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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)

**CERTAIN FINANCIAL INFORMATION FOR
THE THREE MONTHS ENDED 31 MARCH 2021
AND
UPDATE ON EXPECTED 2021 INTERIM PERFORMANCE**

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 XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Further to the second paragraph at page 61 of the Company’s 2020 annual report as issued and published on 20 April 2021 (the “2020 Annual Report”) and also the Company’s profit warning announcement as issued and published almost simultaneously with the issuance and publication of this announcement (the “Profit Warning”), pursuant to applicable disclosure requirements laid down by the Taiwan Stock Exchange Corporation, Hon Hai Precision Industry Co. Ltd.* (the Company’s ultimate controlling shareholder whose shares are listed on the Taiwan Stock Exchange Corporation) is required to disclose on or about 14 May 2021 (as currently scheduled) certain unaudited consolidated financial information of the Group for the three months ended 31 March 2021.

In order to facilitate timely dissemination of information to investors and potential investors in Hong Kong and Taiwan, the Company’s board of directors (the “Board”) would like to inform the Company’s shareholders and potential investors of the following unaudited consolidated financial information of the Group for the three months ended 31 March 2021, which is extracted from the Group’s latest unaudited management accounts and other information currently available (which are subject to possible adjustments following further internal review):

IMPORTANT

As mentioned above, the Group’s results for the three months ended 31 March 2021 as set out in this announcement are unaudited, but have been reviewed in accordance with the relevant financial standards. The Group’s results of operations in the past have fluctuated and may in the future continue to fluctuate (possibly significantly) from one period to another period. Accordingly, the Group’s results of operations for any period should not be considered to be indicative of the results to be expected for any future period, and shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company. For more details, please refer to the bullet points at pages 61 and 62 of the 2020 Annual Report in respect of the Group’s quarterly performance.

Condensed Consolidated Statement of Financial Position

	As at		
	31 March 2021	31 December 2020	31 March 2020
	US\$ '000	US\$ '000	US\$ '000
	(unaudited)	(audited)	(unaudited)
Current assets	4,538,689	4,757,762	4,511,293
Non-current assets	1,274,368	1,274,312	1,228,959
Current liabilities	(3,746,453)	(3,909,286)	(3,754,389)
Non-current liabilities	(40,182)	(40,720)	(34,879)
Total net assets	<u>2,026,422</u>	<u>2,082,068</u>	<u>1,950,984</u>

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the three-month period ended 31 March	
	2021	2020
	US\$ '000	US\$ '000
	(unaudited)	(unaudited)
Revenue and other operating revenue	<u>2,015,245</u>	<u>1,847,800</u>
Loss for the period	(38,044)	(62,483)
Other comprehensive expense, net of tax	<u>(12,645)</u>	<u>(87,131)</u>
Total comprehensive expense for the period	<u>(50,689)</u>	<u>(149,614)</u>

Condensed Consolidated Statement of Cash Flows

	For the three-month period ended 31 March	
	2021	2020
	US\$ '000	US\$ '000
	(unaudited)	(unaudited)
Net cash from (used in) operating activities	91,884	(47,168)
Net cash (used in) from investing activities	(14,589)	102,910
Net cash (used in) from financing activities	(35,856)	183,965
Effect of foreign exchange changes	<u>(21,641)</u>	<u>8,513</u>
Net increase in cash and cash equivalents	<u>19,798</u>	<u>248,220</u>
Cash and cash equivalents, beginning of period	<u>1,779,332</u>	<u>1,545,270</u>
Cash and cash equivalents, end of period	<u>1,799,130</u>	<u>1,793,490</u>

The Group's unaudited consolidated interim results and other related details will be disclosed in the 2021 interim results announcement and interim report to be published by the Company.

With reference to the Company's statements regarding the Group's expected performance for the six months ending 30 June 2021 at pages 60 to 62 of the 2020 Annual Report and also the Profit Warning, the Company wishes to take this opportunity to update its shareholders and potential investors as follows:

- (1) As the Company has explained in the Profit Warning, the challenging conditions that the Group has faced since late 2017 have continued into 2021.

- (2) In addition, the Group has been facing component shortages and price hikes and longer lead times. Component supply constraints have adversely impacted the Group's supply to its customers and ultimately its revenue, and rising component pricing (and hence the Group's costs) will further put more pressure on the Group's margins in respect of some customers over time. At this stage, it is practicably difficult to reasonably and meaningfully quantify the adverse impacts of continuous component shortages and price hikes and longer lead times on the Group's expected performance for the six months ending 30 June 2021.
- (3) Further to the Profit Warning, in relation to the novel coronavirus (COVID-19) pandemic and related restrictions, in April 2021, India saw a national resurgence of COVID-19 which has stretched its healthcare system, and due to another wave of local infections, several Indian state governments have announced complete/partial lockdowns. While the Group is keen to continue to expand its operations (in particular, the Group is actively setting up research and development and casing capabilities) in India, the Group continues to closely monitor the COVID-19 impacts on its present and planned operations in India.
- (4) The Group continues to pursue its "asset light" strategy in 2021 with a view to becoming a leaner and simpler corporate group. Because of the handset market's continuous excess capacity and the low utilisation of some of the assets involved in the Group's casing business in Mainland China and the consequential price and margin erosion pressure that the Group faces, the Group continues to look for opportunities to rightsize and/or to restructure parts of its manufacturing operations in Mainland China. The Group continues to closely monitor the rapidly-changing handset market and conditions as well as the Group's capacity and asset utilisation, and also to address/liquidate under-utilised/obsolete/depreciated assets which may give rise to losses on disposal.
- (5) At this stage, it is practicably difficult to reasonably and meaningfully predict the Group's future order book. For example, one major customer has been subject to U.S. sanctions which has resulted in a fall in orders from this customer since 2020.

On the basis of a preliminary review of the Group's latest unaudited management accounts and other information currently available (which are subject to possible adjustments following further internal review), the Company currently expects that: (a) the Group's financial resources (including cash, cash flow and liquidity positions) and working capital remain sufficient to finance its continuing operations and capital commitments; (b) the Group would have sufficient funds to satisfy its working capital and capital expenditure requirements for the forthcoming 18-month period; and (c) no significant events nor circumstances might adversely affect the Group's ability to fulfill its financial obligations or meet its debt covenants in a material respect. However, to seek to ensure that the Group will maintain that, and given the changes in market demand and consumer-buying behaviour resulting from COVID-19, the Group has continued to focus on measures to implement preventive controls in factory operations and control overall costs and operating expenses, and to seek to ease pressure on margin erosion, while at the same time working closely with customers to fill their demand at a reasonable cost amidst fierce market competition.

The Company has been working hard and doing everything that it reasonably can to maximise its performance through these challenging times. The Company will keep matters under close review as the second quarter of 2021 progresses, and will make further announcement(s), as necessary, to keep its shareholders and potential investors informed.

Shareholders of the Company 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, 12 May 2021

As at the date of this announcement, the Board of the Company 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.

* *For identification purposes only*