraint to make entry.

In addition, an increase in the frequency of some customers diverting business to the Group's competitors or carrying out in sourcing, changes in the volumes they outsource or price erosion pressures may also result in our taking future further restructuring or downsizing actions. During the period, we carried out a large scale redundancy action in China and it is expected that we will carry out rightsizing activities in some overseas sites so as to optimise the matching of headcount with capacity requirement. The Group will have to incur higher operating expenses during periods of transitioning programs to competitors. Any such

restructuring or downsizing activities, if undertaken at all, could adversely impact the Group's operating and financial performance in the short to medium terms, and may require the Group to further adjust its strategy and operations. As a whole, despite these challenges, the Group underscores its resilience through adaptive strategies and the Group will continue to control costs and remain agile and asset light and monitor market landscape and customer performances and utilisation of assets and assess the need to do rightsizing at the appropriate time in a determined manner. To compete effectively, we must continue to provide technologically advanced manufacturing services, maintain strict quality standards, respond flexibly and rapidly to customers' design and schedule changes, deliver products globally on a reliable basis at competitive prices and seek to create enhanced relationships with our customers with our advanced technology and engineering solutions. This entails meeting stringent delivery timelines and adhering to regulatory and contractual obligations. With our robust R&D capabilities and strong manufacturing prowess and agile response mechanisms, we are fully prepared to navigate the competitive landscape. Our engineers are actively acquiring quality standard certifications, participating in comprehensive training programs, and deepening their understanding of emerging fields. In the long term, as overall demand may increase when geo-political tensions vanish, market participants will be able to expand through making capital investments in technical operations, as well as investments in new product implementation processes to combat rapidly changing market and customer preference. But such investments can carry significant financial risk as the new market segments may need time to nurture and to dominant, so that the Group may enjoy good profit when the market taking off. But the reality is that there is no guarantee of future business.

Operational Risks

Reliance on Key Customers and Credit Risks and Increase in Allowance for Expected Credit Loss

(i) We are dependent on the success of our customers and the general economy and its pace of recovery and markets in which they operate. When our customers or the markets in which they operate experience declines or grow at a significantly slower pace than anticipated, we will be adversely affected. The Group's five largest customers account for 88.98% of the Group's total revenue. Due to customer concentration, we are highly dependent on the continued growth, appeal of products, viability and financial stability of our customers. The Group has strong established relationships with these major customers and it is a big challenge to maintain good bargaining power with these customers in such a dynamic and highly competitive marketplace with surplus manufacturing capacity and weak and shrinking demand and accumulated inventory. Because of the intense competition among our customers and their competitors, our customers have to reduce prices for their products and directly increase the pricing pressure placed on us. The Group relies on a relatively small number of customers for a substantial portion of our sales, and our ability to replace declining sales from end-of-life programs and customer disengagements with new business wins and declines in sales to these customers could reduce our net sales. Please refer to sections headed "Key Relationships with Customers, Suppliers and Employees" and "Geographical Segments" for the details of our assessment of the risk presented to the Group and our actions to manage such risk. The majority of the Group's trade receivables are from key established customers with whom the Group has strong established working and business relationships.

The credit terms granted to them are in the range of 30 to 90 days and are in line with those granted to other customers of the Group. As market is volatile and competitive and slowdown of general economy, FED balance sheet tightening, soaring inflation and interest rate hikes and credit tightness and market conditions and increasing cost of borrowing could have impact on the businesses and operating performance and access to debt and equity financing and liquidity and cash conversion cycle and cash position and working capital and financial condition of some of our customers, including any impact on their ability to meet their contractual obligations and trade account payables. Such financial difficulties, if experienced by one or more of our customers, will significantly affect the ability of these customers to make timely payment or to purchase inventory required to support their businesses. Likewise, we remain in close contact with our customers to understand the impact of all those unfavourable factors on their businesses and the resulting potential impact on our business in a pro-active manner. The Group kept monitoring credit position and late payments of customers and collections from customers and assessed default risks and going concern risk of customers in tight cash position and financial distress and reviewed adequacy of allowance for expected credit loss. In particular, the Group's finance team continued to monitor closely business performance, cash position and liquidity, late payments and financial stability, of HMD and its credit status and going-concern risk and take necessary actions to mitigate the risks. The Group had some small customers and the exposure to these financially troubled customers might adversely affect our financial results too. Especially due to the economic slowdown, some of the small customers might experience financial difficulty and the Group could have difficulty recovering amounts owed to us, or demand for our products and services from these customers could decline. If one or more of our customers were to become insolvent or otherwise were unable to pay to us in a timely manner, or at all, our financial results and condition could be affected and there was a need to increase expected credit loss allowance, days of our trade receivables and working capital requirements due to higher inventory levels and amount of write-off of inventory.

Given the increased risk to the timely collection of trade receivables when payments from certain customers of the Group had been deferred, management expected the default rate would increase accordingly due to the tough economic environment and sluggish demand. After making the assessment, management confirmed that the risk had increased dramatically and ultimately HMD might not be able to meet obligations as they came due based on what's known and knowable. Even if HMD is going to generate some profits, this is not leading yet to stronger cash position due to quarterly seasonality in the first quarter of 2024 and business critical royalty payments. In addition, HMD cannot drain their cash reserves while they are preparing for the critical brand transition in the first half of 2024. For customer with increasing credit risk, the management had appointed an independent valuer to assist the estimation of the expected credit loss allowance provision of the trade receivables due from such customer by determining an appropriate probability of default rate, forward looking adjustments and estimated loss given default rate. The Group uses provision matrix to calculate expected credit loss allowances for trade receivables which are not credit-impaired or with increasing credit risk. The provision matrix is based on debtor's aging of groups of various debtors that have similar loss patterns. The provision rate is based on the Group's historical observed default rates taking into consideration of forward-looking information that is reasonable and supportable and available without undue costs or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In light of high uncertainties of global economy and handset

market and heightened geo-political tension, the Group reassessed the expected credit loss allowances by increasing the expected credit loss percentage for overdue trade receivables during the current period.

(ii) The gross margin of system assembly and casing business eroded seriously. The Group has been keen to develop new customers overseas and manufacture products other than mobile phones. Finally, the core business of the U.S. Internet customer is not in the mobile phone sector and any change to the business strategy of this customer may affect our sales to this customer. But it is encouraging that this customer is keen to devote resources to the mobile phone business. Finally, our customers may experience dramatic market share shifts in demand which may cause them to lose market share or pricing power or exit/downsize their businesses.

(iii) End market demand slowed down and product life cycle is shortened and preferences by end customers may change, in order to reduce risk, most of our customers do not commit to firm production schedules for more than one quarter and we continue to experience reduced lead- times in customer orders and they may cancel their orders, change order quantities, delay production and shipment or continually evaluating the merits of manufacturing products internally against the advantages of outsourcing and change their sourcing strategies. The short-term nature of our customers' commitments and the possibility of rapid and frequent changes in demand for their products and order fluctuations impede our ability to forecast the level of customer orders with certainty and makes it difficult to schedule production and maximise utilisation of manufacturing capacity and plan material requirements and control inventory and headcounts, and may lead to the write downs of excess or obsolete inventory or cancel materials ordered that we may not be able to sell to customers or third parties. In that regard, we must make significant decisions, including determining the levels and volume of business and net income and affordable credit, inventory and business risks that the Group will seek and accept, setting production schedules, making materials/component procurement commitments, optimising asset utilisation and allocating personnel and other resources based on our estimates of our customers' requirements and demand visibility and the volatility and strategic decisions to maintain long term customer relationships and develop in some countries. Should any of our larger customers in this market fail to effectively compete with their competitors in the end markets, they could reduce their orders to us or experience liquidity difficulties or delay payments to us. Finally, there may be changes to existing business models of buy-and-sell to consignment and top line and gross margin and net margin will change accordingly as for the consignment model, we can only recognise the "Processing Income" and not sales income in the statement of profit or loss as we do not bear any inventory risk and financial risk. Buy-and-sell business model means a company buys the materials and adds value and then sells to customers whilst consignment business models means the customer owns the materials and consigns the materials to the contractor/OEM to do the processing works and then OEM ships finished products to the customer and records processing fee income in its financial statements. For ODM programs, we have been requested by customers to incur upfront expenses like consumables and tooling in order to meet the anticipated demand and we can only bill the customers when mass production starts. Any delays in the receipt of these money will affect the booking of other income. Also, we may not be able to pass those unanticipated costs in the ramping-up process through to our customers or otherwise offset them. As many of our costs and overheads and operating expenses are relatively

fixed, a reduction in customer demand, particularly a reduction in demand for a product that represents a significant portion of the Group's total revenue, will reduce the contribution margin and can harm our gross profit margins.

(iv) To reduce customer concentration risk and to increase capacity utilisation, the Group has put a lot of resources and effort into developing new customers. We have already identified multiple new segments which the Group may be able establish significant dominant position, given sufficient time to expand product lines and to develop these emerging markets — such as digital healthcare, medical IoT, recycling robots, advanced networking equipment, EV as first tier supplier, video conference system…etc. The building up of business relationships with new or recent customers may present more risks than with existing customers as it needs time to nurture new market segments and to dominant and products of new customers are new to the market and there is no track record of order volume and timing and it is not certain whether their untested new products can gain commercial acceptance by the market with looming demand and this make it harder for us to anticipate requirements and plan purchase commitments and inventory levels in line with anticipated demand than with established customers. It also tests our ability to manage successfully and execute a complex business model characterised by high product mix and demanding quality, regulatory, and other requirements. Ramping new programs may require months before production starts, and often requires significant up-front investments and start-up costs relating to new tooling and processes and personnel and increased working capital and our design activities often require the purchase of inventory for initial production runs before we have a firm purchase commitment from a customer and we may not be able to recover from the new customers. These are particularly evident in the early stages of the life cycle of new products. Our customers may significantly change/delay these programs, or even cancel them altogether, due to decreases in their end-market demand or in the actual or anticipated success of their products in the market place. As the financial condition of these new customers may not be very strong, the tightening of financing for start-up customers, together with many start-up customers' lack of prior operations and unproven product markets increase our credit risk and their cash position can be affected if their products cannot sell well. Sometimes we have to offer longer payment terms and the credit risk can be higher. But we will perform rigid credit worthiness assessment and business model evaluation before engaging with a new customer and control credit amount in the very beginning. We will also consider buying credit insurance to give adequate cover to potential financial exposure. Our goal is to ensure that our terms of engagement appropriately reflect anticipated costs, risks and rewards. But there is the risk that new program wins and/or customer demand may not result in the expected revenue or profitability and customer orders may not lead to long-term relationships.

Financial Risks

Foreign Exchange Risks

Please refer to the section of "Financial Performance" for the details on how to mitigate such risks. Money market is volatile and the figures for 2023 and future periods can differ significantly from historical figures. The volatility in 2023 significantly affected the Group's performance in both functional currency and local currency. Initially, as the year began, the anticipation of economic recovery in China caused the RMB, the group's primary local

currency, surging until May 2023. However, unforeseen challenges arose in China, including a drop in exports, the bankruptcy of real estate conglomerates, and a noteworthy outflow of foreign investments, leading to a sharp downturn in the value of the RMB. At the same time, the FED chose to continue raising interest rates to fight inflation which caused the bullish of USD and increased borrowing cost.

In 2023, the FED continued to hike interest rates and approved its first rate hike of the year in February, raising the target federal funds rate to between 4.50% and 4.75%. By the end of 2023, interest rates had reached between 5.25% and 5.50%. Overall, 2023 was a period of high interest rates.

Technology Risks

Cyber Risk Controls

Regarding cyber risk, the Group has in place an information/cyber security policy which provides adequate security controls and protection of the financial data and business information. IT department has published a handbook which requires employees to follow strictly so that the cyber security risks can be managed and controlled across the organisation (particular for the network control) and make sure machine and system operate well and avoid any information leakage. Besides, IT department has a procedure and a guideline in place enabling them to respond immediately when a cyber-attack is detected. For the network control, all the computer servers are located in a Local Network Area (Intranet) using a redundant firewall design. Besides, there is a Global Security Operation Centre (GSOC) which helps manufacturing and functional units monitor their network to ensure any attack to the computer system can be detected immediately and IT department prepares a monthly report to report if any incidence of cyber-attack has been detected. In addition, IT department has a disaster recovery plan and procedure in place to ensure immediate and effective responses/ actions can be initiated when there is an attack to minimise potential harmful impact/losses and operation can be restored rapidly to avoid any business interruption and enable continuing running of business operations of the Group.

Risk and Opportunities of 2024

As 2023 came to an end, we observed global markets and economies navigating a turbulent year of interest rate rises and surging inflation. 2024 poses another challenging year for the global economy, with core inflation remaining elevated and the response of central banks to interest rate movements continuing to strain economic activities. Inflation, the recovery of China's economy, and geopolitical concerns will persist as dominant factors in 2024, negatively impacting both consumer demand and brands' operating costs. The global economic gloom will continue to influence consumers' shopping habits, and the handset industry remains highly unpredictable, requiring agility to adapt to the new reality. Faced with global risks, ongoing uncertainties, and an evolving situation impacting the timing and path of recovery in each market, we must pay extra careful attention to macroeconomic and political issues in the regions/geographical segments where we produce and sell our products. Additionally, we need to be proactive and develop risk mitigation strategies that can be implemented quickly. The Group's future business plan would focus on remaining lean and agile and asset light and continually monitor the external macro environment and market

competition conditions and internal operational excellence to respond accordingly and continue to devote resources to enhance R&D and business development capabilities.

The risks described below are not the only ones relevant to us or the industry or geographies in which we operate. There may be other risks beyond those listed below that are not currently known to the Group or may not be material now but could become significant in the future and affect and impair our business, results of operations, financial condition and cash flows and also the business of our customers and suppliers and other stakeholders. If any of the following risks, some combination of the following risks or other risks that are not currently known or are now deemed immaterial, actually occur, our business, financial condition and results of operations could suffer. To the extent the global economic slowdown and Ukraine warfare and inflation and strong USD and interest rate hikes can adversely affect our business and financial results, it may also have the effect of heightening many of the other risks described in this section. Unless specified in the relevant risk factors below, we are not in a position to quantify the financial or other implication of any of the risks mentioned in this section. In particular, 2024 risk factors and opportunities include:

Major risks include:

(I) Demand Side

Weak Demand and Risk of Sales Reduction to Some Customers and Possible Need of Continuous Restructuring/Rightsizing Activities

(i) As mentioned in the preceding sections, by 2023, supply chain disruptions had ceased and the handset industry transformed into a demand-constrained market with end customers becoming even more price-sensitive. Looking ahead to 2024, there is a consensus on the gradual recovery of the global smartphone market. According to an IDC report published in January 2024, global smartphone shipments declined by 3.2% year over year to 1.17 billion units in 2023. While this represents the lowest full-year volume in a decade, growth in the second half of the year has solidified the expected recovery for 2024. Earlier, a report from IDC in February 2024 predicted that the market recovery would continue in 2024, with an expected growth of 2.8%. Nevertheless, it's worth noting that uncertainties persist in the market in the new year, influenced by the rather pessimistic global economic outlook for 2024, as explained in the preceding segments. Additionally, many of our customers have expressed the need to deplete their existing inventory during the first half of 2024, implying that we will only receive new Request for Proposals (RFPs) until that period. Some believe that mobile phones now exhibit strong performance with all kinds of basic functions and that there is no breakthrough in product form. The marginal effect of changing mobile phones is considered very small. The decline in consumer demand for mobile phones is directly reflected in shipments. Most of our customers do not commit to long-term production schedules and may cancel orders, change production quantities, delay production, or alter their sourcing strategy. Customer relationships with emerging companies may pose more risks than those with established companies. With declining sales, we may struggle to maintain our leadership in the mobile phone EMS industry. In the saturated handset market, brands will need to carefully consider factors influencing consumer behaviours and respond accordingly. Vendors are cautiously approaching the market with profitability targets,

lean operations, and inventory clearing as top priorities. However, for vendors with long-term ambitions and capital to invest, challenging market conditions provide an excellent environment to capture market share, showcase commitment and intentions to new markets, and establish close partnerships with the channel.

(ii) The success of the Group is closely tied to the success of our customers. A substantial percentage of our sales are made to a small number of customers, all of which usually operate in markets with severe competition, posing a high concentration risk to both the top line and bottom line of the Group. Market developments experienced by our customers and/or market acceptance of their new products/models or new customer development may, from time to time, affect the Group's business. It is difficult to project the future order book of the Group and quarterly performances. A major customer of the Group found new local manufacturing partners in China and India, resulting in a dramatic drop in sales to this customer in 2023, and the 2024 outlook is pessimistic. In particular, peers in China are very cost-competitive. In India, this customer sought local manufacturing partners to benefit from the new manufacturing partner's eligibility for government incentives under the PLI (Production Linked Incentive) scheme. This customer also experienced a steady decline in sales and market share in India, along with regulatory challenges. In India, the risk of income tax audits is a common concern for all Chinese players, who have over 65% of volume share in smartphones in India. Another general risk in India, common to the entire market, is the upcoming state and federal elections in May 2024, and the first quarter and especially second quarter of 2024 will be a sensitive time in the capital markets. Sales to some other major customers may also be subject to significant pressure as market demand continues to be very weak, and the customers face headwinds of all kinds. For another major customer, it is anticipated there will be a demand drop in 2024 as the corporate end customers (leading Indian Telecom Operator) of this customer curtail deployment of 5G towers after meeting the minimum roll-out obligation of 5G in the Licensed Service Areas (LSA) in accordance with the norms set by the Department of Telecommunications (DoT). We foresee that the demand would remain subdued for most of 2024 till the start of next CAPEX cycle.

(iii) Gross margin can vary from period to period, making it challenging to maintain gross margin in the highly competitive marketplace with significant margin erosion pressure. Different programs (both old and new) may contribute different gross margins, depending on the type of services involved, the complexity of the product, business model, volume of the programs, and bill of material costs. Usually, in the early stages, manufacturing volumes are still low, and the gross margin is low as new programs need time to ramp up and achieve economies of scale, and there are unabsorbed manufacturing overhead costs to bear. Our customers are constantly seeking to reduce costs in their supply chains and increasingly imposing cost-reduction requirements. While we focus on reducing our costs to address pricing pressure, we face significant pressure to achieve proportionate reductions in costs or sustain our current rate of cost reduction. Certainly, these pressures on pricing and costs in the mobile phone industry will persist. Any broad-based change in our prices and pricing policies will reduce our revenues and erode our margins. In particular, peers in China are very cost-competitive, which is why the Group has to move the gravity out of China. Based on the core competencies of the Group and considering

the cutthroat competition from Chinese peers, we may have advantages in focusing on new markets in North America and Western Europe, where Chinese competitors may face constraints in making entry. We face risks arising from the restructuring of our operations. The move out of China and the decline of the Group's sales in China resulted in deteriorating utilisation of assets in China, and there is a continuous need to carry out large-scale and decisive downsizing and restructuring in Northern China to rationalise the headcounts and align our capacity with current and anticipated customer demand. There is a need to make severance payments according to local labor law requirements, and the amount can be very large, potentially affecting the Group's performance in that year. We have been extremely careful when handling restructuring as it may impact employee morale. As the market is dynamic, additional restructuring actions may be required in the coming period, possibly in some overseas sites, which are subject to different legal and regulatory requirements governing the extent and speed of our ability to reduce our capacity and workforce. The process of restructuring entails, among other activities, moving production between sites and facilities, transferring programs from higher-cost locations to lower-cost locations, trimming facilities, reducing the level of staff, realigning our business processes, and reorganising our management, and all these may incur costs in the short term with the expectation of cost savings and efficiency enhancement in the long term.

(iv) With major economies experiencing weak growth, the global economic growth has been sluggish so far this year. For China, exports plummeted, real estate is in an unprecedented crisis and domestic consumption has been struggling to recover. The job prospects for young people remains gloomy and there are several structural reasons for the elevated youth unemployment. On the demand side, the property, internet, and education sectors, which absorb a large portion of university graduates every year, are still coping with the residual impact of the regulatory clampdowns of the last few years. Second, many smaller businesses that closed during the pandemic haven't reopened. The swelling ranks of jobless youth also represent a looming demographic challenge for Chinese policy makers. The country's population is entering decline for the first time in six decades and is set to be overtaken by India's, just as concerns mount about a structural slowdown in economic growth. China is encouraging companies to boost hiring as the economic recovery gathers pace, underscoring persistent worries over the labour market and soaring unemployment among young people.

(v) Most of our customers do not commit to long-term production schedules. Market demand is weak and there maybe risks of customer cancelling, delaying or reducing demand or orders or returning shipped phones which will result in open purchase order exposure and/or excess inventory or idle direct labour and we have to cancel the open purchase orders. For long lead time components, we usually have to place purchase orders in an earlier manner. Engineering changes by a customer may result in obsolete materials or components. While we attempt to cancel purchase order of material/component placed, return or otherwise mitigate excess and obsolete stock, require customers to reimburse us for these items and/or price our services to address related risks, we may not actually be reimbursed timely or in full, be able to collect on these obligations or adequately reflect such risks in our pricing. To reduce the risk, procurement team will exercise extra prudence and communicate well internally

before placing purchase orders for long lead time components. Material and component supply instability and delays in deliveries can result in increased pricing. While many of our customers permit quarterly or other periodic adjustments to pricing based on changes in raw material or component prices and other factors, we will ask customers for price increases. But such repricing may not be accepted by customers. As explained, it may need quite a long time before shipment can be made to new customers as it needs time to develop new programs. It also needs a bit of time before profit can be made as there are start-up costs before shipment volume can reach break even point.

In this inflationary environment, it is crucial for the Group to prioritise effective cost management and continuously seek avenues for optimising operational efficiency. By identifying opportunities for process improvements and embracing innovative strategies, the Group can mitigate the impact of rising costs and adapt to the evolving market dynamics. These proactive measures will enhance the Group's competitive position amidst the challenges posed by inflation.

The Group's core competence is currently limited to phone-related areas, and there is a need to diversify the skill set.

(II) Supply Side

The Group keeps increasing the investment in India. Indian government has implemented several policies aimed at promoting domestic electronics industry while addressing the challenges associated with importation. The 'Make in India' initiative, launched in 2014, seeks to boost manufacturing across various sectors, including electronics. Under this initiative, the government has introduced policies and incentives to encourage local production and reduce dependency on imports. The Phased Manufacturing Program (PMP) is a key component of the government's strategy. It identifies specific electronic components and devices for phased manufacturing, gradually increasing the domestic production of these items. This approach helps create a conducive environment for the growth of the electronics industry while ensuring a smooth transition from import-dependent to self-sufficient manufacturing.

Despite these proactive measures, India faces challenges in implementing a robust electronics component importation policy. One significant challenge is the country's historic reliance on foreign imports for critical components. Shifting this dependency requires policy changes but also significant investments in R&D, infrastructure, and skill development. Another challenge is the global nature of the electronics supply chain. Many technologies and components have been built and established in certain countries and regions and sourced from these international markets for decades, and disruptions or fluctuations in global trade can impact Indian domestic production. The government must strike a delicate balance between promoting local manufacturing and ensuring a steady supply of essential components to sustain the industries.

By incentivising domestic production, India aims to create a self-sustaining ecosystem that not only meets domestic demand but also positions the country as a competitive player in the global electronics market. To reduce reliance on imports, the industry must invest in research and development, fostering a culture of innovation that can lead to the creation of indigenous technologies and products. As India navigates the complexities of the global supply chain, a well-calibrated approach that balances local production with global collaboration will be essential for the sustained growth of the electronics sector.

(III) Asset impairment risk

As the market is uncertain, in accordance with IFRS requirements, it is necessary to review the carrying amounts of assets (such as property, plant and equipment, right-of-use assets, goodwill, financial assets, etc.) at the end of the reporting period. This is done to determine whether there are any indications that they have suffered an impairment loss. If such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Given the challenging business environment, there may be a requirement to recognise impairment losses, and the amounts involved could be significant.

(IV) Macro-economics

(i) Global

The global economy, recovering from the unexpected shocks of the COVID-19 pandemic, Russia's invasion of Ukraine, and a crisis in the cost of living, has demonstrated resilience in 2023. The rate of inflation has decreased more rapidly than anticipated since its peak in 2022, with the adverse effects on employment and economic activities proving to be less severe than expected. At the same time, high interest rates aimed at fighting inflation and a withdrawal of fiscal support amid high debt are expected to weigh on growth in 2024. According to the January 2024 IMF report, the projected economic growth for 2024 is expected to stay at 3.1%, aligning with the estimate for 2023. Conversely, while the U.S. economy demonstrated robust resilience in 2023, the IMF estimated a decline in economic growth from 2.5% in 2023 to 2.1% in 2024. Furthermore, the United Nations provides an even lower forecast, predicting that the U.S. economy growth will decline to 1.4% in 2024. These are attributed to the lagging impact of tightened monetary and fiscal policies, as well as a softened labour market affecting overall demand.

Regarding inflation, in 2023, amid weakened demand, oil and natural gas prices experienced a general decline. However, concerns over supply were triggered by the Israel-Hamas Conflict, and OPEC+ also attempted to stimulate oil prices by extending production cuts, leading to a slight rebound in energy prices in December 2023. This resulted in the year-on-year Consumer Price Index (CPI) for the United States being 3.4%, with the core CPI at 3.9%, both surpassing market expectations. However, the core CPI fell below the 4% for the first time since May 2021, indicating that inflation appears to be gradually returning to a more normal trajectory. The IMF predicts that global inflation will continue to moderate and return to normal levels by 2025, and indicates that a scenario of economic soft landing is highly likely, where inflation decreases without a significant decline in economic activity, particularly

pronounced in the United States, the forecast indicates a very moderate increase in the unemployment rate, rising from 3.7% to 3.9% by 2025. Recent economic data has been mixed, prompting the FED to reassess the lagging effects of aggressive interest rate hikes. The duration of maintaining high interest rates will depend on the future developments in inflation and employment figures.

Besides, according to Global Trade Alert data, countries imposed around 3,000 new trade restrictions in 2023, a substantial increase from approximately 1,100 in 2019. Affected by this, projected world trade growth is 3.3% in 2024 and 3.6% in 2025, falling below the historical average growth rate of 4.9%. These actions pose potential risks for the future, leaving 2024 in a state of uncertainty. Overall, despite the gradual control of inflation, there remains significant uncertainty in 2024, not only due to the lagging impact of tightened monetary and fiscal policies but also due to various geopolitical risks.

(ii) China

Burdened by the protracted property crisis, weak consumer and business confidence, and mounting local government debts, the world's second-largest economy has struggled to achieve a strong and sustainable post-COVID pandemic recovery in 2023. The domestic real estate crisis is a major impediment to economic growth. China's real estate construction has now endured three successive years of decline, leading to the ongoing economy recession. Goldman Sachs forecasts a 5–7% contraction in China's investment in real estate in 2024. The persistent sluggishness in the property market could result in a 1% reduction in GDP growth. In addition, the risk of defaults in local government debts also increase the market uncertain of economy. In order to provide financing for large-scale stimulus programs reliant on infrastructure investment, local government financing vehicles have accumulated a large amount of debt. More than US$646 billion government bonds will mature in 2024, posing a challenge to local governments' ability to refinance debt and avoid defaults. Although China's GDP grew by 5.2% in 2023, meeting the government's annual growth target, this figure still fell below the pre-pandemic average annual growth rate of over 6%. Furthermore, the average forecast among international banks, including Goldman Sachs and Morgan Stanley, indicates a further reduction of 4.6% increase in GDP in 2024, which underscores the weak consumer confidence. In addition, the sluggishness in the property market and the defaults risk of local government debts have incurred the deflationary pressure. In December 2023, the CPI in China fell by 0.3% year-on-year, making the third consecutive negative monthly growth, showing the country's economy is still shrouded deflation. Moreover, the continued downward trend in oil prices and insufficient demand for industrial goods led to the PPI also dropping by 2.7% in December 2023, making the fifteen consecutive negative monthly growth. This has deepened concerns in the market about China entering a prolonged period of deflation. Not only internal factors contribute to China's economic weakness, but the ongoing U.S.-China trade war continues to impact China's economic. In recent years, due to the pandemic and political uncertainties, the global have highlighted the high risks and vulnerabilities of relying on China's supply chain. Meanwhile, the United States and certain Western countries have implemented subsidy policies to encourage international companies to reduce their dependence on China production. According to trade data from the U.S.

Department of Commerce, in the first half of 2023, China slipped from being the top importing country to the third, replaced by Mexico and Canada. Moreover, China's FDI in 2023 continued to decline to US$156 billion (YoY -8%) in 2023 due to worsening business results and a less optimistic outlook for China. With both exports and investments decreasing, the market is uncertain whether China's future monetary and fiscal policies can stimulate domestic demand. In summary, the market expects that the U.S.-China trade war will continue to intensify, and China's economy still faces significant uncertainties in 2024.

(V) *Performance of associates and a joint venture*

The investments in associates and a joint venture are accounted for using the equity method in the Group's consolidated financial statements. The unprecedented and uncertain global environment may result in a wide range of potentially negative long-term consequences, giving rise to potential losses in operations and discrete losses or expenses, such as those related to goodwill and intangible assets in these associates and the joint venture. Under the equity method, investments in associates or a joint venture are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and OCI (Other Comprehensive Income) of the associates or joint venture. The Group needs to share the results of associates and the joint venture. The Group also needs to assess whether there is objective evidence that the interest in associates and a joint venture may be impaired. When objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. During the current period, the share of the loss of a joint venture was US$20.2 million (YTD December 2022: US$4.4 million), and the share of the loss of associates was US$0.3 million (YTD December 2022: US$3.1 million). The share of the loss of the joint venture includes the share of the full impairment of goodwill of US$16.2 million as the joint venture suffered a loss due to hardware sales facing headwinds, and the EV market in mainland China is becoming hyper-competitive, impacting both the volume and causing pricing pressure on all suppliers. As the global economy has not yet recovered, demand is still weak, and competition is fierce, the impairment risk on investment is always present.

(VI) In 2023, through the extra effort made, the Group successfully sold land and buildings in Hangzhou, Hungary, and Beijing, recognising a significant after-tax gain. However, for those remaining assets, particularly the land and buildings in China, it is quite difficult to dispose of them as the demand for industrial property has shrunk dramatically. This implies that the substantial capital gain on the disposal of idle assets recorded in the past two years will not happen again.

(VII) In India, income tax risk is now common risk for all Chinese players, who have over 65% of volume share in smart phones in India. The income tax department of India is aggressive all the time to collect tax revenues.

Major opportunities include:

(I) As the technological landscape continues to change, the Group must pursue new and exciting frontiers with our products, continually evolving our business model to provide competitive services attractive to a wide range of industries. The Group has established a corporate-level Global Business Development (GBD) division to spearhead business development efforts, aiming to expand into new markets and capitalise on opportunities beyond EMS. This includes early involvement in the design and development of customers' products, facilitating entry into new territories. This strategy aims to fully leverage our R&D resources, providing value and differentiation to customers beyond manufacturing services. Implementing this strategy involves organisational changes, resource reallocation, adjustments in technology focus, and fostering a new corporate culture. However, it is important to note that this effort may take time to generate revenue and we recognise these industries currently require extensive investment ahead of profitability. As a result, adopting a mid-term and long-term perspective is crucial in terms of funding and team building for these key areas. Therefore, a corporate-level budget plan is necessary to ensure sufficient initial investment, securing future competitiveness and financial gains. But for new customers, we remain cognizant of inherent risks around potential payment delays, fluctuating component costs, and reliance on a handful of clients. We mitigate these through diligent financial vetting, diversified suppliers, stringent quality control, and maintaining leadership communication. It is anticipated that there will be a gradual increase in the weight of non-phone business in the coming period, leading to reduced reliance on conventional handset business. This shift in the business portfolio will contribute to increased diversification.

(II) FIH has accumulated over 20 years of design experience in mobile devices and telecommunications products, and we are capitalising on our proven expertise in mobile communications in the development of Telematics Boxes, despite recent collaborations contractions and economic instability. Our goal is to offer automotive manufacturers solutions developed with greater speed and higher quality compared to traditional vendors. Drawing on the exacting demands of mobile phone antenna design, we demonstrate a high level of proficiency in Telematics Boxes, successfully integrating traditionally dispersed antennas into compact Shark Fin antennas or Conformal antennas. Our expertise in thermal design ensures that our automotive electronic products can withstand harsh environments. Furthermore, our extensive experience in software integration guarantees communication reliability and network security within the complex systems of vehicles. FIH has already supplied products to a world-class automobile manufacturer and plans to further expand our customer base and product line. This strategic effort will contribute to increasing the share of non-phone business in overall sales revenue. In summary, these efforts underscore the Group's steadfast commitment to sustained innovation, expansion into emerging sectors, and the creation of long-term value for investors. The leveraging our mobile expertise alongside emerging digital capabilities propels our journey towards becoming a leading provider of cross-sector technology solutions.

(III) Leveraging AI technology and our past experience in hardware/software integration, the Group has strategically expanded into the domain of AI robotics. Recently, we successfully co-developed an AI Recycling Robot with our customer, which can automatically identify and sort a variety of recyclable materials. Moreover, this robot is

capable of sorting recyclables by colour and brand, and it provides real-time data analysis to immediately monitor recycling performance. With the help of AI technology and big data analysis, the Group assist in transforming labour-intensive recycling industries, support the circular economy, and accelerate progress towards a sustainable future.

Despite the widespread coverage of wireless communication networks nowadays, a noteworthy revelation comes from a report released by the International Telecommunication Union (ITU) in September 2023 — nearly one-third of the global population still remains without internet access. This deficiency in coverage not only restricts access but also results in poor communication quality in remote areas. Meanwhile, recent advancements such as satellite miniaturisation and cost reductions in rocket transportation, and the impact of the Russia-Ukraine war further emphasise the growing importance of resilient networks. Governments worldwide are now prioritising the combination of satellite communication technology with terrestrial networks to create hybrid solutions that improve both bandwidth and coverage. By leveraging the experience and professional capabilities in wireless communications, the Group has expanded its capabilities into the development of user terminals, phased-array antennas, and antenna subsystems, incorporating manufacturing for integration into the final product to support the realisation of the Group's strategy and positions it to capture the opportunities presented by the evolving landscape of global communication networks.

(IV) As mentioned above, India team is pitching business aggressively in new industry segments which have strong growth potential and also because India team has developed great expertise in these product categories over the last few years. The rapidly expanding Indian market remains a primary focus for the Group's operations. In 2020, the Group initiated the establishment of a casing factory in India, situated in Chennai, Tamil Nadu. This facility encompasses full enclosure manufacturing processes and is co-located with the Group's SMT/final assembly factory. Leveraging local EMS capacity alongside the Group's robust global multi-site R&D resources, the Group offers a diverse range of local services, spanning from IDM, ODM, JDM, to EMS, catering to the evolving needs of current and potential customers across various product lines. The comprehensive resource mapping readiness positions the Group to align closely with the Indian Government's "Made In India" (MII) policy. In addition to the differentiated service strategy for the Chinese market, the Group is pursuing a volume-driven approach for the Indian market, aiming to optimize supply chain management. These strategic initiatives yield benefits such as enhanced on-time delivery, reduced inventory costs, strengthened bargaining power, particularly in key components, and increased operational flexibility. Looking ahead to 2024, the Group is poised to enhance the capabilities of its casing factory by incorporating a dedicated tool shop, along with R&D, tooling, component manufacturing, LVI, and full assembly capabilities within an EMS facility. This strategic vertical integration initiative is geared towards meeting the diverse demands of both existing and prospective clients across emerging product lines.

Additionally, recent findings from a survey conducted by Moody's Investor Service in January 2024 underscore India's potential as a beneficiary of the ongoing diversification of global supply chains away from China. The driving forces behind this trend include escalating tariffs imposed by the Chinese and U.S. governments, leading to heightened operational costs in China, coupled with escalating geopolitical tensions, straining global trade relations with China. India presents a compelling value proposition, boasting a competitive cost structure, a vast labor pool, and a burgeoning domestic market.

Moreover, the Indian government has introduced various incentives and reforms to attract foreign investment and bolster the country's manufacturing capabilities. However, India grapples with challenges related to infrastructure, logistics, and policy hurdles, hindering its ability to fully unleash its potential as a global manufacturing hub.

Additionally, a report by Gartner in January 2024 predicts sluggish growth for the U.S. economy, projected at only 1% in 2024, while China's growth trajectory remains subdued. Consequently, this economic landscape is anticipated to impact the demand for goods and services from both nations, creating opportunities for other economies in the Asia Pacific region, including India, Malaysia, Thailand, and Vietnam.

(V) The Group has a global culture of continuous improvement, sharing best practices and implementing lean principles. For instance, we have introduced automated production lines that streamline our operations and enhance efficiency in several of our facilities. We will continue to drive lean and operational excellence initiatives with common global processes that allow us to optimise our cost structure and capacity. Meanwhile, our customers benefit from these initiatives by sharing in the cost savings and knowing that their manufacturing partner can scale to meet their growth needs.

The Company refers to its profit warning announcement of 2 November 2023 and its announcement relating to additional inside information about expected 2023 annual performance dated 27 February 2024 respectively, which provided (among other things) certain updates on its expected 2023 annual performance and included information about the various factors that contributed to the Group's consolidated net loss for the current period and that have persisted and were expected to continue into at least the six months ending 30 June 2024 (1H 2024).

Given the various challenging factors (including without limitation those relating to slow economic recovery, geo-political tensions, generally weak handset demand, keen competition, margin erosion pressure, inflationary pressure, under-utilised assets, continuing downsizing and restructuring efforts and associated costs, the performance of associates and a joint venture, asset impairment risk, and increase in Expected Credit Loss allowance amount, exchange rate volatility, and high interest rates) described above in this "Discussion and Analysis" section as well as the numerous variables and factors that might have adversely affected or continue to adversely affect the Group's performance for the current period and presumably 1H 2024, the Company considers it is currently too early and difficult to predict meaningfully and with any precision what further adverse impact such variables and factors might have on the Group's performance for 1H 2024.

That being said, as it needs more time to recover, the Company currently anticipates that conditions in 1H 2024 will remain very difficult, challenging and volatile. Considering the currently available information, the Company believes there is a realistic likelihood of a year-on-year decline in 1H 2024 sales, resulting in a deterioration of 1H 2024 gross profit, and this is likely to pose significant pressure on the Group's operating performance in 1H 2024, probably leading to sustained operating losses for 1H 2024.

Over the last several years, the Company has been proactively taking appropriate and reasonable steps to seek to improve the Group's performance notwithstanding the various

challenges over that period. The Company will keep matters under close review as 1H 2024 progresses, and will make further announcement(s), as necessary, to keep its shareholders and potential investors informed.

In the meantime, pursuant to applicable disclosure requirements laid down by the Taiwan Stock Exchange Corporation, Hon Hai is required to disclose in due course (which is currently expected to be in or about May 2024) certain unaudited consolidated financial information of the Group for the first quarter of 2024, and simultaneously upon such disclosure in Taiwan, the Company will announce the same financial information in order to facilitate timely dissemination of information to investors and potential investors in Hong Kong and Taiwan.

The Company wishes to take this opportunity to reiterate and explain that the Group's quarterly performance may vary (possibly significantly) depending on various factors, including without limitation the following, individually and collectively, and some of which are beyond the Company's control:

(i) Changes in: (1) the handset ecosystem and macro-economic environment, including changes in the global economy, increased international political volatility, complex geo-politics, escalating geopolitical tensions, de-risking relations with China, decoupling from China, de-globalisation, de-sinicisation, vigorous competition, consumer behaviours, inflation, and the recovery and resilience of the economy of China and other major economies; (2) the landscape of the handset industry; (3) major markets in different geographical segments generally; (4) end-market demand and consumer willingness to spend; and (5) ESG compliance requirements;

(ii) customers and their strategies (in particular outsourcing strategy) and risk appetite and business and financial conditions; China plus One strategy; China for China strategy; nearshoring;

(iii) keen competition of local peers;

(iv) Success of our customers' products in the marketplace and sales performance; adjustments to business strategy; changes in outsourcing strategy; inventory accumulation in channels; customer, sales, and product mix changes; the ramping of programs for new or existing customers; customer disengagements, terminations, or non-renewal of customer programs; product launch or recalibration strategies and timing; possible cancellation or delay of customer orders or changes in production quantities; market competitiveness; shifts in customers' demand, preferences, and propensity to spend (e.g. in-house manufacturing instead of outsourcing); changes in business models (e.g. shifting from buy and sell to consignment or vice versa); timing of the ramp-down of old phone models and the ramp-up of new phone models, along with the length of the transition period from old to new phone models; potential decline in sales to a major customer due to the customer's engagement with new manufacturing partners and ongoing customer diversification; end consumer behaviours; and any broad-based change in the Group's prices and pricing policies that may reduce its revenues and profitability;

(v) local factors and events that may affect our production volume, such as local holidays (e.g. the Lunar New Year holidays in Mainland China and Vietnam), which can often affect shipments and sales in the first quarter of each year, weather and climate changes or

natural disasters; power supply in summer seasons in China and Vietnam, surplus production capacity;

(vi) the seasonality of sales in quarterly revenue patterns; the cyclical nature of customer demand; shortened demand visibility; varying revenues and gross margins among geographies/segments and programs for the products or services we provide;

(vii) product maturity and oversupply of certain products or models and poor consumer sentiment. Generally, the Group sees a lengthening of smartphone lifespan, both with existing phones and consumer expectations of future phones, that may be attributable to a slower pace of innovation and longer replacement cycle time. Persistent effects of inflation could further dissuade consumers to upgrade. Increasing ESG considerations mean that consumers may be more cautious with buying a new phone when their old phone remains usable and new models may not offer material advances that would justify upgrading;

(viii) customers' credit and collection and going concern risks and assessment of adequacy of expected credit loss allowances. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional expected credit loss allowances of huge amount and inventory provision may be required and restructuring charges may be incurred;

(ix) when customers reduce/cut their orders, the Group has to cut excess open purchase order and reduce excess inventory and incur losses;

(x) the timing of our expenditures in anticipation of future orders; upfront investments and challenges associated with the ramping of programs for new or existing customers;

(xi) technology advancement and diversification; pace of overseas expansion;

(xii) Continuous rightsizing/restructuring of under performing parts of the Group's manufacturing operations to achieve its business strategy of becoming more asset-light and lean, and to cease financial losses. This may lead to ongoing rightsizing/restructuring/consolidation activities and associated severance payments, as well as other costs, expenses, and/or losses. Additionally, there may be associated impairment, disposal, and/or write-off of the Group's under-utilised/idle/obsolete/depreciated assets;

(xiii) in order to ensure the Group's cash flow is appropriately managed, intra-group dividends declared by subsidiaries within the Group will have dividend withholding tax implications for the Group;

(xiv) timing of receipts of agreed charges, fees, service income, compensations, claims or reimbursements from customers;

(xv) factors relating to the supply chain (e.g. component cost increases, availability of commodities, extended delivery lead times and shortages) which can affect material sourcing and production planning, order fulfilment, shipment and costs, and inventory (e.g. accumulated/excess inventory may take time to clear and may have to be written-

off, thus increasing inventory carrying cost); changes in cost and materials, components, services and labour;

(xvi) time needed to configure, ramp up and ramp down production to respond to new mobile phone and non-phone product innovations, models and consumer trends;

(xvii) Changes in money markets, including fluctuations in interest rates and foreign exchange rates, as well as gains and losses in foreign exchange. This encompasses capital markets, market volatility (e.g., RMB and INR, and volatility of other major currencies, stock market volatility), and the effectiveness of hedging activities. Net interest income/ expenses will also fluctuate. The 2024 money market may continue to be volatile, and the figures for 2024 can differ significantly from historical figures;

(xviii) market/legal/regulatory/tax/fiscal and monetary/government policy/tariff changes (e.g. changes of custom duty rates, custom duty exemptions, tax audit, transfer pricing audit and tax adjustment and payment, India's PLI (Production Linked Incentives) scheme, government's blacklisting);

(xix) unprecedented and uncertain global environment resulting in a wide range of potentially long-term consequences which may give rise to discrete losses or expenses, such as those related to future impairment, disposal and/or write-off of property, plant and equipment, goodwill, intangible assets and equity investments;

(xx) performance of the Group's associates and joint venture and its share of those associates' and joint venture's profits/losses; and the associates and joint venture which have experienced losses in such turbulent marketplace and there may be a need to make impairment on such investments; timing of dispositions of equity investments and resulting profits/losses and tax payments; timing of booking of revaluation gains/losses on equity investments;

(xxi) booking of income tax payments; reversal of deferred tax assets/liabilities; and

(xxii) renewing or meeting the conditions of any tax incentives and credits; granting and timing of receipts of incentives, relief packages, compensations and other grants and assistance which may be subject to the applicant having met certain conditions and criteria (like year-on-year change in sales amount, export amount/unit selling price, etc.) and such applicant's eligibility and ability to meet all such conditions and criteria.

Looking forward, upon the basis of the information currently available, it is reasonably foreseeable that: (a) the global economic recovery during 1H 2024 might still be slow, even triggering a drop in many countries' GDP (Gross Domestic Product) growth, particularly when the commercial benefits brought by the COVID-19 (coronavirus) pandemic have gradually disappeared. Taking the U.S., the world's largest economy, as an example, the U.S. economy is expected to see a continuous drop in GDP growth of 1.4% in 2024 (compared with 2.5% in 2023 and 2.1% in 2022) due to a weak consumer spending, high interest rates and a softening labour market according to the United Nations' latest prospects; (b) the Group still faces difficulties and challenges, and the macro-environment in 1H 2024 is expected to remain intricate, volatile and uncertain; and (c) in the context of smartphone market, although IDC

(International Data Corporation, the premier global provider of market intelligence, advisory services and events for the information technology, telecommunications and consumer technology markets) has reported that the smartphone market seems to reach its bottom as the market saw a better than expected shipment growth in the fourth quarter of 2023 and the growth momentum will continue to be seen in 2024, the largest smartphone market in the world, China is still facing the lowest shipment volume in a decade caused by a soft economic recovery and weak consumer sentiment, thus continuously and adversely affecting the Group's recovery.

New and unpredictable risks, challenges and threats emerge from time to time, and it is not possible for the Company's management to predict all such factors or to assess their impact on the Group's business. Additional risks and uncertainties not presently known to the Company or not currently viewed as material might also affect the Group's business, cash flows, results of operations and financial condition.

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company is tentatively scheduled to be closed from Thursday, 16 May 2024 to Wednesday, 22 May 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company which is tentatively scheduled to be held on 22 May 2024, all transfers of Shares accompanied by the relevant share certificates and properly completed and signed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 14 May 2024.

CORPORATE GOVERNANCE

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

As an overview, for the purposes of corporate governance enhancements and better compliance with applicable requirements under the Listing Rules, during the current period, the Company has adopted and implemented the following principal documents since 20 December 2023, in addition to the documents referred to in pages 162 and 163 of the Company's 2023 interim report as issued and published on 14 September 2023:

- Overview on Core Corporate Governance Practices, which is accessible on the Company's website.

- Statements regarding Corporate Communications, which are accessible on the Company's website.
- Corporate Communication and Crisis Reporting Guideline.
- Revised Corporate Vision, Values and Mission.
- Revised Shareholders Communication Policy.
- Revised, and further revised, Overview on Mechanisms for Independent Views and Inputs available to the Board.
- Revised form of Independence Confirmation Letter from each of the Company's independent non-executive directors.
- In the ESG context, the following policies which are accessible on the Company's website:
  (a) Global Code of Conduct.
  (b) Responsibility Standards.
  (c) Chapter on Employee Human Rights.

Details of the above principal documents will be disclosed in the Company's annual report 2023 which will be made available on the websites of the Stock Exchange and the Company respectively in due course.

The Company has applied and complied with all the code provisions set out in Part 2 of the CG Code during the current period.

The code provision contained in Paragraph C.2.1 of Part 2 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

However, Mr. TONG Wen-hsin ("Mr. Tong"), the Company's former chairman and former executive director, had resigned from his positions within the Company with effect from 1 January 2017. Upon Mr. Tong's resignation, the Company has not been able to comply with the code provision contained in Paragraph C.2.1 of Part 2 of the CG Code. The reasons for such deviation are set out below.

Since the resignation of Mr. Tong as the chairman of the Company, the Company has been searching for the right candidate to fill the position of chairman of the Company. However, given the importance of the role, the Board expects that it may take some time before the Company is able to find a suitable candidate to fulfil the role of chairman. In light of the tremendous market challenges and the current uncertainties relating to the vacancy of the chairman role, the Board considered that experienced leadership was of utmost importance and has resolved to adopt an arrangement by appointing Mr. CHIH Yu Yang ("Mr. Chih"), the current chief executive officer, to act as the acting chairman with effect from 1 January 2017. Mr. Chih has been the Company's executive director and chief executive officer since 28 August 2009 and 26 July 2012, respectively. In these positions, Mr. Chih has accumulated extensive and in-depth knowledge, experience and network in both the Company and the industry. The Board believes that this arrangement not only is crucial to the continuation in the Group's implementation of business plans and formulation of business strategies, but also

serves to avoid unnecessary speculation, confusion and instability that may be caused to the Group's shareholders, investors, customers, suppliers and business partners worldwide, and that the status quo should be maintained when the Group has been facing challenging conditions, particularly when the Group had made consolidated net loss on an annual basis since 2017 until 2020 and recorded a consolidated net profit for 2021 but turned back to a consolidated net loss for 2022 and also the current period. Although the arrangement deviates from the relevant code provision, the Board considers that the arrangement will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board which comprises experienced and high-caliber individuals of diversified perspectives, with whom three being independent non-executive directors (out of the seven Board members). The Board meets regularly to consider major matters affecting the operations of the Group and all directors of the Company are properly and promptly briefed on such matters with adequate, complete and reliable information.

To address the potential corporate governance issues brought by the absence of separation of the roles and in particular to reduce the potential risk of concentration of power in one individual, the Company has implemented and maintained a number of internal control measures to highlight the roles of the executive directors (other than the acting chairman), non-executive directors (including independent non-executive directors) and senior management of the Company in scrutinising the decision-making processes applicable to certain material matters of the Group and also monitoring the exercise of power by the acting chairman cum chief executive officer, including without limitation the internal control measures as more particularly described in pages 173 and 174 of the Company's 2020 annual report as issued and published on 20 April 2021.

In light of the above, the Board believes that there have been adequate checks and balances at both the Board level and the Company's senior management level, and there has been sufficiently close supervision over the key operational matters of the Group, notwithstanding that the Company has not been able to comply with the code provision contained in Paragraph C.2.1 of Part 2 of the CG Code during the current period. The Board therefore considers that the circumstances justify the adoption of the arrangement for the chief executive officer to serve also as the acting chairman, and considers that this arrangement is currently in the best interests of the Company and its Shareholders as a whole.

In the spirit of better corporate governance, the Board will periodically review the effectiveness of this arrangement (and introduce further measures, if necessary) and, through the Company's nomination committee, will endeavour to find a suitable candidate to assume the duties as the chairman of the Company at the right and appropriate time, thereby separating the roles of chairman and chief executive as prescribed under the code provision contained in Paragraph C.2.1 of Part 2 of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code, and has formulated and adopted the Authorisation Procedures of the Model Code and the Securities Dealing Policy since 2005 (each as amended and supplemented from time to time). Following specific enquiry made by the Company, all the directors of the Company have confirmed that they have complied with the required standards set out in the Model Code in respect of the Company's securities throughout the current period, and the requirements laid down by the aforesaid Authorisation Procedures and Securities Dealing Policy in respect of the Company's securities throughout the current period.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the current period and up to the date of this announcement, pursuant to the Buy-back Mandates (as defined in the Company's circulars dated 14 April 2022 and 14 April 2023 respectively) duly approved by the Company's shareholders at the Company's annual general meetings held on 20 May 2022 and 19 May 2023 respectively, the Company bought back in multiple batches a total of 36,939,000 shares on the Stock Exchange in cash for an aggregate consideration (before expenses) of HK$25,353,580.00. Among these shares so bought back, 6,739,000 shares, 4,000,000 shares, 3,031,000 shares, 5,969,000 shares, 3,000,000 shares and 14,200,000 shares were cancelled on 13 January 2023, 13 April 2023, 11 September 2023, 10 October 2023, 7 December 2023 and 15 January 2024 respectively, in all cases in accordance with the Articles.

The above share buy-backs are summarised as follows:

Date of buy-back	No. of Shares bought back	Price per Share Highest HK$	Price per Share Lowest HK$	Aggregate consideration paid (before expenses) HK$
3 January 2023	2,161,000	0.86	0.85	1,851,200.00
4 January 2023	1,078,000	0.87	0.86	932,080.00
5 January 2023	1,000,000	0.86	0.86	860,000.00
6 January 2023	2,500,000	0.85	0.84	2,121,070.00
30 March 2023	232,000	0.84	0.84	194,880.00
31 March 2023	3,768,000	0.85	0.83	3,179,290.00
15 August 2023	354,000	0.77	0.77	272,580.00
23 August 2023	1,000,000	0.72	0.72	720,000.00
24 August 2023	677,000	0.72	0.72	487,440.00
31 August 2023	1,000,000	0.68	0.68	680,000.00
5 September 2023	400,000	0.72	0.72	288,000.00
6 September 2023	400,000	0.71	0.71	284,000.00
7 September 2023	400,000	0.71	0.71	284,000.00
11 September 2023	1,400,000	0.69	0.68	962,000.00
15 September 2023	800,000	0.70	0.70	560,000.00
18 September 2023	300,000	0.70	0.70	210,000.00
20 September 2023	200,000	0.70	0.70	140,000.00
21 September 2023	100,000	0.68	0.68	68,000.00
25 September 2023	288,000	0.68	0.68	195,840.00
26 September 2023	981,000	0.68	0.67	661,390.00
28 September 2023	400,000	0.66	0.66	264,000.00
29 September 2023	300,000	0.66	0.66	198,000.00
15 November 2023	800,000	0.60	0.60	480,000.00
30 November 2023	2,200,000	0.58	0.58	1,276,000.00
1 December 2023	1,800,000	0.59	0.58	1,050,000.00
4 December 2023	1,504,000	0.56	0.55	835,200.00
5 December 2023	1,000,000	0.54	0.54	540,000.00
14 December 2023	664,000	0.55	0.55	365,200.00
19 December 2023	415,000	0.56	0.56	232,400.00
20 December 2023	1,621,000	0.57	0.57	923,970.00
21 December 2023	300,000	0.58	0.57	173,820.00
22 December 2023	296,000	0.59	0.59	174,640.00
27 December 2023	1,900,000	0.59	0.58	1,113,640.00
28 December 2023	206,000	0.60	0.60	123,600.00
29 December 2023	94,000	0.61	0.61	57,340.00
2 January 2024	1,400,000	0.60	0.59	834,000.00
3 January 2024	300,000	0.59	0.59	177,000.00
4 January 2024	1,600,000	0.59	0.58	931,000.00
5 January 2024	1,100,000	0.60	0.59	652,000.00
	36,939,000			25,353,580.00

For details about each of the above share buy-backs and share cancellations, please refer to the Explanatory Statements of the Buy-back Mandates as Appendix I to the Company's circulars dated 14 April 2022 and 14 April 2023 respectively as well as the next day disclosure returns and monthly returns as issued and published from 3 January 2023 to 1 February 2024 (both dates inclusive).

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

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

AUDIT COMMITTEE AND EXTERNAL AUDITOR

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

The audit committee has reviewed the audited consolidated financial statements of the Group for the current period and the annual report 2023 of the Company and recommended the same to the Board for approval.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 7 March 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

DISCLOSURE OF INFORMATION ON WEBSITES

The annual report 2023 of the Company containing all the information required by the Listing Rules will be despatched to the Shareholders and made available on the websites of the Stock Exchange and the Company respectively in due course.

DEFINITIONS

"Articles"	the articles of association of the Company in force for the time being
"associate(s)"	having the meaning as defined in the Listing Rules
"Board"	the board of directors of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Company", "we", "our" or "us"	FIH Mobile Limited, a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
"current period" or "reporting period" or "current year"	the year ended 31 December 2023
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hon Hai"	鴻海精密工業股份有限公司 (Hon Hai Precision Industry Co. Ltd. for identification purposes only), a limited liability company incorporated in Taiwan, the shares of which are listed on the Taiwan Stock Exchange Corporation and the ultimate controlling Shareholder
"Hon Hai Technology Group"	Hon Hai, its subsidiaries and/or associates (as the case may be)
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"INR"	Indian rupee, the lawful currency of India
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
"Manual"	the Corporate Governance Compliance Manual of the Company adopted by the Board on 15 April 2010, as amended from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules

"PRC" or "China"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
"Share(s)"	ordinary share(s) with a nominal value of US$0.04 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S."	the United States of America
"US$" or "USD"	United States dollars, the lawful currency of the U.S.

By Order of the Board
CHIH Yu Yang
Acting Chairman

Hong Kong, 7 March 2024

As at the date of this announcement, the Board comprises three executive directors, namely Mr. CHIH Yu Yang, Dr. KUO Wen-Yi and Mr. LIN Chia-Yi (also known as Charles LIN); one non-executive director, namely Mr. CHANG Chuan-Wang; and three independent non-executive directors, namely Mr. LAU Siu Ki, Ms. CHEN Shu Chuan (also known as Nadia CHEN) and Mr. CHIU Yen-Tsen (also known as CHIU Yen-Chen, Dennis).