



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 2006

FINANCIAL HIGHLIGHTS

- Turnover: HK\$741.1 million, up 53.8% (2005: HK\$481.9 million)
- Gross profit: HK\$141.0 million, up 33.3% (2005: HK\$105.7 million)
- Profit attributable to equity holders of the Company: HK\$44.5 million, up 50.8% (2005: HK\$29.5 million)
- Basic earnings per share: HK11.8 cents (2005: HK7.9 cents)
- Interim dividend (per share): HK3.0 cents (2005: HK\$3.0 cents)

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 2006.

The interim results have been reviewed by the Company’s Audit Committee and auditors in accordance with Statement of Auditing Standards 700 “Engagements to Review Interim Financial Reports” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 September	
		2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Turnover	2	741,144	481,945
Cost of goods sold		(600,192)	(376,216)
Gross profit		140,952	105,729
Other revenues		79	60
Distribution and selling expenses		(12,718)	(12,224)
General and administrative expenses		(63,680)	(55,194)
Operating profit	3	64,633	38,371
Interest income		1,160	1,098
Interest expense		(3,464)	(1,178)
Profit before taxation		62,329	38,291
Taxation	4	(10,529)	(6,301)
Profit for the period		51,800	31,990
Attributable to:			
Equity holders of the Company		44,499	29,511
Minority interest		7,301	2,479
		51,800	31,990
Earnings per share for profit attributable to the equity holders of the Company during the period			
– basic	5	HK11.84 cents	HK7.94 cents
– diluted	5	HK11.45 cents	HK7.82 cents
Dividends	6	11,292	11,331

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at 30 September 2006 HK\$'000 (Unaudited)	As at 31 March 2006 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		216,630	204,116
Investment properties		4,180	4,180
Leasehold land and land use rights		21,226	21,156
Available-for-sale financial assets		4,987	7,215
Other financial assets at fair value through profit or loss		6,795	9,370
Deferred tax assets		—	17
Total non-current assets		253,818	246,054
Current assets			
Inventories		275,494	211,399
Trade receivables	7	319,811	206,381
Prepayments, deposits and other receivables		32,378	24,270
Derivative financial instruments		4	495
Cash and bank deposits		87,345	65,354
Total current assets		715,032	507,899
Current liabilities			
Trade payables	8	265,373	193,165
Accruals and other payables		89,977	67,840
Current income tax liabilities		17,538	10,148
Bank borrowings		112,316	51,053
Total current liabilities		485,204	322,206
Net current assets		229,828	185,693
Total assets less current liabilities		483,646	431,747
Non-current liabilities			
Bank borrowings		25,313	10,245
Deferred tax liabilities		1,445	1,270
Total non-current liabilities		26,758	11,515
Net assets		456,888	420,232
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		37,640	37,502
Other reserves		71,385	67,847
Retained earnings		320,499	294,820
Minority interest		429,524	400,169
		27,364	20,063
Total equity		456,888	420,232

Six months ended 30 September 2005

	Audio products <i>HK\$'000</i> (Unaudited)	Communica- tion 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)
Turnover							
Sales to external customers	153,863	115,766	23,367	56,058	132,891	–	481,945
Inter-segment sales	–	–	–	–	74,914	(74,914)	–
	<u>153,863</u>	<u>115,766</u>	<u>23,367</u>	<u>56,058</u>	<u>207,805</u>	<u>(74,914)</u>	<u>481,945</u>
Operating results							
Segment results	<u>18,234</u>	<u>8,400</u>	<u>2,034</u>	<u>6,723</u>	<u>8,181</u>	<u>–</u>	43,572
Unallocated corporate expenses							(5,261)
Other revenues							60
Interest income							1,098
Interest expense							(1,178)
Taxation							(6,301)
Profit for the period							31,990
Less: Minority interests							(2,479)
Profit attributable to equity holders of the Company							<u>29,511</u>

b. Secondary reporting format – geographical segments

Turnover 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 2006							
	North America			Asia Pacific				
	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 & Japan) <i>HK\$'000</i> (Unaudited)	Mainland China <i>HK\$'000</i> (Unaudited)	Japan <i>HK\$'000</i> (Unaudited)	Others <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Turnover	<u>146,027</u>	<u>2,236</u>	<u>162,229</u>	<u>161,100</u>	<u>233,670</u>	<u>6,655</u>	<u>29,227</u>	<u>741,144</u>
Segment results	<u>13,551</u>	<u>208</u>	<u>15,055</u>	<u>14,950</u>	<u>21,685</u>	<u>618</u>	<u>2,711</u>	<u>68,778</u>

	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 & Japan) HK\$'000 (Unaudited)	Mainland China HK\$'000 (Unaudited)	Japan HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	
Turnover	<u>144,140</u>	<u>2,137</u>	<u>95,980</u>	<u>104,066</u>	<u>91,504</u>	<u>32,279</u>	<u>11,839</u>	<u>481,945</u>
Segment results	<u>13,032</u>	<u>193</u>	<u>8,677</u>	<u>9,408</u>	<u>8,273</u>	<u>2,918</u>	<u>1,071</u>	<u>43,572</u>

3. Operating profit

	Six months ended 30 September	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
<i>Crediting</i>		
Net gain on disposal of other financial assets at fair value through profit or loss	47	327
<i>Charging</i>		
Net loss on disposal of available-for-sale financial assets	2	–
Depreciation of property, plant and equipment	18,329	14,483
Amortisation of leasehold land and land use rights	444	255
Staff costs	<u>113,545</u>	<u>84,738</u>

4. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Current income tax		
– Hong Kong profits tax	8,522	5,034
– Overseas taxation	1,815	1,087
Deferred income tax	<u>192</u>	<u>180</u>
	<u>10,529</u>	<u>6,301</u>

5. Earnings per share

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

	Six months ended 30 September	
	2006 (Unaudited)	2005 (Unaudited)
Profit attributable to equity holders of the Company	<u>HK\$44,499,000</u>	<u>HK\$29,511,000</u>
Weighted average number of ordinary shares in issue for basic earnings per share	375,852,000	371,542,000
Adjustments for share options	<u>12,938,000</u>	<u>5,902,000</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>388,790,000</u>	<u>377,444,000</u>

6. Dividends

The Board has resolved to declare an interim dividend of HK3.0 cents per share for the six months ended 30 September 2006 (2005: HK3.0 cents). The interim dividend will be paid on 19 December 2006 to shareholders whose names are registered in the books of the Company on 12 December 2006.

7. Trade receivables

	As at 30 September 2006 HK\$'000 (Unaudited)	As at 31 March 2006 HK\$'000 (Audited)
Trade receivables	322,939	209,255
Less: provision for impairment of receivables	<u>(3,128)</u>	<u>(2,874)</u>
	<u>319,811</u>	<u>206,381</u>

The Group grants credit terms to its customers ranging from 7 to 120 days. The ageing analysis of the trade receivables was as follows:

	As at 30 September 2006 HK\$'000 (Unaudited)	As at 31 March 2006 HK\$'000 (Audited)
0 – 30 days	301,615	197,466
31 – 60 days	12,564	5,114
61 – 90 days	2,709	2,248
91 – 180 days	<u>6,051</u>	<u>4,427</u>
	<u>322,939</u>	<u>209,255</u>

8. Trade payables

At 30 September 2006, the ageing analysis of the trade payables was as follows:

	As at 30 September 2006 HK\$'000 (Unaudited)	As at 31 March 2006 HK\$'000 (Audited)
0 – 30 days	240,098	175,387
31 – 60 days	14,232	10,271
61 – 90 days	6,364	4,556
91 – 180 days	<u>4,679</u>	<u>2,951</u>
	<u>265,373</u>	<u>193,165</u>

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 11 December 2006 to Tuesday, 12 December 2006 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the 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 4:00 pm on Friday, 8 December 2006 for registration.

BUSINESS REVIEW

For the first half of FY2006/07, the Group was able to maintain tremendous growth momentum, fuelled by the booming communication and multimedia businesses. With the continued sales orders from first tier customers, for the six months ended 30 September 2006, the Group's total turnover increased to HK\$741.1 million from HK\$481.9 million for the corresponding period of last year, a 53.8% rise. Likewise, gross profit achieved a record high of HK\$141.0 million, up from HK\$105.7 million, or a rise of 33.3% year on year. However, gross margin experienced a modest decline to 19.0% during the review period from 21.9% in the last corresponding period, as a result of short term change in sales composition and the benefits of the latest cost down program not yet materialized in the current review period.

The Group has achieved a substantial growth in net profit which increased from HK\$29.5 million to HK\$44.5 million, representing a jump of 50.8% year on year. Moreover, the Group was able to maintain a net margin about 6% by capitalizing on economy of scale.

Product Analysis

During the review period, the communications and multimedia segments were the key growth drivers for the Group. For the six months ended 30 September 2006, sales derived from communication products, audio products, multimedia products, electronic products and accessories, and electro-acoustic parts accounted for 33.5%, 19.6%, 13.3%, 27.5% and 6.1% of the Group's total turnover respectively.

Turnover brought by communication segment for the period represented a 114.4% growth from HK\$115.8 million to HK\$248.2 million mainly because there was a growing demand for hands-free headsets being bundled with mobile phones. This in part is due to the increasing popularity of mobile phones with music and video features that require the complement of headset products of superior acoustic quality. The strengthening tie between the Group and a leading European mobile phone manufacturer was also another significant contributor of the triple-digit growth in sales of the product segment.

Exceptional gains were achieved in the multimedia products business as well. The Group is the sole supplier of wired headsets to Microsoft for use with its Xbox 360™ game console during the review period. For the six months ended 30 September 2006, sales from this segment achieved HK\$98.9 million against HK\$23.4 million for the last corresponding period, translating into a phenomenal jump of 323.3%.

Audio products, which recorded sales of HK\$145.6 million during the review period against HK\$153.9 million last year, continued to be an important source of revenue for the Group. With the "on-the-go" trend in audio entertainment thriving, the outlook for demand in high quality earphones and mid-size headphones remains positive. The Group has made initial shipments of new products to a premium audio brand since September 2006 and expects subsequent shipments in the second half year to bolster sales performance markedly.

As for electro-acoustic parts, their revenue decreased by 21.0% to HK\$44.3 million for the review period against HK\$56.1 million last year. The Group achieved positive sales and healthy growth of its FM transmitter products. However, the Group has been strategically withdrawing from the production of micro-speakers for mobile phones, the decline in this segment was expected.

As an essential supporting business to the Group's core businesses, the electronic products and accessories business registered strong growth during the review period. This segment reported a 53.6% solid rise with sales totaling HK\$204.1 million.

Market Analysis

As the Group sells its products to primarily top-tier customers with global presence and make worldwide shipments for them, its business performance is not affected by the conditions in any single geographical market. For the six months ended 30 September 2006, sales to Mainland China, Europe, Asia (excluding Mainland China and Japan), North America and Japan accounted for 31.5%, 21.9%, 21.7%, 20.0% and 0.9% of the Group's total turnover respectively.

PROSPECTS

The Group anticipates that the persistent robust sales of mobile communication and entertainment products will continue to boost demand for accompanying high quality electro-acoustic products with value-added features. As a key player in this electro-acoustic business, the Group looks to the future with optimism.

Strong global mobile phone sales is another confidence booster for the Group. The global market is well on course to achieve Gartner's earlier global sales forecast of 960 million mobile phones for 2006, which represents an 18.3% increase over the last year. This development is of particular relevance to the Group as it continues to enjoy the patronage of a leading European mobile phone manufacturer. Constantly progressing, this relationship has brought about growing business volumes for the Group.

Encouraging prospects are also expected for the Group's audio products business. The initial shipments of new products to a premium audio brand have been made since September 2006, and significant orders have been scheduled for shipment in the second half year. On the whole, the Group expects growing consumer needs for superior lightweight headphones as there will be persistent demand for high-end "on-the-go" audio entertainment equipment enabled by the advancement of digital audio compression technology. Another promising area for the Group is its noise canceling headphones which has been gaining market acceptance by frequent air travelers and offers considerable potential for growth to the Group. Likewise, wireless headphones that adopt infrared (IR), radio frequency (RF), Bluetooth and 2.4/5.8 GHz digital audio technologies have seen increasing orders.

The Group also expects steady performance from the business of bundling headsets with Microsoft's Xbox 360™ game consoles. It believes the tide of video games becoming a part of modern lifestyle is a continual phenomenon and will keep providing the impetus of growth for the business. Other opportunities worthy of pursuit for the Group in the multimedia segment are instant messaging, including Voice over Internet Protocol (VoIP) and other cross-segment multimedia applications. As consumers become more aware and receptive of such technologies, their craving for quality multimedia headsets will mushroom and the Group is well positioned to satisfy this craving.

Expecting pressure from continuing macro-economic challenges in the later half year, the Group will strive to maintain its margin by exercising vigilant cost control, and improving productivity and operational efficiency. Having been in the industry for over two decades, the Group has become synonymous with acoustics excellence. Never complacent, however, the Group will continue to strengthen its global presence and seize opportunities arising from new product trends borne out of consumers' desire for innovation. The Group will address such desires by keeping up with its research and development efforts. It will ensure that its electro-acoustic expertise can be readily adapted to suit a broad spectrum of applications while continuing to be pliant to customers' production requirements and helping customers serve their markets. While quick to adapt to changing business conditions, the Group will remain prudent in charting its development course, cognizant of the importance of judicious use of resources and commitment to excellence to achieving long-term managed growth.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets as at 30 September 2006 amounted to approximately HK\$229.8 million as compared with approximately HK\$185.7 million as at 31 March 2006.

The Group had cash and bank deposits of approximately HK\$87.3 million as at 30 September 2006, representing an increase of approximately 33.6% against approximately HK\$65.4 million as at 31 March 2006.

As at 30 September 2006, the Group had aggregate banking facilities of approximately HK\$433.6 million (As at 31 March 2006: HK\$365.5 million) from several banks for overdrafts, loans, and trade financing, with an unused balance of approximately HK\$296.0 million (As at 31 March 2006: HK\$296.0 million).

CAPITAL STRUCTURE

As at 30 September 2006, the total borrowings of the Group were approximately HK\$137.6 million (As at 31 March 2006: HK\$61.3 million), of which about 81.6% and 18.4% were due within one year and between two to five years, respectively.

The Group's gearing ratio as at 30 September 2006 was approximately 32.0% (As at 31 March 2006: 15.3%), 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 2006, 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 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 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 Ng Kwong Hing 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, 23 November 2006.

* *For identification purpose only*