Fujikon Industrial Holdings Limited
富士高實業控股有限公司*

(incorporated in Bermuda with limited liability)
(stock code: 927)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

FINANCIAL HIGHLIGHTS

- **Revenue: HK$786.7 million, down 5.4% (2007: HK$831.7 million)**
- **Gross profit: HK$164.1 million, down 1.5% (2007: HK$166.6 million)**
- **Gross profit margin: 20.9%, up 0.9% point (2007: 20.0%)**
- **Profit attributable to equity holders of the Company: HK$59.4 million, down 12.1% (2007: HK$67.5 million)**
- **Basic earnings per share: HK15.0 cents (2007: HK17.8 cents)**
- **Interim dividend (per share): HK3.0 cents (2007: HK3.0 cents)**
- **Special interim dividend (per share): HK3.0 cents (2007: HK2.0 cents)**

UNAUDITED INTERIM RESULTS

The board of directors (the "Board") of Fujikon Industrial Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries ("Fujikon" or the "Group") for the six months ended 30 September 2008.

The interim results have been reviewed by the Company's Audit Committee and auditors in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

** for identification purpose only*

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 September 2008 HK$'000 (Unaudited)	2007 HK$'000 (Unaudited)
Revenue	2	**786,740**	831,748
Cost of sales		**(622,664)**	(665,145)
Gross profit		**164,076**	166,603
Other gains - net		**8,239**	2,384
Distribution and selling expenses		**(10,485)**	(11,680)
General and administrative expenses		**(79,114)**	(68,998)
Operating profit	3	**82,716**	88,309
Finance income		**4,667**	3,904
Finance costs		**(2,208)**	(1,566)
Profit before income tax		**85,175**	90,647
Income tax expenses	4	**(17,217)**	(16,931)
Profit for the period		**67,958**	73,716
Attributable to:			
Equity holders of the Company		**59,372**	67,546
Minority interests		**8,586**	6,170
		67,958	73,716
Dividends	5	**23,952**	19,059
Earnings per share for profit attributable to the equity holders of the Company during the period			
- Basic	6	**HK15.0 cents**	HK17.8 cents
- Diluted	6	**HK14.8 cents**	HK16.8 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 September 2008 HK$'000 (Unaudited)	As at 31 March 2008 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**210,731**	214,607
Investment properties		**5,220**	5,220
Leasehold land and land use rights		**36,094**	21,527
Non-current deposits		**-**	14,627
Available-for-sale financial assets		**2,266**	–
Deferred tax assets		**17**	17
Total non-current assets		**254,328**	255,998
Current assets			
Inventories		**186,963**	163,838
Trade receivables	*7*	**296,572**	196,512
Other receivables		**27,571**	29,447
Other financial assets at fair value through profit or loss		**8,890**	45,369
Derivative financial instruments		**2,983**	–
Cash and bank deposits		**360,642**	325,593
Total current assets		**883,621**	760,759
LIABILITIES			
Current liabilities			
Trade payables	*8*	**184,904**	139,936
Accruals and other payables		**104,659**	106,406
Current income tax liabilities		**32,669**	22,979
Derivative financial instruments		**-**	4,041
Bank borrowings		**47,351**	30,416
Total current liabilities		**369,583**	303,778
Net current assets		**514,038**	456,981
Total assets less current liabilities		**768,366**	712,979
Non-current liabilities			
Bank borrowings		**-**	3,185
Deferred tax liabilities		**1,135**	1,135
Total non-current liabilities		**1,135**	4,320
Net assets		**767,231**	708,659
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**39,919**	38,119
Other reserves		**181,181**	128,334
Retained earnings			
- Proposed dividends		**23,952**	39,918
- Others		**473,008**	462,131
		718,060	668,502
Minority interests		**49,171**	40,157
Total equity		**767,231**	708,659

NOTES

1. Basis of preparation and accounting policies

This condensed consolidated interim financial report has been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA. The condensed consolidated interim financial report should be read in conjunction with the annual financial statements for the year ended 31 March 2008.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2008. The Group adopted the following new interpretations to existing standards that are published and mandatory for the Group's financial year ending 31 March 2009 but are not relevant to or have no significant impact on the Group's operations:

HK(IFRIC) - Int 12	Service Concession Arrangements
HK(IFRIC) - Int 14	HKAS 19 – the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Group has not yet early applied these new standards, amendments and interpretations to existing standards, if applicable, in the condensed consolidated interim financial information for the six months ended 30 September 2008.

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 (Amendment)	Financial Instruments: Presentation and Consequential Amendments to HKAS 1 - 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 13	Customer Loyalty Programmes [3]
HK(IFRIC) - Int 15	Agreements for Construction of Real Estate [1]
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation [4]

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 July 2008
4 Effective for annual periods beginning on or after 1 October 2008

2. Turnover and segment reporting

a. Primary segment

An analysis by business segment is as follows:

	Six months ended 30 September (Unaudited)													
	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	**232,517**	203,669	**148,534**	285,751	**131,892**	77,317	**11,765**	27,718	**262,032**	237,293	**-**	-	**786,740**	831,748
Inter-segment revenue	**-**	-	**-**	-	**-**	-	**-**	-	**119,280**	150,491	**(119,280)**	(150,491)	**-**	-
Revenue/Turnover	**232,517**	203,669	**148,534**	285,751	**131,892**	77,317	**11,765**	27,718	**381,312**	387,784	**(119,280)**	(150,491)	**786,740**	831,748
Segment results	**35,860**	41,695	**12,283**	24,222	**10,417**	7,680	**2,594**	4,051	**20,677**	18,355	**-**	-	**81,831**	96,003
Unallocated corporate expenses													**(7,354)**	(10,078)
Other gains - net													**8,239**	2,384
Finance income													**4,667**	3,904
Finance costs													**(2,208)**	(1,566)
Income tax expenses													**(17,217)**	(16,931)
Profit for the period													**67,958**	73,716

b. Secondary segment

Revenue and results by geographical location are determined mainly on the basis of the location where merchandise is delivered. An analysis by geographical location is as follows:

	Six months ended 30 September (Unaudited)											
	North America		Europe		Asia (other than Mainland China)		Mainland China		Others		Total	
	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*
Revenue/Turnover	**192,470**	190,838	**97,881**	167,107	**167,663**	193,817	**308,695**	253,568	**20,031**	26,418	**786,740**	831,748
Segment results	**20,019**	22,027	**10,181**	19,288	**17,439**	22,371	**32,108**	29,268	**2,084**	3,049	**81,831**	96,003

3. Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Reversal of provision) / provision for inventories impairment	**(7,876)**	7,435
Depreciation of property, plant and equipment	**23,498**	22,629
Amortisation of leasehold land and land use rights	**650**	281
Staff costs	**155,618**	135,510

4. Income tax expenses

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the period. Mainland China enterprise income tax has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the Mainland China.

	Six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax		
- Hong Kong profits tax	**12,014**	12,201
- Mainland China enterprise income tax	**5,203**	4,730
	17,217	16,931

5. Dividends

The Board has resolved to declare an interim dividend of HK3.0 cents per ordinary share (2007: HK3.0 cents), and a special interim dividend of HK3.0 cents per ordinary share (2007: HK2.0 cents) for the six months ended 30 September 2008. The interim dividend and the special interim dividend are expected to be paid on or around 22 December 2008 to shareholders whose names are registered in the books of the Company on 15 December 2008.

6. Earnings per share

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

	Six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (HK$'000)	**59,372**	67,546
Weighted average number of ordinary shares used in calculating basic earnings per share (in thousands)	**396,435**	379,998
Adjustment for potential dilutive effect in respect of outstanding share options (in thousands)	**3,683**	21,303
Weighted average number of ordinary shares used in calculating diluted earnings per share (in thousands)	**400,118**	401,301

7. Trade receivables

The Group grants credit terms to its customers ranging from 7 to 120 days. As at 30 September 2008, the ageing analysis of the trade receivables by past due date is as follows:

	As at 30 September 2008 *HK$'000* **(Unaudited)**	As at 31 March 2008 *HK$'000* (Audited)
Current	**250,083**	149,332
1 to 30 days	**32,840**	26,977
31 to 60 days	**11,091**	11,383
61 to 90 days	**4,356**	6,724
Over 90 days	**4,556**	7,368
	302,926	201,784
Less: Provision for impairment of trade receivables	**(6,354)**	(5,272)
Trade receivables, net	**296,572**	196,512

8. Trade payables

As at 30 September 2008, the ageing analysis of the trade payables by past due date is as follows:

	As at 30 September 2008 *HK$'000* **(Unaudited)**	As at 31 March 2008 *HK$'000* (Audited)
Current	**151,375**	107,976
1 to 30 days	**24,677**	16,790
31 to 60 days	**4,144**	5,110
61 to 90 days	**2,706**	3,518
Over 90 days	**2,002**	6,542
	184,904	139,936

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 15 December 2008 to Tuesday, 16 December 2008 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the interim dividend and the special interim 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 4:30pm on Friday, 12 December 2008 for registration.

BUSINESS REVIEW

For the six months ended 30 September 2008, the Group experienced a modest contraction in its performance with revenue dipping 5.4% to HK$786.7 million (FY2007/08 1H: HK$831.7 million). Downward pressure was largely due to the communication segment of which sales slid as the business underwent a transitional period. While the Group reported a decline in gross profit, the decline was only marginal from HK$166.6 million to HK$164.1 million, or down 1.5% year on year. This reflected the Group's ability to continue effectively employing a cost down program as well as enhance its product mix to incorporate a larger proportion of higher-margin products. Consequently, the Group was able to elevate its gross profit margin to 20.9% from 20.0% during the period despite China's new labour law which took effect on 1 January 2008. Profit attributable to equity holders, however, experienced a contraction, down by 12.1% to HK$59.4 million (FY2007/08 1H: HK$67.5 million). With an increase in administrative expenses partly due to a rise in total staff costs, net margin was subsequently affected, slipping from 8.1% to 7.5%.

Product Analysis

Core Businesses

During the review period, the audio products segment proved to be the main revenue driver of the Group, generating sales of HK$232.5 million, which represented a year-on-year rise of 14.2% (FY2007/08 1H: HK$203.7 million). Such solid growth can largely be attributed to ongoing strong ties with a premium US audio brand for which the Group received increased orders during the period.

As had been mentioned in the FY2007/08 Annual Report, the communication products segment is currently undergoing a period of transition as the Group, in joint efforts with a leading European mobile phone manufacturer, continues to work on a new range of products. While pursuing such efforts, the Group has also been phasing out older products. The result of both activities directly impacted on sales which dropped from HK$285.8 million to HK$148.5 million.

The highest sales increase was achieved in the multimedia products segment. Recording a year-on-year growth of 70.6%, its sales reached HK$131.9 million (FY2007/08 1H: 77.3 million). Driving such growth was Microsoft, which required the Group to ramp up production of headsets for bundling with their Xbox 360™ game consoles during the period. The Group also realised noticeable growth in headset orders, used with personal computers, from a global manufacturer of multimedia products.

Non-core Businesses

Outside of its core businesses, the Group's revenue from electro-acoustic parts dropped to HK$11.8 million (FY2007/08 1H: HK$27.7 million). The result was expected since demand for FM transmitters has diminished, reflecting that such devices become more prevalent in automobiles as standard equipment. The Group has not neglected the opportunity to direct customers from this area of activity to its other areas of expertise.

As an important part of the Group's vertical integration, electronic products and accessories business continued to be an important source of revenue for the Group. Generating sales of HK$262.0 million, up 10.4% from a year earlier (FY2007/08 1H: HK$237.3 million), this segment was spurred by a general increase in external sales of components, particularly cables used for electronic products.

Market Analysis

Besides maintaining strong ties with existing world-class customers, the Group has sought to secure fresh business opportunities with those possessing international presence, thus providing further means of bolstering the Group's position and reputation around the globe. Achieving a fair level of success in such efforts, Mainland China, North America, other Asian countries, Europe and other countries accounted for 39.2%, 24.5%, 21.3%, 12.4% and 2.6% of the Group's revenue streams, respectively.

PROSPECTS

Management is well aware of the challenges brought on by a deteriorating global economy and will take a cautious approach toward drafting the Group's development plans for the medium to long-term. With sound fundamentals and strong cash position, the management will nonetheless capitalise on this period to better equip itself for the advancement of the Group.

Looking to make further inroads in the audio products segment, the management will seek to strengthen ties with top-tier customers with the objective of working together to broaden product offerings; specifically, capturing a larger share of the high-end headphone market through the provision of superior quality acoustic products. Accordingly, with prevailing market demand for wireless headphone products that are equipped with infrared (IR), Bluetooth, and 2.4GHz digital audio capabilities, such are the technologies that the Group will seek to exploit in enhancing its product range.

Employing a similar strategy with the mobile communication business, the Group will maintain close ties with a leading European mobile phone manufacturer to develop replacement in-box models and high-value products. While new products co-developed with this customer are expected to be rolled out gradually, the segment is projected to pick up in the years to come. Meanwhile, the Group will also explore opportunities to secure ties with other leading mobile phone manufactures so as to further diversify its customer base. With global sales of mobile phones still forecasted to reach the 1.28 billion units mark in 2008, the Group will seek to profit from this growth while at the same time continue expanding its offerings to cover more high-end products.

With regard to the multimedia business, demand for Microsoft's Xbox 360™ game consoles and headsets will likely return to the normal level. However, the Group anticipates sustained interest in its multimedia headsets as used with a variety of applications such as instant messaging, online games and other multimedia uses. Growing contributions from a global manufacturer of multimedia products can also be seen as a positive development. Taking such factors into consideration, the Group forecasts the performance of this area of business will remain stable.

While fully determined to enhance its core businesses, the management will seek to capitalise on the currently weakened economic state to boost competitiveness. Specifically, purchasing new equipment and upgrading facilities and production lines will be considered in order to better address the various needs of customers while also raising efficiency. As well, the Group will look at strengthening its technical team by employing more high-caliber staff. It is the adoption of a holistic approach that has enabled the Group to achieve sustained growth in the past, and the management is confident that by maintaining a similar approach, Fujikon will continue to realise steady growth in the future.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's balance sheet remains healthy. Net current assets as at 30 September 2008 amounted to approximately HK$514.0 million (31 March 2008: HK$457.0 million). The Group's current and quick ratio were approximately 2.4 times (31 March 2008: 2.5 times) and 1.9 times (31 March 2008: 2.0 times), respectively.

The Group had cash and bank deposits of approximately HK$360.6 million at 30 September 2008, representing a slightly increase of approximately 10.8% against approximately HK$325.6 million as at 31 March 2008. Approximately 49.7%, 4.5% and 45.0% of the total cash and bank deposits were denominated in Renminbi, Hong Kong dollars and US dollars, respectively and the remainder in other currencies. As at 30 September 2008, the Group had aggregated banking facilities of approximately HK$270.5 million (31 March 2008: HK$388.5 million) from several banks for loans and trade financing, with an unused balance of approximately HK$223.1 million (31 March 2008: HK$354.9 million).

Capital Structure

As at 30 September 2008, the total borrowings of the Group were approximately HK$47.4 million (31 March 2008: HK$33.6 million), of which all borrowings were due within one year.

These Group's borrowings consisted of several secured short-term bank loans of approximately HK$45.4 million (31 March 2008: HK$27.7 million) and an unsecured short-term bank loan of approximately HK$2 million (31 March 2008: Nil), of which approximately 95.8% was denominated in Renminbi and the remainder in Hong Kong dollars. The Group did not have any hire purchase loan as at 30 September 2008 (31 March 2008: HK$5.9 million).

Approximately HK$44.3 million of certain properties and machinery and land use right have been pledged for several secured short-term bank loans (31 March 2008: HK$55.1 million). During the period under review, the Group's borrowings bore interest at rates ranging from approximately 2.8% to 7.5% per annum (2007: ranging from 4.9% to 7.3%).

The Group's gearing ratio as at 30 September 2008 was approximately 6.6% (31 March 2008: 5.0%), 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 as at 30 September 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

As at 30 September 2008, the Group employed a total of over approximately 9,000 (31 March 2008: over 10,000) employees. The staff costs (including the directors' emoluments) accounted for approximately HK$155.6 million during the six months ended 30 September 2008 (2007: HK$135.5 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

As at 30 September 2008, the Company had provided corporate guarantees of approximately HK$522.4 million (31 March 2008: HK$435.2 million) to several banks to secure banking facilities of its subsidiaries. The facilities utilized by the subsidiaries as at 30 September 2008 approximately HK$47.4 million (31 March 2008: HK$33.6 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 period.

CORPORATE GOVERNANCE

Throughout the period, the Company has complied with the code provisions of the "Code on Corporate Governance Practices" (the "Code") as set out in Appendix 14 to the Listing Rules, 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.

By Order of the Board
FUJIKON INDUSTRIAL HOLDINGS LIMITED
YEUNG CHI HUNG, JOHNNY
Chairman

Hong Kong, 27 November 2008.