

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2018

FINANCIAL HIGHLIGHTS

- **Revenue: HK\$1,226.1 million, up 6.1% (2017: HK\$1,155.3 million)**
- **Gross profit margin: 20.2%, up 4.1 points (2017: 16.1%)**
- **Profit attributable to equity holders of the Company: HK\$30.5 million, up 1,001.7% (2017: HK\$2.8 million)**
- **Basic earnings per share: HK7.3 cents (2017: HK0.7 cent)**
- **Final dividend (per share): HK5.0 cents (2017: HK7.0 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 2018.

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 2018

	Note	2018 HK\$'000	2017 HK\$'000
Revenue	3	1,226,121	1,155,334
Cost of sales		(978,377)	(968,815)
Gross profit		247,744	186,519
Other (losses)/gains - net		(15,973)	12,465
Distribution and selling expenses		(12,903)	(14,718)
General and administrative expenses		(152,557)	(155,350)
Operating profit	4	66,311	28,916
Finance income - net		3,278	2,193
Profit before income tax		69,589	31,109
Income tax expenses	5	(15,310)	(6,808)
Profit for the year		54,279	24,301
Other comprehensive income:			
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss:</i>			
Currency translation differences		43,244	(29,254)
Fair value (losses)/gains on available-for-sale financial assets		(25)	45
Release of investment reserve upon disposal of available-for-sale financial assets		20	822
Release of exchange reserve upon deregistration of a subsidiary		-	390
Other comprehensive income for the year, net of tax		43,239	(27,997)
Total comprehensive income for the year		97,518	(3,696)
Profit attributable to:			
Equity holders of the Company		30,518	2,770
Non-controlling interests		23,761	21,531
		54,279	24,301
Total comprehensive income attributable to:			
Equity holders of the Company		70,701	(23,320)
Non-controlling interests		26,817	19,624
		97,518	(3,696)
Earnings per share for profit attributable to the equity holders of the Company for the year:			
- Basic (HK cents per share)	7	7.3	0.7
- Diluted (HK cents per share)	7	7.2	0.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Note	2018 HK\$'000	2017 HK\$'000
Non-current assets			
Property, plant and equipment		137,898	130,381
Investment property		1,200	1,050
Land use rights		4,316	4,047
Non-current deposits and other assets		2,758	3,713
Available-for-sale financial assets		3,928	4,116
Deferred income tax assets		5,836	4,786
Total non-current assets		155,936	148,093
Current assets			
Inventories		237,111	158,697
Trade receivables	8	228,332	214,005
Other receivables		30,005	24,444
Other financial assets at fair value through profit or loss		2,145	2,938
Current income tax recoverable		61	710
Cash and cash equivalents		408,633	455,945
Total current assets		906,287	856,739
Current liabilities			
Trade payables	9	205,668	194,740
Accruals and other payables		100,078	78,931
Derivative financial instruments		-	3,870
Current income tax liabilities		10,044	14,210
Total current liabilities		315,790	291,751
Net current assets		590,497	564,988
Total assets less current liabilities		746,433	713,081
Non-current liabilities			
Deferred income tax liabilities		1,491	700
Net assets		744,942	712,381
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital		42,107	42,026
Other reserves		191,739	156,810
Retained earnings			
- Proposed dividends		21,053	29,418
- Others		435,221	436,522
Non-controlling interests		54,822	47,605
Total equity		744,942	712,381

NOTES

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property, available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

2. Accounting policies

(a) Effect of adopting amendments to standards

The following amendments to standards are mandatory for the Group’s financial year beginning 1 April 2017:

- | | |
|------------------------|--|
| • HKAS 7 (Amendments) | Disclosure initiative |
| • HKAS 12 (Amendments) | Recognition of deferred tax assets for unrealised losses |
| • HKFRSs (Amendments) | Annual improvements to HKFRSs 2014–2016 cycle in relation to HKFRS 12 “Disclosure of interest in other entities” |

The adoption of the above amendments to standards has no significant impact on the Group’s consolidated financial statements.

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

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the Group’s financial year beginning 1 April 2017 and have not been early adopted:

- | | |
|-------------------------------------|---|
| • HKFRS 1 (Amendments) | First time adoption of HKFRS ¹ |
| • HKFRS 2 (Amendments) | Classification and measurement of share-based payment transaction ¹ |
| • HKFRS 4 (Amendments) | Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts ¹ |
| • HKFRS 9 | Financial instruments ¹ |
| • HKFRS 9 (Amendments) | Prepayment features with negative compensation ² |
| • HKFRS 15 | Revenue from contracts with customers ¹ |
| • HKFRS 15 (Amendments) | Clarifications to HKFRS 15 ¹ |
| • HKFRS 16 | Leases ² |
| • HKFRS 17 | Insurance contracts ³ |
| • HKFRS 10 and HKAS 28 (Amendments) | Sales or contribution of assets between an investor and its associate or joint venture ⁴ |
| • HKAS 28 (Amendments) | Investments in associates and joint ventures ¹ |
| • HKAS 28 (Amendments) | Long-term interests in associates and joint ventures ² |
| • HKAS 40 (Amendments) | Transfer of investment property ¹ |
| • HK(IFRIC) 22 | Foreign currency transactions and advance consideration ¹ |
| • HK(IFRIC) 23 | Uncertainty over income tax treatments ² |
| • HKFRSs (Amendments) | Annual improvements to HKFRSs 2015–2017 cycle ² |

¹ Effective for financial years beginning on or after 1 January 2018

² Effective for financial years beginning on or after 1 January 2019

³ Effective for financial years beginning on or after 1 January 2021

⁴ No mandatory effective date yet determined

3. Segment information

The chief operating decision-maker (the "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	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Segment revenue								
- External revenue	914,502	862,178	311,619	293,156	-	-	1,226,121	1,155,334
- Inter-segment revenue	-	-	41,633	30,834	(41,633)	(30,834)	-	-
Total	<u>914,502</u>	<u>862,178</u>	<u>353,252</u>	<u>323,990</u>	<u>(41,633)</u>	<u>(30,834)</u>	<u>1,226,121</u>	<u>1,155,334</u>
Segment results	<u>27,101</u>	<u>(29,247)</u>	<u>60,995</u>	<u>50,072</u>	<u>-</u>	<u>-</u>	<u>88,096</u>	<u>20,825</u>
Corporate expenses							(5,812)	(4,374)
Other (losses)/gains - net							(15,973)	12,465
Finance income - net							3,278	2,193
Profit before income tax							<u>69,589</u>	<u>31,109</u>
Other segment information:								
Depreciation of property, plant and equipment	21,744	24,993	8,927	8,930	-	-	<u>30,671</u>	<u>33,923</u>
Amortisation of land use rights	161	157	-	-	-	-	<u>161</u>	<u>157</u>
Provision for inventory obsolescence	13,165	7,158	43	1,263	-	-	<u>13,208</u>	<u>8,421</u>
(Reversal of provision)/provision for impairment of trade receivables	(2,123)	2,176	18	(112)	-	-	<u>(2,105)</u>	<u>2,064</u>
Additions to non-current assets (other than financial instruments and deferred income tax assets)	17,935	10,839	8,157	5,464	-	-	<u>26,092</u>	<u>16,303</u>

For the year ended 31 March 2018, revenues of approximately HK\$770,448,000 (2017: HK\$613,324,000) were derived from three (2017: three) customers, amounted to approximately HK\$287,753,000, HK\$279,940,000 and HK\$202,755,000 respectively, which individually accounted for over 10% of the Group's total revenue. These revenues of approximately HK\$527,414,000 (2017: HK\$400,764,000) and HK\$243,034,000 (2017: HK\$212,560,000) were attributable to headsets and headphones segment and accessories and components segment respectively.

3. Segment information (Continued)

The Company is domiciled in Hong Kong. Revenue from external customers attributed to Hong Kong for the year ended 31 March 2018 was approximately HK\$1,089,993,000 (2017: HK\$879,358,000), and the total revenue from external customers from Mainland China was approximately HK\$136,128,000 (2017: HK\$275,976,000).

At 31 March 2018, the total non-current assets other than financial instruments and deferred income tax assets located in Hong Kong and Mainland China were approximately HK\$26,186,000 (2017: HK\$28,708,000) and HK\$119,986,000 (2017: HK\$110,483,000) respectively.

4. Operating profit

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Amortisation of land use rights	161	157
Depreciation of property, plant and equipment	30,671	33,923
Fair value gains on derivative financial instruments	(3,870)	(4,502)
Fair value losses/(gains) on other financial assets at fair value through profit or loss	49	(415)
Net gains on deregistration of a subsidiary	-	(390)
Net losses on disposal of available-for-sale financial assets	20	822
Net losses/(gains) on disposal of other financial assets at fair value through profit or loss	19	(8)
Net gains on disposal of property, plant and equipment	(1)	(571)
Net foreign exchange losses/(gains)	16,377	(15,783)
Net realised losses from derivative financial instruments	3,529	8,652
Provision for inventory obsolescence	13,208	8,421
(Reversal of provision)/provision for impairment of trade receivables	(2,105)	2,064
Staff costs (including directors' emoluments)	340,172	323,470

5. Income tax expenses

The Company is exempted from taxation in Bermuda until March 2035.

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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 at a rate of 25% (2017: 25%) on estimated assessable profits.

Pursuant to the New Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. Withholding taxes are payable on dividends distributed/to be distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current income tax		
- Current tax on profits for the year	14,887	7,734
- (Over)/under-provision in prior years	(101)	668
- Withholding tax on dividends	334	-
	15,120	8,402
Deferred income tax charge/(credit)	190	(1,594)
	15,310	6,808

6. Dividends

The Board recommended a final dividend of HK5.0 cents (2017: HK5.0 cents) and no special final dividend was proposed (2017: HK2.0 cents) for the year ended 31 March 2018. The proposed dividend is not reflected as a dividend payable in the consolidated financial statements, and will be reflected as appropriation of retained earnings for the year ending 31 March 2019.

7. Earnings per share

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

	2018	2017
Profit attributable to equity holders of the Company (HK\$'000)	<u>30,518</u>	<u>2,770</u>
Weighted average number of ordinary shares in issue (in thousands)	420,459	420,213
Adjustment for potential dilutive effect in respect of outstanding share options (in thousands)	<u>1,574</u>	<u>953</u>
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	<u>422,033</u>	<u>421,166</u>

8. Trade receivables

The Group grants credit periods to customers ranging from 7 to 120 days. As at 31 March 2018 and 2017, the ageing analysis of the trade receivables by past due date is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current	194,989	177,071
1 to 30 days	15,909	25,652
31 to 60 days	9,893	4,386
61 to 90 days	3,780	1,985
Over 90 days	6,113	9,476
	<u>230,684</u>	<u>218,570</u>
Less: Provision for impairment of trade receivables	(2,352)	(4,565)
Trade receivables - net	<u>228,332</u>	<u>214,005</u>

9. Trade payables

As at 31 March 2018 and 2017, the ageing analysis of the trade payables by past due date is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current	188,881	150,394
1 to 30 days	3,462	26,747
31 to 60 days	7,973	2,914
61 to 90 days	773	9,935
Over 90 days	4,579	4,750
Trade payables	<u>205,668</u>	<u>194,740</u>

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK5.0 cents per ordinary share (the “Dividend”) for the year ended 31 March 2018 to the shareholders whose names appeared on the Company’s register of members on 16 August 2018. Subject to the approval by the shareholders of the Company at the forthcoming annual general meeting, the proposed Dividend is expected to be paid on 5 September 2018 to the shareholders of the Company.

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 Monday, 6 August 2018 to Thursday, 9 August 2018 (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 share registrar, Hong Kong Registrars Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30p.m. on Friday, 3 August 2018.
- (b) In order to qualify for the proposed Dividend, the register of members of the Company will be closed from Thursday, 16 August 2018 to Monday, 20 August 2018 (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 share registrar, Hong Kong Registrars Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30p.m. on Wednesday, 15 August 2018.

BUSINESS REVIEW

For the year ended 31 March 2018, the Group recorded revenue of HK\$1,226.1 million (2017: HK\$1,155.3 million), representing a year-on-year increase of 6.1% when compared with the corresponding period of last year. The rise in revenue was due to greater sales from both the headsets and headphones segment and accessories and components segment. Gross profit and profit attributable to equity holders amounted to HK\$247.7 million (2017: HK\$186.5 million) and HK\$30.5 million (2017: HK\$2.8 million) respectively. The rise in profitability, despite an increase in provision for obsolete stock and an exchange loss incurred from appreciation of the Renminbi, was primarily the result of an increase in handling income, the change in the combination of products sold, as well as better control of general and administrative expenses. Basic earnings per share were HK7.3 cents (2017: HK0.7 cent).

BUSINESS SEGMENT ANALYSIS

Headsets and Headphones

The headsets and headphones operation is the key revenue generator of the Group, contributing HK\$914.5 million (2017: HK\$862.2 million) in segmental revenue during the review year, an encouraging year-on-year increase of 6.1%, and accounting for 74.6% of the Group’s total revenue.

The increase in revenue is a direct reflection of consumers’ growing preference for sophisticated wireless headphones and headsets, and Fujikon’s foresight and preparedness ahead of this trend. Being at the forefront of Bluetooth technology development for over a decade, the Group’s innovations have consequently entered the product portfolios of many renowned electro-acoustic brands. During the review year, the Group continued to leverage its capability in Bluetooth technologies application to boost new product launch and revenue growth. Besides product launches for key clients, the management’s ongoing efforts to restructure its client portfolio also facilitated the upturn in the segment, with a profit of HK\$27.1 million recorded for the year (2017: loss of HK\$29.2 million).

BUSINESS SEGMENT ANALYSIS (Continued)

Accessories and Components

The accessories and components business has continued to perform in a consistently positive manner. For the year ended 31 March 2018, the operation contributed HK\$311.6 million (2017: HK\$293.2 million) in segmental revenue – accounting for 25.4% of the Group’s total revenue, and HK\$61.0 million (2017: HK\$50.1 million) in segmental profit.

The encouraging performance can directly be credited to the packaging business, which has been able to generate greater sales of high gross profit margin products. Such solid earnings mirror the overall segment’s ability to steadily develop from an ancillary operation supporting Fujikon’s vertical integration to a fully fledged business accounting for one quarter of the Group’s annual turnover.

PROSPECTS

Global economic growth is expected to strengthen from 3.8% in 2017 to 3.9% in 2018, according to the International Monetary Fund¹, hence consumption sentiment will likely improve still further. Though such encouraging prospects are welcomed, the management remains highly cautious and will continue to fortify the Group’s business foundation. Correspondingly, this will include the further development of Bluetooth, True Wireless and Hybrid Active Noise Cancellation (“Hybrid ANC”) solutions, having most recently achieved a breakthrough in Hybrid ANC miniaturisation and its application in True Wireless technology. The breakthrough will result in the introduction of Hybrid ANC in even more size-restrictive products. Also, the Group will be directing its attention to Artificial Intelligence (“AI”) Voice Assistant, an area that holds immense potential and which the Group will seek to play a key role in advancing its adoption. Correspondingly, Fujikon is introducing mobile products in the coming financial year that complement AI Voice Assistant, which the management holds guarded optimism towards.

While Fujikon’s technological innovations have garnered the greatest attention, its production capabilities are equally important in underpinning the Group’s development and growth. And as the Group continues to attract new customers to the fold, the management recognises the significance of maintaining production capabilities that are relevant with their needs. Having already entered an expansion phase that saw investments in research and development (“R&D”) and production, the management will make further investments from which the expansion phase will accelerate.

The constant bolstering of business operations is essential not only for realising growth, but also for mitigating the impact of expected and unexpected obstacles. While a labour shortage has been a persistent problem, the Group and the entire industry also faced a new challenge in the form of a sudden increase in lead time for electronic components procurement. Strengthening longstanding ties with its suppliers complemented by prudent product forecasting and implementing strategy of maintaining adequate inventory of fast selling products, the Group had to strive hard to mitigate the impact of the electronic component supply disruption. To address the labour shortage issue, the Group enhanced the automation level in production as well as offered competitive salaries to attract workforce. And to recruit and retain technical talents for the Group’s present and long-term development, Fujikon duly provided competitive packages, incentives programmes and on-the-job training. The Group will continue to optimise its workforce and target clients that are able to place bulk orders for maximising production output, as well as seek to achieve a balance between human input and automation to further raise efficiency and reduce costs.

With new customers joining the Group, a bunch of exciting products set for launch and advancements continuously made in production, the management will be looking to build growth momentum in the coming year. Given Fujikon’s depth of experience and unwavering commitment to developing and implementing strategies for optimising all areas of operation, as well as a workforce dedicated to realising the Group’s objectives, Fujikon remains on course to also advance its position in the market all the while remaining true to its vision of becoming customers’ preferred strategic partner in the acoustics and electronics industries.

¹ <https://www.imf.org/en/Publications/WEO/Issues/2018/03/20/world-economic-outlook-april-2018>

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group maintained a strong financial position. Net current assets as at 31 March 2018 amounted to approximately HK\$590.5 million (2017: HK\$565.0 million). The Group's current and quick ratios were approximately 2.9 times (2017: 2.9 times) and 2.1 times (2017: 2.4 times), respectively.

The Group had cash and cash equivalents of approximately HK\$408.6 million as at 31 March 2018, representing a decrease of approximately 10.4% against approximately HK\$455.9 million as at 31 March 2017. Approximately 53.1%, 43.1% and 2.8% of the total cash and cash equivalents were denominated in US dollars, Renminbi and Hong Kong dollars respectively, and the remainders were in other currencies. As at 31 March 2018, the Group had aggregated banking facilities of approximately HK\$160.6 million (2017: HK\$160.6 million) for loans and trade financing, which were fully available for use.

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 contract to manage part of this exposure. There was no outstanding foreign exchange forward contract as at 31 March 2018. The net fair value of foreign exchange forward contract entered into by the Group for managing the risk relating to monetary assets and liabilities in foreign currencies at 31 March 2017 was a liability of HK\$3.9 million. Fair value gains on derivative financial instruments accounted for approximately HK\$3.9 million (2017: HK\$4.5 million) for the year and such fair value gains did not have impact to the Group's real cash flow.

Furthermore, net realised losses from derivative financial instruments of approximately HK\$3.5 million (2017: HK\$8.7 million) represent actual settlements of derivative contracts during the year. The Group also had net foreign exchange losses of approximately HK\$16.4 million mainly arising from appreciation of Renminbi against Hong Kong dollars (2017: gains HK\$15.8 million mainly arising from depreciation of Renminbi against Hong Kong dollars). If these net realised losses from derivative financial instruments and net exchange losses/gains were taken into account, the Group recorded net losses of approximately HK\$19.9 million for the year, as compared to net exchange gains of approximately HK\$7.1 million in last year.

The recent fluctuation of Renminbi directly affected our operating costs. The Group will continuously monitor and enter foreign exchange forward contracts where appropriate.

Employee Information

As at 31 March 2018, the Group employed a total of approximately 4,100 (2017: 4,300) employees. The staff costs (including the directors' emoluments) accounted for approximately HK\$340.2 million (2017: HK\$323.5 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 Guarantee

As at 31 March 2018, the Company had provided corporate guarantees of approximately HK\$155.7 million (2017: HK\$155.7 million) to secure banking facilities of its subsidiaries. No facilities were utilised by the subsidiaries as at 31 March 2018 and 2017.

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.

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 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") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Throughout the year ended 31 March 2018, the Company has complied with the CG Code save the deviation from the Code Provisions A.2.1 and the reasons for deviation of which are explained below.

CG Code provision A.2.1

According to the Code Provision A.2.1 of CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yeung Chi Hung, Johnny, the chairman of the Company, is also the 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.

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, 20 June 2018