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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)

**(1) CERTAIN FINANCIAL INFORMATION FOR
THE THREE MONTHS ENDED 31 MARCH 2023**

AND

(2) UPDATE ON EXPECTED 2023 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) (the “**SFO**”).

**(1) CERTAIN FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED
31 MARCH 2023**

Further to the fourth paragraph on page 105 of the Company’s 2022 annual report as issued and published on 13 April 2023 (the “**2022 Annual Report**”), under applicable disclosure requirements of the Taiwan Stock Exchange Corporation, Hon Hai Precision Industry Co. Ltd. (for identification purposes only, being the Company’s ultimate controlling shareholder whose shares are listed on the Taiwan Stock Exchange Corporation) is required to disclose on or about 11 May 2023 (as currently scheduled) certain unaudited consolidated financial information of the Group for the three months ended 31 March 2023 (the “**current period**”).

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 current period, which is extracted from the Group’s latest unaudited management accounts and other relevant information currently available:

IMPORTANT

As mentioned above, the Group’s results for the current period 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 pages 105 to 107 of the 2022 Annual Report in respect of the Group’s quarterly performance.

Condensed Consolidated Statement of Financial Position

	As at		
	31 March 2023	31 December 2022	31 March 2022
	US\$ '000	US\$ '000	US\$ '000
	(unaudited)	(audited)	(unaudited)
Current assets	3,581,771	4,486,932	4,806,163
Non-current assets	1,036,223	1,023,358	1,241,170
Current liabilities	(2,839,077)	(3,708,432)	(3,867,353)
Non-current liabilities	(13,798)	(14,082)	(33,746)
Total net assets	<u>1,765,119</u>	<u>1,787,776</u>	<u>2,146,234</u>

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the three-month period ended 31 March	
	2023	2022
	US\$ '000	US\$ '000
	(unaudited)	(unaudited)
Revenue and other operating revenue	1,274,921	2,209,973
Loss for the period	(52,315)	(18,800)
Other comprehensive income, net of tax	30,825	516
Total comprehensive expense for the period	<u>(21,490)</u>	<u>(18,284)</u>

Condensed Consolidated Statement of Cash Flows

	For the three-month period ended 31 March	
	2023	2022
	US\$ '000	US\$ '000
	(unaudited)	(unaudited)
Net cash used in operating activities	(460,776)	(274,114)
Net cash used in investing activities	(15,517)	(72,860)
Net cash from financing activities	33,468	74,481
Effect of foreign exchange changes	21,332	1,293
Net decrease in cash and cash equivalents	(421,493)	(271,200)
Cash and cash equivalents, beginning of period	1,825,109	1,884,719
Cash and cash equivalents, end of period	<u>1,403,616</u>	<u>1,613,519</u>

The above information is subject to possible adjustments following further internal review and/or external auditor's review, and is not based on any figure(s) or information which has/have been reviewed by the Company's auditor or audit committee.

The Group's unaudited consolidated interim results and other related details will be disclosed in the 2023 interim results announcement and interim report to be published by the Company.

(2) UPDATE ON EXPECTED 2023 INTERIM PERFORMANCE

Reference is made to the Company's statements regarding the Group's expected performance for the six months ending 30 June 2023 ("1H 2023") on pages 104 and 105 of the 2022 Annual Report (including the statement that there was a realistic likelihood of exhibiting a year-on-year dramatic decline in sales and hence a year-on-year deterioration of gross margin and operating performance in the first quarter and probably second quarter of 2023, likely leading to an enlarged operating loss for 1H 2023 when compared with that for the same period last year).

The Board informs shareholders of the Company and potential investors that, after further assessment of the Group's latest unaudited management accounts and other relevant information currently available, the Company currently expects the Group to record a consolidated net loss for 1H 2023 which is likely to be significantly bigger than the Group's consolidated net loss of around US\$23.82 million for the six months ended 30 June 2022. Because of the factors referred to below (amongst others), however, it is not reasonably possible at present for the Company to

provide a more precise indication of the Group's likely interim results for 1H 2023. The Company will keep matters under close review as the second quarter of 2023 progresses, and will make further announcement(s) in compliance with the Listing Rules and/or the SFO, as appropriate.

Various factors are expected to be relevant to the Company's likely 1H 2023 loss as mentioned above, including the following primary factors:

- (1) Suppressed consumer demand: consumer demand continues to face very challenging environment amid the ongoing global economic slowdown in 2023 and the global consumer electronics market continues to be adversely affected by various headwinds, including prolonged geopolitical uncertainty, slowdown of the general economy and slow recovery, limited visibility, inflationary pressure, high interest rates, commoditisation and increasing life cycle of smartphones. Low- and middle-income groups have continued to be materially impacted by inflation and many have continued to reduce non-essential spending.
- (2) Continuing decline in global handset demand and keen competition and huge margin erosion pressure: it has recently been reported that the recovery of worldwide smartphone shipments will not occur until 2024 and 1H 2023 will continue to face a downhill trend since the last quarter of 2022, but the shipments are currently expected to return to the growth path in the second half of 2023.
- (3) Losses, costs and/or expenses from continuing rightsizing/restructuring activities: while the Group continues to closely monitor the rapidly-changing and competitive handset market and conditions and the Group's capacity and asset utilisation, the Group has continued to carry out rightsizing/restructuring activities, including the optimisation of staff force and disposal and/or liquidation of under-utilised/depreciated/obsolete assets. Those rightsizing/restructuring activities have given rise to, among others: (a) severance payments upon optimisation of staff force (estimated to be around, or below, a total of US\$18.1 million for the current period, compared with a total of US\$1.3 million for the three months ended 31 March 2022 ("**YTD March 2022**")); and (b) losses from asset disposals, write-off and impairment (estimated to be around, or below, a total of US\$0.9 million for the current period, compared with a total of US\$2.8 million for YTD March 2022).
- (4) Challenging market conditions since late 2017 having continued into 2023.
- (5) Additional allowance against the Group's expected increasing credit and collection risks for its trade receivables (estimated to be around, or below, US\$11.5 million for the current period, compared with US\$2.6 million for YTD March 2022).
- (6) Share of losses of the Group's associates and a joint venture, amounting to around, or below, US\$2.2 million and US\$1.3 million respectively for the current period (compared with losses of US\$0.2 million and US\$2.4 million for YTD March 2022) and there may be possible losses from the impairment of investments in those associates and joint venture as the uncertain global environment may give rise to potential losses in the operations of those associates and joint venture.
- (7) A foreign exchange loss, which is currently estimated to be around, or below, US\$8.4 million for the current period, compared with a gain of US\$4.5 million for YTD March 2022.

The above negative factors are currently expected to be partially offset by the likely gain from the compensation for the resumption of land of the Group's subsidiary (estimated to be around, or above, US\$51 million for the second quarter of 2023). For more details of the aforesaid compensation and land resumption, please see the Company's discloseable transaction announcement dated 2 November 2022.

Additionally, the above negative factors and the risks indicated in the section headed "Risk Factors of 2023" on pages 97 to 103 of the 2022 Annual Report have continued and are currently expected to continue into the remainder of 2023.

The Company has been working hard and doing everything that it reasonably can to improve its performance through these long-lasting challenging times.

As mentioned above, the Group's unaudited consolidated interim results and other related details will be disclosed in the 2023 interim results announcement and interim report to be published by the Company.

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, 3 May 2023

As at the date of this announcement, the Board comprises three executive directors, namely Mr. CHIH Yu Yang, Dr. KUO Wen-Yi and Mr. LIN Chia-Yi (also known as Charles LIN); and three independent non-executive directors, namely Mr. LAU Siu Ki, Dr. Daniel Joseph MEHAN and Mr. TAO Yun Chih.