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 2011

FINANCIAL HIGHLIGHTS

- **Revenue: HK$659.7 million, up 15.6% (2010: HK$570.4 million)**
- **Gross profit: HK$94.4 million, up 11.6% (2010: HK$84.6 million)**
- **Profit attributable to equity holders of the Company: HK$7.6 million, down 23.8% (2010: HK$10.0 million)**
- **Basic earnings per share: HK1.86 cents (2010: HK2.45 cents)**
- **Interim dividend (per share): HK3.0 cents (2010: 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 2011.

The interim results have been reviewed by the Company's Audit Committee and independent 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.

** for identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 September	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**659,661**	570,417
Cost of sales		**(565,263)**	(485,820)
Gross profit		**94,398**	84,597
Other (losses)/gains - net		**(7,929)**	130
Distribution and selling expenses		**(12,330)**	(12,065)
General and administrative expenses		**(59,278)**	(58,367)
Operating profit	*4*	**14,861**	14,295
Finance income		**1,883**	1,319
Finance costs		**(2,495)**	(1,367)
Profit before income tax		**14,249**	14,247
Income tax expenses	*5*	**(3,254)**	(2,197)
Profit for the period		**10,995**	12,050
Other comprehensive income:			
Currency translation differences		**11,012**	7,891
Fair value (losses)/gains on available-for-sale financial assets		**(93)**	181
Release of reserves upon disposal of subsidiaries		**-**	(1,683)
Other comprehensive income for the period, net of tax		**10,919**	6,389
Total comprehensive income for the period		**21,914**	18,439
Profit attributable to:			
Equity holders of the Company		**7,645**	10,027
Non-controlling interests		**3,350**	2,023
		10,995	12,050
Total comprehensive income attributable to:			
Equity holders of the Company		**17,783**	15,885
Non-controlling interests		**4,131**	2,554
		21,914	18,439
Dividends	*6*	**12,304**	16,405
Earnings per share for profit attributable to the equity holders of the Company during the period			
- Basic (HK cents per share)	*7*	**1.86**	2.45
- Diluted (HK cents per share)	*7*	**1.86**	2.45

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited As at 30 September 2011** *HK$'000*	Audited As at 31 March 2011 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**203,072**	200,146
Investment properties		**1,890**	1,890
Land use rights		**10,274**	10,135
Available-for-sale financial assets		**2,205**	7,741
Total non-current assets		**217,441**	219,912
Current assets			
Inventories		**152,572**	158,491
Trade receivables	*8*	**276,184**	247,453
Other receivables		**13,468**	13,294
Derivative financial instruments		**-**	326
Other financial assets at fair value through profit or loss		**81,339**	56,883
Current income tax recoverable		**2,405**	1,612
Cash and cash equivalents		**360,793**	352,599
Total current assets		**886,761**	830,658
LIABILITIES			
Current liabilities			
Trade payables	*9*	**163,964**	134,261
Accruals and other payables		**85,384**	80,164
Derivative financial instruments		**6,798**	-
Current income tax liabilities		**21,172**	19,155
Bank borrowings		**54,750**	41,469
Total current liabilities		**332,068**	275,049
Net current assets		**554,693**	555,609
Total assets less current liabilities		**772,134**	775,521
Non-current liabilities			
Deferred income		**1,577**	2,064
Deferred income tax liabilities		**558**	613
Total non-current liabilities		**2,135**	2,677
Net assets		**769,999**	772,844
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**41,014**	41,014
Other reserves		**213,806**	204,000
Retained earnings			
- Proposed dividends		**12,304**	20,507
- Others		**457,125**	461,784
		724,249	727,305
Non-controlling interests		**45,750**	45,539
Total equity		**769,999**	772,844

NOTES

1. Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 September 2011 has been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

2. Accounting policies

The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 March 2011, except as mentioned below.

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

In 2011, the Group adopted HKAS 34 (Amendment), "Interim financial reporting", which is mandatory for accounting periods beginning on or after 1 January 2011.

Amendment to HKAS 34 "Interim financial reporting" is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

The amendments has no impact on the condensed consolidated interim financial information as there has been no change in fair value measurement from the recent annual report and the Group's existing disclosure in the interim report complies with the principle stated on the amendment.

The following revised standard, amendments to standards and interpretations are also mandatory for the Group's financial year beginning on 1 April 2011.

- HKFRSs (Amendments) — Improvements to HKFRSs 2010 (excluding HKAS 34 (Amendment) "Interim financial reporting")
- HKAS 24 (Revised) — Related party disclosures
- HK (IFRIC) – Int 14 (Amendment) — Prepayment of a minimum funding requirement
- HK (IFRIC) – Int 19 — Extinguishing financial liabilities with equity

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

2. **Accounting policies (Continued)**

(b) New and amendments to standards that have been issued but not effective

The following new and amendments to standards have been issued, but are not effective for the Group's financial year beginning on 1 April 2011 and have not been early adopted.

- HKFRS 1 (Amendment) — Severe hyperinflation and removal of fixed dates for first-time adopters[1]
- HKFRS 7 (Amendment) — Disclosures -Transfers of financial assets[1]
- HKFRS 9 — Financial instruments[4]
- HKFRS 10 — Consolidated financial statements[4]
- HKFRS 11 — Joint arrangements[4]
- HKFRS 12 — Disclosure of interests in other entities[4]
- HKFRS 13 — Fair value measurement[4]
- HKAS 1 (Amendment) — Presentation of financial statements[3]
- HKAS 12 (Amendment) — Deferred tax - Recovery of underlying assets[2]
- HKAS 19 (2011) — Employee benefits[4]
- HKAS 27 (2011) — Separate financial statements[4]
- HKAS 28 (2011) — Investments in associates and joint venture[4]

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

The directors anticipate that the adoption of these new and amendments to standards will not result in a significant impact on the results and financial position of the Group.

3. **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 condensed consolidated statement of comprehensive income.

	Six months ended 30 September (Unaudited)							
	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*
Segment revenue								
- External revenue	**390,115**	324,855	**269,546**	245,562	**-**	-	**659,661**	570,417
- Inter-segment revenue	**-**	-	**43,947**	50,425	**(43,947)**	(50,425)	**-**	-
Total	**390,115**	324,855	**313,493**	295,987	**(43,947)**	(50,425)	**659,661**	570,417
Segment results	**9,234**	917	**15,360**	15,391	**-**	-	**24,594**	16,308
Corporate expenses							**(1,804)**	(2,143)
Other (losses)/gains - net							**(7,929)**	130
Finance income							**1,883**	1,319
Finance costs							**(2,495)**	(1,367)
Profit before income tax							**14,249**	14,247

4. Operating profit

Operating profit is stated after crediting and charging the following:

	Unaudited Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
Amortisation of land use rights	**144**	211
Depreciation of property, plant and equipment	**15,120**	16,493
Net gains on disposal of available-for-sale financial assets	**(247)**	(140)
Net (gains)/losses on disposal of property, plant and equipment	**(260)**	43
Net gains on disposal of subsidiaries	**-**	(1,841)
Provision for impairment of inventories	**10,453**	3,042
Staff costs	**153,254**	131,948

5. Income tax expenses

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 period. The Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax ("CIT") at a rate of 25% (2010: 25%) on the estimated assessable profits, except that a subsidiary (2010: two subsidiaries) is eligible for a preferential CIT rate of 15% under the New and High Technology Enterprises status. Accordingly, the CIT for such subsidiary has been provided after taking into account of this tax concession.

	Unaudited Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
Current income tax		
- Hong Kong profits tax	**2,401**	2,049
- China corporate income tax	**908**	566
Deferred income tax	**(55)**	(418)
	3,254	2,197

6. Dividends

The Board has resolved to declare an interim dividend of HK3.0 cents per ordinary share (2010: HK3.0 cents) and no special interim dividend is declared (2010: HK1.0 cent) for the six months ended 30 September 2011. The interim dividend is expected to be paid on or around 30 December 2011 to shareholders whose names are registered in the books of the Company on 12 December 2011.

7. Earnings per share

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

	Unaudited Six months ended 30 September	
	2011	2010
Profit attributable to equity holders of the Company (HK$'000)	**7,645**	10,027
Weighted average number of ordinary shares used in calculating basic earnings per share (in thousands)	**410,139**	409,887
Adjustment for potential dilutive effect in respect of outstanding share options (in thousands)	**-**	55
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	**410,139**	409,942

8. Trade receivables

The Group grants credit terms to its customers ranging from 7 to 120 days. As at 30 September 2011, the ageing analysis of the trade receivables by past due date is as follows:

	Unaudited As at 30 September 2011	Audited As at 31 March 2011
	HK$'000	*HK$'000*
Current	**229,037**	206,117
1 to 30 days	**33,042**	28,694
31 to 60 days	**11,407**	12,205
61 to 90 days	**4,061**	1,170
Over 90 days	**4,245**	5,058
	281,792	253,244
Less: Provision for impairment of trade receivables	**(5,608)**	(5,791)
Trade receivables, net	**276,184**	247,453

9. Trade payables

As at 30 September 2011, the ageing analysis of the trade payables by past due date is as follows:

	Unaudited As at 30 September 2011	Audited As at 31 March 2011
	HK$'000	*HK$'000*
Current	**124,074**	97,446
1 to 30 days	**26,277**	21,381
31 to 60 days	**3,240**	8,093
61 to 90 days	**5,771**	2,281
Over 90 days	**4,602**	5,060
	163,964	134,261

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 12 December 2011 to Wednesday, 14 December 2011 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the 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, 9 December 2011 for registration.

BUSINESS REVIEW

With the global economy showing modest signs of improvement, demand for the Group's electro-acoustic products and accessories increased for the six months ended 30 September 2011. What is more, the Group's efforts to consolidate its business fundamentals in past years have led to further enhancement of its overall performance. During the review period, the Group recorded revenue of HK$659.7 million, representing a year-on-year rise of 15.6% (2010: HK$570.4 million). Gross profit also rose to HK$94.4 million, up 11.6% from HK$84.6 million for the same period last year. With stringent cost controls in place, the Group was able to maintain gross profit margin at 14.3% (2010: 14.8%). Profit attributable to equity holders of the Company slid 23.8% to HK$7.6 million (2010: HK$10.0 million). Basic earnings per share were HK1.86 cents (2010: HK2.45 cents).

BUSINESS SEGMENT ANALYSIS

Headsets and Headphones

During the period under review, the headsets and headphones operation continued to constitute the Group's principle revenue source, reaching HK$390.1 million, a 20.1% rise from HK$324.9 million for the corresponding period of last year. The healthy performance was due to a steady increase in orders from existing clients, comprising leading audio and multimedia brands that have benefited from gradual recovery of the US and European markets as well as exciting growth in the wireless and noise-cancellation markets. With respect to the aforesaid technologies, new and old customers are increasingly dependent on the Group's knowhow to expedite delivery of their wireless and noise-cancellation products to the market. During the review period, revenue from these products registered 30% year-on-year growth and still greater contributions are expected in the future.

New clients ranging from mass market to premium brands from Europe, the United States and Japan have subsequently increased their orders during the review period as well, clearly satisfied with deliveries that started in the last financial year. This has resulted in the launch of several new products during the period, and in certain cases, revenue derived from some newer clients has risen by a satisfactory level. In view of the progress made, the Group will continue developing the business in a balanced manner and is confident about achieving further growth in the near future.

Accessories and Components

Revenue from the accessories and components segment continued to steadily climb, up 9.8% year-on-year to HK$269.5 million (2010: HK$245.6 million), accounting for 40.9% of the Group's total revenue. Such growth was due in part to rising demand from headset and headphone customers, which included strong orders from a well-known audio brand that required packaging materials and replacement parts. Likewise, a youth-orientated brand placed additional orders for electronic audio accessories which further contributed to revenue growth. It is worth noting that the accessories and components segment is also important in advancing the Group's vertical integration efforts.

PROSPECTS

While the global economy may not be in the grips of a financial crisis, it continues to undergo a slow path of recovery. With respect to the Group, this testing environment is compounded by the potential of a double-digit rise in minimum wage to be imposed by the Mainland China government in early 2012, even though raw material costs are expected to stabilise. In spite of potential challenges on the horizon, the management is cautiously optimistic about the Group's ability to maintain growth in the near future.

During the depths of the financial crisis in the past few years, the Group sought to build a solid foundation for business development. Not only did it gain experience in product co-development with clients, but also enriched the product portfolio to cover trendy and premium headsets and headphones which are increasingly seen as fashion accessories. Such efforts have begun to bear fruit. The Group secured a trendy upmarket brand in early 2011 to co-develop three new models for the client's branded headphones. Additional projects are expected in the pipeline, hence leading to further and greater revenue contributions in the mid to long term.

Committed not only to style but substance, the Group will strengthen its research and development (R&D) capability to raise its competitiveness in the future. The market is showing growth momentum in respect of wireless and noise-cancellation products. Having spent years of R&D in these core technologies, the Group is poised to capture such growth. Robust wireless protocols and distinct surface finishing techniques are also some of the areas that the Group has directed research on, thus adding to its appeal as clients increasingly require, and even expect the Group's active participation in co-developing projects.

The Group is fully aware that sound fundamentals are needed to underpin growth. Hence, ongoing enhancement of operations, including further automation and less reliance on human labour will be pursed. To protect itself from cost pressure arising from volatile market conditions, the Group will also continue employing shorter term contracts that allow it to more readily adjust terms.

Moving forward, the management will continue employing a holistic strategy that examines, refines and coordinates all aspects of operation so that the Group is constantly evolving, raising its competitiveness and fortifying its position as a leading electro-acoustic manufacturer in the world.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group maintained at strong financial position. Net current assets as at 30 September 2011 amounted to approximately HK$554.7 million (31 March 2011: HK$555.6 million). The Group's current and quick ratios were approximately 2.7 times (31 March 2011: 3.0 times) and 2.2 times (31 March 2011: 2.4 times), respectively.

The Group had cash and cash equivalents of approximately HK$360.8 million as at 30 September 2011, representing a slightly increase of approximately 2.3% against approximately HK$352.6 million as at 31 March 2011. Approximately 51.7%, 39.7% and 8.5% of the total cash and cash equivalents were denominated in Renminbi, US dollars and Hong Kong dollars, respectively and the remainder in other currencies. As at 30 September 2011, the Group had aggregated banking facilities of approximately HK$313.0 million (31 March 2011: HK$310.0 million) from several banks for loans and trade financing, with an unused balance of approximately HK$258.2 million (31 March 2011: HK$268.5 million).

FINANCIAL REVIEW (Continued)

Capital Structure

As at 30 September 2011, the total bank borrowings of the Group were approximately HK$54.8 million (31 March 2011: HK$41.5 million), which were several secured short-term bank borrowings, denominated in Renminbi and due within one year.

Approximately HK$43.8 million (31 March 2011: HK$43.0 million) of certain properties and land use right have been pledged to secure several bank borrowings of approximately HK$42.7 million. Approximately HK$13.6 million of certain accounts receivables have been pledged to secure a bank borrowing of approximately HK$12.1 million (31 March 2011: nil). The Group's borrowings bear interest rate at 5.8% (31 March 2011: 5.5%) per annum.

The Group's gearing ratio as at 30 September 2011 was approximately 7.6% (31 March 2011: 5.7%), 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 30 September 2011 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 2011, the Group employed a total of over 6,400 (31 March 2011: over 7,200) employees. The staff costs (including the directors' emoluments) accounted for approximately HK$153.3 million during the six months ended 30 September 2011 (2010: HK$131.9 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 2011, the Company had provided corporate guarantees of approximately HK$197.0 million (31 March 2011: HK$197.0 million) to several banks to secure banking facilities of its subsidiaries. The facilities utilised by a subsidiary as at 30 September 2011 approximately HK$54.8 million (31 March 2011: HK$41.5 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 (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. During the period, 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. In review of the effectiveness of this arrangement, the Board decided to appoint Mr. Yeung Chi Hung, Johnny, the Chairman of the Company, as chief executive officer of the Company with effect from 1 October 2011. The Board believes that vesting the roles of both chairman and chief executive officer in Mr. Yeung provides the Group with strong and consistent leadership to improve the Company's efficiency in decision-making and execution, and effectively capture business opportunities.

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 November 2011