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Fujikon Industrial Holdings Limited

富士高實業控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 927)

INSIDE INFORMATION

This announcement is made by Fujikon Industrial Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the provisions of inside information under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform the shareholders of the Company and potential investors that, on 8 August 2023, Fujikon Industrial Company Limited, a wholly-owned subsidiary of the Company, received a letter (the “**Letter**”) from a customer of the Group (the “**Customer**”) concerning quality issue (the “**Quality Issue**”) with a particular model of headphones (the “**Headphones**”). Such Quality Issue was allegedly caused by defects in a particular model of rechargeable batteries (the “**Batteries**”), which have been supplied by a reputable overseas supplier of the Group (the “**Supplier**”) who only supplies the Batteries to the Group on this particular model of Headphones concerned. The total amount of claim (the “**Claim Amount**”) up to 31 July 2023 as set out in the Letter was approximately US\$3.6 million (equivalent to approximately HK\$28.0 million), comprising (i) cost for the defective products of approximately US\$2.6 million (equivalent to approximately HK\$20.3); and (ii) handling and logistics costs of approximately US\$1.0 million (equivalent to approximately HK\$7.8 million).

Subsequent to the receipt of the Letter, the Group held (a) meetings with the Customer on 15 August 2023, 1 September 2023 and 15 September 2023 ; and (b) meetings with the Supplier on 22 August 2023, 25 August 2023, 30 August 2023 and 20 September 2023 in order to resolve the matter set out in the Letter amicably and as soon as possible with minimal impact to the Group. The Group has been investigating into the matter set out in the Letter and will keep ongoing discussions with the Customer and the Supplier to enhance communication flow, with an intention that all parties would be able to agree on a settlement method to resolve the matter set out in the Letter. On 21 September 2023, the Group issued a letter to the Supplier to claim for the Claim Amount. Further, on 21 September 2023, a tripartite meeting was held amongst the Customer, the Supplier and the Group,

* *For identification purposes only*

whereby it was agreed, among other things, that (i) the Supplier would take lead to resolve the matter; and (ii) the Customer and the Group would provide support to the Supplier by providing necessary information related to the Quality Issue in order to accelerate the settlement process.

For the year ended 31 March 2023, the Customer was the largest customer of the Group, whereby the sales thereto accounted approximately 37.2% of the Group's total revenue. Subsequent to 31 July 2023 and up to the date of this announcement, the Group has been receiving purchase orders from the Customer with respect to the Headphones and the Customer's other products. In addition, the Customer also placed purchase orders with the Group with respect to a new model of its headphones, and did not withdraw its engagement of the Group even in light of the Quality Issue. On the other hand, the Group has only engaged the Supplier for the provision of the Batteries for the particular model of Headphones concerned as at the date of announcement, and did not engage the Supplier for other products of the Group.

Based on the information currently available to the Group, having considered that (i) the Claim Amount is yet to be verified and confirmed; and (ii) the Group had not reached formal conclusive agreement with the Customer and the Supplier regarding the settlement of the Quality Issue as at the date of this announcement, the exact impact of the Quality Issue on the Group's financial condition and results of operations are yet to be assessed by the Company. The Company will actively liaise with the Customer and the Supplier, and make further announcement(s) to keep its shareholders and investors informed of any significant development of the incident as and when appropriate.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Fujikon Industrial Holdings Limited
Yeung Chi Hung, Johnny
Chairman & Chief Executive Officer

Hong Kong, 22 September 2023

As at the date of this announcement, the Board comprises six executive Directors, namely, 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; and three independent non-executive Directors, namely, Dr. Ng Wang Pun, Dennis, Mr. Che Wai Hang, Allen and Mr. Lee Yiu Pun.

In this announcement, for the purpose of illustration only, amounts quoted in US\$ has been converted into HK\$ at a rate of US\$1.00 to HK\$7.80. Such exchange has been used, where applicable, for the purpose of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.