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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 2015**

#### **FINANCIAL HIGHLIGHTS**

- **Revenue: HK\$528.7 million, down 21.7% (2014: HK\$675.7 million)**
- **Gross profit: HK\$81.2 million, down 11.7% (2014: HK\$92.0 million)**
- **Loss attributable to equity holders of the Company: HK\$11.4 million, up 503.2% (2014: HK\$1.9 million)**
- **Basic loss per share: HK2.72 cents (2014: HK0.45 cents)**
- **Dividends (per share): HK2.0 cents (2014: HK4.0 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 2015.

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> |                 |
|  | Note | <b>2015</b>                          | <b>2014</b>     |
|  |      | <b>HK\$'000</b>                      | <b>HK\$'000</b> |
| Revenue  | 3    | <b>528,735</b>                       | 675,663         |
| Cost of sales  |      | <b>(447,503)</b>                     | (583,656)       |
| <b>Gross profit</b>  |      | <b>81,232</b>                        | 92,007          |
| Other gains - net  |      | <b>2,062</b>                         | 3,410           |
| Distribution and selling expenses  |      | <b>(6,904)</b>                       | (10,365)        |
| General and administrative expenses  |      | <b>(80,280)</b>                      | (83,081)        |
| <b>Operating (loss)/profit</b>   | 4    | <b>(3,890)</b>                       | 1,971           |
| Finance income   |      | <b>3,525</b>                         | 4,893           |
| <b>(Loss)/profit before income tax</b>   |      | <b>(365)</b>                         | 6,864           |
| Income tax expenses  | 5    | <b>(2,411)</b>                       | (2,294)         |
| <b>(Loss)/profit for the period</b>  |      | <b>(2,776)</b>                       | 4,570           |
| <b>Other comprehensive income:</b>   |      |                                      |                 |
| Items that have been reclassified or may be subsequently reclassified to income statement:         |      |                                      |                 |
| Currency translation differences   |      | <b>(19,317)</b>                      | 1,361           |
| Fair value losses on available-for-sale financial assets   |      | <b>(367)</b>                         | (118)           |
| Release of investment reserve upon disposal of available-for-sale financial assets                 |      | -                                    | 132             |
| <b>Other comprehensive income for the period, net of tax</b>                                       |      | <b>(19,684)</b>                      | 1,375           |
| <b>Total comprehensive income for the period</b>   |      | <b>(22,460)</b>                      | 5,945           |
| <b>(Loss)/profit attributable to:</b>  |      |                                      |                 |
| Equity holders of the Company  |      | <b>(11,406)</b>                      | (1,891)         |
| Non-controlling interests  |      | <b>8,630</b>                         | 6,461           |
|  |      | <b>(2,776)</b>                       | 4,570           |
| <b>Total comprehensive income attributable to:</b>   |      |                                      |                 |
| Equity holders of the Company  |      | <b>(29,840)</b>                      | (625)           |
| Non-controlling interests  |      | <b>7,380</b>                         | 6,570           |
|  |      | <b>(22,460)</b>                      | 5,945           |
| <b>Dividends</b>   | 6    | <b>8,404</b>                         | 16,794          |
| <b>Loss per share for loss attributable to the equity holders of the Company during the period</b> |      |                                      |                 |
| - Basic (HK cents per share)   | 7    | <b>(2.72)</b>                        | (0.45)          |
| - Diluted (HK cents per share)   | 7    | <b>(2.69)</b>                        | (0.44)          |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

|  |      | <b>Unaudited</b>    | Audited         |
|--|------|---------------------|-----------------|
|  |      | <b>As at</b>        | As at           |
|  |      | <b>30 September</b> | 31 March        |
|  |      | <b>2015</b>         | 2015            |
|  | Note | <b>HK\$'000</b>     | <b>HK\$'000</b> |
| <b>Non-current assets</b>  |      |                     |                 |
| Property, plant and equipment  |      | 166,360             | 179,369         |
| Investment properties  |      | 3,710               | 3,710           |
| Land use rights  |      | 4,621               | 4,895           |
| Non-current deposits and other assets                                    |      | 3,153               | 7,303           |
| Available-for-sale financial assets                                      |      | 6,793               | 7,160           |
| Deferred income tax assets   |      | 6,747               | 2,639           |
| <b>Total non-current assets</b>  |      | <b>191,384</b>      | <b>205,076</b>  |
| <b>Current assets</b>  |      |                     |                 |
| Inventories  |      | 147,112             | 156,028         |
| Trade receivables  | 8    | 230,778             | 234,297         |
| Other receivables  |      | 18,502              | 47,369          |
| Other financial assets at fair value through profit or loss              |      | 2,933               | 3,700           |
| Current income tax recoverable   |      | 7,717               | 7,690           |
| Cash and cash equivalents  |      | 450,417             | 409,325         |
| <b>Total current assets</b>  |      | <b>857,459</b>      | <b>858,409</b>  |
| <b>Current liabilities</b>   |      |                     |                 |
| Trade payables   | 9    | 195,085             | 159,970         |
| Accruals and other payables  |      | 81,961              | 93,103          |
| Derivative financial instruments   |      | 9,312               | 4,034           |
| Current income tax liabilities   |      | 21,983              | 16,701          |
| <b>Total current liabilities</b>   |      | <b>308,341</b>      | <b>273,808</b>  |
| <b>Net current assets</b>  |      | <b>549,118</b>      | <b>584,601</b>  |
| <b>Total assets less current liabilities</b>                             |      | <b>740,502</b>      | <b>789,677</b>  |
| <b>Non-current liabilities</b>   |      |                     |                 |
| Deferred income tax liabilities  |      | 614                 | 806             |
| <b>Net assets</b>  |      | <b>739,888</b>      | <b>788,871</b>  |
| <b>Equity</b>  |      |                     |                 |
| <b>Capital and reserves attributable to the Company's equity holders</b> |      |                     |                 |
| Share capital  |      | 42,019              | 41,986          |
| Other reserves   |      | 188,469             | 206,604         |
| Retained earnings  |      |                     |                 |
| - Proposed dividends   |      | 8,404               | 20,993          |
| - Others   |      | 465,558             | 485,350         |
|  |      | <b>704,450</b>      | <b>754,933</b>  |
| <b>Non-controlling interests</b>   |      | <b>35,438</b>       | <b>33,938</b>   |
| <b>Total equity</b>  |      | <b>739,888</b>      | <b>788,871</b>  |

## NOTES

### 1. Basis of preparation

The condensed consolidated interim financial information has been prepared in accordance with 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 2015, except as mentioned below.

#### (a) Effect of adopting amendments to standards

The following amendments to standards are mandatory for the Group’s financial year beginning on 1 April 2015.

- |                       |   |
|-----------------------|---|
| • HKFRS (Amendments)  | Annual improvements to HKFRSs 2010-2012 cycle and 2011-2013 cycle |
| • HKAS 19 (Amendment) | Defined benefit plans: Employee contributions                     |

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

#### (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 2015 and have not been early adopted.

- |   |  |
|---|--|
| • HKFRS (Amendments)                          | Annual improvements to HKFRSs 2012-2014 cycle <sup>1</sup>   |
| • HKFRS 9                                     | Financial instruments <sup>2</sup>   |
| • HKFRS 10 and HKAS 28 (Amendments)           | Sale or contribution of assets between an investor and its associate or joint venture <sup>1</sup> |
| • HKFRS 10, HKFRS 12 and HKAS 28 (Amendments) | Investments entities: Applying the consolidation exception <sup>1</sup>                            |
| • HKFRS 11 (Amendment)                        | Accounting for acquisition of interests in joint operations <sup>1</sup>                           |
| • HKFRS 14                                    | Regulatory deferral accounts <sup>1</sup>  |
| • HKFRS 15                                    | Revenue from contracts with customers <sup>2</sup>   |
| • HKAS 1 (Amendment)                          | Disclosure initiative <sup>1</sup>   |
| • HKAS 16 and HKAS 38 (Amendments)            | Clarification of acceptance methods of depreciation and amortisation <sup>1</sup>                  |
| • HKAS 16 and HKAS 41 (Amendments)            | Agriculture: Bearer plants <sup>1</sup>  |
| • HKAS 27 (Amendment)                         | Equity method in separate financial statements <sup>1</sup>  |

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

<sup>2</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          |          |
|   | 2015                                      | 2014     | 2015                       | 2014     | 2015            | 2014     | 2015           | 2014     |
|   | HK\$'000                                  | HK\$'000 | HK\$'000                   | HK\$'000 | HK\$'000        | HK\$'000 | HK\$'000       | HK\$'000 |
| Segment revenue   |   |          |                            |          |                 |          |                |          |
| - External revenue  | <b>371,378</b>                            | 441,159  | <b>157,357</b>             | 234,504  | -               | -        | <b>528,735</b> | 675,663  |
| - Inter-segment revenue   | -   | -        | <b>23,757</b>              | 62,742   | <b>(23,757)</b> | (62,742) | -              | -        |
| Total   | <b>371,378</b>                            | 441,159  | <b>181,114</b>             | 297,246  | <b>(23,757)</b> | (62,742) | <b>528,735</b> | 675,663  |
| Segment results   | <b>(23,081)</b>                           | (15,456) | <b>19,226</b>              | 16,296   | -               | -        | <b>(3,855)</b> | 840      |
| Corporate expenses  |   |          |                            |          |                 |          | <b>(2,097)</b> | (2,279)  |
| Other gains - net   |   |          |                            |          |                 |          | <b>2,062</b>   | 3,410    |
| Finance income  |   |          |                            |          |                 |          | <b>3,525</b>   | 4,893    |
| (Loss)/profit before income tax   |   |          |                            |          |                 |          | <b>(365)</b>   | 6,864    |
| Other segment information:  |   |          |                            |          |                 |          |                |          |
| Depreciation of property, plant and equipment   | <b>14,062</b>                             | 13,548   | <b>4,744</b>               | 5,029    | -               | -        | <b>18,806</b>  | 18,577   |
| Amortisation of land use rights   | <b>85</b>                                 | 86       | -                          | 43       | -               | -        | <b>85</b>      | 129      |
| Provision /(reversal of provision) for impairment of inventory obsolescence                       | <b>2,478</b>                              | (714)    | <b>1,486</b>               | 505      | -               | -        | <b>3,964</b>   | (209)    |
| (Reversal of provision)/provision for impairment of trade receivables                             | <b>(706)</b>                              | 658      | <b>(473)</b>               | 42       | -               | -        | <b>(1,179)</b> | 700      |
| Additions to non-current assets (other than financial instruments and deferred income tax assets) | <b>3,306</b>                              | 14,943   | <b>4,182</b>               | 5,472    | -               | -        | <b>7,488</b>   | 20,415   |

For the six months ended 30 September 2015, revenues of approximately HK\$280,386,000 (2014: HK\$263,455,000) were derived from three (2014: three) customers, amounted to approximately HK\$134,556,000, HK\$78,135,000 and HK\$67,695,000 respectively, which individually accounted for over 10% of the Group’s total revenue. These revenues of HK\$164,882,000 (2014: HK\$197,326,000) and HK\$115,504,000 (2014: HK\$66,129,000) are attributable to headsets and headphones segment and accessories and components segment respectively.

The Company is domiciled in Hong Kong. Revenue from external customers attributed to Hong Kong for the period ended 30 September 2015 is approximately HK\$424,513,000 (2014: HK\$563,406,000), and the total revenue from external customers from Mainland China is approximately HK\$104,222,000 (2014: HK\$112,257,000).

At 30 September 2015, the total non-current assets other than financial instruments and deferred income tax assets located in Hong Kong and Mainland China is approximately HK\$34,848,000 (31 March 2015: HK\$36,168,000) and HK\$142,996,000 (31 March 2015: HK\$159,109,000) respectively.

#### 4. Operating (loss)/profit

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

|  | Unaudited                     |          |
|--|-------------------------------|----------|
|  | Six months ended 30 September |          |
|  | 2015                          | 2014     |
|  | HK\$'000                      | HK\$'000 |
| Amortisation of land use rights  | 85                            | 129      |
| Depreciation of property, plant and equipment  | 18,806                        | 18,577   |
| Fair value losses/(gains) on derivative financial instruments                            | 5,278                         | (3,181)  |
| Fair value losses/(gains) on other financial assets at fair value through profit or loss | 767                           | (1)      |
| Net losses on disposal of available-for-sale financial assets                            | -                             | 77       |
| Net losses/(gains) on disposal of property, plant and equipment                          | 24                            | (322)    |
| Net foreign exchange gains   | (5,239)                       | (1,157)  |
| Net realised gains from derivative financial instruments                                 | (2,892)                       | (2,471)  |
| Provision/(reversal of provision) for impairment of inventory obsolescence               | 3,964                         | (209)    |
| (Reversal of provision)/provision for impairment of trade receivables                    | (1,179)                       | 700      |
| Provision for impairment of a disposal group classified as held for sale                 | -                             | 3,645    |
| Staff costs (including directors' emoluments)  | 172,289                       | 200,723  |

#### 5. Income tax expenses

The Company is exempted from income tax in Bermuda until March 2035.

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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% (2014: 25%) on the estimated assessable profits.

|                              | Unaudited                     |          |
|------------------------------|-------------------------------|----------|
|                              | Six months ended 30 September |          |
|                              | 2015                          | 2014     |
|                              | HK\$'000                      | HK\$'000 |
| Current income tax           |                               |          |
| - Hong Kong profits tax      | 2,419                         | 676      |
| - China corporate income tax | 4,407                         | 930      |
| Deferred income tax          | (4,415)                       | 688      |

#### 6. Dividends

The Board has resolved to declare an interim dividend of HK2.0 cents (2014: HK4.0 cents) per ordinary share for the six months ended 30 September 2015. 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 2016.

## 7. Loss per share

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

|   | <b>Unaudited</b>                     |             |
|---|--------------------------------------|-------------|
|   | <b>Six months ended 30 September</b> |             |
|   | <b>2015</b>                          | <b>2014</b> |
| Loss attributable to equity holders of the Company (HK\$'000)                                   | <b>(11,406)</b>                      | (1,891)     |
| Weighted average number of ordinary shares in issue (in thousands)                              | <b>420,029</b>                       | 419,859     |
| Adjustment for potential dilutive effect in respect of outstanding share options (in thousands) | <b>3,267</b>                         | 8,283       |
| Weighted average number of ordinary shares for diluted loss per share (in thousands)            | <b>423,296</b>                       | 428,142     |

## 8. Trade receivables

The Group grants credit periods to its customers ranging from 7 to 120 days. As at 30 September 2015 and 31 March 2015, 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>2015</b>         | <b>2015</b>     |
|   | <b>HK\$'000</b>     | <b>HK\$'000</b> |
| Current   | <b>170,301</b>      | 173,999         |
| 1 to 30 days  | <b>45,761</b>       | 30,056          |
| 31 to 60 days                                       | <b>11,667</b>       | 17,610          |
| 61 to 90 days                                       | <b>2,580</b>        | 10,709          |
| Over 90 days  | <b>2,742</b>        | 5,636           |
|   | <b>233,051</b>      | 238,010         |
| Less: Provision for impairment of trade receivables | <b>(2,273)</b>      | (3,713)         |
| Trade receivables, net                              | <b>230,778</b>      | 234,297         |

## 9. Trade payables

As at 30 September 2015 and 31 March 2015, 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>2015</b>         | <b>2015</b>     |
|                | <b>HK\$'000</b>     | <b>HK\$'000</b> |
| Current        | <b>143,588</b>      | 122,005         |
| 1 to 30 days   | <b>38,188</b>       | 28,119          |
| 31 to 60 days  | <b>6,521</b>        | 1,588           |
| 61 to 90 days  | <b>1,053</b>        | 1,991           |
| Over 90 days   | <b>5,735</b>        | 6,267           |
| Trade payables | <b>195,085</b>      | 159,970         |

## **INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend of HK2.0 cents per ordinary share for the six months ended 30 September 2015. The interim dividend is expected to be paid on or around 31 December 2015 to shareholders whose names are registered in the books of the Company on 14 December 2015.

## **CLOSURE OF REGISTER OF MEMBERS**

In order to determine the entitlement to the interim dividend for the six months ended 30 September 2015, the register of members will be closed from Monday, 14 December 2015 to Wednesday, 16 December 2015 (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, 11 December 2015 for registration.

## **BUSINESS REVIEW**

The latest reporting period has remained challenging for the Group as it continued to be affected by a struggling global economic recovery, compounded by ongoing market consolidation and intense competition in the electro-acoustic industry. Furthermore, Fujikon's clients in general chose to delay placement of orders for the duration of the six-month period ended 30 September 2015. Consequently, the Group recorded revenue of HK\$528.7 million, compared with HK\$675.7 million for the same period in 2014. In addition to a change in product mix, an increase in staff cost for talent retention that did not decrease proportionately with the drop in sales, gross profit slipped to HK\$81.2 million (2014: HK\$92.0 million), and recorded a loss attributable to equity holders of HK\$11.4 million (2014: HK\$1.9 million). Basic loss per share were HK2.72 cents (2014: HK0.45 cents).

## **BUSINESS SEGMENT ANALYSIS**

### **Headsets and Headphones**

The headsets and headphones business contributed revenue of HK\$371.4 million (2014: HK\$441.2 million) to the Group during the review period, accounting for 70.2% of Fujikon's total revenue. Ongoing consolidation in the electro-acoustic industry and severe competition led many leading audio brands to adopt a defensive posture and to delay orders. These were among the reasons for the decline in revenue.

The lacklustre environment has however spurred certain customers to re-evaluate their product portfolios; seeking to differentiate themselves from their peers to better attract consumers. Under such conditions, the Group collaborated with its key customers in developing more advanced devices that feature Fujikon's innovative technologies, which helped to further bolster ties with these leading brands. At the same time, the management has successfully captured business opportunities with new customers, allowing Fujikon to expand beyond present geographical markets and further diversify its product portfolio.



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

### **Accessories and Components**

Owing to the management's effective strategies, the accessories and components business was able to further enhance profitability during the review period. Specifically, profit rose as a result of the Group's ability to attract greater orders from a key customer, while the prudent decision to dispose of an unprofitable subsidiary as announced in July 2014 further aided profitability. Though the segment recorded revenue of HK\$157.4 million (2014: HK\$234.5 million), profit rose by 18.0% to HK\$19.2 million versus HK\$16.3 million for the corresponding period last year.

### **PROSPECTS**

The remaining financial period will remain highly challenging as cut-throat competition and market consolidation will continue which may affect top-line growth, while operating cost will place persistent pressure. Moreover, the potential interest rate hikes in the United States and geopolitical concerns in parts of Europe will likely affect consumption sentiment, as well as encourage leading brands to employ more conservative strategies towards managing their inventories.

The management is duly cautious about such testing conditions, and will seek to further enhance its core competencies including product innovation and engineering. For instance, the Group will strive to strengthen its development capabilities and expertise such as Active Noise Cancellation (ANC), Bluetooth and Near Field Communication (NFC). Only by raising its competitive edge can the Group be poised to capture developing trends – such as the advent of wearable smart devices, which can lead to more higher-margin products; and strengthen its reputation, ties and bargaining power with key customers that now see product differentiation as paramount in an increasingly competitive market.

Furthermore, the Group will seek to nurture new business ties. Correspondingly, it has been involved in co-development projects for new clients, including one that required the development of a Bluetooth speaker for outdoor products. This is also indicative of the management's ongoing effort to explore and penetrate promising new product frontiers. Still, another new customer has enabled Fujikon to continue broadening its geographical presence, which is highly important given the constantly changing consumption sentiment of different global markets.

Going forward, the management will seek to both capitalise and strengthen the Group's many attributes as it steers Fujikon forward. Though well aware of the intricacy of such tasks, the management will draw on its depth of experience to prepare Fujikon for the challenges ahead.

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

The Group maintained at a strong financial position. Net current assets as at 30 September 2015 amounted to approximately HK\$549.1 million (31 March 2015: HK\$584.6 million). The Group's current and quick ratios were approximately 2.8 times (31 March 2015: 3.1 times) and 2.3 times (31 March 2015: 2.6 times), respectively.

The Group had cash and cash equivalents of approximately HK\$450.4 million as at 30 September 2015, representing an increase of approximately 10.0% against approximately HK\$409.3 million as at 31 March 2015. Approximately 56.5%, 39.9% and 3.5% of the total cash and cash equivalents were denominated in Renminbi, US dollars and Hong Kong dollars respectively, and the remainders were in other currencies. As at 30 September 2015, the Group had aggregated banking facilities of approximately HK\$160.6 million (31 March 2015: HK\$160.6 million) from several banks for loans and trade financing, with an unused balance of approximately HK\$160.6 million (31 March 2015: HK\$160.6 million).

An indebtedness of RMB25.0 (equivalent to approximately HK\$31.7 million) owing to the Group by a former subsidiary, Zhejiang Fousine Science & Technology Company Limited, has been fully repaid to the Group during the period.

## **FINANCIAL REVIEW (Continued)**

### **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 2015 was a liability of HK\$9.3 million (31 March 2015: HK\$4.0 million). Fair value losses on derivative financial instruments accounted for approximately HK\$5.3 million (2014: gains HK\$3.2 million) for the period and such fair value losses/gains does not have impact to the Group's real cash flow.

Furthermore, net realised gains from derivative financial instruments of approximately HK\$2.9 million (2014: HK\$2.5 million) represent actual settlements under derivative contracts during the period. The Group also had net foreign exchange gains of approximately HK\$5.2 million (2014: HK\$1.2 million). If these net realised gains from derivative financial instruments and net exchange gains were taken into account, the Group's foreign exchange exposure was in net gains of approximately HK\$8.1 million for the period, representing an increase of approximately 124.1% against approximately HK\$3.6 million for last period.

As at 30 September 2015, there is one outstanding foreign exchange forward contract which is expected to mature within 21 months. Although the devaluation of RMB may have negative financial impact derived from such foreign exchange forward contract, it benefits to the Group's operating costs in Mainland China, given the Group's major source of income is denominated in US dollars.

### **Employee Information**

As at 30 September 2015, the Group employed a total of approximately 4,700 (31 March 2015: 4,800) employees. The staff costs (including the directors' emoluments) accounted for approximately HK\$172.3 million during the six months ended 30 September 2015 (2014: HK\$200.7 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 Guarantee**

As at 30 September 2015, the Company had provided corporate guarantees of approximately HK\$155.7 million (31 March 2015: 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 2015 and 31 March 2015.

## **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 2015, 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.

## **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, 26 November 2015