



Fujikon Industrial Holdings Limited

富士高實業控股有限公司

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2001

RESULTS

The Board of Directors (the "Directors") 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 31st March, 2001, as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	2001 HK\$'000	2000 HK\$'000 <i>(Note 7)</i>
Turnover	<i>1</i>	534,906	427,409
Cost of sales		(381,798)	(294,129)
Gross profit		153,108	133,280
Other revenue		120	180
Distribution and selling expenses		(22,031)	(19,640)
General and administrative expenses		(62,020)	(45,947)
Profit from operations		69,177	67,873
Interest income		6,062	1,357
Interest expense		(194)	(23)
Profit before taxation	<i>2</i>	75,045	69,207
Taxation	<i>3</i>	(12,878)	(11,163)

Profit after taxation but before minority interests		62,167	58,044
Minority interests		110	(1,544)
Profit attributable to shareholders		62,277	56,500
Retained profit, beginning of year		129,707	132,679
Transfer from property revaluation reserve		-	696
Dividends	4	(25,172)	(60,168)
Retained profit, end of year		166,812	129,707
Earnings per share	5		
- Basic		HK\$0.17	
		HK\$0.21	
- Diluted		HK\$0.17	N/A

Notes:

1. Turnover

The Group's turnover by major product category and geographical location, together with their respective contributions to profit before taxation, is analysed as follows:

a. By major product category:-

	2001		2000	
	Turnover	Contribution to profit before taxation	Turnover	Contribution to profit before taxation
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Note 7)	(Note 7)
Electro-acoustic products				
Audio headphones	218,053	44,283	227,492	43,117
Communication headsets	100,983	23,353	20,072	5,560
Multimedia speakers	98,279	1,957	69,915	3,283
Microphones	13,798	3,017	21,931	4,451
Multimedia headsets	765	161	513	87
	431,878	72,771	339,923	56,498

Accessories				
Packaging products	21,770	1,297	19,255	1,254
Precision metal parts	7,709	567	6,815	667
	29,479	1,864	26,070	1,921
Electronic products and others (trading of parts and scrap sales)	73,466	327	61,298	10,670
Rental income	83	83	118	118
	534,906	75,045	427,409	69,207

b. By geographical location:* -

	Turnover	
	2001	2000
	HK\$'000	HK\$'000
		(Note 7)
North America	312,495	258,805
Europe	86,925	74,140
Asia Pacific		
- Asian countries (other than Japan)	64,620	62,126
- Japan	59,473	25,171
Others (South America, Australia, Middle East and Africa)	11,393	7,167
	534,906	427,409

* *Turnover by geographical location is determined on the basis of the destination of delivery of merchandise.*

No analysis of profit before taxation by geographical location is presented as it is generally in line with the distribution of turnover as set out above.

2. Profit before taxation

Profit before taxation was stated after charging the following:

2001	2000
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	<i>HK\$'000</i>	<i>HK\$'000</i> (<i>Note 7</i>)
Depreciation of property, machinery and equipment	14,352	14,507
Amortisation of deferred development expenditures	2,083	605
Research and development expenditures	13,130	8,074
Employment costs (including directors' emoluments)	79,845	62,594

3. Taxation

Taxation in the consolidated income statement consisted of:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i> (<i>Note 7</i>)
Current taxation		
- Hong Kong profits tax	9,836	9,702
- Mainland China enterprise income tax	1,281	322
	11,117	10,024
Deferred taxation		
- Hong Kong profits tax	1,761	1,139
	12,878	11,163

4. Dividends

Dividends consisted of:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i> (<i>Note 7</i>)
Interim dividend of HK2.5 cents (2000 - Nil) per ordinary share	8,990	-
Final dividend of HK4.5 cents (2000 - Nil) per ordinary share	16,182	-
Dividends paid by subsidiaries of the Company to their then shareholders prior to the Reorganisation	-	60,168
	25,172	60,168

5. Earnings per share

The calculation of basic earnings per share for the year ended 31st March, 2001 is based on the consolidated profit attributable to shareholders of approximately HK\$62,277,000 (2000 - HK\$56,500,000) and on the weighted average number of 358,122,000 shares (2000 - 269,700,000 shares) in issue during the year.

The calculation of diluted earnings per share for the year ended 31st March, 2001 is based on the consolidated profit attributable to shareholders of approximately HK\$62,277,000 and on the weighted average number of 359,708,000 shares in issue, after adjusting for the effects of all dilutive potential shares. The effect of the dilutive potential shares resulting from the exercise of the outstanding employee share options on the weighted average number of shares in issue during the year was approximately 1,586,000 shares, which were deemed to have been issued at no consideration as if all outstanding employee share options had been exercised on the date when the employee share options were granted. Diluted earnings per share for the year ended 31st March, 2000 have not been presented because there were no dilutive potential ordinary shares in existence for that year.

6. Reserves

Movements in reserves were:

	2001				2000	
	Share premium	Capital reserve	Property revaluation reserve	Cumulative translation adjustments	Total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Beginning of year	-	1,610	6,557	1,702	9,869	3,704
Premium on issue of shares	80,910	-	-	-	80,910	-
Share issuance expenses	(11,984)	-	-	-	(11,984)	-
Capitalisation of share premium	(26,770)	-	-	-	(26,770)	-
Goodwill arising from acquisition of subsidiaries	-	(16)	-	-	(16)	-
Capital reserve arising from the Reorganisation referred to in Note 7	-	-	-	-	-	1,610
Surplus on revaluation of land and buildings	-	-	-	-	-	6,557
Deficit on revaluation of investment property	-	-	-	-	-	(1,300)
Realisation upon distribution of investment	-	-	-	-	-	-

property as dividend in specie	-	-	-	-	-	(696)
Translation adjustments	-	-	-	(459)	(459)	(6)
End of year	42,156	1,594	6,557	1,243	51,550	9,869

7. Comparative figures

On 23rd March, 2000, the Company became the holding company of the other companies comprising the Group pursuant to a group reorganisation ("the Reorganisation") which included exchanges of shares. The Reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation have been regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated income statement and cash flow statement for the year ended 31st March, 2000 were prepared as if the Company had been the holding company of the other companies comprising the Group throughout that year, rather than from the date on which the Reorganisation was completed.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 14th August, 2001 to Monday, 20th August, 2001, both days inclusive, during which period no transfers of shares can be registered. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificate must be lodged with the Company's branch share registrars in Hong Kong, Hong Kong Registrars Limited 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong not later than 4:00pm on Monday, 13th August, 2001.

BUSINESS REVIEW

Fujikon achieved highly satisfactory results for the year ended 31st March, 2001. Turnover increased by 25% from HK\$427 million in 2000 to HK\$535 million in 2001. Profit attributable to shareholders amounted to HK\$62.3 million, representing a 10.2% increase compared to the HK\$56.5 million achieved last year. These encouraging results are attributable to our management's judicious investment and business strategies. Anticipating the rapid developments in the electro-acoustic products industry, the Group utilised proceeds from the listing to expand vigorously in the booming communication headsets industry while at the same time extending the electro-acoustic products market in Japan.

During the year under review, major revenue came from the electro-acoustic business, representing 80.7% of the Group's total turnover. Products in this business area include audio headphones and microphones, multimedia speakers and headsets, and communication headsets. The sale of transformers and other accessories and rental income accounted for the remaining 19.3% of the Group's total turnover.

Sales of audio headphones and microphones accounted for approximately HK\$232 million, representing 43.3% of the Group's total turnover. Although sales from audio headphones and microphones were fair, gross profit margins improved from 36.7% to 41.6%, demonstrating the Group's effective control of production costs. Leveraging the Group's R&D capabilities, we successfully developed a total of 52 different ODM and OEM audio headphones during the year. We also won a number of new clients including NEC, Woolworth, Flextronics, Uniden and Sharp. Staying ahead of the market, we will focus on developing quality and higher-margin audio headphones and consider shifting lower-margin product lines to Northern China to further reduce production costs and strengthen product competitiveness.

Communication headsets recorded the most outstanding growth in the year, with turnover increasing a substantial 4 times from HK\$20 million last year to HK\$101 million this year. Their contribution to the Group's total turnover surged from 4.7% to 18.9%. The Group successfully launched 11 new communication headset products with a total production volume of 3 million units, bringing in operating profit of HK\$23.4 million to the Group. In the coming year, communication headsets will continue to be the centerpiece of the Group's products, with sales expected to reach 25-30% of the Group's turnover.

Multimedia speakers and headsets achieved an increased turnover of 41%, surging from HK\$70 million last year to HK\$99 million in 2001. Within this range of products, multimedia speakers and multimedia headsets recorded increases in sales of 41% and 49% respectively, with profit margins for multimedia headsets increased by about four percentage points from 17% to 21%. Multimedia speakers require a higher consumption of plastic resin whose costs were high, thus increasing production costs and reducing profit margins for multimedia speakers by about three percentage points from 4.7% to 2%. Recent costs have shown a gradual decline, and profits for multimedia speakers are expected to stabilize accordingly. We believe that the prevalent use of the Internet and broadband services will lead to continuing demand for related accessories and in particular, the market growth in developing countries will offer enormous potential for development.

North America remained the Group's core market, with 58.42% of total turnover. Europe and the Asia-Pacific region (other than Japan) followed, accounting for 16.25% and 12.08% respectively. Although the US economy slowed down last year, the Group's business

performance was not affected. Sales of electro-acoustic products to North American increased by 20.7% over that of the previous year. In addition, our products have grown in popularity in the Japanese market with sales increasing from 5.9% last year to 11.12% this year, in terms of the Group's total turnover. Capitalizing on this growth, we will be opening a representative office in Japan in July 2001 to facilitate our marketing activities in this market. We aim to increase sales to Japan to 20% of our total turnover in the next two to three years.

During the year the Group made a capital investment of HK\$36.8 million, which was mainly used to improve and renew production equipment and machinery for new product development. Of the total amount, HK\$10.6 million was invested to establish Ningbo Fusion Electrical Material Company Limited ("Ningbo Fusion"), which commenced production in March 2001. Ningbo Fusion is expected to contribute profits of approximately HK\$10 million to the Group. We have chosen Suzhou as our development base in Eastern China, with a new production facility - Fujikon Acoustics (Suzhou) Limited commenced production in June 2001. This strategic location facilitates the Group's recruitment of well-trained engineering and technical staff and offers a valuable source of potential customers for the Group.

PROSPECTS

Despite the global economic slowdown, the electro-acoustic products market has not seen any radical impact. On the contrary, as the use of mobile phones becomes more prevalent, and as more and more countries legally enforce the use of hands-free mobile phones when driving, the market demand for headphones is rising. The global market demand for electro-acoustic products is expected to grow at an annual rate of approximately 20%. With these opportunities, we remain committed to developing electro-acoustic products as our core business.

In the realm of wireless technologies, we will launch our 800-900MHz wireless high frequency audio headphones in the third quarter of the year. Functional prototypes for our Bluetooth wireless headsets have also been finalized and we expect our first Bluetooth product to be launched in the fourth quarter of 2001. We also became a member of Bluetooth SIG last year, giving us the ability to parallel our development with other international Bluetooth technology organizations.

Building on our long-term production plans, we will continue to enhance our vertically integrated manufacturing process. During the year, we have invested in two large-scale production facilities at Suzhou and Ningbo. With their raw materials and parts supplies, we will further reduce production costs and improve operating efficiencies. With China's entry

into WTO, there will be further trade liberalization and as a result, the growth in consumer spending will stimulate our business and strengthen the Group's business foundations in the PRC.

Total Quality Management (TQM) has always been our objective. With our ISO9001: 1994 certification providing international recognition for our achievements in quality advancement, we are also applying for ISO9001: 2000 accreditation for our Sales and Marketing, and Finance Departments in September this year. Our mission is to implement services along a "customers come first" service philosophy. We will therefore be deploying a Customer Relationship Management (CRM) system - "To provide quality products and services to our customers by working towards full customer satisfaction, even exceeding their expectations."

Leveraging the Group's comprehensive management strategies, together with the talents of our experienced management team, we will develop projects as planned, making many new and meaningful milestones in the future.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a very healthy financial position this year. As at 31st March 2001, net current assets amounted to approximately HK\$143,245,000 (2000 - HK\$47,288,000). The Group's current and quick ratio (excluding the inventory) accounted for 2.33 times (2000 - 1.47 times) and 1.83 times (2000 - 0.90 time) respectively. These indicate that the Group is able to meet future obligations without difficulties.

As at 31st March, 2001, the Group had aggregate banking facilities of approximately HK\$243,753,000 (2000 - HK\$250,062,000) from several banks for overdrafts, loans, and trade financing, with an unused balance of approximately HK\$229,641,000 (2000 - HK\$249,729,000). Net cash proceeds, amounted to approximately HK\$77,916,000, from the issue of new shares for the listing on The Stock Exchange of Hong Kong Limited has significantly improved the Group's liquidity.

CAPITAL STRUCTURE

During the year, the Group had borrowed several short-term bank loans, totally HK\$12,383,000, to finance the construction work of and the machineries for the production plant in Ningbo. These short-term bank loans, being denominated in Chinese Renminbi and bearing interest at rates ranging from 5.6% to 6.4% (2000 - N/A), were secured by the Group's bank deposits being denominated in US dollars of approximately HK\$13,189,000.

The Group's cash and bank deposit (excluding the pledged bank deposits mentioned above) at 31st March, 2001 amounted to approximately HK\$116,625,000 (2000 - HK\$35,705,000), of which approximately HK\$2,835,000 (2000 - HK\$2,086,000) were denominated in Chinese Renminbi, HK\$997,000 (2000 - HK\$304,000) denominated in Japanese Yen, HK\$93,361,000 (2000 - HK\$24,153,000) denominated in US dollars and HK\$19,432,000 (2000 - HK\$9,162,000) denominated in Hong Kong dollars.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

As at 31st March, 2001, the Group's operations engaged a total of over 4,100 staff and workers. The Group is committed to staff training and has provided regular management and technical courses to its employees.

The remuneration policy of the Group's employees are reviewed and approved by the executive directors. Discretionary bonus is linked to the profit performance of the Group as well as individual performance. Benefits include staff accommodation, medical schemes, provident fund and employee stock options.

GEARING RATIO

The Group's gearing ratio as at 31st March, 2001 was 4.9% (2000 - Nil) which was calculated based on the total debt of approximately HK\$12,383,000 (2000 - Nil) and total equity of approximately HK\$254,322,000 (2000 - HK\$139,776,000).

FOREIGN EXCHANGE EXPOSURE

The Group had limited exposure of foreign exchange rate fluctuations as most of its transactions, including borrowings, were conducted in US dollars, Hong Kong dollars or Chinese Renminbi. During the year, the exchange rates of these currencies were relatively stable.

CONTINGENT LIABILITIES

As at 31st March, 2001, the Company had provided a guarantee of approximately HK\$60,470,000 (2000 - Nil) to a bank to secure banking facilities of its subsidiaries.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong

Limited throughout the year ended 31st March, 2001, save that independent non-executive directors of the Company are not appointed for a fixed term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws.

DEALING IN COMPANY'S LISTED SECURITIES

During the year ended 31st March, 2001, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities up to the date of this report.

PUBLICATION OF DETAILED ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

All the information of the annual results of the Group for the year ended 31st March, 2001 required by paragraphs 45(1) to 45(3) of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange will be published on the Stock Exchange's website before 31st July, 2001.

APPRECIATION

On behalf of the Board, I would like to thank our customers, suppliers, bankers, investors and business partners for their continued trust and support. I would also like to extend my thanks to all our staff for their hard work last year and their major contributions to the Group's performance. We will continue to maintain steady profit growth in the future, bringing better returns for our shareholders.

By Order of the Board
Yeung Chi Hung, Johnny
Chairman

Hong Kong, 19th July, 2001

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Fujikon Industrial Holdings Limited will be held on 20th August, 2001 (Monday) at 10:30 a.m. in the Victoriana Room, 4/F. Furama Hotel for the following purposes:

As Ordinary Business:

1. To receive and consider the audited Financial Statements for the year ended 31st March, 2001 and the Reports of the Directors and the Auditors.
2. To declare a Final Dividend of HK4.5 cents per share for the year ended 31st March, 2001.
3. To re-elect Directors and to authorise the Board of Directors to fix their remuneration.
4. To re-appoint Auditors and authorise the Board of Directors to fix their remuneration.

And as Special Business, to consider and, if thought fit, to pass the following as ordinary resolutions:

ORDINARY RESOLUTIONS

5. **"THAT:**
 - (a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the exercise by the Directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with unissued shares in the capital of the Company and to make or grant offers, agreements or options which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements or options which might require the exercise of such power after the end of the Relevant Period;
 - (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined below) (ii) the exercise of options under any share option scheme or (iii) an issue of shares of the Company in lieu of the whole or part of a dividend on shares of the Company in accordance with the bye-laws of the Company shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution; and

(d) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bermuda law or the bye-laws of the Company to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution; and

"Rights Issue" means an offer of shares or offer or issue of options or other securities giving rights to subscribe for shares open for a period fixed by the Directors of the Company to shareholders on the register of members of the Company on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).'

6. **"THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as defined below) of all powers of the Company to purchase its shares on The Stock Exchanges of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time), be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares which may be purchased by the Company pursuant to the approval in paragraph (a) above shall not exceed

10% of the aggregate nominal amount of the shares of the Company in issue at the date of passing this Resolution and the said approval shall be limited accordingly;

(c) for the purpose of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bermuda law or the bye-laws of the Company to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution; and

7. **"THAT:**

conditional upon the Ordinary Resolutions Nos. 5 and 6 above being passed, the unconditional general mandate granted to the Directors of the Company to issue of additional shares pursuant to the Resolution 5 above be extended by the addition of an amount representing the aggregate nominal amount of the shares of the Company purchased by the Company under the mandate granted pursuant to the Resolution (6) above, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution."

By Order of the Board

Tang Siu Fai

Company Secretary

Hong Kong, 19th July, 2001

Notes:

1. Any member entitled to attend and vote at the meeting shall be entitled to appoint another person as his proxy to attend and vote in his stead. A proxy need not be a member of the Company.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.
3. In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of attorney or authority, must be deposited with the Company Secretary at the Company's Head Office, Unit 601-610, Tower 1, Grand Central Plaza, 138 Shatin Rural Committee Road, Shatin, NT, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting or poll. Delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting convened and in such event, the form of proxy shall be deemed to be revoked.
4. The Register of Members of the Company will be closed from Tuesday, 14th August, 2001 to Monday, 20th August, 2001 both days inclusive, during which period no transfers of shares can be registered.
5. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificate must be lodged with the Company's branch share registrars in Hong Kong, Hong Kong Registrars Limited at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong not later than 4:00 p.m. on Monday, 13th August, 2001.
6. An explanatory statement containing information regarding Resolution No. 6 above will be sent to shareholders shortly together with the Company's Annual Report.