Fujikon Industrial Holdings Limited

富士高實業控股有限公司*

(incorporated in Bermuda with limited liability)

(stock code: 927)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2008

FINANCIAL HIGHLIGHTS

- **Revenue: HK$1,616.5 million, down 3.7% (2007: HK$1,678.4 million)**
- **Net operating cash flow: HK$276.9 million, up 48.9% (2007: HK$186.0 million)**
- **Gross profit margin: 22.6%, down 0.1% point (2007:22.7%)**
- **Profit attributable to equity holders of the Company: HK$138.2 million, down 13.3% (2007: HK$159.5 million)**
- **Total dividends (per share): HK15.0 cents, up 25.0% (2007: HK12.0 cents)**

The board of directors (the "Board") of Fujikon Industrial Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries ("Fujikon" or the "Group") for the year ended 31 March 2008.

The annual results have been reviewed by the audit committee of the Company.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2008

	Note	**2008**	2007
		HK$'000	*HK$'000*
Revenue	*2*	**1,616,485**	1,678,402
Cost of sales		**(1,250,782)**	(1,297,880)
Gross profit		**365,703**	380,522
Other (losses)/gains - net		**(21,346)**	1,962
Distribution and selling expenses		**(26,096)**	(27,418)
General and administrative expenses		**(148,018)**	(143,252)
Operating profit	*3*	**170,243**	211,814
Finance income		**8,693**	3,133
Finance costs		**(3,050)**	(5,975)
Profit before income tax		**175,886**	208,972
Income tax expenses	*4*	**(24,593)**	(33,620)
Profit for the year		**151,293**	175,352
Attributable to:			
Equity holders of the Company		**138,226**	159,487
Minority interests		**13,067**	15,865
		151,293	175,352
Earnings per share for profit attributable to the equity holders of the Company during the year			
- Basic	*5*	**HK36.3 cents**	HK42.4 cents
- Diluted		**HK34.3 cents**	HK41.0 cents
Dividends	*6*	**58,977**	45,413

CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	Note	**2008** *HK$'000*	2007 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**214,607**	224,665
Investment properties		**5,220**	4,360
Leasehold land and land use rights		**21,527**	21,198
Non-current deposits		**14,627**	–
Available-for-sale financial assets		**–**	3,963
Deferred tax assets		**17**	186
Total non-current assets		**255,998**	254,372
Current assets			
Inventories		**163,838**	221,205
Trade receivables	*7*	**196,512**	258,868
Other receivables		**29,447**	34,461
Other financial assets at fair value through profit or loss		**45,369**	7,238
Pledged bank deposits		**–**	2,132
Cash and bank deposits		**325,593**	158,310
Total current assets		**760,759**	682,214
LIABILITIES			
Current liabilities			
Trade payables	*8*	**(139,936)**	(185,280)
Accruals and other payables		**(106,406)**	(99,803)
Current income tax liabilities		**(22,979)**	(30,776)
Derivative financial instruments		**(4,041)**	(1,055)
Bank borrowings		**(30,416)**	(43,279)
Total current liabilities		**(303,778)**	(360,193)
Net current assets		**456,981**	322,021
Total assets less current liabilities		**712,979**	576,393
Non-current liabilities			
Bank borrowings		**(3,185)**	(5,915)
Deferred tax liabilities		**(1,135)**	(1,021)
Total non-current liabilities		**(4,320)**	(6,936)
Net assets		**708,659**	569,457
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**38,119**	37,732
Other reserves		**128,334**	74,209
Retained earnings			
- Proposed dividends		**39,918**	34,121
- Others		**462,131**	390,068
		668,502	536,130
Minority interests		**40,157**	33,327
Total equity		**708,659**	569,457

NOTES

1. Basis of preparation and accounting policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") under the historical cost convention, as modified by the revaluation of investment properties, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The Group has adopted the following new standards, amendments and interpretations of new HKFRS that have been issued and effective for the current year's financial statements. The adoption of such standards, amendments and interpretations did not have a material effect on these financial statements.

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The Group has not yet early applied the following new and revised standards, amendments or interpretations that have been issued but not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidiation [1]
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 8	Operating Segments [1]
HK(IFRIC)-Int 12	Service Concession Arrangements [3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes [4]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [3]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 January 2008
4 Effective for annual periods beginning on or after 1 July 2008

2. Turnover and segment reporting

a. Primary reporting format – business segments

	Audio products		Communication products		Multimedia products		Electro -acoustic parts		Electronic products, accessories and others		Elimination		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total segment revenue	454,184	421,256	507,505	604,708	148,448	144,740	39,507	93,953	466,841	413,745	–	–	1,616,485	1,678,402
Inter-segment revenue	–	–	–	–	–	–	–	–	273,800	375,864	(273,800)	(375,864)	–	–
Revenue/Turnover	454,184	421,256	507,505	604,708	148,448	144,740	39,507	93,953	740,641	789,609	(273,800)	(375,864)	1,616,485	1,678,402
Segment results	91,412	93,430	46,771	56,058	14,072	19,734	6,978	16,202	36,216	42,453	–	–	195,449	227,877
Unallocated corporate expenses													(3,860)	(18,025)
Other (losses)/gains - net													(21,346)	1,962
Finance income													8,693	3,133
Finance costs													(3,050)	(5,975)
Income tax expenses													(24,593)	(33,620)
Profit for the year													151,293	175,352
Other information														
Assets:														
Segment assets	276,614	231,688	309,089	332,585	90,410	79,606	24,061	51,673	284,323	227,557	–	–	984,497	923,109
Unallocated assets													32,260	13,477
													1,016,757	936,586
Liabilities:														
Segment liabilities	68,727	68,963	76,795	98,995	22,463	23,695	5,978	15,381	70,642	67,733	–	–	244,605	274,767
Unallocated liabilities													63,493	92,362
													308,098	367,129
Capital expenditures	10,832	10,921	12,104	15,675	3,540	3,752	942	2,435	6,741	20,263	–	–	34,159	53,046
Depreciation	12,140	9,203	13,565	13,209	3,968	3,161	1,056	2,053	14,840	12,355	–	–	45,569	39,981
Amortisation of leasehold land and land use rights	180	208	201	299	59	72	16	46	106	100	–	–	562	725

b. Secondary reporting format – geographical segments

	North America						Asia Pacific							
	United States of America		Canada		Europe		Asian Countries (other than Mainland China)		Mainland China		Others		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue/Turnover	422,256	404,662	4,851	4,299	290,456	420,965	322,430	316,371	533,610	487,448	42,882	44,657	1,616,485	1,678,402
Segment results	51,055	54,941	587	583	35,119	57,155	38,985	42,954	64,519	66,181	5,184	6,063	195,449	227,877

c. The Group has business operations in Mainland China and Hong Kong. An analysis by geographical location is as follows:

	Mainland China		**Hong Kong**		**Total**	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets	**649,996**	602,401	**366,761**	334,185	**1,016,757**	936,586
Capital expenditures	**34,033**	52,073	**126**	973	**34,159**	53,046

3. Operating profit

Operating profit is stated after charging and crediting the following:

	2008	2007
	HK$'000	*HK$'000*
Charging		
Amortisation of leasehold land	**562**	725
Depreciation of property, plant and equipment	**45,569**	39,981
Fair value losses on derivative financial instruments	**3,416**	1,550
Fair value losses/(gains) on financial assets at fair value through profit or loss	**1,482**	(394)
Net foreign exchange losses/(gains)	**17,571**	(2,660)
Net losses on disposal of available-for-sale financial assets	**149**	3
Staff costs (including directors' emoluments)	**267,705**	250,302
Crediting		
Fair value gains on investment properties	**860**	180
Net gains on disposal of property, plant and equipment	**206**	233
Net gains on disposal of other financial assets at fair value through profit or loss	**206**	48

4. Income tax expenses

The Company is exempted from taxation in Bermuda until March 2016.

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

4. Income tax expenses (continued)

The amount of taxation charged to the consolidated income statement represents:

	2008	2007
	HK$'000	*HK$'000*
Current taxation		
- Hong Kong profits tax	**19,668**	24,109
- Mainland China enterprise income tax	**7,496**	9,959
- Over-provision in prior years	**(2,854)**	(30)
	24,310	34,038
Deferred taxation		
- Hong Kong profits tax	**283**	(326)
- Over-provision in prior years	**–**	(92)
	24,593	33,620

5. Earnings per share

The calculation of basic and diluted earnings per share is based on the following:

	2008	2007
Profit attributable to equity holders of the Company	**HK$138,226,000**	HK$159,487,000
Weighted average number of ordinary shares used in calculating basic earnings per share	**380,594,000**	376,234,000
Adjustment for potential dilutive effect in respect of outstanding share options	**21,898,000**	12,466,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	**402,492,000**	388,700,000

6. Dividends

The Board has resolved to declare a final dividend of HK5.0 cents per share (2007: HK5.0 cents) and a special dividend of HK5.0 cents per share (2007: HK4.0 cents) for the year ended 31 March 2008. The final dividend and the special dividend will be paid on 14 August 2008 to shareholders whose names are registered in the books of the Company on 4 August 2008.

7. Trade receivables

The Group's granted credit terms to its customers ranging from 7 to 120 days. At 31 March 2008, the ageing analysis of the trade receivables by past due date is as follows:

	2008	2007
	HK$'000	*HK$'000*
Current	**149,332**	216,053
1 to 30 days	**26,977**	23,970
31 to 60 days	**11,383**	11,824
61 to 90 days	**6,724**	5,979
91 to 180 days	**7,368**	5,661
	201,784	263,487
Less: Provision for impairment of trade receivables	**(5,272)**	(4,619)
Trade receivables, net	**196,512**	258,868

8. Trade payables

At 31 March 2008, the ageing analysis of the trade payables by past due date is as follows:

	2008	2007
	HK$'000	*HK$'000*
Current	**107,976**	114,009
1 to 30 days	**16,790**	42,466
31 to 60 days	**5,110**	13,262
61 to 90 days	**3,518**	6,668
91 to 180 days	**6,542**	8,875
Trade payables	**139,936**	185,280

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Thursday, 31 July 2008 to Monday, 4 August 2008 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the final dividend and the special dividend, all transfers of share accompanied by the relevant share certificate must be lodged with the Company's Hong Kong branch share registrar, Hong Kong Registrars Limited at Rooms 1712-16, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 pm on Wednesday, 30 July 2008 for registration.

BUSINESS REVIEW

Indicative of the communication products segment's entry into a transitional period, the Group experienced a slight decline in revenue of 3.7% to HK$1,616.5 million. However, thanks to the continuous implementation of an effective cost down programme, the Group's gross profit margin of over 22% remained comparable to that of the previous financial year. In terms of profitability, profit attributable to shareholders contracted to HK$138.2 million (FY2007: HK159.5 million), due in part to a decrease in revenue from the communication products segment. Nonetheless, sales from the Group's other core businesses, such as audio products in particular, achieved satisfactory growth. Although external factors had an adverse effect on Fujikon's performance, rising material and labour costs were effectively managed via prudent management and enhancement of productivity.

Product Mix Analysis

For the year ended 31 March 2008, the communication products business remained the largest revenue earner for the Group, accounting for 31.4% of total revenue. Excluding the communication products segment, audio products, multimedia products, electronic products, accessories and others, and electro-acoustic parts accounted for 28.1%, 9.2% 28.9%, and 2.4% of total revenue, respectively.

Core Businesses

Communication Products

During the year, the Group bolstered relations with a leading European mobile phone manufacturer through co-development of new products, consequently enhancing its position as an original design manufacturer. Due to the transitional period in which new products were undergoing development, sales from the communication products segment was down from HK$604.7 million reported in FY2007 to HK$507.5 million. However, given that Fujikon and the aforesaid customer are jointly preparing to deliver the new range of models on the market; the Group stands to benefit from contributions made from the launch of such products in the coming years.

Audio Products

Among the highlights of the year was the audio products segment which continued to realise solid sales growth. From FY2004 to the year under review, this segment achieved a combined annual growth rate ("CAGR") of 12.9%. For FY2008 alone, this area of business saw sales rise by 7.8% to HK$454.2 million (FY2007: HK$421.3 million). Fuelling this solid performance has been Fujikon's strengthening ties with a premium US audio brand for which the Group anticipates further business growth.

Multimedia Products

Achieving a CAGR of 29.0% for the five-year period that includes FY2008, the multimedia products segment remains a steady source of revenue for the Group. During the year, HK$148.4 million in sales was reported, up from HK$144.7 million in FY2007. While the shipment of headsets to Microsoft for bundling with their Xbox 360™ game consoles continued to account for a majority of the Group's multimedia products business, significant sales were achieved via ties with a global manufacturer of multimedia products driven by surging demand for internet instant messaging, online games and other internet applications.

Non-core Businesses

Electronic Products, Accessories and Others

As an important part of the Group's vertical integration, and propelled by growth from external sales, this segment experienced a significant 12.8% rise in sales over FY2007. Generating total revenue of HK$466.8 million (FY2007: 413.7 million) during the review period, this was largely attributed to increased sales of cables as used for electronic products. In view of strong market demand for electro-acoustic products, this segment is expected to maintain healthy growth in the years to come.

Electro-acoustic Parts

Intent on withdrawing from the FM transmitter business, this segment expectedly contributed less to the Group's overall revenue, experiencing a decline in revenue of 58.0% to HK$40.0 million (FY2007: HK$94.0 million). Though revenue contribution from FM transmitters is anticipated to continue to diminish, Fujikon will take the opportunity to direct existing customers from this business to its other areas of expertise.

Market Analysis

Well aware of the importance for perpetuating ties with world-class customers possessing international presence, Fujikon has continuously nurtured such associations, consequently shipping its products to their desired destinations or markets. Such products are often redistributed by customers to different points across the globe, thus allowing Fujikon to be less susceptible to individual market conditions. As of the latest financial period, revenue by geographical markets is well divided across Mainland China, North America, Other Asian Countries, and Europe at 33.0%, 26.4%, 19.9%, and 18.0% respectively, with other countries accounting for the remaining 2.7%.

PROSPECTS

Despite marginally diminished performance during the year, the management remains optimistic about the Group's core businesses in the near future, drawing confidence from Fujikon's strength in original equipment manufacturing and increasing participation in original design manufacturing. Instead of expanding the customer base aggressively, the Group will strive to devote more resources in R&D to enrich and enhance the product range.

Having established strategic ties with a leading European mobile phone manufacturer where relations have continued to flourish, revenue from the communications products segment is set to rebound in the next few years as the transitional period experienced gives rise to new product launches. With a series of replacement products, high-value products and Bluetooth devices set to reach global customers, Fujikon expects to realise higher margin from such introductions.

As for the audio products segment, the trend towards "music on the go" and consumers requiring superior acoustic capabilities will create strong demand for high quality earphones and midsize headphones. Experienced in serving the world's premium brands and as a preferred partner of these companies, the Group is in a favourable position to capture abundant opportunities ahead. In addition to ties with a premium US brand, the Group has recently secured the backing of two established European acoustic customers, spurring co-development of a series of high-end headphones for further business growth.

The multimedia products segment looks set to continue generating steady contributions to the Group as it enters a new financial term. With interest in Microsoft Xbox 360™ game console bundling headsets expected to remain firm, and demand by a global manufacturer for multimedia headsets, as used in conjunction with instant messaging, online gaming card and other internet applications, continuing to grow, the Group expects this area of business to achieve further inroads.

Even though the management is positive towards Fujikon's future outlook, to support such optimism will require added emphasis on bolstering ties with its key customers. Precedents indicate that such alliances have spawned opportunities for the Group to consolidate its position as an original design manufacturer, enhance its competitiveness, and increase customers' confidence and trust in Fujikon. Accordingly, the onus will be on the Group to back such valued relationships through continuous progress in the areas of R&D. In addition to enhancing front-end capabilities, bolstering backend competencies to combat rising raw material and labour costs is equally imperative; hence, supply chain management and manufacturing capacity must be constantly monitored and enhanced. By utilising a holistic approach, Fujikon is thus confident of its ability to achieve sustained long-term growth.

FINANCIAL REVIEW

Liquidity and Financial Resources

Net current assets at 31 March 2008 amounted to approximately HK$457.0 million (FY2007: HK$322.0 million). The Group's current and quick ratio were approximately 2.5 times (FY2007: 1.9 times) and 2.0 times (FY2007: 1.3 times), respectively.

The Group had cash and bank deposits (included pledged bank deposits) of approximately HK$325.6 million at 31 March 2008, representing a significant increase of approximately 2.0 times against approximately HK$160.4 million last year. Approximately 41.9%, 9.5% and 48.1% of the total cash and bank deposits were denominated in Renminbi, Hong Kong dollars and US dollars, respectively and the remaining in other currencies. At 31 March 2008, the Group had aggregated banking facilities of approximately HK$388.5 million (FY2007: HK$333.3 million) from several banks for loans and trade financing, with an unused balance of approximately HK$354.9 million (FY2007: HK$277.0 million).

Capital Structure

At 31 March 2008, the total borrowings of the Group were approximately HK$33.6 million (FY2007: HK$49.2 million), of which approximately 90.5% and 9.5% were due within one year and between two to five years, respectively.

The Group's borrowings consisted of several secured short-term bank loans of approximately HK$27.7 million (2007: HK$36.6) and a hire purchase loan of approximately HK$5.9 million (2007:HK$8.6 million), of which approximately 82.4% was denominated in Renminbi and the remaining in Hong Kong dollars. The Group did not have any unsecured short-term bank loan this year (FY2007: HK$4.0 million).

Approximately HK$55.1 million of certain properties and machinery and land use right have been pledged for several secured short-term bank loans and a hire purchase loan (FY2007: HK$53.6 million). The Group's borrowings bore interest at rates ranging from approximately 2.8% to 7.5% (FY2007: ranging from 3.8% to 6.4%) per annum.

The Group's gearing ratio at 31 March 2008 was approximately 5.0% (FY2007: 9.2%), which was measured on the basis of total borrowings as a percentage of total equity attributable to the equity holders of the Company. If the balance of cash and bank deposits at 31 March 2008 was taken into account, the Group was in a net cash position.

Foreign Exchange Exposure

The Group mainly operates in Hong Kong and Mainland China with most transactions settled in Hong Kong dollars, Renminbi and US dollars. The Group is mainly exposed to foreign exchange risk arising from future commercial transactions, recognised assets and liabilities denominated in currencies other than the functional currency of the group entities to which they relate. The Group entered into foreign currency forward contracts to manage such exposure.

Employee Information

At 31 March 2008, the Group employed a total of over approximately 10,000 (FY2007: over 12,000) employees. The employment costs (including the directors' emoluments) accounted for approximately HK$267.7 million (FY2007: HK$250.3 million).

The Group has developed its human resources policies and procedures based on performance and merit. Employees are rewarded on a performance-related basis within the general framework of its salary and bonus system. Discretionary bonus is linked to the profit performance of the Group as well as individual performance. Benefits include staff accommodation, medical schemes, share option scheme, Mandatory Provident Fund for employees in Hong Kong and statesponsored retirement plans for employees in the Mainland China. The Group has also developed training programs to its management and employees to ensure they are properly trained.

Financial guarantee

At 31 March 2008, the Company had provided corporate guarantees of approximately HK$435.2 million (FY2007: HK$260.7 million) to several banks to secure banking facilities of its subsidiaries. The facilities utilized by the subsidiaries at 31 March 2008 was approximately HK$33.6 million (FY2007: HK$56.3 million).

DEALING IN COMPANY 'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

The Board is committed to maintaining high standards of corporate governance and endeavours in following the code provisions (the "Code Provisions") as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Throughout the year, the Company has complied with the Code Provisions, save the deviation from the code provision A.2.1 of the Code.

According to the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Up to the date of this announcement, the Board has not appointed any individual to the post of chief executive officer. The responsibilities of the chief executive officer have been performed collectively by all the executive directors, including the chairman, of the Company. The Board considers that this arrangement is proper and beneficial to the Group as the stability and efficiency of the Company's operations, as well as the continuity of the Company's policies and strategies, can be maintained. Going forward, the Board will periodically review the effectiveness of this arrangement and consider appointing an individual as the chief executive officer when it thinks appropriate.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of the Company comprises Mr Yeung Chi Hung, Johnny, Mr Yuen Yee Sai, Simon, Mr Chow Man Yan, Michael, Mr Yuen Chi King, Wyman, Mr Yeung Siu Chung, Ben and Ms Chow Lai Fung as executive directors and Dr Chang Chu Cheng, Mr Che Wai Hang, Allen and Mr Lee Yiu Pun as independent non-executive directors.

On behalf of the Board
YEUNG CHI HUNG, JOHNNY
Chairman

Hong Kong, 3 July 2008.

** for identification purpose only*