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 2011

FINANCIAL HIGHLIGHTS

- **Revenue: HK$1,223.6 million, up 34.0% (2010: HK$913.2 million)**
- **Gross profit: HK$183.8 million, up 0.1% (2010: HK$183.6 million)**
- **Profit attributable to equity holders of the Company: HK$30.0 million, down 41.3% (2010: HK$51.1 million)**
- **Basic earnings per share: HK7.3 cents (2010: HK12.8 cents)**
- **Final dividend (per share): HK5.0 cents (2010: HK5.0 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 2011.

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 2011

	Notes	**2011** *HK$'000*	2010 *HK$'000*
Revenue	*2*	**1,223,641**	913,229
Cost of sales		**(1,039,813)**	(729,664)
Gross profit		**183,828**	183,565
Other gains - net		**1,093**	74
Distribution and selling expenses		**(26,724)**	(19,046)
General and administrative expenses		**(115,983)**	(102,753)
Operating profit	*3*	**42,214**	61,840
Finance income		**3,048**	1,481
Finance costs		**(3,409)**	(1,067)
Profit before income tax		**41,853**	62,254
Income tax expenses	*4*	**(6,496)**	(7,260)
Profit for the year		**35,357**	54,994
Other comprehensive income:			
Currency translation differences		**16,505**	881
Fair value gains on available-for-sale financial assets		**70**	352
Release of reserves upon disposal of subsidiaries		**(1,683)**	-
Release of reserve upon dissolution of a subsidiary		**137**	-
Other comprehensive income for the year, net of tax		**15,029**	1,233
Total comprehensive income for the year		**50,386**	56,227
Profit attributable to:			
Equity holders of the Company		**30,008**	51,142
Non-controlling interests		**5,349**	3,852
		35,357	54,994
Total comprehensive income attributable to:			
Equity holders of the Company		**43,892**	52,326
Non-controlling interests		**6,494**	3,901
		50,386	56,227
Dividends	*5*	**36,912**	48,771
Earnings per share for profit attributable to the equity holders of the Company during the year			
- Basic (HK cents per share)	*6*	**7.3**	12.8
- Diluted (HK cents per share)	*6*	**7.3**	12.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)	2009 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment		**200,146**	203,891	212,793
Investment properties		**1,890**	1,600	4,440
Land use rights		**10,135**	23,090	24,662
Available-for-sale financial assets		**7,741**	7,513	2,480
Total non-current assets		**219,912**	236,094	244,375
Current assets				
Inventories		**158,491**	104,978	104,376
Trade receivables	*7*	**247,453**	163,723	165,666
Other receivables		**13,294**	24,006	17,070
Derivative financial instruments		**326**	171	880
Other financial assets at fair value through profit or loss		**56,883**	73,885	8,667
Current income tax recoverable		**1,612**	720	-
Fixed deposits		**-**	6,810	-
Cash and cash equivalents		**352,599**	385,407	415,846
Total current assets		**830,658**	759,700	712,505
Current liabilities				
Trade payables	*8*	**134,261**	96,786	60,103
Accruals and other payables		**80,164**	80,872	98,098
Current income tax liabilities		**19,155**	16,776	16,646
Bank borrowings		**41,469**	26,107	16,988
Total current liabilities		**275,049**	220,541	191,835
Net current assets		**555,609**	539,159	520,670
Total assets less current liabilities		**775,521**	775,253	765,045
Non-current liabilities				
Deferred income		**2,064**	1,986	-
Deferred income tax liabilities		**613**	1,132	1,892
Total non-current liabilities		**2,677**	3,118	1,892
Net assets		**772,844**	772,135	763,153
Equity				
Capital and reserves attributable to the Company's equity holders				
Share capital		**41,014**	40,639	39,919
Other reserves		**204,000**	186,060	177,376
Retained earnings				
- Proposed dividends		**20,507**	32,803	35,927
- Others		**461,784**	468,688	465,477
		727,305	728,190	718,699
Non-controlling interests		**45,539**	43,945	44,454
Total equity		**772,844**	772,135	763,153

NOTES

1. Basis of preparation

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.

(a) Effect of adopting revised standards, amendments to standards and interpretations

In 2010, the Group adopted HKAS 17 (Amendment), "Leases", which is mandatory for accounting periods beginning on or after 1 January 2010.

HKAS 17 (Amendment), "Leases", deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term.

HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1 April 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 April 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance leases retrospectively. As a result of the reassessment, the Group has reclassified the leasehold land from operating lease to finance lease.

As the property interest is held for own use, the land interest is accounted for as property, plant and equipment and is depreciated over the shorter of the useful life of the asset and the lease term.

	As at 31 March 2011 *HK$'000*	As at 31 March 2010 *HK$'000*	As at 1 April 2009 *HK$'000*
Increase in property, plant and equipment	10,402	10,689	10,976
Decrease in land use rights	10,402	10,689	10,976

The adoption of this amendment also resulted in an increase in depreciation of property, plant and equipment of HK$287,000 and a decrease in amortisation of land use rights of HK$287,000 for the year ended 31 March 2011 and 2010.

HK Interpretation 5, "Presentation of financial statements - Classification by the borrower of a term loan that contains a repayment on demand clause", specifies that amounts repayable under a loan agreement which includes a clause that gives the lender the unconditional right to call the loan at any time shall be classified by the borrower as current liabilities in its statement of financial position. The interpretation has no impact on the consolidated financial statements as all the Group's bank borrowings are repayable within twelve months.

1. **Basis of preparation (Continued)**

(a) Effect of adopting revised standards, amendments to standards and interpretations (Continued)

The following revised standards, amendments to standards and interpretation are also mandatory for the Group's financial year beginning on 1 April 2010:

• HKFRSs (Amendments)	Improvements to HKFRSs 2009 (excluding HKAS17 (Amendment) "Leases")
• HKFRS 1 (Revised)	First-time adoption of HKFRSs
• HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
• HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
• HKFRS 3 (Revised)	Business combinations
• HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations
• HKAS 27 (Revised)	Consolidated and separate financial statements
• HKAS 32 (Amendment)	Classification of right issues
• HKAS 39 (Amendment)	Eligible hedged items
• HK (IFRIC) – Int 17	Distribution of non-cash assets to owners

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

(b) New and revised standards, amendments to standards and interpretations that have been issued but are not effective

The following new and revised standards, amendments to standards and interpretations have been issued, but are not effective for the Group's financial year beginning on 1 April 2010 and have not been early adopted.

• HKFRSs (Amendments)	Improvements to HKFRSs 2010[2]
• HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopers[3]
• HKFRS 7 (Amendment)	Disclosures – Transfers of financial assets[3]
• HKFRS 9	Financial instruments[5]
• HKAS 12 (Amendment)	Deferred tax – Recovery of underlying assets[4]
• HKAS 24 (Revised)	Related party disclosures[2]
• HK (IFRIC) – Int 14 (Amendment)	Prepayment of a minimum funding requirement[2]
• HK (IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments[1]

[1] Effective for financial years beginning on or after 1 July 2010
[2] Effective for financial years beginning on or after 1 January 2011
[3] Effective for financial years beginning on or after 1 July 2011
[4] Effective for financial years beginning on or after 1 January 2012
[5] Effective for financial years beginning on or after 1 January 2013

The directors anticipate that the adoption of the above new and revised standards, amendments to standards and interpretations will 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**	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)				(Restated)
Segment revenue								
- External revenue	**728,148**	596,696	**495,493**	316,533	**-**	-	**1,223,641**	913,229
- Inter-segment revenue	**-**	-	**98,498**	89,746	**(98,498)**	(89,746)	**-**	-
Total	**728,148**	596,696	**593,991**	406,279	**(98,498)**	(89,746)	**1,223,641**	913,229
Segment results	**15,282**	42,566	**30,152**	24,947	**-**	-	**45,434**	67,513
Corporate expenses							**(4,313)**	(5,747)
Other gains - net							**1,093**	74
Finance income							**3,048**	1,481
Finance costs							**(3,409)**	(1,067)
Profit before income tax							**41,853**	62,254
Depreciation of property, plant and equipment, as restated	**20,328**	26,525	**11,792**	14,733	**-**	-	**32,120**	41,258
Amortisation of land use rights								
- Segment amortisation, as restated	**158**	156	**117**	113	**-**	-	**275**	269
- Corporate amortisation							**75**	300
							350	569

3. Operating profit

Operating profit is stated after charging and crediting the following:

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Amortisation of land use rights	**350**	569
Depreciation of property, plant and equipment	**32,120**	41,258
Net gains on disposal of available-for-sale financial assets	**(344)**	-
Net gains on disposal of other financial assets at fair value through profit or loss	**(199)**	(358)
Net losses on disposal of investment properties	**-**	117
Net losses on disposal of property, plant and equipment	**377**	2,609
Net gains on disposal of subsidiaries	**(1,841)**	-
Staff costs (including directors' emoluments)	**276,826**	200,174

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% (2010: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the year. The Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax.

	2011	2010
	HK$'000	*HK$'000*
Current income tax		
- Hong Kong profits tax	**6,259**	7,451
- Mainland China corporate income tax	**1,011**	613
- Over-provision in prior years	**(255)**	(44)
	7,015	8,020
- Deferred income tax	**(563)**	(433)
- Under/(over)-provision in prior years	**44**	(327)
	(519)	(760)
	6,496	7,260

5. Dividends

The Board has resolved to declare a final dividend of HK5.0 cents per ordinary share (2010: HK5.0 cents) and no special final dividend was declared (2010: HK3.0 cents) for the year ended 31 March 2011. The final dividend will be paid on 23 August 2011 to shareholders whose names are registered in the books of the Company on 12 August 2011.

6. Earnings per share

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

	2011	2010
Profit attributable to equity holders of the Company (HK$'000)	**30,008**	51,142
Weighted average number of ordinary shares used in calculating basic earnings per share (in thousands)	**410,013**	399,258
Adjustment for potential dilutive effect in respect of outstanding share options (in thousands)	**31**	1,959
Weighted average number of ordinary shares used in calculating diluted earnings per share (in thousands)	**410,044**	401,217

7. Trade receivables

The Group grants credit period to its customers ranging from 7 to 120 days. As at 31 March 2011 and 2010, the ageing analysis of the trade receivables by past due date is as follows:

	2011	2010
	HK$'000	*HK$'000*
Current	**206,117**	121,855
1 to 30 days	**28,694**	24,176
31 to 60 days	**12,205**	13,421
61 to 90 days	**1,170**	3,696
Over 90 days	**5,058**	5,655
	253,244	168,803
Less: Provision for impairment of trade receivables	**(5,791)**	(5,080)
Trade receivables, net	**247,453**	163,723

8. Trade payables

As at 31 March 2011 and 2010, the ageing analysis of the trade payables by past due date is as follows:

	2011	2010
	HK$'000	*HK$'000*
Current	**97,446**	73,177
1 to 30 days	**21,381**	16,031
31 to 60 days	**8,093**	3,173
61 to 90 days	**2,281**	2,295
Over 90 days	**5,060**	2,110
Trade payables	**134,261**	96,786

CLOSURE OF REGISTER OF MEMBERS

To facilitate the processing of proxy voting, the register of members of the Company will be closed from Wednesday, 3 August 2011 to Friday, 5 August 2011 (both days inclusive), during which period no transfers of shares will be effected. To be entitled to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Branch Registrar, at Shops 1712-6, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 2 August 2011.

The final dividend is expected to be paid on or about 23 August 2011, to those shareholders whose names appeared on the Company's register of members on 12 August 2011. In order to qualify for the proposed final dividend, the register of members of the Company will be closed from Thursday, 11 August 2011 to Friday, 12 August 2011 (both days inclusive), during which period no transfers of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Branch Registrar, at Shops 1712-6, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 10 August 2011.

BUSINESS REVIEW

As the effects of the global financial crisis continued to dissipate, demand for the Group's electro-acoustic products and accessories showed marked improvement, resulting in revenue growth of 34.0% to HK$1,223.6 million for the year ended 31 March 2011 (2010: HK$913.2 million). Gross profit rose marginally to HK$183.8 million (2010: HK$183.6 million). However, profit attributable to equity holders contracted by 41.3% to HK$30.0 million, down from HK$51.1 million in FY2009/10 as sudden and noticeable rise in material costs along with increases in labour rates directly impacted on the Group.

BUSINESS SEGMENT ANALYSIS

Headsets and Headphones

Revenue of headsets and headphones continued to represent a principle source of income, accounting for 59.5% of total revenue (2010: 65.3%). Specifically, revenue rose by 22.0% to HK$728.1 million (2010: HK$596.7 million) as a number of projects secured during the start of calendar year 2010 began to roll out gradually during the fiscal year, primarily for leading audio and multimedia companies from the US, Europe, Japan and South East Asia. Moreover, an improving global economy and the Group's ability to nurture and sustain ties with clients further helped drive revenue growth of premium and mass market products. Having successfully established relations with new clients, such bonds also had a positive impact on revenue contributions.

Though the Group was able to realise growth from its segment businesses, a significant surge in material prices towards the second half year affected profitability. Compounding matters has been a quick succession of wage increases imposed by the mainland China government over the past few years which gave the Group pricing pressure as it could not immediately transfer costs to the selling price of its products.

Accessories and Components

The accessories and components segment constitute an increasingly prominent area of activity, now accounting for 40.5% of the Group's revenue source (2010: 34.7%). While key for promoting vertical integration, this segment has enjoyed growing external sales from headsets and headphones customers in recent years and at the latest reporting period achieved revenue of HK$495.5 million, a substantial year-on-year surge of 56.5% (2010: HK$316.5 million). Among the contributors to such growth were additional orders for packaging materials and replacement parts from a prominent audio brand. A more recent customer of the Group that targets the trendy, youth orientated market segment likewise placed further orders for electronic audio accessories, contributing to the healthy revenue increase.

PROSPECTS

As the global economy has moved on from the financial crisis and consumers have steadily regained confidence, aiding the consumer electronics market's recovery, the management can take a more optimistic though still cautious viewpoint towards the Group's performance in the coming financial year.

In FY2010/11, rise in consumption spurred demand for raw materials, resulting in upward cost pressure, which proved to be the most significant factor to affect the Group's overall financial performance. While stability is expected to return in the coming months, the Group will remain vigilant, observing developments and taking prompt action to protect profitability, such as the introduction of shorter term contracts that facilitate quick adjustment of terms to meet market conditions. Irrespective, the Group will continue to actively develop all aspects of operations, including enhancing assembly related activities to achieve higher productivity. Increasing automation, where applicable, will also be considered to counter wage hikes.

In moving forward the Group will seek to bolster its audio and multimedia portfolio in line with growing demand from American, European and Japanese professional audio brands. Focus will also be placed on developing products associated with Bluetooth, Noise Cancellation and Wireless technologies. Having made clear progress in the mass market, here too the Group will expedite efforts towards developing trendy, highly demanded products.

While the management is committed to perpetuating the Group's growth, this does not preclude its ambition to contribute to society. Efforts include the introduction of energy saving measures in manufacturing plants and offices. Similarly, to reduce electricity consumption, the Group has begun modifying its moulding equipment as they represent the highest consumers of electricity.

Recognising that development of the Group requires an all-encompassing approach, the management will duly leverage Fujikon's full arsenal of strengths. Possessing a wealth of people, sound fundamentals, strong R&D capability, tight relationship with clients and scalable production capacity, the Group is confident about its ability to achieve sustainable growth in the coming year and years to come.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group maintained at a strong financial position. Net current assets as at 31 March 2011 amounted to approximately HK$555.6 million (2010: HK$539.2 million). The Group's current and quick ratios were approximately 3.0 times (2010: 3.4 times) and 2.4 times (2010: 3.0 times), respectively.

The Group had cash and cash equivalents and fixed deposits of approximately HK$352.6 million as at 31 March 2011, representing a decrease of approximately 10.1% against approximately HK$392.2 million as at 31 March 2010. Approximately 63.3%, 30.1% and 6.4% 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 2011, the Group had aggregated banking facilities of approximately HK$310.0 million (2010: HK$264.3 million) from several banks for loans and trade financing, with an unused balance of approximately HK$268.5 million (2010: HK$238.2 million).

Capital Structure

As at 31 March 2011, the total bank borrowings of the Group were approximately HK$41.5 million (2010: HK$26.1 million), which were secured short-term bank borrowings, denominated in Renminbi and due within one year. Approximately HK$43.0 million of certain properties and land use rights have been pledged for several secured short-term bank borrowings (2010: HK$42.4 million). The Group's bank borrowings bear interest rate at 5.5% (2010: 5.3%) per annum.

The Group's gearing ratio as at 31 March 2011 was approximately 5.7% (2010: 3.6%), 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 2011 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 31 March 2011, the Group employed a total of approximately 7,200 (2010: 5,500) employees. The staff costs (including the directors' emoluments) accounted for approximately HK$276.8 million (2010: HK$200.2 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 2011, the Company had provided corporate guarantees of approximately HK$197.0 million (2010: HK$155.7 million) to several banks to secure banking facilities of its subsidiaries. The facilities utilised by the subsidiary as at 31 March 2011 were approximately HK$41.5 million (2010: HK$26.1 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

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, 23 June 2011