

<For Immediate Release>

## **Fujikon Announces 2002/03 Annual Results**

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### ***New Customers and Products Fuel Future Growth***

(Hong Kong, 10 July 2003) – Leading Hong Kong electro-acoustic products designer and manufacturer Fujikon Industrial Holdings Ltd. (“Fujikon” or “the Group”)(Stock Code: 0927) today announced its annual results for the year ended 31 March 2003.

During the year, in view of the challenging economic environment, the Group made a number of crucial investments to pave the way for its future success. Leveraging its strong R&D background and close relationships with customers, the Group was able to maintain its turnover at HK\$485.7 million for the year ended 31 March 2003, a 4.1% drop against the HK\$506.5 million achieved in 2002. With its well-established and vertically integrated production systems, the Group also maintained an above-industry-average gross profit margin of 28.7%.

However, net profit attributable to shareholders decreased 41.2% from HK\$56.4 million in 2002 to approximately HK\$33.2 million this year. This was mainly due to: 1) a provision of approximately HK\$7.0 million made against one of the Group’s major US customers after it filed a petition under Chapter 11 of the United States Bankruptcy Code; 2) factory overheads increased to HK\$130.8 million due to the expansion of plant facilities and equipment in preparation for growing production volumes catering to the needs of the newly acquired world class customers; 3) one-off expenses of approximately HK\$3.5 million for the establishment of new office headquarters and for promotional activities held during the Group’s 20<sup>th</sup> anniversary. If these factors are disregarded, the Group’s profits decreased 22.7%, due to the sluggish global economy. Basic earnings per share were approximately HK9 cents (2002: HK16 cents).

The Directors are pleased to announce the recommendation of a final dividend of HK4.5 cents per share (2002: HK4.5 cents per share) for the year ended 31 March 2003. Together with the interim dividend payment of HK2.5 cents per share (2002: HK2.5 cents per share), the annual dividend payment will be HK7 cents per share (2002: HK7 cents per share).

The Chairman of Fujikon, Mr. Johnny Yeung said, “The past year has been an important yet challenging year for us. Thanks to the efforts of our sales and marketing team, we have successfully obtained a number of world-leading customers, especially in the PRC and Europe. We strongly believe that these new projects will become significant growth drivers for our business in the years ahead. We also achieved remarkable performances in the PRC market, which demonstrates our judicious strategies and abilities to capture the growth opportunities in this region.”

Geographically, the Asia Pacific region (other than Japan) demonstrated the highest growth with sales representing 28.7% of total turnover this year. Particularly, sales from PRC alone surged 1.3 times to HK\$63.1 million. The Group also established a production plant, Full-Sound (Dongguan) Electrical Products Ltd., in Dongguan in May 2002. During the year, the Group started shipments of audio headphones for a new customer, one of the largest computer manufacturers in the PRC. In addition, the Group signed a further agreement with an international mobile phone accessories manufacturer in the region. At the same time, market liberalization also benefited the Group's subsidiary, Ningbo Fusion Electrical Materials Co., Ltd. whose turnover surged 1.5 times over last year.

The European market was relatively stable with sales increasing HK\$1.3 million to HK\$76.9 million, representing 15.8% of total turnover. Due to the slack consumer market in North America and Japan, sales from both markets dropped 16.6% and 44.4% to HK\$239.4 million and HK\$18.4 million respectively, while also representing 49.3% and 3.8% of the Group's total turnover respectively. However, the Group's representative office in Silicon Valley managed to secure a major contract from one of the largest education products distributors in the US.

In terms of the product portfolio, audio products continued to contribute the largest share of 47% to total turnover. During the year, the Group commenced services to the PRC's National Municipal Education Commission with the supply of audio headsets. In addition, the Group will also provide infrared-based cordless headphone systems to the automobile industry under the new agreement with the leading European acoustic products manufacturer. The consolidation in the mobile phone market decreased the sales of the Group's communication products by 35.1% to HK\$58.8 million, representing 12.1% of total turnover. Similarly, the consolidation of the PC market in Japan, together with changing trends for notebooks over PCs, also affected multimedia business performance adversely with sales dropping about 44.1% to HK\$40.8 million, representing 8.4% of total turnover.

Mr. Yeung continued, "Although our sales in communication products dropped last year, we have successfully won a world-leading European mobile phone manufacturer as customer, in which we believe will bring us tremendous growth momentum for our communication business in the years ahead."

According to Strategy Analytics, annual global mobile phone delivery will increase 7% against last year to reach 448 million units in 2003. In the US, the states of New York and Florida have already imposed legal requirements for drivers to use handsfree mobile phones and other states are likely to follow. In view of this, the Group's new customer, the European mobile phone manufacturer, will increase production of handsfree headsets to meet these demands over the next few years. With the first mass shipment to be delivered by the third quarter of 2003, the Group expects sales to reach 30% of total turnover by the end of fiscal 2004/05.

Mr. Yeung continued, “Another important growth driver comes from our development of NXT’s SoundVu technology for NEC. Since its launch in October last year, NEC has received overwhelming responses from the market. We believe this proprietary technology will enable us to capture the fast-growing flat panel loudspeaker systems market.”

The Group signed a manufacturing agreement with NEC to develop NXT’s SoundVu technology with mass production commencing in the fourth quarter of 2003. The Group is also committed to developing this technology in other flat panel applications and multimedia speakers. According to a study by IDC Analysis, world demand for PCs and notebooks will experience another upsurge between 2003 and 2005. Riding this wave, the Group is optimistic its multimedia business will rebound and expects sales to reach about 20% of total turnover by the end of fiscal 2004/05.

In July 2003, the Group will start shipments of infrared-based cordless headphone systems, for use in automobiles, for its new audio customer in Europe secured during the year. The Group is projecting substantial demand from this new market as in-car AV entertainment systems are becoming the new wave for the future. In addition, the Group will continue to develop new and innovative ODM products to cater for different customer needs. In fiscal 2003/04, the Group plans to increase R&D investment to 3% of total turnover to enhance its product competitiveness.

“To minimize business risk, we will focus on market diversification to strengthen our customer base and market share. We will be aggressively expanding our business in the European and PRC markets. Our representative offices in the US, Japan and Taiwan will continue to play an important role in exploring new opportunities in the region. As we embark on our exciting new projects this year, we continue to look for growth opportunities ahead. We have every confidence that we will bring in the best returns for our shareholders in the future.” Mr. Yeung concluded.

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