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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 2024

The Board hereby announces the audited consolidated results of the Group for the year ended 31 December 2024 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 2024

	NOTES	**2024** *US$'000*	2023 *US$'000*
Revenue	*2*	**5,702,949**	6,445,798
Cost of sales		**(5,568,309)**	(6,335,982)
Gross profit		**134,640**	109,816
Other income, gains and losses	*3*	**91,309**	229,512
Impairment loss under expected credit loss model, net of reversal		**(9,768)**	(133,823)
Impairment loss recognised for property, plant and equipment		**(16,022)**	(4,882)
Selling expenses		**(5,349)**	(5,386)
General and administrative expenses		**(87,019)**	(156,914)
Research and development expenses		**(49,965)**	(57,108)
Interest expenses		**(57,633)**	(60,600)
Share of profit (loss) of associates		**9,116**	(344)
Share of loss of a joint venture		**(3,815)**	(20,175)
Profit (loss) before tax	*4*	**5,494**	(99,904)
Income tax expense	*5*	**(25,686)**	(20,869)
Loss for the year		**(20,192)**	(120,773)

	NOTE	**2024** **US$'000**	2023 US$'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		**(6,966)**	(84,735)
Remeasurement of defined benefit pension plans		**305**	243
		(6,661)	(84,492)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(68,192)**	(15,324)
Share of translation reserve of associates		**(1,013)**	(337)
Share of translation reserve of a joint venture		**(887)**	1,093
		(70,092)	(14,568)
Other comprehensive expense for the year, net of income tax		**(76,753)**	(99,060)
Total comprehensive expense for the year		**(96,945)**	(219,833)
(Loss) profit for the year attributable to:			
Owners of the Company		**(20,331)**	(120,680)
Non-controlling interests		**139**	(93)
		(20,192)	(120,773)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(96,911)**	(220,037)
Non-controlling interests		**(34)**	204
		(96,945)	(219,833)
Loss per share	*7*		
Basic		**(US0.26 cent)**	(US1.52 cents)
Diluted		**(US0.26 cent)**	(US1.52 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	NOTES	2024 US$'000	2023 US$'000
Non-current assets			
Property, plant and equipment		**586,162**	639,374
Right-of-use assets		**36,757**	39,019
Investment properties		**258**	406
Equity instruments at fair value through other comprehensive income	*8*	**56,704**	62,002
Interests in associates		**26,268**	25,270
Interest in a joint venture		**9,401**	14,103
Deferred tax assets	*9*	**21,128**	18,790
Deposit for acquisition of right-of-use assets		**26,508**	26,908
Other receivables		**34,110**	34,625
		797,296	860,497
Current assets			
Inventories		**547,695**	591,557
Trade and other receivables	*10*	**791,958**	971,716
Bank deposits		**168,833**	50,343
Cash and cash equivalents		**1,516,241**	1,845,323
		3,024,727	3,458,939
Current liabilities			
Trade and other payables	*11*	**1,527,060**	1,643,013
Contract liabilities		**416,885**	331,543
Lease liabilities		**38**	1,235
Bank borrowings	*12*	**341,420**	703,676
Provision	*13*	**1,438**	2,014
Tax payable		**51,482**	55,484
		2,338,323	2,736,965
Net current assets		**686,404**	721,974
Total assets less current liabilities		**1,483,700**	1,582,471

	NOTES	**2024** **US$'000**	2023 *US$'000*
Capital and reserves			
Share capital		**315,380**	316,200
Reserves		**1,145,432**	1,242,287
Equity attributable to owners of the Company		**1,460,812**	1,558,487
Non-controlling interests		**2,851**	2,885
Total equity		**1,463,663**	1,561,372
Non-current liabilities			
Deferred tax liabilities	*9*	**9,090**	11,236
Deferred income	*14*	**6,404**	7,119
Lease liabilities		**4,543**	2,744
		20,037	21,099
		1,483,700	1,582,471

Notes:

1. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

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

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

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

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

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

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

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

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

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

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

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

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

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$5,702,949,000 (2023: US$6,445,798,000) to its customers in connection with the production of handsets.

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

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

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

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

Segment profit (loss) represents the gross profit earned (loss incurred) by each segment after deducting all selling expenses and impairment loss under 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:

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

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

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

Notes:

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

(b) According to an arbitral award issued by the China International Economic and Trade Arbitration Commission on 6 June 2023, the Group has disposed of certain property, plant and equipment in Beijing, the PRC, at a consideration of 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 during the year ended 31 December 2023. The details of the transaction are set out in the Company's announcement dated 7 June 2023.

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

4. PROFIT (LOSS) BEFORE TAX

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

5. INCOME TAX EXPENSE

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

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

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

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

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 2024 and 2023, 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:

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

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

The calculation of diluted loss per share for both current and prior years does not take into account the share awards issued by the Company because it is anti-dilutive.

8. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

Notes:

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

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

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

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

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 2023	(1,635)	(265)	(3,262)	–	(5,643)	(10,805)
(Credit) charge to profit or loss for the year	(254)	62	252	(4,933)	8,258	3,385
Exchange adjustments	28	2	40	41	(245)	(134)
At 31 December 2023	(1,861)	(201)	(2,970)	(4,892)	2,370	(7,554)
Charge (credit) to profit or loss for the year	219	199	(3,063)	–	(2,372)	(5,017)
Exchange adjustments	42	2	159	122	208	533
At 31 December 2024	(1,600)	–	(5,874)	(4,770)	206	(12,038)

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

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

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

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

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

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

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

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

10. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

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

11. TRADE AND OTHER PAYABLES

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

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

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

12. BANK BORROWINGS

	2024	2023
	US$'000	*US$'000*
Bank loans – due within one year	**341,420**	703,676

Analysis of bank borrowings by currency:

	2024	2023
US$	**341,420**	703,676

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

13. PROVISION

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

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

14. DEFERRED INCOME

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

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

IMPORTANT

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

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

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

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

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

DISCUSSION AND ANALYSIS

Introduction

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

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

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

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

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

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

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

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

For exploring new industry sectors, the Group has implemented its "2+2" industry and technology strategy, actively expanding into automotive electronics, robotics, Artificial Intelligence (AI), and next-generation communication technologies in recent years. This lies in its core strength of providing hardware and software design, development and manufacturing, and integration solutions of high complexity that require strong engineering, technical, and design proficiency. In the reporting period, to effectively execute the strategy and promote better governance and long-term sustainability, the Group separated the Chairman and CEO roles and revamped its Mission and Values, which can be found in the "STATEMENT" section of the Global Code of Conduct (2025 version) published on the Company's website on 13 February 2025, to drive growth, stay responsive to changes in industry trends and, most importantly, meet customer expectations. Additionally, the Group has realigned its resources and focus into three key business categories: smart manufacturing, automotive electronics, and manufacturing equipment/robotics. In smart manufacturing, the Group has revisited its customer portfolio to maximise the overall profit. As for automotive electronics, The Telematics Box (T-BOX) developed by the Group has already started mass production and shipment, with customers including leading global automakers, achieving a crucial milestone of entering the global automotive supply chain. In the manufacturing equipment/robotics category, the Group's AI recycling robots have begun their services in large recycling sites in the U.S, accelerating sustainable growth by addressing complex tasks with efficiency and providing a safer working environment.

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

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

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

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

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

Key Relationships with Customers, Suppliers and Employees

Key Relationships with Customers

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

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

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

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

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

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

Key Relationships with Suppliers

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

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

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

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

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

Maintaining an agile balance between demand and supply is vital for the Group's business success. For an in-depth understanding, please refer to "The Group's Value Chain" section of the Company's separate 2023 environmental, social and governance report. In light of the risks stemming from reliance on major customers and suppliers, the Group has devised and adhered to a business plan aimed at diversifying its customer base, product categories, and supply mix. Robust internal control systems and Enterprise Risk Management are in place to evaluate and mitigate such risks. Further information can be found in the "Accountability and Audit" section of the Company's 2023 corporate governance report, which forms part of the Company's 2023 annual report.

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

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

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

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

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

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

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

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

Key Relationships with Employees

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

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

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

During the reporting period, in view of the Group's changes in product portfolio and excess capacity, it has undertaken initiatives to restructure its business operations with the intention of diversification, improving utilisation and realising cost savings and remaining as an asset-light and lean group. These initiatives included the restructuring of the underperforming parts of its manufacturing operations and disposing idle assets, moving production between facilities and reducing the level of staff, realigning its business process and reorganising its management, largely to align its capacity and infrastructure with current and anticipated customer demand. During the change, the Group is transparent to employees about the current situation and the improvement action must been taken to earn their understanding and trust. Remaining transparent also helps keep rumours to a minimum to reduce retained employees' worry on job security. By understanding the Group's Vision, which can be found in the "STATEMENT" section of the Global Code of Conduct (2025 version) published on the Company's website on 13 February 2025, let the staff know exactly where they stand, and new job responsibilities they may have, employees will likely stay engaged and be more positive during restructuring.

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

(II) Vietnam site: After a period of growth and development, 2024 marks a year of significant transformation for Fushan Technology (Vietnam) Limited Liability Company ("Fushan"). Fushan proudly welcomes more customers and launch numerous new projects. While maintaining excellence in production and business operations to consistently satisfy its customers, Fushan also prioritises the development of its people and its commitment to social and environmental responsibility. Equal opportunities are provided to everyone, ensuring a

fair and inclusive working environment. To strengthen team cohesion, 95% of indirect labour (IDL) had joined team-building programs twice a year. Furthermore, Fushan continues to run the Kaizen Campaign and Kaizen Sharing sessions to promote innovation and creativity, there are 369 participants to accomplish 16 Kaizen sessions and 60 Kaizen activities in 2024.

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

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

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

As of 31 December 2024, the Group had a total of 31,568 (31 December 2023: 36,657) employees. Total staff costs incurred during the year amounted to US$269 million (31 December 2023: US$270 million). The Group offers a comprehensive and competitive remuneration policy which is reviewed by the management on a regular basis. In general, the Group's merit-based remuneration policy rewards its employees for good performance, contributions and productivity. The Group treats all employees equally and fairly, and evaluates employee performance (including determining promotions and wage increments) objectively based on merit, ability, and competence. To encourage employee retention, the Group has implemented annual bonuses, time-based/performance-based incentives and other incentive programs. Employee retention is always a big challenge for all corporations. In a highly competitive global economy and as product development

and manufacture are both complicated processes and require professionals and experts, retaining qualified and skilled key employees is essential for the sustainable competitive advantage. Offering competitive compensation and benefits, favourable working environment, broader customer reach, bigger scale in resources, training and job rotation coupling with better career prospect across various products and programs and business lines are undertaken as actions for the Group to increase the employee loyalty and retention rate. Both the Existing Share Scheme and the Existing 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 section headed "Remuneration Committee – Directors' Remuneration Policy" of the Company's 2023 corporate governance report, forming part of the Company's 2023 annual report) as well as the recommendations of the Company's remuneration committee. Key ESG HR issues concern how a company engages with its workforce, with a strong focus on a culture incorporating inclusion and diversity, and how it looks at issues of pay and equality. The Group focused on ensuring it is inclusive and socially conscious. For more details about the Group's key relationships with its employees, please refer to the "People-Oriented" section of the Company's separate 2023 environmental, social and governance report published on 18 April 2024.

Review of Results and Operations

Financial Performance

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

Profit and Loss Account

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

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

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

(II) Operating Expenses: Regarding operating expenses, they amounted to US$142.3 million for the current period, compared to US$219.4 million for the same period last year, marking a decrease of US$77.1 million. Thanks to rightsizing and restructuring efforts implemented over the past few years, the Group has streamlined its operations. However, there remains a need to continuously adjust its scale of operation to align with the actual business needs. Company-wide cost reduction initiatives and headcount reductions have resulted in annual savings, contributing to long-term cost and overhead reductions. The Group underwent rightsizing and restructuring, specifically in Northern China, which incurred losses, costs, and expenses totalling US$8.7 million in the current period, and US$26.3 million for the same period last year. The Group remains committed to further reducing operating expenses by prioritising spending on future business initiatives, lowering indirect labour costs, preventing cost overruns, and reducing general and administrative expenses across the board. These efforts are expected to yield gradual favourable outcomes, reflecting the Group's dedication to enhancing efficiency and maintaining financial resilience amid evolving market conditions. However, addressing low asset utilisation remains a significant challenge for the Group. As for R&D expenses, the year-on-year decrease is primarily due to reduction in professional service fees. This was partially offset by heightened R&D activities for new projects.

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

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

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

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

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

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

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

Despite gradual recovery in most major world economies, the Group continues to face numerous challenges. Persistent weak demand and market saturation, coupled with a tough, dynamic, and volatile macroeconomic, intense market competition, and a complex geopolitical landscape, create ongoing uncertainties that may impact our performance. Past and current operating results and earnings may not accurately reflect future outcomes, given the variability in quarterly performance and the complexities of long-term forecasting. In response to these challenges, the Group remains

lean, asset-light and vigilant and prepared to react decisively. This includes shifting the focus toward high-margin industries and clients across all subsidiaries, building long-term partnerships with international players, terminating unprofitable operations, restructuring under-performing operations, aggressively reducing operating expenses, and external borrowings, generally suspending capital expenditure on non-critical investments and/or capital assets, and cutting headcount as necessary. On the basis of a preliminary review of the Group's latest unaudited management accounts and other information currently available, the Company currently expects that: (a) the Group's financial resources (including cash, cash flow, banking facilities and liquidity positions) and working capital remain sufficient to finance its continuing operations and capital commitments; (b) the Group would have sufficient funds to satisfy its working capital and capital expenditure requirements for the forthcoming 18-month period; and (c) no significant events nor circumstances might adversely affect the Group's ability to fulfill its financial obligations or meet its debt covenants in a material respect.

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

Dividends

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

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

Diversification

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

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

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

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

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

growth in the coming years, as it plays an indispensable role in the satellite communications industry. Given this momentum, next-generation communication technologies are set to be one of the Group's primary growth drivers.

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

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

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

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

Geographical Segments (please refer to note 2 of "Revenue and Segment Information" to the consolidated financial statements)

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

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

Asia Segment

The Group's Asia segment includes its primary regional markets: mainland China, Taiwan, and India, all of which faced significant challenges during the period. Revenue for the Asia segment in the current period was US$2,597.5 million, a substantial decline of US$1,200.8 million or 31.6% compared to US$3,798.3 million for the same period last year. Profit for the period was US$38.6 million, representing a decrease of US$31.5 million from the prior year, primarily due to reduced shipments caused by weak demand and a shift in outsourcing strategies by a major customer who opted for new manufacturing partners in mainland China and India. In India, margin erosion was pronounced due to increasing competition from domestic EMS providers, which benefit from relaxed Production Linked Incentive (PLI) criteria unavailable to the Group as a multinational company. Additionally, in 2023, the Group's Indian operations produced a significant volume of routers for a major customer. However, in 2024, major telecom operators in India shifted their focus to 5G monetisation, reducing capital expenditure after completing nationwide rollouts. This shift led to a dramatic decline in router shipments, further straining revenue streams. In mainland China, the saturated handset market, weak end consumer confidence, consumption downgrading, and broader economic uncertainties have constrained discretionary spending and increased price sensitivity. Subdued demand reflects end consumers' reluctance to upgrade smartphones frequently and a preference for more affordable devices. Intensified competition has prompted customers to adopt a more cautious procurement approach, focused on risk mitigation. Highly cost-competitive local competitors in mainland China have resulted in some lost orders for the Group and lower

visibility of orders. For Sharp's phone business, the Japanese smartphone market remains highly saturated with strong competition. Inflation and yen devaluation have increased domestic prices, reducing consumer willingness to upgrade devices frequently. To address rising labour costs, Sharp is actively seeking production partners outside mainland China. For Hon Hai's consumer electronics manufacturing business, the macroeconomic environment remains challenging due to weak consumer spending on electronic devices. High inventory levels and carrying costs have compelled a U.S. customer for e-books and smart speakers to tighten budget controls and procurement. Market stagnation has further intensified competition, with Hon Hai's competitors adopting more aggressive pricing and investment strategies to secure this customer. As a result, Hon Hai has been compelled to reduce the purchase price offered by the Group.

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

Europe Segment

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

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

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

America Segment

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

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

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

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

Peers

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

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

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

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

Investments

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

Investments in Business relating to Nokia-branded Products

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

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

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

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

Other Investments

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

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

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

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

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

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

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

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

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

Compliance with Relevant Laws and Regulations

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

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

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

Mainland China

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

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

In respect of the mainland China Foreign Investment Law which took effect on 1 January 2020 (FIL), please refer to the background and previous developments as described in page 116 of the Company's 2023 interim report as issued and published on 14 September 2023. In particular, the governance structures and constitutional documents of the Group FIEs, together with their respective business, legal or compliance models and practices, shall be adjusted to accommodate the corresponding requirements under the mainland China Company Law, which may imply additional costs of legal/regulatory compliance. According to the Company Law, group foreign-invested enterprises in the form of companies with limited liability registered and established before 30 June 2024, are granted a 8-year transition period (i.e. 1 July 2024 to 30 June 2032) for compliance with the mainland China Company Law in effect at that time; group foreign-invested enterprises in the form of companies limited by shares registered and established before 30 June 2024, are granted a 3-year transition

period (i.e. 1 July 2024 to 30 June 2027) for compliance with the mainland China Company Law in effect (currently the New Company Law. With effect from 1 July 2024, if a newly established group foreign-invested enterprises is established in the form of a company with limited liability, the capital contribution shall be paid in full within five years from the date of establishment of the company; if it is established in the form of a company limited by shares, the founders should pay the full amount of the shares subscribed by them before the establishment of the company, in order to comply with the mainland China Company Law currently in effect (currently the New Company Law). As mentioned above, the Group FIEs have been assessing the impacts of the FIL and (as mentioned above) the New Company Law and (as appropriate) will devise and implement appropriate corporate initiatives and actions.

India

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

Vietnam

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

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

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

Apart from the above, the Group also takes into account the relevant laws and regulations regarding global transfer pricing, in order to ensure efficiency and sustainability of the operating models and global tax footprint as well as sufficient tax risk management. During the current period, apart from the above, there were no major changes in applicable tax laws and regulations which have a significant impact on the Group's tax expenses, and the Group will continue to monitor possible impacts and implications arising from applicable new and/or revised tax laws and regulations. Also, the Group has been closely following the global and local level developments following the Base Erosion and Profit Shifting (BEPS) Action Plans of the Organisation for Economic Cooperation and Development (OECD). The Group is committed to duly comply with applicable laws and regulations introduced or updated in relation to the BEPS Action Plans (including Pillar II, which is further elaborated in the section 'Risk and Opportunities in 2024 – Other Risk Factors'), as well as fulfilling the relevant documentation requirements stipulated by the local transfer pricing rules and Country-by-Country Reporting (CbCR) obligations in the jurisdictions where the Group operates. The Group falls within the CbCR scope of the Company's ultimate controlling shareholder, Hon Hai, for such purposes.

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

Liquidity and Financial Resources

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

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

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

Exposures to Currency Risks and Related Hedges

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

Capital Commitments

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

Pledge/Charge of Assets

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

Contingent Liability

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

Donations

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

Outlook and Industry Dynamics

Industry Dynamics

Macroeconomic Headwinds

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

ODM/OEM/EMS Industry Review and Challenges

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

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

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

Smartphone Market Outlook

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

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

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

Risk and Opportunities in 2025

Macroeconomic Risk Factors

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

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

Industry-Specific Risk Factors

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

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

Customer Related Risk Factors

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

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

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

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

Other Risk Factors

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

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

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

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

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

Opportunities

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

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

1H 2025 Outlook

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

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

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

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company is tentatively scheduled to be closed from Monday, 12 May 2025 to Friday, 16 May 2025, 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 16 May 2025, 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 Friday, 9 May 2025.

CORPORATE GOVERNANCE

The Company has adopted the Manual since 15 April 2010 as amended and supplemented from time to time. The Manual is to set out the Company's governance practices and compliance procedures, ensuring adherence to the CG Code under the Listing Rules and the SFO.

Key Governance Enhancements in 2024

During the reporting period, the Company introduced and updated several governance documents, including:

1. Overview on Core Corporate Governance Practices – Available on the Company's website, this document provides a comprehensive framework covering governance policies, board committees, accountability, audit, and ESG integration.

2. Statements regarding Corporate Communications – Set out the scope, dissemination methods, and shareholder election options for corporate communication.

3. Corporate Communication and Crisis Reporting Guideline – Ensures consistent external communications and crisis management.

4. Updated Corporate Vision, Mission, and Values – Aligns corporate culture with strategic objectives.

5. Revised Shareholders Communication Policy – Enhances shareholder engagement.

6. Revised, and further revised, Overview on Mechanisms for Independent Views and Inputs available to the Board.

7. Revised form of Independence Confirmation Letter from each of the Company's independent non-executive directors.

8. ESG-Related Governance Measures

   In the ESG context, the Company also adopted key ESG policies, including:

   - Global Code of Conduct – Embeds Corporate Social Responsibility and sustainability into the Group's core values.

   - Responsibility Standards – Provides a clear interpretation of the Global Code of Conduct.

   - Chapter on Employee Human Rights – Reinforces the Company's commitment to upholding human rights.

Details of the above principal documents will be disclosed in the Company's annual report 2024, 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 except for the following deviation:

Pursuant to paragraph C.2.1 of Part 2 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. CHIH Yu Yang acted as the chief executive officer and the acting chairman since 1 January 2017. The Board believes that this arrangement not only is crucial to the continuation in the Group's implementation of business plans and formulation of business strategies but also serves to avoid unnecessary instability that may be caused following the resignation of the former chairman and former executive director. To address the potential corporate governance issues brought by the absence of separation of the roles, the Company has implemented and maintained a number of internal control measures to highlight the roles of the directors and senior management of the Company in scrutinizing the decision-making processes applicable to certain material matters of the Group and also monitoring the exercise of power by the then acting chairman and chief executive officer.

For the purposes of corporate governance enhancements and full compliance with paragraph C.2.1 of Part 2 of the CG Code, the Board has resolved the following changes in the executive function of the corresponding directors of the Company, in all cases with effect from 1 July 2024:

(1) Mr. CHIH Yu Yang, an executive director of the Company, has been re-designated from acting chairman to chairman of the Board and resigned as the chief executive officer of the Company.

(2) Mr. LIN Chia-Yi (also known as Charles LIN), an executive director of the Company, has been appointed as the chief executive officer of the Company.

Further, the Company has clearly established and set out in writing the division of responsibilities between the chairman and chief executive officer to ensure a balance of power and authority between the management of the Board and the management of the business of the Company. This separation also enhances the Board's independence.

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 Mandate (as defined in the Company's circular dated 14 April 2023) duly approved by the Company's shareholders at the Company's annual general meetings held on 19 May 2023, the Company bought back in multiple batches a total of 10,700,000 shares on the Stock Exchange in cash for an aggregate consideration (before expenses) of HK$5,725,460.00. Among these shares so bought back, 4,400,000 shares and 6,300,000 shares were cancelled on 15 January 2024 and 10 April 2024 respectively, in all cases in accordance with the Articles.

The above share buy-backs are summarised as follows:

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

For details about each of the above share buy-backs and share cancellations, please refer to the Explanatory Statement of the Buy-back Mandate as Appendix I to the Company's circular dated 14 April 2023 as well as the next day disclosure returns and monthly returns as issued and published during the period from 2 January 2024 to 3 May 2024 (both dates inclusive).

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

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

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 2024 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 2024 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 2025. 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 2024 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

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

"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 2024
"ESG"	environmental, social, and governance
"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
Chairman of the Board

Hong Kong, 7 March 2025

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