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 2010

FINANCIAL HIGHLIGHTS

- **Revenue: HK$913.2 million, down 27.8% (2009: HK$1,265.0 million)**
- **Net operating cash flow: HK$111.4 million, down 22.6% (2009: HK$143.9 million)**
- **Gross profit margin: 20.1%, down 0.1% point (2009: 20.2%)**
- **Profit attributable to equity holders of the Company: HK$51.1 million, down 44.0% (2009: HK$91.3 million)**
- **Total dividends (per share): HK12.0 cents, down 20.0% (2009: HK15.0 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 2010.

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

** for identification purpose only.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2010

	Note	**2010**	2009
		HK$'000	*HK$'000*
Revenue	*2*	**913,229**	1,264,996
Cost of sales		**(729,664)**	(1,009,398)
Gross profit		**183,565**	255,598
Other gains - net		**74**	10,664
Distribution and selling expenses		**(19,046)**	(19,205)
General and administrative expenses		**(102,753)**	(137,413)
Operating profit	*3*	**61,840**	109,644
Finance income		**1,481**	7,710
Finance costs		**(1,067)**	(3,440)
Profit before income tax		**62,254**	113,914
Income tax expenses	*4*	**(7,260)**	(15,773)
Profit for the year		**54,994**	98,141
Other comprehensive income:			
Fair value gains on available-for-sale financial assets		**352**	116
Currency translation differences		**881**	8,167
Release of exchange reserves upon dissolution of a subsidiary		**-**	(6,286)
Other comprehensive income for the year, net of tax		**1,233**	1,997
Total comprehensive income for the year		**56,227**	100,138
Profit attributable to:			
Equity holders of the Company		**51,142**	91,296
Minority interests		**3,852**	6,845
		54,994	98,141
Total comprehensive income attributable to:			
Equity holders of the Company		**52,326**	92,901
Minority interests		**3,901**	7,237
		56,227	100,138
Dividends	*5*	**48,771**	59,879
Earnings per share for profit attributable to the equity holders of the Company during the year			
- Basic (HK cents per share)	*6*	**12.8**	22.9
- Diluted (HK cents per share)	*6*	**12.7**	22.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**193,202**	201,817
Investment properties		**1,600**	4,440
Leasehold land and land use rights		**33,779**	35,638
Available-for-sale financial assets		**7,513**	2,480
Total non-current assets		**236,094**	244,375
Current assets			
Inventories		**104,978**	104,376
Trade receivables	7	**163,723**	165,666
Other receivables		**24,006**	17,070
Derivative financial instruments		**171**	880
Other financial assets at fair value through profit or loss		**73,885**	8,667
Current income tax recoverable		**720**	-
Fixed deposits		**6,810**	-
Cash and cash equivalents		**385,407**	415,846
Total current assets		**759,700**	712,505
LIABILITIES			
Current liabilities			
Trade payables	8	**96,786**	60,103
Accruals and other payables		**80,872**	98,098
Current income tax liabilities		**16,776**	16,646
Bank borrowings		**26,107**	16,988
Total current liabilities		**220,541**	191,835
Net current assets		**539,159**	520,670
Total assets less current liabilities		**775,253**	765,045
Non-current liabilities			
Deferred income		**1,986**	-
Deferred income tax liabilities		**1,132**	1,892
Total non-current liabilities		**3,118**	1,892
Net assets		**772,135**	763,153
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**40,639**	39,919
Other reserves		**186,060**	177,376
Retained earnings			
- Proposed dividends		**32,803**	35,927
- Others		**468,688**	465,477
		728,190	718,699
Minority interests		**43,945**	44,454
Total equity		**772,135**	763,153

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, available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The Group has adopted the following new and amended HKFRS as of 1 April 2009. The adoption of these new standards and amendments to standards does not have any significant impact to the results and financial position of the Group.

- HKAS 1 (revised), "Presentation of financial statements" - effective 1 January 2009. 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 in a statement of comprehensive income. As a result, the Group presents all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

  Entity 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. These consolidated financial statements have been prepared under the revised disclosure requirements. The change in presentation has no impact on earnings per share.

- HKFRS 8, "Operating segments" - effective 1 January 2009. 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's business operation is 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 decisions.

- HKFRS 7, "Financial instruments – Disclosures" (amendment) - effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

1 Basis of preparation and accounting policies (Continued)

The following amendments to standards and interpretations are also mandatory for the Group for accounting periods beginning on or after 1 April 2009:

HKFRSs (Amendments)	Improvements to HKFRSs 2008[1]
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
HK (IFRIC) – Int 18	Transfer of Assets from Customers[2]

[1] 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 or after 1 July 2009.

[2] Effective for transfer of assets received on or after 1 July 2009.

The adoption of these 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.

Revenue between segments is 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 consolidated statement of comprehensive income.

	Headsets and headphones		Accessories and components		Elimination		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Total segment revenue	**596,696**	874,323	**316,533**	390,673	**-**	-	**913,229**	1,264,996
Inter-segment revenue	**-**	-	**89,746**	159,000	**(89,746)**	(159,000)	**-**	-
Revenue	**596,696**	874,323	**406,279**	549,673	**(89,746)**	(159,000)	**913,229**	1,264,996
Segment results	**42,566**	74,642	**24,947**	27,285	**-**	-	**67,513**	101,927
Corporate expenses							**(5,747)**	(2,947)
Other gains – net							**74**	10,664
Finance income							**1,481**	7,710
Finance costs							**(1,067)**	(3,440)
Profit before income tax							**62,254**	113,914
Depreciation of property, plant and equipment	**26,287**	30,651	**14,684**	15,380	**-**	-	**40,971**	46,031
Amortisation of leasehold land and land use rights								
- Segment amortisation	**394**	394	**162**	162	**-**	-	**556**	556
- Corporate amortisation							**300**	522
							856	1,078

During the year, 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 year's presentation.

3 Operating profit

Operating profit is stated after charging and crediting the following:

	2010	2009
	HK$'000	*HK$'000*
Amortisation of leasehold land and land use rights	**856**	1,078
Depreciation of property, plant and equipment	**40,971**	46,031
Net losses on disposal of investment properties	**117**	-
Net losses/(gains) on disposal of property, plant and equipment	**2,609**	(46)
Staff costs (including directors' emoluments)	**200,174**	263,534

4 Income tax expenses

The Company is exempt from income tax in Bermuda until March 2016.

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the year. The Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax.

	2010	2009
	HK$'000	*HK$'000*
Current income tax		
- Hong Kong profits tax	**7,451**	10,252
- Mainland China corporate income tax	**613**	6,562
- Over-provision in prior years	**(44)**	(1,815)
	8,020	14,999
Deferred income tax		
- Hong Kong profits tax	**(433)**	774
- Over-provision in prior years	**(327)**	-
	(760)	774
	7,260	15,773

5 Dividends

The Board has resolved to declare a final dividend of HK5.0 cents per ordinary share (2009: HK5.0 cents), and a special final dividend of HK3.0 cents per ordinary share (2009: HK4.0 cents) for the year ended 31 March 2010. The final dividend and the special final dividend will be paid on 24 August 2010 to shareholders whose names are registered in the books of the Company on 6 August 2010.

6 Earnings per share

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

	2010	2009
Profit attributable to equity holders of the Company (HK$'000)	**51,142**	91,296
Weighted average number of ordinary shares used in calculating basic earnings per share ('000)	**399,258**	397,812
Adjustment for potential dilutive effect in respect of outstanding share options ('000)	**1,959**	1,192
Weighted average number of ordinary shares used in calculating diluted earnings per share ('000)	**401,217**	399,004

7 Trade receivables

The Group grants credit terms to its customers ranging from 7 to 120 days. As at 31 March 2010, the ageing analysis of the trade receivables by past due date is as follows:

	2010	2009
	HK$'000	*HK$'000*
Current	**121,855**	131,357
1 to 30 days	**24,176**	21,736
31 to 60 days	**13,421**	10,848
61 to 90 days	**3,696**	4,156
Over 90 days	**5,655**	3,964
	168,803	172,061
Less: Provision for impairment of trade receivables	**(5,080)**	(6,395)
Trade receivables, net	**163,723**	165,666

8 Trade payables

As at 31 March 2010, the ageing analysis of the trade payables by past due date is as follows:

	2010	2009
	HK$'000	*HK$'000*
Current	**73,177**	49,291
1 to 30 days	**16,031**	7,112
31 to 60 days	**3,173**	967
61 to 90 days	**2,295**	1,318
Over 90 days	**2,110**	1,415
Trade payables	**96,786**	60,103

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 4 August 2010 to Friday, 6 August 2010 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the final dividend and the special final dividend, all transfers of share accompanied by the relevant 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 Tuesday, 3 August 2010 for registration.

BUSINESS REVIEW

The lingering effects of the global financial crisis continued to influence consumption sentiment worldwide, consequently hampering the Group's growth. For the year ended 31 March 2010, the Group generated total revenue of HK$913.2 million, representing a decline of 27.8% over last year (2009: HK$1,265.0 million). Gross profit contracted by 28.2% year on year to HK$183.6 million (2009: HK$255.6 million). Profit attributable to equity holders fell by 44.0% to HK$51.1 million (2009: HK$91.3 million). Even though material and labour costs continued to rise during the year, gross margin stood above 20% thanks to the use of effective cost control measures and by exploiting the advantages of vertical integration.

BUSINESS SEGMENT ANALYSIS

Core Businesses – Headsets and Headphones

Remaining the key constituent of the Group's operation, this area of business accounted for 65.3% (2009: 69.1%) of overall revenue. During the year under review, revenue was recorded at HK$596.7 million, representing a year-on-year decline of 31.8% (2009: HK$874.3 million). Principal cause of the decline was the drop in demand for headsets and headphones in North America due to the slow economic recovery, which is a market that a number of the Group's main customers are dependant on. As well, the poor conditions prompted postponement of product launches from a leading European mobile phone manufacturer. Compounding matters, demand for mobile phones was sluggish in Europe, thus directly affecting the Group's income from the two regions. Also, the Group's strategic decision to stop supplying headsets for Microsoft's Xbox 360™ game console in order to maintain profitability naturally reduced income, thereby exaggerating the drop in total revenue during the year under review.

The decline in revenue was minimised, however, due to the Group's strong relationship with other world-class customers. Apart from maintaining tight partnerships with European and Japanese professional audio brands underscoring its prowess in the audio and multimedia segments, the Group received increased orders from other customers in both areas of activity, thus further bolstering its share of the mass market. Likewise, its strength in developing and launching trendy headphones was rewarded with a jump in demand.

Non-core Businesses – Accessories and Components

Representing an important part of vertical integration efforts, this area of business achieved modest growth in overall revenue contributions to the Group, recorded at 34.7% (2009: 30.9%), though revenue for the year experienced a 19.0% decline to HK$316.5 million (2009: HK$390.7 million). The diminished performance was anticipated given that the Group's core businesses experienced a general decline in demand due to sluggish economic conditions. Contributions from external sales of accessories and components remained stable as substantiated by a relatively moderate drop in revenue when compared with the Group's core businesses.

PROSPECTS

Despite continuing to experience the effects of a weakened world economy, the management believes that the trough has been reached and countries which have implemented effective stimulus measures are now beginning to reap the benefits, leading to better prospects for the Group in the future. Already, there have been increased orders received from existing business partners while new and potential customers are in discussions with the Group.

The Group's association with leading European and Japanese brands has allowed it to directly benefit from their strong demand for sophisticated acoustic products, registering a rise in orders and involvement in more research and development (R&D) projects. The Group anticipates still greater contributions from such ties as consumer confidence strengthens and owing to higher margin commanded for products in this premium category.

Not neglecting to build on its strong presence in the mass market, the Group will further address demand by delivering new products for the audio and multimedia segments. In addition to developing and launching trendy products on a timely basis, seeking out new customers and utilising comprehensive retail sales channels to distribute goods will all be part of the Group's strategy for capturing a greater share of this important market segment.

The Group will continue looking for opportunities to secure business from communications brands as well. To nurture existing relationships while attracting new ones, the Group will utilise its R&D prowess to cater for clients' needs. Moreover, the Group's manufacturing capabilities and one-stop-shop services also represent valuable attributes that can draw potential clients' attention and stir their interest in forming business partnerships with the Group.

As the Group strengthens all areas of its business, R&D competence will be paramount. To build on this expertise, the Group will hire individuals with the appropriate skills set so that the R&D team is fully capable of providing tailored solutions, promote co-development arrangements as well as expand the Group's own product portfolio. In addition, the management will dedicate substantial effort towards employing cost down measures which are deemed essential for maintaining gross margin at a healthy level. Through all of these endeavours, the management is confident that the Group will realise long-term healthy growth.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group maintained a strong financial position. Net current assets as at 31 March 2010 amounted to approximately HK$539.2 million (2009: HK$520.7 million). The Group's current and quick ratios were approximately 3.4 times (2009: 3.7 times) and 3.0 times (2009: 3.2 times), respectively.

The Group had cash and cash equivalents and fixed deposits of approximately HK$392.2 million as at 31 March 2010, representing a slight decrease of approximately 5.7% against approximately HK$415.8 million as at 31 March 2009. Approximately 70.1%, 19.0% and 9.6% of the total cash and cash equivalents and fixed deposits were denominated in US dollars, Renminbi and Hong Kong dollars, respectively and the remainder in other currencies. As at 31 March 2010, the Group had aggregated banking facilities of approximately HK$264.3 million (2009: HK$270.9 million) from several banks for loans and trade financing, with an unused balance of approximately HK$238.2 million (2009: HK$253.9 million).

Capital Structure

As at 31 March 2010, the total bank borrowings of the Group were approximately HK$26.1 million (2009: HK$17.0 million), which were secured short-term bank loans, denominated in Renminbi and due within one year.

Approximately HK$42.4 million of certain properties and land use rights have been pledged for several secured short-term bank loans (2009: HK$43.5 million). The Group's bank borrowings bear interest rate at 5.3% (2009: 5.3%) per annum.

The Group's gearing ratio as at 31 March 2010 was approximately 3.6% (2009: 2.4%), which was measured on the basis of the total bank borrowings as a percentage of total equity attributable to the equity holders of the Company. If the balance of cash and cash equivalents as at 31 March 2010 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 31 March 2010, the Group employed a total of approximately 5,500 (2009: over 6,000) employees. The staff costs (including the directors' emoluments) accounted for approximately HK$200.2 million (2009: HK$263.5 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 state-sponsored 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 31 March 2010, the Company had provided corporate guarantees of approximately HK$155.7 million (2009: HK$198.0 million) to several banks to secure banking facilities of its subsidiaries. The facilities utilised by the subsidiary as at 31 March 2010 were approximately HK$26.1 million (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 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.

By Order of the Board
Fujikon Industrial Holdings Limited
Yeung Chi Hung, Johnny
Chairman

Hong Kong, 24 June 2010