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Fujikon Industrial Holdings Limited

富士高實業控股有限公司*

(incorporated in Bermuda with limited liability)

(stock code: 927)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2013

FINANCIAL HIGHLIGHTS

- **Revenue: HK$1,605.6 million, up 22.9% (2012: HK$1,305.9 million)**
- **Gross profit margin: 20.3%, up 2.7% points (2012: 17.6%)**
- **Profit attributable to equity holders of the Company: HK$114.3 million, up 102.5% (2012: HK$56.4 million)**
- **Basic earnings per share: HK27.9 cents (2012: HK13.8 cents)**
- **Final and special final dividends (per share): HK12.0 cents (2012: HK15.0 cents)**

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 2013.

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

** for identification purpose only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	Note	**2013** *HK$'000*	2012 *HK$'000*
Revenue	3	**1,605,551**	1,305,943
Cost of sales		**(1,280,150)**	(1,075,889)
Gross profit		**325,401**	230,054
Other gains/(losses) - net		**14,890**	(1,834)
Distribution and selling expenses		**(24,956)**	(22,128)
General and administrative expenses		**(176,269)**	(134,540)
Operating profit	4	**139,066**	71,552
Finance income		**6,363**	4,558
Finance costs		**(2,621)**	(4,373)
Profit before income tax		**142,808**	71,737
Income tax expenses	5	**(23,926)**	(11,910)
Profit for the year		**118,882**	59,827
Other comprehensive income:			
Currency translation differences		**2,774**	14,660
Fair value gains/(losses) on available-for-sale financial assets		**280**	(113)
Other comprehensive income for the year, net of tax		**3,054**	14,547
Total comprehensive income for the year		**121,936**	74,374
Profit attributable to:			
Equity holders of the Company		**114,312**	56,447
Non-controlling interests		**4,570**	3,380
		118,882	59,827
Total comprehensive income attributable to:			
Equity holders of the Company		**117,186**	69,976
Non-controlling interests		**4,750**	4,398
		121,936	74,374
Dividends	6	**78,590**	73,825
Earnings per share for profit attributable to the equity holders of the Company during the year			
- Basic (HK cents per share)	7	**27.9**	13.8
- Diluted (HK cents per share)	7	**26.9**	13.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Note	**2013** *HK$'000*	2012 *HK$'000*
Non-current assets			
Property, plant and equipment		**208,813**	196,191
Investment properties		**2,860**	1,900
Land use rights		**9,988**	10,217
Deposits for property, plant and equipment		**7,504**	-
Available-for-sale financial assets		**4,604**	7,249
Deferred income tax assets		**238**	208
Total non-current assets		**234,007**	215,765
Current assets			
Inventories		**188,262**	158,902
Trade receivables	8	**282,902**	236,452
Other receivables		**29,627**	17,069
Derivative financial instruments		**121**	164
Other financial assets at fair value through profit or loss		**4,633**	54,032
Current income tax recoverable		**41**	1,873
Pledged bank deposits		**11,499**	-
Cash and cash equivalents		**441,933**	425,391
Total current assets		**959,018**	893,883
Current liabilities			
Trade payables	9	**168,227**	151,656
Accruals and other payables		**107,797**	83,169
Current income tax liabilities		**27,730**	21,368
Bank borrowings		**42,138**	40,541
Total current liabilities		**345,892**	296,734
Net current assets		**613,126**	597,149
Total assets less current liabilities		**847,133**	812,914
Non-current liabilities			
Deferred income		**494**	1,864
Deferred income tax liabilities		**759**	575
Total non-current liabilities		**1,253**	2,439
Net assets		**845,880**	810,475
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital		**41,244**	41,014
Other reserves		**228,761**	217,517
Retained earnings			
- Proposed dividends		**49,880**	61,521
- Others		**480,128**	444,406
		800,013	764,458
Non-controlling interests		**45,867**	46,017
Total equity		**845,880**	810,475

NOTES

1. Basis of preparation

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

2. Accounting policies

(a) Effect of adopting amendments to standards

The following amendments to standards are mandatory for the Group's financial year beginning on 1 April 2012:

- HKFRS 1 (Amendment) — Severe hyperinflation and removal of fixed dates for first-time adopters
- HKFRS 7 (Amendment) — Disclosures -Transfers of financial assets
- HKAS 12 (Amendment) — Deferred tax - Recovery of underlying assets

The adoption of these amendments to standards did not result in a significant impact on the results and financial position of the Group.

2. Accounting policies (Continued)

(b) New standards, amendments to standards and interpretation that have been issued but are not effective

The following new standards, amendments to standards and interpretation have been issued, but are not effective for the Group's financial year beginning on 1 April 2012 and have not been early adopted.

- HKFRSs (Amendment) — Improvement to HKFRSs 2011[2]
- HKFRS 1 (Amendment) — Government loans[2]
- HKFRS 7 (Amendment) — Financial instruments: Disclosure - offsetting financial assets and financial liabilities[2]
- HKFRS 7 and HKFRS 9 (Amendments) — Mandatory effective date and transition disclosures[4]
- HKFRS 9 — Financial instruments[4]
- HKFRS 10 — Consolidated financial statements[2]
- HKFRS 11 — Joint arrangements[2]
- HKFRS 12 — Disclosure of interests in other entities[2]
- HKFRS 10, HKFRS 11 and HKAS 12 (Amendments) — Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance[2]
- HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments) — Investment Entities[3]
- HKFRS 13 — Fair value measurement[2]
- HKAS 1 (Amendment) — Presentation of financial statements[1]
- HKAS 19 (2011) — Employee benefits[2]
- HKAS 27 (2011) — Separate financial statements[2]
- HKAS 28 (2011) — Investments in associates and joint ventures[2]
- HKAS 32 (Amendment) — Financial instruments: Presentation - offsetting financial assets and financial liabilities[3]
- HK (IFRIC) - Int 20 — Stripping costs in the production phase of a surface mine[2]

[1] Effective for financial years beginning on or after 1 July 2012
[2] Effective for financial years beginning on or after 1 January 2013
[3] Effective for financial years beginning on or after 1 January 2014
[4] Effective for financial years beginning on or after 1 January 2015

The directors anticipate that the adoption of the above new standards, amendments to standards and interpretation will not result in a significant impact on the results and financial position of the Group.

3. Segment information

The chief operating decision-maker ("CODM") has been identified as the executive directors. CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

CODM assesses the performance of the business from a product perspective, i.e. by headsets and headphones, and accessories and components.

CODM assesses the performance of the operating segments based on segment results before corporate expenses, other gains and losses, finance income and costs.

Revenue between segments is carried out in accordance with the terms mutually agreed by the respective parties. The revenue from external parties is derived from numerous external customers and is measured in a manner consistent with that in the consolidated statement of comprehensive income.

	Headsets and headphones		Accessories and components		Elimination		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue								
- External revenue	**1,248,372**	831,396	**357,179**	474,547	**-**	-	**1,605,551**	1,305,943
- Inter-segment revenue	**-**	-	**99,616**	84,527	**(99,616)**	(84,527)	**-**	-
Total	**1,248,372**	831,396	**456,795**	559,074	**(99,616)**	(84,527)	**1,605,551**	1,305,943
Segment results	**114,780**	58,604	**17,235**	19,894	**-**	-	**132,015**	78,498
Corporate expenses							**(7,839)**	(5,112)
Other gains/(losses) - net							**14,890**	(1,834)
Finance income							**6,363**	4,558
Finance costs							**(2,621)**	(4,373)
Profit before income tax							**142,808**	71,737
Depreciation of property, plant and equipment	**19,319**	18,708	**9,429**	11,427	**-**	-	**28,748**	30,135
Amortisation of land use rights	**166**	166	**125**	123	**-**	-	**291**	289
Provision for impairment of inventory obsolescence	**2,741**	3,544	**99**	1,845	**-**	-	**2,840**	5,389
Provision/(reversal of provision) for impairment of trade receivables	**2,227**	(90)	**1,829**	1,306	**-**	-	**4,056**	1,216
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**31,711**	13,948	**16,506**	6,138	**-**	-	**48,217**	20,086

3. **Segment information (Continued)**

For the year ended 31 March 2013, revenues of approximately HK$230,039,000 (2012: HK$141,944,000) in headsets and headphones segment were derived from one customer (2012: one) for over 10% of the Group's total revenue.

The Company is domiciled in Hong Kong. Revenue from external customers attributed to Hong Kong for the year ended 31 March 2013 is approximately HK$1,392,743,000 (2012: HK$966,247,000), and the total revenue from external customers from Mainland China is approximately HK$212,808,000 (2012: HK$339,696,000).

At 31 March 2013, the total non-current assets other than financial instruments and deferred income tax assets located in Hong Kong is approximately HK$34,955,000 (2012: HK$27,318,000), and the total non-current assets located in Mainland China is approximately HK$194,210,000 (2012: HK$180,990,000).

4. **Operating profit**

Operating profit is stated after charging and crediting the following:

	2013	2012
	HK$'000	*HK$'000*
Amortisation of land use rights	**291**	289
Depreciation of property, plant and equipment	**28,748**	30,135
Net losses/(gains) on disposal of available-for-sale financial assets	**16**	(118)
Net losses/(gains) on disposal of other financial assets at fair value through profit or loss	**654**	(83)
Net gains on disposal of property, plant and equipment	**(99)**	(148)
Net realised gains from derivative financial instruments	**(12,750)**	(2,812)
Provision for impairment of inventory obsolescence	**2,840**	5,389
Provision for impairment of trade receivables	**4,056**	1,216
Staff costs (including directors' emoluments)	**369,054**	316,679

5. **Income tax expenses**

The Company is exempted from income tax in Bermuda until March 2016.

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the year. The Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax.

	2013	2012
	HK$'000	*HK$'000*
Current income tax		
- Hong Kong profits tax	**17,288**	8,183
- China corporate income tax	**6,654**	4,131
- Over-provision in prior years	**(170)**	(158)
	23,772	12,156
- Deferred income tax	**154**	(234)
- Over-provision in prior years	**-**	(12)
	154	(246)
	23,926	11,910

6. Dividends

The Board recommended a final dividend of HK5.0 cents (2012: HK5.0 cents) per ordinary share and a special final dividend of HK7.0 cents (2012: HK10.0 cents) per ordinary share for the year ended 31 March 2013. The proposed dividends are not reflected as a dividend payable in these consolidated financial statements, and will be reflected as appropriation of retained earnings for the year ending 31 March 2014.

7. Earnings per share

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

	2013	2012
Profit attributable to equity holders of the Company (HK$'000)	**114,312**	56,447
Weighted average number of ordinary shares used in calculating basic earnings per share (in thousands)	**410,158**	410,139
Adjustment for potential dilutive effect in respect of outstanding share options (in thousands)	**14,727**	7
Weighted average number of ordinary shares used in calculating diluted earnings per share (in thousands)	**424,885**	410,146

8. Trade receivables

The Group grants credit period to its customers ranging from 7 to 120 days. As at 31 March 2013 and 2012, the ageing analysis of the trade receivables by past due date is as follows:

	2013	2012
	HK$'000	*HK$'000*
Current	**191,021**	192,218
1 to 30 days	**57,330**	32,513
31 to 60 days	**22,655**	10,522
61 to 90 days	**8,712**	2,592
Over 90 days	**9,438**	4,350
	289,156	242,195
Less: Provision for impairment of trade receivables	**(6,254)**	(5,743)
Trade receivables, net	**282,902**	236,452

9. Trade payables

As at 31 March 2013 and 2012, the ageing analysis of the trade payables by past due date is as follows:

	2013	2012
	HK$'000	*HK$'000*
Current	**134,657**	126,672
1 to 30 days	**22,117**	17,678
31 to 60 days	**5,722**	3,957
61 to 90 days	**1,976**	2,251
Over 90 days	**3,755**	1,098
Trade payables	**168,227**	151,656

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed as follows:

(a) For the purpose of determining shareholders who are entitled to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Wednesday, 14 August 2013 to Friday, 16 August 2013 (both days inclusive), during which period no transfers of shares will be effected. To be entitled to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with Company's Hong Kong branch registrar, Hong Kong Registrars Limited at Shops 1712-6, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 13 August 2013.

(b) The final dividend and special final dividend are expected to be paid on or about 6 September 2013, to those shareholders whose names appeared on the Company's register of members on 21 August 2013. In order to qualify for the proposed final dividend and special final dividend, the register of members of the Company will be closed from Wednesday, 21 August 2013 to Friday, 23 August 2013 (both days inclusive), during which period no transfers of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar, Hong Kong Registrars Limited at Shops 1712-6, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 20 August 2013.

BUSINESS REVIEW

Striving to be the most technologically advanced firm in the electro-acoustic industry, Fujikon implemented several well-defined strategies during the financial year that led to sustained growth momentum. The Group's efforts to enhance its core competitiveness on both technological and production fronts increased its appeal, leading to strengthened partnerships with renowned clientele while also attracting some of the most respected brands in the industry into the fold, all of which spurred revenue growth over the past 12 months.

Owing to the aforesaid factors, the Group was able to generate greater revenue, which topped HK$1,605.6 million for the year ended 31 March 2013 – a healthy year-on-year rise of 22.9% (2012: HK$1,305.9 million). A climb in gross profit was also realised, reaching HK$325.4 million or up 41.4% from HK$230.1 million for the previous year. Gross profit margin continued to achieve positive movement, reaching 20.3% for the reporting year (2012: 17.6%), which is indicative of the Group's greater focus on the premium market as well as stability of the Renminbi and steady material costs. Profit attributable to equity holders rose sharply, rising from HK$56.4 million to HK$114.3 million or a year-on-year increase of 102.5%. Basic earnings per share climbed significantly as well, up 102.2% to HK27.9 cents (2012: HK13.8 cents)

BUSINESS SEGMENT ANALYSIS

Headsets and Headphones

The core businesses of headsets and headphones continued to realise strong uptick during the reporting year as reflected by the year-on-year rise in revenue of 50.2% to HK$1,248.4 million. Correspondingly, this segment now accounts for 77.8% of total revenue generated by the Group, up by approximately 14 percentage points over the preceding financial year.

With the Group's competitive advantages and technological prowess, it has been in a strong position to attract highly respected brands that operate at the top of the premium electro-acoustic products segment. The winning of new customers not only contributed significantly to the rise in revenue during the financial year, but also brought with it potentially significant collaborations that will act as the catalyst for the Group's long-term business development.

BUSINESS SEGMENT ANALYSIS (Continued)

Headsets and Headphones (Continued)

Undoubtedly, organic growth of existing customers also attributed to the Group's encouraging performance. The rise in orders from these companies suggest that the Group is able to satisfy the discerning requirements of world-leading brands who now place a high degree of reliance on manufacturers' capacity to produce technologically sophisticated headphones and headsets that perfectly mesh with the most advanced headphone and headset devices.

Accessories and Components

Revenue from the accessories and components segment experienced a year-on-year decline of 24.7% to HK$357.2 million (2012: HK$474.5 million) for the reporting year. The decrease was mainly due to the competitiveness of the market, which has become more intense due to diminishing demand. Nevertheless, this segment still plays a vital role in enhancing vertical integration as well as balancing business growth.

PROSPECTS

The healthy performance of the Group over the past year shows that opportunities still exist for firms that are willing to change and respond to the constantly evolving consumer electronics landscape. While preparing for an increasingly complicated business environment is of utmost importance, the Group remains committed to devising effective approaches that will grasp the next wave of market opportunities. This will be essential for powering Fujikon to attain new heights of growth in the coming years.

The Group will continue to bolster its research and development capabilities that enabled Fujikon to successfully migrate to the premium product segments. With the rising popularity of smart devices, this has opened the door to fresh opportunities, and the Group will respond by continuing to introduce innovative products that add to the enjoyment of these devices.

While seeking to deliver the very best solutions to its clients, the Group will be equally committed to raising the efficiency of its operations. Along with adopting the SAP Enterprise Resources Planning system, greater automation will be pursued to optimise profitability and minimise the impact of both escalating production costs and labour instability arising from the shortage of skilled workers in China. The benefits of automation further include standardised quality, flexible production and greater resilience against rising labour costs due to minimum wage hikes.

With respect to protecting the Group's financial well-being, the management will formulate suitable business strategies for dealing with a number of contingencies. This includes the possible rapid appreciation of the Renminbi in the future.

In the coming financial year, the management will be even more motivated to achieve progress. With the Group already reaping the benefits of its move to the premium electro-acoustic segment, it will seek to consolidate its position by strengthening ties with existing customers, which is also the ideal means of building its reputation as an innovator, leader and industry benchmark.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group maintained at a strong financial position. Net current assets as at 31 March 2013 amounted to approximately HK$613.1 million (2012: HK$597.1 million). The Group's current and quick ratios were approximately 2.8 times (2012: 3.0 times) and 2.2 times (2012: 2.5 times), respectively.

The Group had cash and cash equivalents and pledged bank deposits of approximately HK$453.4 million as at 31 March 2013, representing an increase of approximately 6.6% against approximately HK$425.4 million as at 31 March 2012. Approximately 58.6%, 29.5% and 6.4% of the total cash and cash equivalents and pledged bank deposits were denominated in US dollars, Renminbi and Hong Kong dollars respectively, and the remainder were in other currencies. As at 31 March 2013, the Group had aggregated banking facilities of approximately HK$273.3 million (2012: HK$272.6 million) from several banks for loans and trade financing, with an unused balance of approximately HK$231.2 million (2012: HK$232.1 million).

Capital Structure

As at 31 March 2013, the total bank borrowings of the Group were approximately HK$42.1 million (2012: HK$40.5 million) and due within one year. These Group's borrowings were secured short-term bank borrowings, of which HK$32.1 million was denominated in Renminbi and HK$10.0 million was denominated in Hong Kong dollars. Approximately HK$42.5 million (2012: HK$43.5 million) of certain properties and land use rights have been pledged for several secured short-term bank borrowings of HK$32.1 million. The remaining amount of bank borrowings is jointly guaranteed by the Company and a non-controlling shareholder. The Group's bank borrowings bear interest rate at 5.2% (2012: 6.5%) per annum.

The Group's gearing ratio as at 31 March 2013 was approximately 5.3% (2012: 5.3%), which was measured on the basis of the total bank borrowings as a percentage of total equity attributable to the equity holders of the Company. If the balance of cash and cash equivalents as at 31 March 2013 was taken into account, the Group was in a net cash position.

Foreign Exchange Exposure

The Group mainly operates in Hong Kong and Mainland China with most transactions settled in Hong Kong dollars, Renminbi and US dollars. The Group is mainly exposed to foreign exchange risk arising from future commercial transactions, recognised assets and liabilities denominated in currencies other than the functional currency of the group entities to which they relate. The Group entered into foreign currency forward contracts to manage such exposure.

Employee Information

As at 31 March 2013, the Group employed a total of approximately 6,400 (2012: 6,300) employees. The staff costs (including the directors' emoluments) accounted for approximately HK$369.1 million (2012: HK$316.7 million) during the year.

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 state-sponsored retirement plans for employees in Mainland China. The Group has also developed training programs to its management and employees to ensure they are properly trained.

FINANCIAL REVIEW (Continued)

Financial Guarantee

As at 31 March 2013, the Company had provided corporate guarantees of approximately HK$155.7 million (2012: HK$155.7 million) to several banks to secure banking facilities of its subsidiaries. The facilities utilised by the subsidiaries as at 31 March 2013 were approximately HK$37.2 million (2012: HK$40.5 million).

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") of the "Corporate Governance Code" (the "CG Code") as set out in Appendix 14 to the Rules (the "Listing Rules"). Throughout the year ended 31 March 2013, the Company has complied with the CG Code save the deviation from the Code Provisions A.2.1 and A.6.7 and the reasons for deviation of which are explained below:

Code Provision A.2.1
According to the Code Provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yeung Chi Hung, Johnny acted as the chairman and chief executive officer of the Company. Mr. Yeung is a co-founder of the Group and he has extensive experience in the electronics and acoustics industry and is responsible for the overall strategic planning and business development of the Group. The Board believes that vesting the roles of both chairman and chief executive officer in Mr. Yeung provides the Group with strong and consistent leadership to improve the Company's efficiency in decision-making and execution, and effectively capture business opportunities. Going forward, the Board will periodically review the effectiveness of this arrangement and consider the separation of the roles of the chairman and the chief executive officer when it thinks appropriate.

Code Provision A.6.7
According to the Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings. All independent non-executive directors attended the annual general meeting of the Company held on 3 August 2012 except Dr. Chang Chu Cheng who was unable to attend the annual general meeting due to another business engagement.

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.

By Order of the Board
Fujikon Industrial Holdings Limited
Yeung Chi Hung, Johnny
Chairman

Hong Kong, 27 June 2013