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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)

INSIDE INFORMATION

References are made to the (i) announcement made by Fujikon Industrial Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 22 September 2023 in relation to the Letter concerning the Quality Issue with the Headphones; and (ii) announcements made by the Company dated 22 December 2023 and 8 January 2024 in relation to the Updated Claim Letter (collectively, the “**Announcements**”). Unless otherwise defined, terms used in this announcement shall have the same meanings as those defined in the Announcements.

The Board wishes to inform the shareholders and potential investors of the Company that, with an intention to continue with the long-term business relationship and enhance future business cooperation, on 2 December 2024, the Customer initiated negotiation with the Group to resolve the Quality Issue with the Headphones amicably, whereby the Group and the Customer entered into a settlement agreement (the “**Settlement Agreement**”) on 7 December 2024. According to the Customer, the root cause for the vast majority of the Quality Issue were/are malfunctioning Batteries supplied by the Supplier. Pursuant to the Settlement Agreement, it was agreed, among others, that the Group shall indemnify the Customer by way of (i) cash payment of US\$11.65 million (equivalent to approximately HK\$90.87 million) by several batches until 30 October 2025; (ii) granting a credit of a total of US\$500,000 (equivalent to approximately HK\$3.90 million) for the Group’s development non-recurring engineering costs in relation to future projects to be granted by the Customer to the Group until 31 December 2035; and (iii) extending the due date for any payments that the Customer owes to the Group to 180 days after the receipt of the relevant invoice and the transfer of ownership of goods until 30 September 2026. As regards to the Batteries, the Group and the Customer agreed to cooperate for the Group’s replacement of the Batteries with batteries from a different supplier at the Group’s costs. The Customer shall provide (a) its engineering and quality team’s support; and (b) essential components, free of charge. The Customer agreed to place purchase orders of such Headphones, the value of which should amount to approximately US\$3.50 million (equivalent to approximately HK\$27.30 million).

Upon entering into of the Settlement Agreement and upon fulfilment of the partial cash payment obligation of the Group (i.e. in aggregate of approximately US\$7.13 million (equivalent to approximately HK\$55.61 million)) by May 2025, it was agreed between the Group and the Customer that all claims made by the Customer against the Group concerning the Quality Issue with the Headphones are irrevocably and forever settled and discharged.

As at the date of this announcement, the Group has been continuously receiving purchase orders from the Customer with respect to the Customer's other products. It is expected that the Group and the Customer shall have continuous cooperation for future projects.

Given the above, the Board wishes to inform the shareholders and potential investors of the Company that, based on the information currently available to the Board and the management's estimation, it is estimated that the replacement costs and cash settlement less the warranty and inventories provision previously recognised in the Group's financial statements as at 30 September 2024, net of tax effect, would amount to an additional charge of approximately HK\$46.70 million for the year ending 31 March 2025. Despite the negative financial impact brought to the Group by the Settlement Agreement, the Directors are of the view that the overall business, financial position and cash flow conditions of the Group remain healthy. The actual financial impact brought by the Settlement Agreement will be reflected in the Group's financial statements for the year ending 31 March 2025 that is subject to audit. Further announcement(s) in respect of any material differences between the estimated financial impact and the actual financial impact will be made by the Company as and when appropriate.

On the other hand, the insurance investigators of the Supplier has yet to provide the Group and the Customer with an investigation report on the alleged defects in the Batteries as at the date of this announcement. Upon receipt of such investigation report, the Group would continue to seek legal advice as to how to resolve its claim against the Supplier with respect to the Batteries as a result of the Quality Issue.

Based on the information currently available to the Group, even though the settlement of the Quality Issue has been resolved between the Group and the Customer by way of entering into the Settlement Agreement, having considered that the Group had not reached formal conclusive agreement with the Supplier regarding the settlement of the Quality Issue as at the date of this announcement, the exact impact of the Quality Issue on the Group's financial condition and results of operations are yet to be assessed by the Company. The Company will continue actively liaise with the Supplier, and make further announcement(s) to keep its shareholders and the potential investors of the Company informed of any significant development of the incident as and when appropriate.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Fujikon Industrial Holdings Limited
Yeung Chi Hung, Johnny
Chairman & Chief Executive Officer

Hong Kong, 9 December 2024

As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Yeung Chi Hung, Johnny, Mr. Yuen Yee Sai, Simon, Mr. Chow Man Yan, Michael, Mr. Yuen Chi King, Wyman and Mr. Yeung Siu Chung, Ben; and three independent non-executive Directors, namely, Dr. Ng Wang Pun, Dennis, Mr. Che Wai Hang, Allen and Ms. Tse Kan.

In this announcement, for the purpose of illustration only, amounts quoted in US\$ have been converted into HK\$ at a rate of US\$1.00 to HK\$7.80. Such exchange has been used, where applicable, for the purpose of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

* *For identification purposes only*