



Fujikon Industrial Holdings Limited

富士高實業控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 927)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2007

FINANCIAL HIGHLIGHTS

- **Revenue: UP 54.1% to HK\$1,678.4 million**
- **Gross profit: UP 51.4% to HK\$380.5 million**
- **Profit attributable to equity holders of the Company: UP 86.0% to HK\$159.5 million**
- **Basic earnings per share: UP 84.3% to HK42.4 cents**
- **Total dividends: UP 51.4% to HK\$45.4 million (including special dividends of HK\$15.2 million)**

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 2007.

The annual results have been reviewed by the audit committee of the Company.

CONSOLIDATED INCOME STATEMENT

		2007	2006
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	1,678,402	1,089,209
Cost of sales		(1,297,880)	(837,930)
Gross profit		380,522	251,279
Other gains – net		1,962	585
Distribution and selling expenses		(27,418)	(32,868)
General and administrative expenses		(143,252)	(111,514)
Operating profit	3	211,814	107,482
Finance income		3,133	2,089
Finance costs		(5,975)	(2,538)
Profit before income tax		208,972	107,033
Income tax expenses	4	(33,620)	(14,545)
Profit for the year		<u>175,352</u>	<u>92,488</u>
Attributable to:			
Equity holders of the Company		159,487	85,760
Minority interests		15,865	6,728
		<u>175,352</u>	<u>92,488</u>
Earnings per share for profit attributable to the equity holders of the Company during the year			
– Basic	5	<u>HK42.4 cents</u>	<u>HK23.0 cents</u>
– Diluted	5	<u>HK41.0 cents</u>	<u>HK22.6 cents</u>
Dividends	6	<u>45,413</u>	<u>29,998</u>

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	2007 HK\$'000	2006 HK\$'000
Non-current assets			
Property, plant and equipment		224,665	204,116
Investment properties		4,360	4,180
Leasehold land and land use rights		21,198	21,156
Available-for-sale financial assets		3,963	7,215
Deferred tax assets		186	17
Total non-current assets		254,372	236,684
Current assets			
Inventories		221,205	211,399
Trade receivables	7	258,868	206,381
Other receivables		34,461	24,270
Derivative financial instruments		–	495
Other financial assets at fair value through profit or loss		7,238	9,370
Pledged bank deposits		2,132	–
Cash and bank deposits		158,310	65,354
Total current assets		682,214	517,269
Current liabilities			
Trade payables	8	(185,280)	(193,165)
Accruals and other payables		(99,803)	(67,840)
Current income tax liabilities		(30,776)	(10,148)
Derivative financial instruments		(1,055)	–
Bank borrowings		(43,279)	(51,053)
Total current liabilities		(360,193)	(322,206)
Net current assets		322,021	195,063
Total assets less current liabilities		576,393	431,747
Non-current liabilities			
Bank borrowings		(5,915)	(10,245)
Deferred tax liabilities		(1,021)	(1,270)
Total non-current liabilities		(6,936)	(11,515)
Net assets		569,457	420,232
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital		37,732	37,502
Other reserves		74,209	67,847
Retained earnings			
– Proposed dividends		34,121	18,786
– Others		390,068	276,034
		536,130	400,169
Minority interests		33,327	20,063
Total equity		569,457	420,232

NOTES:

1. Basis of preparation and accounting policies

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 available-for-sale financial assets, investment properties, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

In the current year, the following standards, amendments and interpretations are mandatory but are not relevant to or have no significant impact to the Group’s operations:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures;
HKAS 21 (Amendment)	New Investment in a Foreign Operation;
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
HKAS 39 (Amendment)	The Fair Value Option;
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts;
HKFRS 6	Exploration for and Evaluation of Mineral Resources;
HKFRS 1 (Amendment) and HKFRS 6 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources;
HKFRS – Int 4	Determining whether an Arrangement contains a Lease;
HKFRS – Int 5	Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds;
HK(IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment; and
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies

2. Revenue and segment reporting

a. Primary reporting format – business segments

	2007						
	Audio products HK\$'000	Com- munication products HK\$'000	Multimedia products HK\$'000	Electro- acoustic parts HK\$'000	Electronic products, accessories and others HK\$'000	Elimination HK\$'000	Total HK\$'000
Total segment revenue	421,256	604,708	144,740	93,953	413,745	–	1,678,402
Inter-segment revenue	–	–	–	–	375,864	(375,864)	–
Revenue	<u>421,256</u>	<u>604,708</u>	<u>144,740</u>	<u>93,953</u>	<u>789,609</u>	<u>(375,864)</u>	<u>1,678,402</u>
Segment results	<u>93,430</u>	<u>56,058</u>	<u>19,734</u>	<u>16,202</u>	<u>42,453</u>	<u>–</u>	<u>227,877</u>
Unallocated corporate expenses							(18,025)
Other gains – net							1,962
Finance income							3,133
Finance costs							(5,975)
Income tax expenses							(33,620)
Profit for the year							<u>175,352</u>
Other information							
Assets:							
Segment assets	231,688	332,585	79,606	51,673	227,557	–	923,109
Unallocated assets							13,477
							<u>936,586</u>
Liabilities:							
Segment liabilities	68,963	98,995	23,695	15,381	67,733	–	274,767
Unallocated liabilities							92,362
							<u>367,129</u>
Capital expenditures	10,921	15,675	3,752	2,435	20,263	–	<u>53,046</u>
Depreciation	9,203	13,209	3,161	2,053	12,355	–	<u>39,981</u>
Amortisation of leasehold land and land use rights	208	299	72	46	100	–	<u>725</u>

2006

	Audio products <i>HK\$'000</i>	Com- munication products <i>HK\$'000</i>	Multimedia products <i>HK\$'000</i>	Electro- acoustic parts <i>HK\$'000</i>	Electronic products, accessories and others <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total segment revenue	313,303	282,199	101,494	114,702	277,511	-	1,089,209
Inter-segment revenue	-	-	-	-	202,458	(202,458)	-
	<u>313,303</u>	<u>282,199</u>	<u>101,494</u>	<u>114,702</u>	<u>479,969</u>	<u>(202,458)</u>	<u>1,089,209</u>
Segment results	<u>44,866</u>	<u>23,246</u>	<u>14,478</u>	<u>16,946</u>	<u>20,683</u>	<u>-</u>	<u>120,219</u>
Unallocated corporate expenses							(13,322)
Other gains – net							585
Finance income							2,089
Finance costs							(2,538)
Income tax expenses							(14,545)
Profit for the year							<u>92,488</u>
Other information							
Assets:							
Segment assets	199,939	180,090	64,770	73,199	177,015	-	695,013
Unallocated assets							58,940
							<u>753,953</u>
Liabilities:							
Segment liabilities	70,464	63,469	22,827	25,797	62,385	-	244,942
Unallocated liabilities							88,779
							<u>333,721</u>
Capital expenditures	11,622	10,467	3,765	4,254	34,481	-	<u>64,589</u>
Depreciation	8,649	7,790	2,802	3,168	9,255	-	<u>31,664</u>
Amortisation of leasehold land and land use rights	162	146	52	58	92	-	<u>510</u>

b. Secondary reporting format – geographical segments

	2007						
	North America			Asia Pacific			
	United States of America	Canada	Europe	Asian countries (other than Mainland China)	Mainland China	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	404,662	4,299	420,965	316,371	487,448	44,657	1,678,402
Segment results	54,941	583	57,155	42,954	66,181	6,063	227,877
	2006						
	North America			Asia Pacific			
	United States of America	Canada	Europe	Asian countries (other than Mainland China)	Mainland China	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	314,455	5,090	229,325	256,761	260,454	23,124	1,089,209
Segment results	34,711	562	25,314	28,342	28,750	2,540	120,219

The Group has business operations in Mainland China, Hong Kong and Germany. An analysis by geographical location is as follows:

	2007		
	Mainland China	Hong Kong and Germany	Total
	HK\$'000	HK\$'000	HK\$'000
Assets	602,401	334,185	936,586
Capital expenditures	52,073	973	53,046

	2006		Total <i>HK\$'000</i>
	Mainland China <i>HK\$'000</i>	Hong Kong and Germany <i>HK\$'000</i>	
Assets	486,160	267,793	753,953
Capital expenditures	62,822	1,767	64,589

3. Operating profit

Operating profit is stated after charging and crediting the following:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Charging		
Amortisation of leasehold land	725	510
Depreciation of property, plant and equipment	39,981	31,664
Staff costs (including directors' emoluments)	250,302	202,416
Crediting		
Net gain on disposal of property, plant and equipment	233	129
Net (loss)/gain on disposal of available-for-sale financial assets	(3)	272
Net gain on disposal of other financial assets at fair value through profit or loss	48	739

4. Income tax expenses

The Company is exempted from taxation in Bermuda until March 2016.

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated income statement represents:

	2007 HK\$'000	2006 HK\$'000
Current taxation		
– Hong Kong profits tax	24,109	11,190
– Mainland China enterprise income tax	9,959	808
– (Over)/underprovision in prior years	(30)	1,965
	<u>34,038</u>	<u>13,963</u>
Deferred taxation		
– Hong Kong profits tax	(326)	369
– Mainland China enterprise income tax	–	1,555
– Overprovision in prior years	(92)	(1,342)
	<u>33,620</u>	<u>14,545</u>

5. Earnings per share

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

	2007	2006
Profit attributable to equity holders of the Company	<u>HK\$159,487,000</u>	<u>HK\$85,760,000</u>
Weighted average number of shares used in calculating basic earnings per share	376,234,000	372,733,000
Adjustment for potential dilutive effect in respect of outstanding share options	<u>12,466,000</u>	<u>6,744,000</u>
Weighted average number of shares used in calculating diluted earnings per share	<u>388,700,000</u>	<u>379,477,000</u>

6. Dividends

The Board has resolved to declare a final dividend of HK5.0 cents per share (2006: HK5.0 cents) and a special dividend of HK4.0 cents per share (2006: HK\$ Nil) for the year ended 31 March 2007. The final dividend and the special dividend will be paid on 14 September 2007 to shareholders whose names are registered in the books of the Company on 31 August 2007.

7. Trade receivables

The Group grants credit periods to customers ranging from 7 to 120 days. At 31 March 2007, the ageing analysis of the trade receivables is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current to 30 days	240,023	197,466
31 to 60 days	11,824	5,114
61 to 90 days	5,979	2,248
91 to 180 days	5,661	4,427
	<hr/> 263,487	<hr/> 209,255
Less: Provision for impairment of trade receivables	<hr/> (4,619)	<hr/> (2,874)
Trade receivables, net	<hr/> 258,868 <hr/>	<hr/> 206,381 <hr/>

8. Trade payables

At 31 March 2007, the ageing analysis of the trade payables is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current to 30 days	156,475	175,387
31 to 60 days	13,262	10,271
61 to 90 days	6,668	4,556
91 to 180 days	8,875	2,951
	<hr/> 185,280	<hr/> 193,165
Trade payables	<hr/> 185,280 <hr/>	<hr/> 193,165 <hr/>

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 29 August 2007 to Friday, 31 August 2007 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the final dividend and the special 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 4:30 pm on Tuesday, 28 August 2007 for registration.

Business Review

Continuing to build on the successes of the past year, the Group reached a new high point in revenue, rising by 54.1% to HK\$1,678.4 million. Net profit recorded substantial growth, up from HK\$85.8 million to HK\$159.5 million, representing an impressive gain of 85.9% - a record high. The Group also saw improved profitability, with net margin up from 7.9% to 9.5%. Such positive figures can be credited to several factors including outstanding performance from core business segments, continuing support from top-tier customers and Fujikon's ability to enhance efficiency - capitalizing on economies of scale.

Product Mix Analysis

While having recorded satisfactory increase in revenue during the year, the communication products segment proved to be the largest revenue driver, accounting for 36.0% of total revenue, up 10.1% from FY2006. Accordingly, sales of communication products, audio products, multimedia products, electronic products and accessories, and electro-acoustic parts accounted for 36.0%, 25.1%, 8.6%, 24.7% and 5.6% of total revenue, respectively.

Communication Products

At the close of calendar 2006, worldwide shipments of mobile phones surpassed one billion units; clear indication of a booming global mobile communications market. The Group was able to take advantage of this up-trend. Benefiting from ongoing demand for hands-free headsets by a leading European mobile phones manufacturer, sales of HK\$604.7 million was recorded, up from HK\$282.2 million in FY2006, representing a spectacular rise of 114.3%.

With the Group's ability to offer high quality acoustic products suited to hands-free headset applications, together with rising demand for mobile phones with music and video capabilities, sustained growth can be expected. A buoyant mobile phone market, growing sophistication of hands-free headset products and increasing headset bundling rates are also factors that will propel the communication products business.

Audio Products

Accounting for the second largest source of revenue during FY2007, the audio products segment reported sales of HK\$421.3 million, up by 34.5% (FY2006: HK\$313.3 million). Among the key factors helping push growth included the successful volume shipment of stylish new products for a premium US audio brand as well as ongoing support from existing world-class customers. With the trend towards portable audio entertainment continuing, demand for such products as earphones and mid-size headphones would remain solid. Meanwhile, feature headphones such as noise-canceling headphones and wireless products also achieved encouraging gains.

Multimedia Products

Having enjoyed significant revenue increase in FY2006, growth momentum was again maintained during the year. Sales of multimedia products grew from HK\$101.5 million to HK\$144.7 million, representing a rise of 42.6%. Continuing to profit from strong business ties, a full year's shipment of headsets to Microsoft for bundling with their Xbox 360™ game consoles was achieved in FY2007 and that gave impetus to segment performance. Moreover, during the period healthy growth was also registered for the sale of multimedia headsets.

Electronic Products, Accessories and Others

While representing a supporting business of the Group, this segment continues to be an important part of Fujikon. Achieving sales of HK\$413.7 million in FY2007, this represented an increase of 49.1% (FY2006: HK\$277.5 million). The positive results can be credited to a general increase in the component business with special contributions made from the sale of cables and packaging materials.

Electro-acoustic Parts

The electro-acoustic parts segment experienced a dip in performance for FY2007 with revenue contracting by 18.1% to HK\$94.0 million (FY2006: HK\$114.7 million). While substantial growth was achieved from the sale of FM transmitter products, the Group has been withdrawing from the production of micro-speakers for mobile phones; and the result of such a strategic move was duly reflected in the segment revenue.

Market Analysis

By maintaining a portfolio of world-class customers with global presence, the Group does not rely on any particular geographical region for business growth. During the review period, Mainland China, Europe, North America, and Asian Countries (other than Mainland China) accounted for 29.0%, 25.1%, 24.4% and 18.8% of the Group's revenue respectively.

PROSPECTS

With outlook continuing to be positive for the sale of portable communication and entertainment products, which should drive demand for high quality electro-acoustic products with value-added features, the Group is optimistic about its prospects.

As already seen, the communication products business made notable gains during FY2007. With relations between the Group and a leading European mobile phones manufacturer firmly established, and with higher bundling rates anticipated in the future, the outlook is very positive. Accordingly, by capitalizing on close business ties and strong consumer demand, this particular segment is expected to be a major growth driver.

The audio products business is likewise performing well, as indicated by consumers ongoing preference for compressed digital audio music and high-quality home entertainment equipment - both helping to boost demand for premium earphones and mid-size headphones. Along with satisfying enthusiasts of all levels, the Group continues to make progress with its noise-canceling headphones that are ideal for frequent flyers. As well, wireless headphones featuring infrared (IR), radio frequency (RF), Bluetooth and 2.4 GHz digital technologies have shown promising results throughout the financial year. Consequently, both type of headphones look set to enjoy greater market acceptance.

Remaining a prominent component of the Group's product portfolio are headsets for Microsoft Xbox 360™ game consoles. This on-going bundling business with steady market demand will continue to be a valued revenue contribution for the Group in the foreseeable future. Indeed, increasing demand for multimedia headsets, which extend to such applications as instant messaging, on-line gaming and multimedia entertainment, among others, will offer fresh business opportunities for the Group.

While prospects remain bright, management is well aware that much effort is necessary for achieving long-term sustained growth. With acoustic expertise being the Group's core competency, sufficient resources will be directed to developing new products that are brought to market in a well-timed manner, thereby helping customers stay ahead of their rivals. That said, production and backend fulfillment processes are also important elements of Fujikon's makeup. Hence, attention will be paid to further improving efficiency and flexibility in terms of supply chain management and manufacturing capabilities; the ultimate goal being to work as partner with customers to meet their product launch and delivery requirements. In addition to focusing on these concerns, management will consider exploring emerging market opportunities to broaden the Group's scope of business. Encouraged by the success of its audio, communication and multimedia product segments, Fujikon will carry on applying a prudent and responsible strategy of expansion, efficiently utilizing resources and raising quality.

Liquidity and Financial Resources

Net current assets as at 31 March 2007 amounted to approximately HK\$322.0 million (2006: HK\$195.1 million). The Group's current and quick ratio were approximately 1.9 times (2006: 1.6 times) and 1.3 times (2006: 0.9 times) respectively.

The Group had cash and bank deposits and pledged bank deposits of approximately HK\$160.4 million as at 31 March 2007, representing a significant increase of approximately 2.5 times against approximately HK\$65.4 million last year. Approximately 19.6%, 20.0% and 60.2% of the total cash and bank deposits were denominated in Renminbi, Hong Kong dollars and US dollars respectively and the remainder in other currencies. As at 31 March 2007, the Group had aggregate banking facilities of approximately HK\$333.3 million (2006: HK\$187.5 million) from several banks for overdrafts, loans, and trade financing, with an unused balance of approximately HK\$277.0 million (2006: HK\$118.0 million).

Capital Structure

As at 31 March 2007, the total borrowings of the Group were approximately HK\$49.2 million (2006: HK\$61.3 million), of which approximately 88.0% and 12.0% were due within one year and between two to five years, respectively.

These Group's borrowings consisted of several secured short-term bank loans of approximately HK\$ 36.6 million (2006: Nil), a hire purchase loan of approximately HK\$8.6 million (2006: HK\$11.4 million) and an unsecured short-term bank loan of approximately HK\$4.0 million (2006: HK\$49.9 million), of which about 25.7% was denominated in Hong Kong dollars, approximately 10.3% was denominated in Renminbi and approximately 64.0% was denominated in US dollars.

Approximately HK\$53.6 million of certain properties and machinery and land use right have been pledged for several secured short-term bank loans and a hire purchase loan (2006: HK\$14.4 million). During the year under review, the Group's borrowings bore interest at rates ranging from approximately 3.8% to 6.4% (2006: ranging from 2.8% to 5.8%).

The Group's gearing ratio as at 31 March 2007 was approximately 8.6% (2006: 14.6%), which was measured on the basis of total borrowings as a percentage of total equity attributable to the equity holders of the Company. If the balance of cash and bank deposits as at 31 March 2007 was taken into account, the Group was in a net cash position.

Foreign Exchange Exposure

Most of the Group's transactions, including borrowings, were conducted in US dollars, Hong Kong dollars or Renminbi. To mitigate the risks due to fluctuations in foreign currency exchange rates, the Group had used forward foreign exchange contracts to hedge against major currency exposures during the year.

Employee Information

As at 31 March 2007, the Group employed a total of over approximately 12,000 (2006: over 13,000) employees. The employment costs (including the directors' emoluments) accounted for approximately HK\$250.3 million (2006: HK\$202.4 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 the Mainland China. The Group has also developed training programs to its management and employees to ensure they are properly trained.

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 year.

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 separated 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 and Mr Yuen Chi King, Wyman as executive directors and Dr Chang Chu Cheng, Mr Che Wai Hang, Allen and Mr Lee Yiu Pun as independent non-executive directors.

On behalf of the Board
YEUNG CHI HUNG, JOHNNY
Chairman

Hong Kong, 28 June 2007.

* *for identification purpose only*