



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 2007

FINANCIAL HIGHLIGHTS

- Revenue: HK\$831.7 million, up 12.2% (2006: HK\$741.2 million)
- Gross profit: HK\$166.6 million, up 18.2% (2006: HK\$141.0 million)
- Profit attributable to equity holders of the Company: HK\$67.5 million, up 51.7% (2006: HK\$44.5 million)
- Basic earnings per share: HK17.8 cents (2006: HK11.8 cents)
- Interim dividend (per share): HK3.0 cents (2006: HK3.0 cents)
- Special interim dividend (per share): HK2.0 cents (2006: Nil)

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 2007.

The interim results have been reviewed by the Company’s Audit Committee and auditors 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 (“HKICPA”).

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at 30 September 2007 <i>HK\$'000</i> (Unaudited)	As at 31 March 2007 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		215,198	224,665
Investment properties		4,360	4,360
Leasehold land and land use rights		21,125	21,198
Non-current deposits		11,020	–
Available-for-sale financial assets		–	3,963
Deferred tax assets		169	186
Total non-current assets		<u>251,872</u>	<u>254,372</u>
Current assets			
Inventories		182,983	221,205
Trade receivables	3	302,219	258,868
Other receivables		22,103	34,461
Other financial assets at fair value through profit or loss		14,625	7,238
Derivative financial instruments		887	–
Pledged bank deposits		–	2,132
Cash and bank deposits		223,341	158,310
Total current assets		<u>746,158</u>	<u>682,214</u>
Current liabilities			
Trade payables	4	199,981	185,280
Accruals and other payables		98,900	99,803
Current income tax liabilities		42,563	30,776
Derivative financial instruments		–	1,055
Bank borrowings		28,583	43,279
Total current liabilities		<u>370,027</u>	<u>360,193</u>
Net current assets		<u>376,131</u>	<u>322,021</u>
Total assets less current liabilities		<u>628,003</u>	<u>576,393</u>
Non-current liabilities			
Bank borrowings		4,550	5,915
Deferred tax liabilities		1,004	1,021
Total non-current liabilities		<u>5,554</u>	<u>6,936</u>
Net assets		<u>622,449</u>	<u>569,457</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		38,119	37,732
Other reserves		87,085	74,209
Retained earnings			
– Proposed dividends		19,059	34,121
– Others		438,369	390,068
Minority interests		<u>582,632</u>	<u>536,130</u>
		<u>39,817</u>	<u>33,327</u>
Total equity		<u>622,449</u>	<u>569,457</u>

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2007	2006
	Note	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	2	831,748	741,223
Cost of sales		<u>(665,145)</u>	<u>(600,192)</u>
Gross profit		166,603	141,031
Other gain/(loss) – net		2,384	(1,268)
Distribution and selling expenses		(11,680)	(12,718)
General and administrative expenses		<u>(68,998)</u>	<u>(62,412)</u>
Operating profit	5	88,309	64,633
Finance income		3,904	1,160
Finance costs		<u>(1,566)</u>	<u>(3,464)</u>
Profit before income tax		90,647	62,329
Income tax expenses	6	<u>(16,931)</u>	<u>(10,529)</u>
Profit for the period		<u>73,716</u>	<u>51,800</u>
Attributable to:			
Equity holders of the Company		67,546	44,499
Minority interests		<u>6,170</u>	<u>7,301</u>
		<u>73,716</u>	<u>51,800</u>
Earnings per share for profit attributable to the equity holders of the Company during the period			
– Basic	7	<u>HK17.8 cents</u>	<u>HK11.8 cents</u>
– Diluted	7	<u>HK16.8 cents</u>	<u>HK11.5 cents</u>
Dividends	8	<u>19,059</u>	<u>11,292</u>

NOTES

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated financial report has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the HKICPA. This condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 31 March 2007.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2007. The Group adopted the following new standard, amendment and interpretations to existing standards that are published and mandatory for the Group’s financial year ending 31 March 2008 but are not relevant to or have no significant impact to the Group’s operations:

- HKAS 1 (Amendment) Capital Disclosures
- HKFRS 7 Financial Instruments: Disclosures
- HK(IFRIC) – Int 7 Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies
- HK(IFRIC) – Int 8 Scope of HKFRS 2
- HK(IFRIC) – Int 9 Reassessment of Embedded Derivatives
- HK(IFRIC) – Int 10 Interim Financial Reporting and Impairment
- HK(IFRIC) – Int 11 HKFRS 2 – Group and Treasury Share Transactions

The Group has not early adopted these new/revised standards and interpretations to existing standards, if applicable, in the condensed consolidated interim financial information for the six months ended 30 September 2007.

- HKFRS 8 Operating Segments
- HKAS 23 (Revised) Borrowing Costs
- HK(IFRIC) – INT 12 Service Concession Arrangements
- HK(IFRIC) – INT 13 Customer Loyalty Programmes
- HK(IFRIC) – INT 14 HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

2. REVENUE AND SEGMENT REPORTING

a. Primary segment

An analysis by business segment is as follows:

	Six months ended 30 September 2007						
	Audio Communication products <i>HK\$'000</i> (Unaudited)	Communication products <i>HK\$'000</i> (Unaudited)	Multimedia products <i>HK\$'000</i> (Unaudited)	Electro-acoustic parts <i>HK\$'000</i> (Unaudited)	Electronic products, accessories and others <i>HK\$'000</i> (Unaudited)	Elimination <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Total segment revenue	203,669	285,751	77,317	27,718	237,293	-	831,748
Inter-segment revenue	-	-	-	-	150,491	(150,491)	-
Revenue	<u>203,669</u>	<u>285,751</u>	<u>77,317</u>	<u>27,718</u>	<u>387,784</u>	<u>(150,491)</u>	<u>831,748</u>
Segment results	<u>41,695</u>	<u>24,222</u>	<u>7,680</u>	<u>4,051</u>	<u>18,355</u>	<u>-</u>	96,003
Unallocated corporate expenses							(10,078)
Other gain – net							2,384
Finance income							3,904
Finance costs							(1,566)
Income tax expenses							<u>(16,931)</u>
Profit for the period							<u>73,716</u>

Six months ended 30 September 2006

	Audio products <i>HK\$'000</i> (Unaudited)	Communication products <i>HK\$'000</i> (Unaudited)	Multimedia products <i>HK\$'000</i> (Unaudited)	Electro-acoustic parts <i>HK\$'000</i> (Unaudited)	Electronic products, accessories and others <i>HK\$'000</i> (Unaudited)	Elimination <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Total segment revenue	145,577	248,224	98,903	44,304	204,215	-	741,223
Inter-segment revenue	-	-	-	-	164,842	(164,842)	-
Revenue	<u>145,577</u>	<u>248,224</u>	<u>98,903</u>	<u>44,304</u>	<u>369,057</u>	<u>(164,842)</u>	<u>741,223</u>
Segment results	<u>22,023</u>	<u>15,372</u>	<u>9,994</u>	<u>4,952</u>	<u>16,516</u>	<u>-</u>	68,857
Unallocated corporate expenses							(2,956)
Other loss – net							(1,268)
Finance income							1,160
Finance costs							(3,464)
Income tax expenses							<u>(10,529)</u>
Profit for the period							<u>51,800</u>

b. Secondary segment

Revenue and results by geographical location are determined mainly on the basis of the location where merchandise is delivered. An analysis by geographical location is as follows:

Six months ended 30 September 2007

	North America			Asia Pacific			Total <i>HK\$'000</i> (Unaudited)
	United States of America <i>HK\$'000</i> (Unaudited)	Canada <i>HK\$'000</i> (Unaudited)	Europe <i>HK\$'000</i> (Unaudited)	Asian countries (other than Mainland China) <i>HK\$'000</i> (Unaudited)	Mainland China <i>HK\$'000</i> (Unaudited)	Others <i>HK\$'000</i> (Unaudited)	
Revenue	<u>188,083</u>	<u>2,755</u>	<u>167,107</u>	<u>193,817</u>	<u>253,568</u>	<u>26,418</u>	<u>831,748</u>
Segment results	<u>21,709</u>	<u>318</u>	<u>19,288</u>	<u>22,371</u>	<u>29,268</u>	<u>3,049</u>	<u>96,003</u>

Six months ended 30 September 2006

	North America			Asia Pacific			Total HK\$'000 (Unaudited)
	United States of America HK\$'000 (Unaudited)	Canada HK\$'000 (Unaudited)	Europe HK\$'000 (Unaudited)	Asian countries (other than Mainland China) HK\$'000 (Unaudited)	Mainland China HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	
Revenue	<u>146,027</u>	<u>2,236</u>	<u>162,229</u>	<u>167,834</u>	<u>233,670</u>	<u>29,227</u>	<u>741,223</u>
Segment results	<u>13,551</u>	<u>208</u>	<u>15,055</u>	<u>15,647</u>	<u>21,685</u>	<u>2,711</u>	<u>68,857</u>

3. TRADE RECEIVABLES

The Group grants credit terms to its customers ranging from 7 to 120 days. At 30 September 2007 and 31 March 2007, the ageing analysis of the trade receivables was as follows:

	As at 30 September 2007 HK\$'000 (Unaudited)	As at 31 March 2007 HK\$'000 (Audited)
Current to 30 days	292,471	240,023
31 to 60 days	7,640	11,824
61 to 90 days	3,108	5,979
91 to 180 days	<u>3,337</u>	<u>5,661</u>
	306,556	263,487
Less: provision for impairment of trade receivables	<u>(4,337)</u>	<u>(4,619)</u>
Trade receivables, net	<u>302,219</u>	<u>258,868</u>

4. TRADE PAYABLES

At 30 September 2007, the ageing analysis of the trade payables was as follows:

	As at 30 September 2007 <i>HK\$'000</i> (Unaudited)	As at 31 March 2007 <i>HK\$'000</i> (Audited)
Current to 30 days	179,058	156,475
31 – 60 days	10,223	13,262
61 – 90 days	2,306	6,668
91 – 180 days	8,394	8,875
	<u>199,981</u>	<u>185,280</u>

5. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Six months ended 30 September 2007 <i>HK\$'000</i> (Unaudited)	2006 <i>HK\$'000</i> (Unaudited)
Net gain on disposal of other financial assets at fair value through profit or loss	128	47
Fair value gain/(loss) on other financial assets at fair value through profit or loss	530	(49)
Fair value gain/(loss) on derivative financial instruments	1,938	(491)
Net loss on disposal of available-for-sale financial assets	149	2
Provision for inventory obsolescence	7,435	9,407
Depreciation of property, plant and equipment	22,629	18,329
Amortisation of leasehold land and land use rights	281	444
Staff costs	<u>135,510</u>	<u>113,545</u>

6. INCOME TAX EXPENSES

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

	Six months ended 30 September	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax	12,201	8,522
– Overseas taxation	4,730	1,815
Deferred income tax	–	192
	<u>16,931</u>	<u>10,529</u>

7. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company	<u>HK\$67,546,000</u>	<u>HK\$44,499,000</u>
Weighted average number of ordinary shares in issue for basic earnings per share	379,998,000	375,852,000
Adjustments for share options	<u>21,303,000</u>	<u>12,938,000</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>401,301,000</u>	<u>388,790,000</u>

8. DIVIDENDS

The Board has resolved to declare an interim dividend of HK3.0 cents (2006: HK3.0 cents) and a special interim dividend of HK2.0 cents (2006: Nil) per share for the six months ended 30 September 2007. The interim dividend and the special interim dividend is expected to be paid on or around 28 December 2007 to shareholders whose names are registered in the books of the Company on 17 December 2007.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to the interim dividend and special interim dividend for the six months ended 30 September 2007, the register of members will be closed from Monday, 17 December 2007 to Tuesday, 18 December 2007 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the interim dividend and the special 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 4:30 pm on Friday, 14 December 2007 for registration.

BUSINESS REVIEW

For the six months ended 30 September 2007, continued progress was realized on several fronts, helping drive the Group to another positive financial period. Led by the communication and audio business segments, the Group achieved double-digit revenue growth, rising by 12.2% to HK\$831.7 million (FY2007 1H: HK\$741.2 million). With gross margin hovering above the 19% mark, the Group was able to enhance gross profit markedly, escalating from HK\$141.0 million to HK\$166.6 million, or an increase of 18.2% year on year. Such positive movement was achieved as a direct result of effective material cost control and Fujikon's ongoing efforts at enhancing operational efficiency. In terms of profit attributable to equity holders of the Company, the Group likewise made substantial gains over the corresponding period, climbing from HK\$44.5 million to HK\$67.5 million, up 51.7%, while net margin improved from 6.0% to 8.1%. Here too, the Group capitalized on effective cost controls while also deriving benefits through economies of scale.

In celebration of the Group's 25th Anniversary, the Board has recommended a special dividend of HK2.0 cents in addition to the payment of interim dividend of HK3.0 cents per share.

Product Analysis

The communication products segment continued to be the anchor for the Group, accounting for 34.4% of revenue during the review period. With sales increasing from HK\$248.2 million to HK\$285.8 million, a year-on-year rise of 15.1%, this was principally the result of sustained demand for communication headsets by a leading European mobile phones manufacturer. During the period, the Group enhanced its relations with this client still further via joint efforts in research and development of new products.

The audio products segment achieved the highest increase in sales during the review period, generating sales of HK\$203.7 million, or a rise of 39.9% (FY2007 1H: HK\$145.6 million). This upturn was partially the outcome of having recorded a full six months worth of income from a premium US audio brand, as oppose to the last corresponding period in which initial shipment had been made during September 2006. The introduction of enhanced products featuring higher functionality also enabled the Group to command higher prices thus greater earnings.

Due largely to a transition period for the Xbox 360™ gaming headset, as production geared down prior to the launch of an updated model, sales of multimedia products declined by 21.8% to HK\$77.3 million, down from HK\$98.9 million. As a new version of the gaming headset subsequently experienced delay in its introduction, this had a further moderating affect on the Group's revenue.

Consistent with the Group's focus on major businesses and strategic withdrawal from the electro-acoustic parts segment, sales continued to decrease for this area of operation. Having also commenced a strategic pull-out from the FM transmitter business, this compound effect was reflected with sales tapering from HK\$44.3 million to HK\$27.7 million, a decline of 37.5% year on year. While revenue for this segment will gradually diminish still further, the Group has not overlooked opportunities to preserve relations with existing customers. Accordingly, with FM transmitters beginning to be a standard feature on vehicles, clients in this area of business have been directed to Fujikon's other strengths in order to perpetuate ties.

Remaining the second largest source of revenue for the Group is the electronic products and accessories business, which made solid gains during the review period, charting sales increase of 16.2% to HK\$237.3 million, up from HK\$204.2 million. The impetus behind such growth can largely be traced to the Group's overall positive performance for which the sector runs in parallel.

Market Analysis

Subscribing to the opinion that diverse geographical coverage can best mitigate the impact of market downturns; the Group has maintained efforts at attracting world-class customers with global presence. Reflecting this, for the six months ended 30 September 2007, Mainland China, other Asian countries, North America, Europe, and other countries accounted for 30.5%, 23.3%, 22.9%, 20.1% and 3.2% of the Group's total revenue, respectively.

PROSPECTS

Sentiment remains encouraging for the mobile communication products segment as global demand for mobile phones looks set to reach 1.13 billion units by the close of 2007, as had been forecasted by Gartner. Capitalizing on the Group's ongoing and strong business relations with a leading European mobile phones manufacturer, and with the strategic partner's impending release of new products, the Group will be able to complement such a launch with upscale accessories. While valuing the strong business ties it shares with the said company, the Group has always looked for opportunities to collaborate with other major players in the industry, and will continue to do so keeping in mind a goal of future expansion.

Directing energies into the research of audio products has been an important priority for the Group as well. Having established fruitful relations with a high-end audio brand, and recognizing the general public's growing fondness for superior headphones, added impetus has been placed on expanding the Group's product range. Likewise, buoyant sentiment can be perceived for wireless headphones, namely those possessing infrared (IR), radio frequency (RF), and Bluetooth technologies. Accordingly, the Group will remain sensitive to consumers' interests, addressing such demands with products capable of bolstering sales in this business segment.

Though the multimedia products business experienced a period of instability, the Group remains confident that positive gains will be made on this front. As the latest version of Microsoft's Xbox 360™ gaming headset begins to gain consumer acceptance and market penetration, steady demand for bundling of the Group's headsets is expected. While headsets sold in conjunction with the game consoles constitute a major revenue driver for the multimedia business, the Group has also forged important ties with other globally recognized brands. In fact, its relations with a leader in lifestyle personal digital entertainment related products have resulted in strong sales growth and is accounting for a larger share of revenue for this segment.

Upholding a positive outlook for the future, management will persist in reinforcing business ties with existing clients while at the same time seek to capture fresh opportunities. Capitalizing on research and development, one of its major strengths, the Group will persevere in efforts to launch electro-acoustic products that address the dictates of constantly evolving markets. In also attending to the requirements of customers, the Group will further hone its supply chain management and manufacturing competencies to best suit their product launch and delivery needs. Drawing motivation from both the peaks and troughs experienced over the last period, Fujikon is determined to realize sustained growth as this remains its ultimate goal.

LIQUIDITY AND FINANCIAL RESOURCES

Our consolidated balance sheet remains healthy. Net current assets as at 30 September 2007 amounted to approximately HK\$376.1 million as compared with approximately HK\$322.0 million as at 31 March 2007.

The Group had cash and bank deposits of approximately HK\$223.3 million as at 30 September 2007, representing an increase of approximately 41.1% against approximately HK\$158.3 million as at 31 March 2007. The Group had no pledged bank deposits as at 30 September 2007 (As at 31 March 2007: HK\$2.1 million).

As at 30 September 2007, the Group had aggregate banking facilities of approximately HK\$352.6 million (As at 31 March 2007: HK\$333.3 million) from several banks for overdrafts, loans, and trade financing, with an unused balance of approximately HK\$294.9 million (As at 31 March 2007: HK\$277.0 million).

CAPITAL STRUCTURE

As at 30 September 2007, the total borrowings of the Group were approximately HK\$33.1 million (As at 31 March 2007: HK\$49.2 million), of which about 86.3%, 8.2% and 5.5% were due within one year, between one to two years and between two to five years, respectively.

The Group's gearing ratio as at 30 September 2007 was approximately 5.7% (As at 31 March 2007: 9.2%), which was measured on the basis of total borrowings as a percentage of total equity attributable to the equity holders of the Company.

DEALING IN COMPANY'S LISTED SECURITIES

During the six months ended 30 September 2007, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Appendix 14 "Code on Corporate Governance Practices" to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Code") throughout the period, save the deviations from the code provisions 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. 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 considers 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, 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.

On behalf of the Board
YEUNG CHI HUNG, JOHNNY
Chairman

Hong Kong, 29 November 2007.

* *For identification purpose only*