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FIH Mobile Limited

富智康集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2038)

PROFIT WARNING

This announcement is made by FIH Mobile Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

The Company refers to its announcements of 5 June, 21 July and 11 November 2020, the last of which provides (among other things) an update on the Group’s expected performance for the year ending 31 December 2020 (“**FY 2020**”).

The Company’s board of directors (the “**Board**”) would like to inform shareholders and potential investors that after further assessment of the Group’s latest unaudited management accounts and other information currently available, the Company estimates that the Group’s revenue for the ten months ended 31 October 2020 (“**YTD October 2020**”) is likely to be around US\$7.044 billion (compared with around US\$11.760 billion for the ten months ended 31 October 2019 (“**YTD October 2019**”). Further, the Company expects the Group to record a consolidated net loss of around US\$124.2 million for YTD October 2020 (compared with a consolidated net loss of around US\$48.290 million for YTD October 2019). In this respect, the Company reminds shareholders and potential investors to note the last paragraph of page 1 of the Company’s announcement dated 11 November 2020 in respect of the Group’s periodic performance.

The Company currently expects the Group to record a consolidated net loss for FY 2020 which is likely to be materially higher than the Group’s consolidated net loss of around US\$12.178 million (including the profit of US\$20.339 million from discontinued operation) for the year ended 31 December 2019. However, due to the factor numbered (2) as explained below and various other factors, it is not reasonably possible at this stage to assess the Group’s likely final results for FY 2020. The Company will provide further update(s) in due course, as appropriate.

Various factors are relevant to the foregoing, including the following:

- (1) the challenging conditions that the Group has faced since late 2017 having continued into 2020;
- (2) the novel coronavirus (COVID-19) pandemic which has adversely impacted on not only global supply chains and component supply and prices but also consumer demand and has contributed to a slowdown in the global economy generally, in part as a result of various lockdowns and restrictions. With respect to the Company’s announcement of 11 November 2020, the Company’s relevant subsidiaries in Mainland China have applied for the Mainland Chinese government’s COVID-19 relief. Whether those applications are successful by the end of this year can potentially, materially impact on the Group’s December 2020 results; and
- (3) a substantial loss arising from the impairment and/or write-off of the Group’s under-utilised/obsolete assets. With respect to the Group’s 2020 outlook in the Company’s 2020 interim report as issued and published on 7 September 2020, although Mainland China has so far shown a robust recovery from COVID-19, handset demand remains weak. In addition, market conditions are challenging and competition is keen. In view of the Group’s changes in product portfolio and excess capacity, the Group has refined its approach and taken necessary steps with a view to becoming an asset-light corporate group and, accordingly, may continue to downsize or discontinue underperforming part(s) of its businesses (in addition to the discontinuance of its logistics and distribution business with effect from 1 January 2019), thereby incurring inevitable costs and expenses and hence giving rise to a potential, adverse impact on the Group’s likely final results for FY 2020 and, possibly, 2021. In light of that, the Group needs to substantially impair and/or write off various under-utilised/obsolete assets, with a view to seeking better returns while disposing of such under-utilised/obsolete assets and relocating suboptimal but useful equipment to form part of the manufacturing facilities in other countries.

The above factors have further increased surplus production capacity and competition in the handset market as well as price and margin erosion pressure on the Group. Those factors are currently expected to continue into the remainder of 2020 and, potentially, 2021.

The Company will keep matters under close review as the last quarter of 2020 progresses, and will make further announcement(s) in compliance with the Listing Rules and/or the SFO, as appropriate.

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

By Order of the Board
CHIH Yu Yang
Acting Chairman

Hong Kong, 4 December 2020

As at the date of this announcement, the Board comprises three executive directors, namely Mr. CHIH Yu Yang, Dr. KUO Wen-Yi and Mr. MENG Hsiao-Yi; and three independent non-executive directors, namely Mr. LAU Siu Ki, Dr. Daniel Joseph MEHAN and Mr. TAO Yun Chih.