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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)

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014**

#### **FINANCIAL HIGHLIGHTS**

- **Revenue: HK\$675.7 million, down 16.4% (2013: HK\$807.9 million)**
- **Gross profit margin: 13.6%, down 5.6 points (2013: 19.2%)**
- **Loss attributable to equity holders of the Company: HK\$1.9 million, down 104.2% (2013: profit HK\$45.1 million )**
- **Basic loss per share: HK0.45 cents (2013: basic earnings per share HK10.83 cents)**
- **Dividends (per share): HK4.0 cents (2013: HK6.0 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 2014.

The interim results have been reviewed by the Company's Audit Committee and independent auditor 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.

*\* for identification purpose only*

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

		<b>Unaudited</b>	
		<b>Six months ended 30 September</b>	
		<b>2014</b>	<b>2013</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
	Note		
Revenue	3	675,663	807,903
Cost of sales		<u>(583,656)</u>	<u>(652,461)</u>
<b>Gross profit</b>		<b>92,007</b>	155,442
Other gains - net		<b>3,410</b>	3,859
Distribution and selling expenses		<b>(10,365)</b>	(10,873)
General and administrative expenses		<b>(83,081)</b>	(83,784)
<b>Operating profit</b>	4	<b>1,971</b>	64,644
Finance income		<b>4,893</b>	2,212
Finance costs		-	(1,104)
<b>Profit before income tax</b>		<b>6,864</b>	65,752
Income tax expenses	5	<b>(2,294)</b>	(19,378)
<b>Profit for the period</b>		<b>4,570</b>	46,374
<b>Other comprehensive income:</b>			
Items that may be subsequently reclassified to income statement:			
Currency translation differences		<b>1,361</b>	9,931
Fair value losses on available-for-sale financial assets		<b>(118)</b>	(297)
<b>Other comprehensive income for the period, net of tax</b>		<b>1,243</b>	9,634
<b>Total comprehensive income for the period</b>		<b>5,813</b>	56,008
<b>(Loss)/profit attributable to:</b>			
Equity holders of the Company		<b>(1,891)</b>	45,103
Non-controlling interests		<b>6,461</b>	1,271
		<b>4,570</b>	46,374
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		<b>(757)</b>	54,028
Non-controlling interests		<b>6,570</b>	1,980
		<b>5,813</b>	56,008
<b>Dividends</b>	6	<b>16,794</b>	25,157
<b>(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the period</b>			
- Basic (HK cents per share)	7	<b>(0.45)</b>	10.83
- Diluted (HK cents per share)	7	<b>(0.44)</b>	10.36

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited As at 30 September 2014 HK\$'000	Audited As at 31 March 2014 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		190,773	239,129
Investment properties		3,120	3,120
Land use rights		4,956	9,864
Non-current deposits and other assets		8,278	5,202
Available-for-sale financial assets		7,632	1,067
Deferred income tax assets		3,531	4,189
<b>Total non-current assets</b>		<b>218,290</b>	<b>262,571</b>
<b>Current assets</b>			
Inventories		170,315	164,579
Trade receivables	8	280,229	222,835
Other receivables		21,363	22,280
Other financial assets at fair value through profit or loss		8,985	8,984
Available-for-sale financial assets		-	1,266
Current income tax recoverable		6,528	1,468
Bank deposits with initial terms of over three months		80,428	-
Cash and cash equivalents		339,434	468,852
		<b>907,282</b>	<b>890,264</b>
Assets of a disposal group classified as held for sale		99,118	-
<b>Total current assets</b>		<b>1,006,400</b>	<b>890,264</b>
<b>Current liabilities</b>			
Trade payables	9	222,165	163,028
Accruals and other payables		140,349	113,032
Derivative financial instruments		3,653	6,834
Current income tax liabilities		19,246	18,205
		<b>385,413</b>	<b>301,099</b>
Liabilities of a disposal group classified as held for sale		19,211	-
<b>Total current liabilities</b>		<b>404,624</b>	<b>301,099</b>
<b>Net current assets</b>		<b>601,776</b>	<b>589,165</b>
<b>Total assets less current liabilities</b>		<b>820,066</b>	<b>851,736</b>
<b>Non-current liabilities</b>			
Deferred income tax liabilities		1,988	1,967
<b>Net assets</b>		<b>818,078</b>	<b>849,769</b>
<b>Equity</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital		41,986	41,986
Other reserves		246,237	244,820
Retained earnings			
- Proposed dividends		16,794	37,787
- Others		460,352	479,037
		<b>765,369</b>	<b>803,630</b>
<b>Non-controlling interests</b>		<b>52,709</b>	<b>46,139</b>
<b>Total equity</b>		<b>818,078</b>	<b>849,769</b>

## NOTES

### 1. Basis of preparation

The condensed consolidated interim financial information has been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited.

### 2. Accounting policies

The accounting policies adopted are consistent with those of the Group’s annual financial statements for the year ended 31 March 2014, except as mentioned below.

(a) Effect of adopting amendments to standards and interpretation

The following amendments to standards and interpretation are mandatory for the Group’s financial year beginning on 1 April 2014:

- |   |   |
|---|---|
| • HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment) | Investment entities   |
| • HKAS 32 (Amendment)                               | Financial instruments: Presentation – offsetting financial assets and financial liabilities |
| • HKAS 36 (Amendment)                               | Recoverable amount disclosures for non-financial assets                                     |
| • HKAS 39 (Amendment)                               | Novation of derivatives and continuation of hedge accounting                                |
| • HK (IFRIC) - Int 21                               | Levies  |

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

## 2. Accounting policies (Continued)

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

The following new standards and amendments to standards have been issued, but are not effective for the Group's financial year beginning on 1 April 2014 and have not been early adopted.

- |                                    |   |
|------------------------------------|---|
| • HKFRS Amendments                 | Annual improvements to HKFRSs 2010-2012 cycle and 2011-2013 cycle <sup>1</sup>                      |
| • HKFRS Amendments                 | Annual improvements to HKFRSs 2012-2014 cycle <sup>2</sup>  |
| • HKFRS 9                          | Financial instruments <sup>4</sup>  |
| • HKFRS 10 and HKAS 28 (Amendment) | Sales or contribution of assets between an investor and its associate or joint venture <sup>2</sup> |
| • HKFRS 11 (Amendment)             | Accounting for acquisitions of interests in joint operations <sup>2</sup>                           |
| • HKFRS 14                         | Regulatory deferral accounts <sup>2</sup>   |
| • HKFRS 15                         | Revenue from contracts with customers <sup>3</sup>  |
| • HKAS 16 and HKAS 38 (Amendment)  | Classification of acceptable methods of depreciation and amortisation <sup>2</sup>                  |
| • HKAS 16 and HKAS 41 (Amendment)  | Agriculture: bearer plants <sup>2</sup>   |
| • HKAS 19 (2011) (Amendment)       | Defined benefit plans: Employee contributions <sup>1</sup>  |
| • HKAS 27 (Amendment)              | Equity method in separate financial statements <sup>2</sup>   |

<sup>1</sup> Effective for financial years beginning on or after 1 July 2014

<sup>2</sup> Effective for financial years beginning on or after 1 January 2016

<sup>3</sup> Effective for financial years beginning on or after 1 January 2017

<sup>4</sup> Effective for financial years beginning on or after 1 January 2018

The Group is in the process of making an assessment of the impact of these new standards and amendments to standards upon initial application but is not yet in a position to state whether these new standards and amendments to standards would have any significant impact on its results of operations and financial position.

### 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 condensed consolidated statement of comprehensive income.

	Six months ended 30 September (Unaudited)							
	Headsets and headphones		Accessories and components		Elimination		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue								
- External revenue	441,159	619,842	234,504	188,061	-	-	675,663	807,903
- Inter-segment revenue	-	-	62,742	47,954	(62,742)	(47,954)	-	-
Total	<u>441,159</u>	<u>619,842</u>	<u>297,246</u>	<u>236,015</u>	<u>(62,742)</u>	<u>(47,954)</u>	<u>675,663</u>	<u>807,903</u>
Segment results	<u>(15,456)</u>	<u>57,632</u>	<u>16,296</u>	<u>6,394</u>	<u>-</u>	<u>-</u>	<u>840</u>	<u>64,026</u>
Corporate expenses							(2,279)	(3,241)
Other gains - net							3,410	3,859
Finance income							4,893	2,212
Finance costs							-	(1,104)
Profit before income tax							<u>6,864</u>	<u>65,752</u>
Other segment information:								
Depreciation of property, plant and equipment	13,548	10,444	5,029	5,622	-	-	18,577	16,066
Amortisation of land use rights	86	86	43	64	-	-	129	150
(Reversal of provision)/ provision for impairment of inventory obsolescence	(714)	9,874	505	268	-	-	(209)	10,142
Provision/(reversal of provision) for impairment of trade receivables	658	(1,456)	42	(390)	-	-	700	(1,846)
Additions to non-current assets (other than financial instruments and deferred income tax assets)	<u>14,943</u>	<u>23,528</u>	<u>5,472</u>	<u>21,109</u>	<u>-</u>	<u>-</u>	<u>20,415</u>	<u>44,637</u>

For the six months ended 30 September 2014, revenues of approximately HK\$263,455,000 (2013: HK\$273,478,000) in headsets and headphones segment were derived from three (2013: three) customers, amounted to approximately HK\$103,975,000, HK\$91,080,000 and HK\$68,400,000 respectively, which individually accounted 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 period ended 30 September 2014 is approximately HK\$563,406,000 (2013: HK\$690,837,000), and the total revenue from external customers from Mainland China is approximately HK\$112,257,000 (2013: HK\$117,066,000).

At 30 September 2014, the total non-current assets other than financial instruments and deferred income tax assets located in Hong Kong and Mainland China is approximately HK\$37,242,000 (31 March 2014: HK\$37,211,000) and HK\$169,885,000 (31 March 2014: HK\$220,104,000) respectively.

#### 4. Operating profit

Operating profit is stated after charging/(crediting) the following:

	Unaudited	
	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Amortisation of land use rights	129	150
Depreciation of property, plant and equipment	18,577	16,066
Fair value gains on derivative financial instruments	(3,181)	(170)
Fair value (gains)/losses on other financial assets at fair value through profit or loss	(1)	177
Net losses on disposal of available-for-sale financial assets	77	-
Net gains on disposal of other financial assets at fair value through profit or loss	-	(18)
Net gains on disposal of property, plant and equipment	(322)	(89)
Net foreign exchange (gains)/losses	(1,157)	9,154
Net realised gains from derivative financial instruments	(2,471)	(12,914)
(Reversal of provision)/provision for impairment of inventory obsolescence	(209)	10,142
Provision/(reversal of provision) for impairment of trade receivables	700	(1,846)
Provision for impairment of a disposal group classified as held for sale	3,645	-
Staff costs (including directors' emoluments)	200,723	202,928

#### 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% (2013: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the period. The Group's subsidiaries in Mainland China are subject to China Corporate Income Tax at a rate of 25% (2013: 25%) on the estimated assessable profits.

	Unaudited	
	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Current income tax		
- Hong Kong profits tax	676	10,072
- China corporate income tax	930	8,736
Deferred income tax	688	570

#### 6. Dividends

The Board has resolved to declare an interim dividend of HK4.0 cents (2013: HK4.0 cents) per ordinary share and no special interim dividend was declared (2013: HK2.0 cents) for the six months ended 30 September 2014. This dividend is not reflected as a dividend payable in the condensed consolidated interim financial information, and will be reflected as appropriation of retained earnings for the year ending 31 March 2015.

## 7. (Loss)/earnings per share

The calculation of basic and diluted (loss)/earnings per share is based on the following:

	<b>Unaudited</b>	
	<b>Six months ended 30 September</b>	
	<b>2014</b>	<b>2013</b>
(Loss)/profit attributable to equity holders of the Company (HK\$'000)	<b>(1,891)</b>	45,103
Weighted average number of ordinary shares in issue (in thousands)	<b>419,859</b>	416,609
Adjustment for potential dilutive effect in respect of outstanding share options (in thousands)	<b>8,283</b>	18,699
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	<b>428,142</b>	435,308

## 8. Trade receivables

The Group grants credit periods to its customers ranging from 7 to 120 days. As at 30 September 2014 and 31 March 2014, the ageing analysis of the trade receivables by past due date is as follows:

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 September</b>	<b>31 March</b>
	<b>2014</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current	<b>225,873</b>	175,919
1 to 30 days	<b>43,122</b>	33,980
31 to 60 days	<b>9,629</b>	8,975
61 to 90 days	<b>3,040</b>	3,552
Over 90 days	<b>1,976</b>	3,319
	<b>283,640</b>	225,745
Less: Provision for impairment of trade receivables	<b>(3,411)</b>	(2,910)
Trade receivables, net	<b>280,229</b>	222,835

## 9. Trade payables

As at 30 September 2014 and 31 March 2014, the ageing analysis of the trade payables by past due date is as follows:

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 September</b>	<b>31 March</b>
	<b>2014</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current	<b>156,617</b>	106,939
1 to 30 days	<b>52,749</b>	43,762
31 to 60 days	<b>7,740</b>	2,295
61 to 90 days	<b>1,710</b>	1,881
Over 90 days	<b>3,349</b>	8,151
Trade payables	<b>222,165</b>	163,028



## **INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend of HK4.0 cents per ordinary share for the six months ended 30 September 2014. The interim dividend is expected to be paid on or around 31 December 2014 to shareholders whose names are registered in the books of the Company on 15 December 2014.

## **CLOSURE OF REGISTER OF MEMBERS**

In order to determine the entitlement to the interim dividend for the six months ended 30 September 2014, the register of members will be closed from Monday, 15 December 2014 to Wednesday, 17 December 2014 (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 certificates 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, 12 December 2014 for registration.

## **BUSINESS REVIEW**

Against the backdrop of a fluctuating global economy, the pace of consolidation within the headsets and headphones industry continued to accelerate. Fujikon was consequently affected by this transitional period, in particular, one customer decided to discontinue a key product as stated in an announcement dated 6 June 2014. For the six months ended 30 September 2014, the Group recorded revenue of HK\$675.7 million against HK\$807.9 million for the corresponding period last year. Gross profit decreased to HK\$92.0 million (2013: HK\$155.4 million), principally due to a decline in revenue and partly the result of a one-off cost incurred for adjusting the specifications of products to meet the requirements of a customer, as outlined in an announcement dated 28 July 2014. Moreover, there was an increase in staff cost as the Group sought to retain talent in a highly competitive landscape, which affected its gross profit. The drop in profit, combined with fixed overhead expenses led to loss attributable to equity holders of HK\$1.9 million (2013: profit of HK\$45.1 million). Basic loss per share were HK0.45 cents (2013: earnings per share HK10.83 cents).

## **BUSINESS SEGMENT ANALYSIS**

### **Headsets and Headphones**

The headsets and headphones operation generated HK\$441.2 million (2013: HK\$619.8 million) in revenue during the review period, accounting for 65.3% of the Group's total revenue.

The decline in revenue was mainly due to the postponement of product launches by certain customers as they looked to update their portfolios during market consolidation. Still other customers have sought to avert sales declines and capture market share in an overcrowded segment by employing cut-throat pricing strategies. This has not only affected the sales performance of such customers, but also that of the Group.

The challenging conditions have nonetheless heightened the need for attractive new products that feature appealing technologies, thus playing to the Group's strengths in engineering and product development. Fujikon has enjoyed a satisfactory hit rate on its tenders during this review period and launched a wide variety of products as a result. These products are expected to begin filtering into the market from the final quarter of the calendar year, and continuing into 2015.

## **BUSINESS SEGMENT ANALYSIS (Continued)**

### **Accessories and Components**

The accessories and components business also represents an important component of the Group's vertical integration backbone. The business experienced a notable rise in revenue during the review period, reaching HK\$234.5 million (2013: HK\$188.1 million) or a year-on-year increase of 24.7%. This was partly due to greater business from a key client that had launched a new product series leading to stronger demand for the accessories and components provided by the Group. The segment consequently accounted for 34.7% of the Group's total revenue. In order to capture more business opportunities, the management will continue to closely monitor and adjust the product mix accordingly.

### **PROSPECTS**

The headsets and headphones industry is expected to remain in a state of consolidation in the near future. Nevertheless, leading brands will look to continue bolstering their product lines so as to enlarge their market share. While such efforts may lead to the postponement of product launches, the management remains cautiously optimistic about the medium to long-term prospects of Fujikon given its strong ties with prominent brands. With a sound track record for successfully launching new products and even more innovative electro-acoustic solutions in the pipeline, the management envisions more clients seeking to collaborate closely with Fujikon to revitalise their portfolios, which in turn will present fresh opportunities for the Group. Consequently, the management will continue to closely monitor and leverage developing trends in the industry, as well as strengthen the Group's market position by enhancing its core competencies, which include product innovation and engineering.

As part of Fujikon's development strategy, the Group will also maintain its practice of offering patented technologies to a select group of customers. This helps to reinforce ties, leading to the development of signature products that result in mutual benefits, including enhanced reputation and greater consumer awareness. At the same time, the Group will continue enhancing its own products with proprietary technologies, as well as dedicate energies to the research and development of more patents. Fujikon, as a trusted solutions provider and a leading manufacturer of headsets and headphones featuring Bluetooth and Near Field Communication technologies, will further strengthen its leading position by integrating advanced technologies into its many electro acoustic products.

In respect of the Group's operation, the management will leverage the Enterprise Resource Planning (ERP) system to optimise efficiency. Now fully operational, the ERP solution is running stably and is expected to help gradually shorten lead times, allowing for the delivery of products that more effectively address consumer trends. Given that a task and content management system is in operation as well, even greater strides in product development efficiency will be realised in the future.

Even though business conditions are expected to remain challenging, with the Group's manufacturing and engineering expertise, as well as close ties with respected international electro-acoustic brands, the management believes that Fujikon can capitalise on the gradual upswing in the market, contributing to improvements in its business performance going forward.

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

The Group maintained at a strong financial position. Net current assets as at 30 September 2014 amounted to approximately HK\$601.8 million (31 March 2014: HK\$589.2 million). The Group's current and quick ratios were approximately 2.5 times (31 March 2014: 3.0 times) and 2.1 times (31 March 2014: 2.4 times), respectively.

The Group had cash and cash equivalents and fixed deposits of approximately HK\$419.9 million as at 30 September 2014, representing a decrease of approximately 10.4% against approximately HK\$468.9 million as at 31 March 2014. Approximately 82.9%, 12.9% and 2.7% of the total cash and cash equivalents and fixed deposits were denominated in Renminbi, US dollars and Hong Kong dollars respectively, and the remainder were in other currencies. As at 30 September 2014, the Group had aggregated banking facilities of approximately HK\$274.1 million (31 March 2014: HK\$273.8 million) from several banks for loans and trade financing, with an unused balance of approximately HK\$274.1 million (31 March 2014: HK\$273.8 million).

### **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 exchange forward contracts to manage such exposure. The net fair value of foreign exchange forward contracts entered into by the Group for managing the risk relating to monetary assets and liabilities in foreign currencies at 30 September 2014 was a liability of HK\$3.7 million (31 March 2014: HK\$6.8 million). Fair value gains on derivative financial instruments accounted for approximately HK\$3.2 million (2013: HK\$0.2 million) for the period and such fair value gains does not have impact to the Group's real cash flow.

Furthermore, net realised gains from derivative financial instruments of approximately HK\$2.5 million (2013: HK\$12.9 million) represent actual settlements under derivative contracts during the period. The Group also had net foreign exchange gains of approximately HK\$1.2 million (2013: losses HK\$9.2 million). If these net realised gains from derivative financial instruments and net exchange gains/losses were taken into account, the Group's foreign exchange exposure was in net gains of approximately HK\$3.7 million for the period, remain consistency with last period.

### **Employee Information**

As at 30 September 2014, the Group employed a total of approximately 5,900 (31 March 2014: 5,500) employees. The staff costs (including the directors' emoluments) accounted for approximately HK\$200.7 million during the six months ended 30 September 2014 (2013: HK\$202.9 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 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 30 September 2014, the Company had provided corporate guarantees of approximately HK\$155.7 million (31 March 2014: HK\$155.7 million) to several banks to secure banking facilities of its subsidiaries. No facilities were utilised by the subsidiaries as at 30 September 2014 and 31 March 2014.

### **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 period.

### **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by directors and senior management of the Group on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors and senior management of the Group, all directors and senior management of the Group have complied with the required standard set out in the Model Code and the Company's code of conduct regarding securities transactions by directors and senior management of the Group throughout the period.

### **CORPORATE GOVERNANCE**

During the six months ended 30 September 2014, the Company has complied with the code provisions (the "Code Provisions") of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules, save the deviation from the code provision A.2.1 of the CG Code and the reasons for the deviation of which are explained below:

#### **CG Code provision A.2.1**

According to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the period, 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 considers the separation of the roles of the chairman and the chief executive officer when it thinks appropriate.

### **CHANGE IN DIRECTOR AND COMPOSITION OF BOARD COMMITTEES**

Dr. Chang Chu Cheng ("Dr. Chang") has resigned as an independent non-executive Director with effect from 1 April 2014 due to his other business commitment. Upon resignation of Dr. Chang as an independent non-executive Director, Dr. Chang ceased to be a member of each of the remuneration committee of the Company ("Remuneration Committee"), the nomination committee of the Company ("Nomination Committee") and the audit committee of the Company ("Audit Committee"). Dr. Chung Chi Ping, Roy has been appointed an independent non-executive Director, a member of each of the Remuneration Committee, the Nomination Committee and the Audit Committee effective on the same day to fill the causal vacancy of Dr. Chang.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the Board comprises six executive Directors, namely, 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; and three independent non-executive Directors, namely, Dr. Chung Chi Ping, Roy, Mr. Che Wai Hang, Allen and Mr. Lee Yiu Pun

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

Hong Kong, 27 November 2014