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 2009

FINANCIAL HIGHLIGHTS

- **Revenue: HK$450.9 million, down 42.7% (2008: HK$786.7 million)**
- **Gross profit margin: 20.3%, down 0.6% point (2008: 20.9%)**
- **Profit attributable to equity holders of the Company: HK$22.5 million, down 62.1% (2008: HK$59.4 million)**
- **Basic earnings per share: HK5.64 cents (2008: HK14.98 cents)**
- **Interim dividend (per share): HK3.0 cents (2008: HK3.0 cents)**
- **Special interim dividend (per share): HK1.0 cent (2008: HK3.0 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 2009.

The interim results have been reviewed by the Company's Audit Committee and auditor 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 STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 September	
		2009	2008
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*2*	**450,924**	786,740
Cost of sales		**(359,488)**	(622,664)
Gross profit		**91,436**	164,076
Other gains - net		**301**	8,239
Distribution and selling expenses		**(8,907)**	(10,485)
General and administrative expenses		**(53,942)**	(79,114)
Operating profit	*3*	**28,888**	82,716
Finance income		**847**	4,667
Finance costs		**(335)**	(2,208)
Profit before income tax		**29,400**	85,175
Income tax expenses	*4*	**(5,011)**	(17,217)
Profit for the period		**24,389**	67,958
Other comprehensive income:			
Fair value gains on available-for-sale financial assets		**295**	-
Currency translation differences		**463**	9,487
Other comprehensive income for the period		**758**	9,487
Total comprehensive income for the period		**25,147**	77,445

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Note	Six months ended 30 September 2009 *HK$'000* (Unaudited)	2008 *HK$'000* (Unaudited)
Profit attributable to:			
Equity holders of the Company		**22,502**	59,372
Minority interests		**1,887**	8,586
		24,389	67,958
Total comprehensive income attributable to:			
Equity holders of the Company		**23,236**	68,431
Minority interests		**1,911**	9,014
		25,147	77,445
Dividends	*5*	**15,968**	23,952
Earnings per share for profit attributable to the equity holders of the Company during the period			
- Basic	*6*	**HK5.64 cents**	HK14.98 cents
- Diluted	*6*	**HK5.61 cents**	HK14.84 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 September 2009 HK$'000 (Unaudited)	As at 31 March 2009 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**198,219**	201,817
Investment properties		**1,450**	4,440
Leasehold land and land use rights		**35,238**	35,638
Available-for-sale financial assets		**5,119**	2,480
Total non-current assets		**240,026**	244,375
Current assets			
Inventories		**103,083**	104,376
Trade receivables	*7*	**184,982**	165,666
Deposits, prepayments and other receivables		**17,564**	17,070
Derivative financial instruments		**312**	880
Other financial assets at fair value through profit or loss		**31,576**	8,667
Current income tax recoverable		**3,274**	-
Cash and cash equivalents		**407,285**	415,846
Total current assets		**748,076**	712,505
LIABILITIES			
Current liabilities			
Trade payables	*8*	**121,250**	60,103
Accruals and other payables		**89,469**	98,098
Current income tax liabilities		**17,996**	16,646
Bank borrowing		**5,669**	16,988
Total current liabilities		**234,384**	191,835
Net current assets		**513,692**	520,670
Total assets less current liabilities		**753,718**	765,045
Non-current liabilities			
Deferred tax liabilities		**1,552**	1,892
Net assets		**752,166**	763,153
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**39,919**	39,919
Other reserves		**177,063**	177,376
Retained earnings			
- Proposed dividends		**15,968**	35,927
- Others		**472,851**	465,477
		705,801	718,699
Minority interests		**46,365**	44,454
Total equity		**752,166**	763,153

NOTES

1. Basis of preparation and accounting policies

The 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 Group's annual financial statements for the year ended 31 March 2009.

The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 March 2009, except as mentioned below.

The following new standards and amendments to standards are mandatory for the Group's financial year beginning on 1 April 2009.

HKAS 1 (Revised), "Presentation of financial statements". The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present one performance statement: the statement of comprehensive income. The interim financial information has been prepared under the revised disclosure requirements.

HKFRS 8, "Operating segments". HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. Thus, the Group is currently organised into two reportable segments, which are headsets and headphones, and accessories and components.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the executive directors who collectively make strategic decision.

NOTES

1. Basis of preparation and accounting policies (Continued)

Amendment to HKFRS 7, "Financial instruments: disclosures". The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 March 2010.

The following new and revised standards, amendments to standards and interpretations are also mandatory for the Group's financial year beginning on 1 April 2009:

- HKFRSs (Amendments) — Improvements to HKFRSs 2008#
- HKFRS 1 and HKAS 27 (Amendments) — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- HKFRS 2 (Amendment) — Share-based Payment – Vesting Conditions and Cancellations
- HKAS 23 (Revised) — Borrowing Costs
- HKAS 32 and HKAS 1 (Amendments) — Puttable Financial Instruments and Obligations Arising on Liquidation
- HK (IFRIC) – Int 9 and HKAS 39 (Amendments) — Embedded Derivatives
- HK (IFRIC) – Int 13 — Customer Loyalty Programmes
- HK (IFRIC) – Int 15 — Agreements for the Construction of Real Estate
- HK (IFRIC) – Int 16 — Hedges of a Net Investment in a Foreign Operation

Effective for the financial year beginning on 1 April 2009 except the amendments to HKFRS 5, "Non-current assets held for sale and discontinued operations", which is effective for the financial year beginning on 1 July 2009.

The adoption of these new and revised standards, amendments to standards and interpretations did not result in a significant impact on the results and financial position of the Group.

2. Segment information

The chief operating decision-maker ("CODM") has been identified as the executive directors. CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

CODM assesses the performance of the business from a product perspective, i.e. by headsets and headphones, and accessories and components.

CODM assesses the performance of the operating segments based on segment results before corporate expenses, other gains and losses, finance income and costs.

Revenues between segments are carried out in accordance with the terms mutually agreed by the respective parties. The revenue from external parties is derived from numerous external customers and is measured in a manner consistent with that in the condensed consolidated statement of comprehensive income.

	Six months ended 30 September (Unaudited)							
	Headsets and headphones		**Accessories and components**		**Elimination**		**Total**	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Total segment	**314,709**	526,910	**136,215**	259,830	**-**	-	**450,924**	786,740
Inter-segment	**-**	-	**52,218**	107,797	**(52,218)**	(107,797)	**-**	-
Revenue	**314,709**	526,910	**188,433**	367,627	**(52,218)**	(107,797)	**450,924**	786,740
Segment results	**21,069**	51,034	**9,364**	30,797	**-**	-	**30,433**	81,831
Unallocated corporate expenses							**(1,846)**	(7,354)
Other gains - net							**301**	8,239
Finance income							**847**	4,667
Finance costs							**(335)**	(2,208)
Profit before income tax							**29,400**	85,175

During the period, the Group has reassessed the reportable segments such that segment revenue generated from operations has been reported in the segments of headsets and headphones, and accessories and components accordingly. The comparative figures have been reclassified to conform to the current period's presentation.

3. Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Provision/(reversal of provision) for inventories impairment	**498**	(7,876)
Losses/(gains) on disposal of property, plant and equipment	**2,114**	(47)
Depreciation of property, plant and equipment	**21,350**	23,498
Amortisation of leasehold land and land use rights	**428**	650
Staff costs	**101,366**	155,618

4. Income tax expenses

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the period. Provision for the Mainland China enterprise income tax was calculated based on statutory tax rate of 25% (2008: 25%) on the estimated assessable profits of each of the Company's subsidiaries except that certain subsidiaries operating in the Mainland China are eligible for certain tax exemptions and concessions including tax holidays and reduced enterprise income tax rates during the period. Accordingly, the Mainland China enterprise income tax for such subsidiaries has been provided after taking into account of these tax exemptions and concessions.

	Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax		
- Hong Kong profits tax	**3,087**	12,014
- Mainland China enterprise income tax	**2,264**	5,203
Deferred income tax	**(340)**	-
	5,011	17,217

5. Dividends

The Board has resolved to declare an interim dividend of HK3.0 cents per ordinary share (2008: HK3.0 cents), and a special interim dividend of HK1.0 cent per ordinary share (2008: HK3.0 cents) for the six months ended 30 September 2009. The interim dividend and the special interim dividend are expected to be paid on or around 23 December 2009 to shareholders whose names are registered in the books of the Company on 14 December 2009.

6. Earnings per share

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

	Six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (HK$'000)	**22,502**	59,372
Weighted average number of ordinary shares used in calculating basic earnings per share (in thousands)	**399,189**	396,435
Adjustment for potential dilutive effect in respect of outstanding share options (in thousands)	**1,798**	3,683
Weighted average number of ordinary shares used in calculating diluted earnings per share (in thousands)	**400,987**	400,118

7. Trade receivables

The Group grants credit terms to its customers ranging from 7 to 120 days. As at 30 September 2009, the ageing analysis of the trade receivables by past due date is as follows:

	As at 30 September 2009	As at 31 March 2009
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current	**148,148**	131,357
1 to 30 days	**19,817**	21,736
31 to 60 days	**11,007**	10,848
61 to 90 days	**8,738**	4,156
Over 90 days	**4,331**	3,964
	192,041	172,061
Less: Provision for impairment of trade receivables	**(7,059)**	(6,395)
Trade receivables, net	**184,982**	165,666

8. Trade payables

As at 30 September 2009, the ageing analysis of the trade payables by past due date is as follows:

	As at 30 September 2009 *HK$'000* **(Unaudited)**	As at 31 March 2009 *HK$'000* (Audited)
Current	**101,912**	49,291
1 to 30 days	**15,858**	7,112
31 to 60 days	**2,384**	967
61 to 90 days	**473**	1,318
Over 90 days	**623**	1,415
	121,250	60,103

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 14 December 2009 to Tuesday, 15 December 2009 (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, 11 December 2009 for registration.

BUSINESS REVIEW

For the six months ended 30 September 2009, the Group was inevitably hampered by the aftermath of the global financial crisis. Due to slower than expected orders, particularly in the first quarter of the fiscal year, in addition to the absence of contributions from Microsoft, revenue declined by 42.7% to HK$450.9 million (FY2008/09 1H: HK$786.7 million) and gross profit contracted by 44.3% to HK$91.4 million (FY2008/09 1H: HK$164.1 million). Profit attributable to shareholders of the Company slid 62.1% to HK$22.5 million (FY2008/09 1H: HK$59.4 million). Nevertheless, the Group was able to maintain gross profit margin at above 20% by continuously employing effective cost control measures.

BUSINESS SEGMENT ANALYSIS

Core Businesses – Headsets and Headphones

Representing the core operation of the Group, this area of business accounted for 69.8% of overall revenue. Headsets and Headphones business segment achieved total revenue of HK$314.7 million during the period, representing a decline of 40.3% as compared to corresponding period in 2008/2009(FY 2008/09 1H: HK$526.9 million). A key reason for the drop in revenue was due to the downturn in North America, which is a major end market for some of the Group's key clients, though the Group's strategic decision to terminate supplying headsets for Microsoft's Xbox 360 game console also contributed to the decline. In addition, the postponed launch of certain projects co-developed with a leading European mobile phone manufacture further affected the revenue.

Despite the drop in revenue, the Group was able to mitigate the decline through its relationship with some existing business world-class partners who are expected to provide sustainable growth momentum to the Group's business in the long-run. Revenue from two European professional audio brands rose noticeably and demand from a premium Japanese audio brand made a positive progress as well. In addition, significant orders from a trendy US headphone brand underlined the Group's success in tapping the mass trendy consumer market.

During the period, the Group made a great effort to strengthen ties with its clients. In particular, Group has been working closely with a leading European mobile phone manufacturer for new product development so that both can quickly capitalise on an eventual economic recovery. To continue creating fresh opportunities with existing and new clients, the Group restructured the research and development team and bolstered its design capabilities, including recruiting industry talents, thus facilitating more tailor-made services and products. In turn, this will nurture strong relationships with the Group's business world-class clients, leading to long-term business partnerships.

Non-Core Businesses – Accessories and Components

Accounting for 30.2% of the Group's overall revenue, this segment generated total revenue of HK$136.2 million during the period, down from HK$259.8 million for the same period last year. As this area of business is an important part of the Group's vertical integration, its weak performance was anticipated in view of a general decline in demand for the Group's headsets and headphones due to the poor economic climate.

PROSPECTS

Even though the economic climate remains challenging, increasing interest by the Group's clients to initiate new research projects indicates their growing confidence that a recovery is on the horizon. Ensuring the Group is well prepared ahead of the upturn, it will continue to develop products for the high-end headphone market, specifically, wireless and armature headphones that are tailored for discerning customers and such products will offer relatively higher margin. Simultaneously, the Group will be mindful of the "music on the go" trend, and strive to meet the needs of relevant consumers. In tapping the mass market, the Group will seek joint-research opportunities as well as direct input in product design as customers of this segment tend to place high priority on aesthetics.

PROSPECTS (Continued)

Having continuously enhanced research and development capabilities, the Group has been able to adapt to the growing trend of providing such expertise to clients as part of business dealings as well as attracting new research projects. Appropriately, the Group will continue to recruit the best industry talents so that it can provide tailored solutions, promote co-development arrangements and broaden its own product offerings while upholding the highest level of excellence.

Regardless of economic conditions, the Group will meticulously explore opportunities for cultivating new business and enhance ties with existing top-tier customers. As well, the Group will persevere in efforts to control costs, which has proven paramount for maintaining gross profit margin at a healthy level. The management believes that both of these initiatives will be of fundamental importance to the long-term healthy development of the Group.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's statement of financial position maintain at a strong position. Net current assets as at 30 September 2009 amounted to approximately HK$513.7 million (31 March 2009: HK$520.7 million). The Group's current and quick ratio were approximately 3.2 times (31 March 2009: 3.7 times) and 2.8 times (31 March 2009: 3.2 times), respectively.

The Group had cash and cash equivalents of approximately HK$407.3 million as at 30 September 2009, representing a slightly decrease of approximately 2.0% against approximately HK$415.8 million as at 31 March 2009. Approximately 73.5%, 18.0% and 8.1% of the total cash and cash equivalents were denominated in US dollars, Renminbi and Hong Kong dollars, respectively and the remainder in other currencies. As at 30 September 2009, the Group had aggregated banking facilities of approximately HK$259.6 million (31 March 2009: HK$270.9 million) from several banks for loans and trade financing, with an unused balance of approximately HK$254.0 million (31 March 2009: HK$253.9 million).

Capital Structure

As at 30 September 2009, the bank borrowing of the Group was approximately HK$5.7 million (31 March 2009: HK$17.0 million), which was a secured short-term bank loan, denominated in Renminbi and due within one year.

Approximately HK$42.9 million of certain properties and land use right have been pledged for a secured short-term bank loan (31 March 2009: HK$43.5 million). During the period under review, the Group's borrowing bears interest rate at 5.3% per annum (2008: ranging from 2.8% to 7.5%).

The Group's gearing ratio as at 30 September 2009 was approximately 0.8% (31 March 2009: 2.4%), which was measured on the basis of the bank borrowing as a percentage of total equity attributable to the equity holders of the Company. If the balance of cash and cash equivalents as at 30 September 2009 was taken into account, the Group was in a net cash position.

FINANCIAL REVIEW (Continued)

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 2009, the Group employed a total of over 6,500 (31 March 2009: over 6,000) employees. The staff costs (including the directors' emoluments) accounted for approximately HK$101.4 million during the six months ended 30 September 2009 (2008: HK$155.6 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 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 2009, the Company had provided corporate guarantees of approximately HK$186.7 million (31 March 2009: HK$198.0 million) to several banks to secure banking facilities of its subsidiaries. The facilities utilised by the subsidiary as at 30 September 2009 approximately HK$5.7 million (31 March 2009: HK$17.0 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.

CORPORATE GOVERNANCE (Continued)

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, 26 November 2009.