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 2018

FINANCIAL HIGHLIGHTS

- **Revenue: HK$743.7 million, up 18.1% (2017: HK$629.8 million)**
- **Gross profit: HK$149.1 million, up 6.1% (2017: HK$140.5 million)**
- **Profit attributable to equity holders of the Company: HK$37.3 million, up 50.5% (2017: HK$24.7 million)**
- **Basic earnings per share: HK8.84 cents (2017: HK5.89 cents)**
- **Dividends (per share): HK4.0 cents (2017: 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 2018.

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

	Note	Unaudited Six months ended 30 September **2018** ***HK$'000***	2017 *HK$'000*
Revenue	4	**743,669**	629,772
Cost of sales		**(594,590)**	(489,247)
Gross profit		**149,079**	140,525
Other gains/(losses) - net		**7,404**	(8,013)
Distribution and selling expenses		**(8,130)**	(7,089)
General and administrative expenses		**(86,997)**	(76,284)
Operating profit	5	**61,356**	49,139
Finance income - net		**2,668**	1,057
Profit before income tax		**64,024**	50,196
Income tax expenses	6	**(12,167)**	(9,205)
Profit for the period		**51,857**	40,991
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss:			
- Fair value losses on financial assets at fair value through other comprehensive income		**(64)**	-
Items that have been reclassified or may be subsequently reclassified to profit or loss:			
- Currency translation differences		**(36,833)**	17,723
- Fair value gains on available-for-sale financial assets		**-**	164
- Release of investment reserve upon disposal of available-for-sale financial assets		**-**	20
Other comprehensive income for the period, net of tax		**(36,897)**	17,907
Total comprehensive income for the period		**14,960**	58,898
Profit attributable to:			
Equity holders of the Company		**37,252**	24,747
Non-controlling interests		**14,605**	16,244
		51,857	40,991
Total comprehensive income attributable to:			
Equity holders of the Company		**3,091**	41,445
Non-controlling interests		**11,869**	17,453
		14,960	58,898
Earnings per share for profit attributable to the equity holders of the Company during the period:			
- Basic (HK cents per share)	8	**8.84**	5.89
- Diluted (HK cents per share)	8	**8.82**	5.88

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited As at 30 September 2018 *HK$'000***	Audited As at 31 March 2018 *HK$'000*
Non-current assets			
Property, plant and equipment		**136,809**	137,898
Investment property		**1,200**	1,200
Land use rights		**3,859**	4,316
Non-current deposits and other assets		**5,545**	2,758
Available-for-sale financial assets		**-**	3,928
Financial assets at fair value through other comprehensive income		**3,864**	-
Deferred income tax assets		**5,762**	5,836
Total non-current assets		**157,039**	155,936
Current assets			
Inventories		**301,842**	237,111
Trade receivables	9	**387,580**	228,332
Other receivables		**42,231**	30,005
Financial assets at fair value through profit or loss		**1,853**	2,145
Current income tax recoverable		**63**	61
Cash and cash equivalents		**273,918**	408,633
Total current assets		**1,007,487**	906,287
Current liabilities			
Trade payables	10	**279,596**	205,668
Accruals and other payables		**125,209**	100,078
Current income tax liabilities		**18,818**	10,044
Total current liabilities		**423,623**	315,790
Net current assets		**583,864**	590,497
Total assets less current liabilities		**740,903**	746,433
Non-current liabilities			
Deferred income tax liabilities		**1,886**	1,491
Net assets		**739,017**	744,942
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital		**42,123**	42,107
Other reserves		**157,693**	191,739
Retained earnings			
- Dividends		**16,849**	21,053
- Others		**455,661**	435,221
		672,326	690,120
Non-controlling interests		**66,691**	54,822
Total equity		**739,017**	744,942

NOTES

1. Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 September 2018 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. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

2. Accounting policies

The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 March 2018, except as mentioned below.

(a) New and amended standards adopted by the Group

A number of new standards or amendments to standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

• HKFRS 9	Financial instruments
• HKFRS 15	Revenue from contracts with customers and the related amendments

The impacts of the adoption of these standards are disclosed in Note 3 below. The other standards did not have a significant impact on the Group's accounting policies and did not require retrospective adjustments.

(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 on 1 April 2018 and have not been early adopted:

• HKFRS 9 (Amendments)	Prepayment features with negative compensation[1]
• HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture[3]
• HKFRS 16	Leases[1]
• HKFRS 17	Insurance contracts[2]
• HKFRSs (Amendments)	Annual improvements to HKFRSs 2015-2017 cycle[1]
• HKAS 28 (Amendments)	Long-term interests in associates and joint ventures[1]
• HK(IFRIC) – Int 23	Uncertainty over income tax treatments[1]

[1] Effective for financial years beginning on or after 1 January 2019
[2] Effective for financial years beginning on or after 1 January 2021
[3] No mandatory effective date yet determined

HKFRS 16, Leases
Nature of change
HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

2. **Accounting policies (Continued)**

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

HKFRS 16, Leases (Continued)

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK$21.8 million. The Group has not yet assessed the adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Date of adoption by the Group

The standard is mandatory for financial years commencing on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards and interpretations that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. **Changes in accounting policies**

This note explains the impact of the adoption of HKFRS 9 Financial instruments ("HKFRS 9") and HKFRS 15 Revenue from contracts with customers ("HKFRS 15") on the Group's condensed consolidated interim financial information and also discloses the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

(a) Adoption of HKFRS 9

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated interim financial information. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

(i) Classification and measurement

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories.

The main effects resulting from this reclassification are as follows:

	As at 1 April 2018		
	As previously stated HK$'000	Reclassification under HKFRS 9 HK$'000	Restated HK$'000
Available-for-sale financial assets ("AFS")	3,928	(3,928)	-
Financial assets at fair value through other comprehensive income ("FVOCI")	-	3,928	3,928

The Group has elected to present in other comprehensive income ("OCI") changes in fair value of its debt instruments previously classified as AFS, because these investments are held both collecting contractual cash flows and selling of these assets. As a result, assets with fair value of HK$3,928,000 were reclassified from AFS to FVOCI and fair value gains of HK$38,000 were reclassified from AFS reserve to FVOCI reserve within the "Investment reserve" on 1 April 2018.

3. Changes in accounting policies (Continued)

(a) Adoption of HKFRS 9 (Continued)

(i) Classification and measurement (Continued)

Equity securities held for trading are required to be held as financial assets at fair value through profit or loss under HKFRS 9. There was no impact on the amounts recognised in relation to these assets from the adoption of HKFRS 9.

In addition, there is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss ("FVPL") and the Group does not have any such liabilities which are subject to HKFRS 9.

(ii) Impairment of financial assets

The Group has two main types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- Trade receivables and contract assets; and
- Other financial assets measured at amortised costs (including cash and cash equivalents and other receivables)

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology is as follows:

(a) Trade receivables and contract assets

The Group applies HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled sales of goods and services and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group has assessed the expected credit loss model applied to the trade receivables and contract assets as at 1 April 2018 and the change in impairment methodologies did not have any material impact on the Group's condensed consolidated interim financial information and the opening loss allowance is not restated in this respect.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure make contractual payments for a period of greater than 180 days past due.

(b) Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables. The Group has applied the expected credit loss model to other receivables as at 1 April 2018 and the change in impairment methodologies did not have material impact on the Group's condensed consolidated interim financial information and the opening loss allowance is not restated in this respect.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

3. Changes in accounting policies (Continued)

(b) Adoption of HKFRS 15

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts. The Group has elected to use the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

(i) Timing of revenue recognition

Previously, revenue arising from provision of services was recognised when services are rendered, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- When the customer simultaneously receives and consumes the benefits provided by the Group's performance, as the Group performs;
- When the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- When the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the contract terms and the Group's activities do not fall into any of these 3 situations, then under HKFRS 15 the Group recognises revenue for the sale of that goods or services at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs. The adoption of HKFRS 15 does not have a significant impact on the Group's financial position and results of operation for the period. There is also no material impact to the Group's retained earnings as at 1 April 2018.

(ii) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis. The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18 that was previously in effect before the adoption of HKFRS 15 is as follows:

3. Changes in accounting policies (Continued)

(b) Adoption of HKFRS 15 (Continued)

(ii) Presentation of contract assets and liabilities (Continued)

	As at 1 April 2018		
	As previously stated HK$'000	Reclassification under HKFRS 15 HK$'000	Restated HK$'000
Consolidated statement of financial position (extract)			
Current assets:			
Trade receivables	228,332	2,335	230,667
Other receivables - contract assets	-	3,700	3,700
Current liabilities:			
Accruals and other payables	(100,078)	5,942	(94,136)
Accruals and other payables - contract liabilities	-	(11,977)	(11,977)
	128,254	-	128,254

As at 30 September 2018, contract assets and contract liabilities included in other receivables and accruals and other payables amounting to HK$3,304,000 and HK$8,800,000 respectively.

4. 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 condensed consolidated statement of comprehensive income.

4. Segment information (Continued)

	Six months ended 30 September (Unaudited)							
	Headsets and headphones		**Accessories and components**		**Elimination**		**Total**	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue								
- External revenue	**566,163**	445,063	**177,506**	184,709	**-**	-	**743,669**	629,772
- Inter-segment revenue	**-**	-	**24,459**	15,550	**(24,459)**	(15,550)	**-**	-
Total	**566,163**	445,063	**201,965**	200,259	**(24,459)**	(15,550)	**743,669**	629,772
Segment results	**25,305**	19,681	**32,492**	40,402	**-**	-	**57,797**	60,083
Corporate expenses							**(3,845)**	(2,931)
Other gains/(losses) - net							**7,404**	(8,013)
Finance income - net							**2,668**	1,057
Profit before income tax							**64,024**	50,196
Other segment information:								
Depreciation of property, plant and equipment	**10,062**	10,994	**4,674**	4,386	**-**	-	**14,736**	15,380
Amortisation of land use rights	**81**	79	**-**	-	**-**	-	**81**	79
Provision/(reversal of provision)/ for inventory obsolescence	**5,368**	9,268	**(943)**	220	**-**	-	**4,425**	9,488
(Reversal of provision)/ provision for impairment of trade receivables	**(1,197)**	524	**21**	18	**-**	-	**(1,176)**	542
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**22,740**	11,006	**4,512**	6,539	**-**	-	**27,252**	17,545

For the six months ended 30 September 2018, revenues of approximately HK$562,641,000 (2017: HK$407,420,000) were derived from three (2017: three) customers, amounting to approximately HK$242,520,000, HK$162,597,000 and HK$157,524,000 respectively, which individually accounted for over 10% of the Group's total revenue. These revenues of approximately HK$421,443,000 (2017: HK$259,583,000) and HK$141,198,000 (2017: HK$147,837,000) 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 six months ended 30 September 2018 is approximately HK$680,075,000 (2017: HK$545,926,000), and the total revenue from external customers from China is approximately HK$63,594,000 (2017: HK$83,846,000).

At 30 September 2018, total non-current assets other than financial instruments and deferred income tax assets located in Hong Kong and China is approximately HK$29,374,000 (31 March 2018: HK$26,186,000) and HK$118,039,000 (31 March 2018: HK$119,986,000) respectively.

5. Operating profit

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

	Unaudited Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Amortisation of land use rights	**81**	79
Depreciation of property, plant and equipment	**14,736**	15,380
Fair value gains on derivative financial instruments	**-**	(3,870)
Fair value losses on financial assets at FVPL	**291**	15
Net losses on disposal of financial assets at FVPL	**-**	19
Net losses on disposal of AFS	**-**	20
Net (gains)/losses on disposal of property, plant and equipment	**(632)**	72
Net foreign exchange (gains)/losses	**(7,063)**	8,228
Net realised losses from derivative financial instruments	**-**	3,529
Provision for inventory obsolescence	**4,425**	9,488
(Reversal of provision)/provision for impairment of trade receivables	**(1,176)**	542
Staff costs (including directors' emoluments)	**208,392**	169,741

6. 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% (2017: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the period. The Group's subsidiaries in China are subject to China Corporate Income Tax at a rate of 25% (2017: 25%) on the estimated assessable profits.

	Unaudited Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Current income tax		
- Current tax on profits for the period	**12,213**	9,670
- Under/(over) provision in prior years	**16**	(31)
	12,229	9,639
Deferred income tax	**(62)**	(434)
	12,167	9,205

7. Dividends

The Board has resolved to declare an interim dividend of HK4.0 cents (2017: HK4.0 cents) per ordinary share for the six months ended 30 September 2018. 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 2019.

8. Earnings per share

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

	Unaudited Six months ended 30 September 2018	2017
Profit attributable to equity holders of the Company (HK$'000)	**37,252**	24,747
Weighted average number of ordinary shares in issue (in thousands)	**421,219**	420,263
Adjustment for potential dilutive effect in respect of outstanding share options (in thousands)	**1,119**	265
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	**422,338**	420,528

9. Trade receivables

The Group grants credit periods to its customers ranging from 7 to 120 days. As at 30 September 2018 and 31 March 2018, the ageing analysis of the trade receivables by past due date is as follows:

	Unaudited As at 30 September 2018 ***HK$'000***	Audited As at 31 March 2018 *HK$'000*
Current	**324,848**	194,989
1 to 30 days	**40,558**	15,909
31 to 60 days	**8,950**	9,893
61 to 90 days	**12,400**	3,780
Over 90 days	**1,152**	6,113
	387,908	230,684
Less: Provision for impairment of trade receivables	**(328)**	(2,352)
Trade receivables, net	**387,580**	228,332

10. Trade payables

As at 30 September 2018 and 31 March 2018, the ageing analysis of the trade payables by past due date is as follows:

	Unaudited As at 30 September 2018 ***HK$'000***	Audited As at 31 March 2018 *HK$'000*
Current	**176,852**	188,881
1 to 30 days	**90,123**	3,462
31 to 60 days	**88**	7,973
61 to 90 days	**8,363**	773
Over 90 days	**4,170**	4,579
	279,596	205,668

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK4.0 cents (2017: HK4.0 cents) per ordinary share for the six months ended 30 September 2018. The interim dividend is expected to be paid on or around 28 December 2018 to shareholders whose names appeared on the Company's register of members on 10 December 2018.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to the interim dividend for the six months ended 30 September 2018, the register of members will be closed from Monday, 10 December 2018 to Wednesday, 12 December 2018 (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, 7 December 2018 for registration.

BUSINESS REVIEW

For the six months ended 30 September 2018 (the "Interim Period"), the Group recorded a rise in revenue of 18.1% year-on-year to HK$743.7 million (2017: HK$629.8 million). Gross profit rose modestly by 6.1% year-on-year to HK$149.1 million, with gross profit margin at 20.0% (2017: 22.3%). Profit attributable to equity holders increased appreciably by 50.5% year-on-year to HK$37.3 million (2017: HK$24.7 million). The upsurge in profitability, despite an increase in overall staff costs, was principally driven by encouraging sales from the headsets and headphones segment and was further bolstered by the depreciation of the Renminbi which resulted in the recording of a net exchange gain. Basic earnings per share were HK8.84 cents (2017: HK5.89 cents).

BUSINESS SEGMENT ANALYSIS

Headsets and Headphones

During the Interim Period, the headsets and headphones business generated revenue totalling HK$566.2 million (2017: HK$445.1 million), representing a year-on-year increase of 27.2% and accounting for 76.1% of total revenue of the Group. Furthermore, the business achieved a segment profit of HK$25.3 million (2017: HK$19.7 million), or an increase of 28.6% over the corresponding period last year.

The improving performance of the headsets and headphones business can directly be attributed to the effective restructuring of the Group's customer portfolio complemented by the launch of high-potential innovative products. Fujikon in fact began to strategically restructure its customer portfolio several years ago to create a strong client base, establish a strong line-up of products and attract strong volume of orders – facilitated by directing greater resources towards serving customers seeking sophisticated products with high-volume potential. In addition to this strategy, the Group's expertise and technological innovations have enabled its customers to more promptly introduce new products onto the market, including during the Interim Period, leading to mutually favourable outcomes.

Accessories and Components

During the Interim Period, the accessories and components segment generated revenue of HK$177.5 million (2017: HK$184.7 million), thereby accounting for 23.9% of the Group's total revenue. Due to a change in product mix as well as an increase in overall staff cost, segment profit of HK$32.5 million (2017: HK$40.4 million) was recorded. Nonetheless, the segment has continued to provide a source of supplementary income to the Group, while at the same time address the needs of key customers and facilitate the Group's vertical integration.

PROSPECTS

Even though the Group's performance during the Interim Period has been encouraging, the management is fully aware that there are various developments which may impact the Group in the near future. One obvious concern is the growing trade war between the United States and China, which, as of 24 September 2018, has resulted in tariffs on US$253 billion worth of Chinese goods. Though the Group has been unaffected thus far, it would be inevitably impacted if electro-acoustic products were included in future tariff lists issued by the Office of the United States Trade Representative ("USTR"). The management will closely monitor developments and take relevant measures when deemed necessary. Separately, the disruption of electronic components supply, while less severe during the Interim Period, remains a concern that requires ongoing implementation of a three-pronged strategy consisting of strengthening ties with suppliers, careful product forecasting and maintaining adequate inventory of fast selling products. Also, as the labour shortage remains a persistent issue, the Group will continue to optimise its workforce and increase automation, as well as provide competitive remuneration packages to tackle it.

In view of the various developments mentioned, it is worth noting again that the Group's successful restructuring of its customer portfolio has put it in a favourable position for stable and sustainable development, while also enhancing its financial performance. Going forward, the Group's overarching goal will be to further refine its customer base to achieve a more balanced customer portfolio. This, together with the aforementioned strategy will continue to enable the Group to achieve greater market differentiation, raise its competitiveness, increase economies of scale and better manage risk.

Mindful that raising one's competitiveness is also essential for capturing new opportunities, as well as for bolstering ties with key customers, the Group will direct greater energy and resources towards research and development. This in turn will enable the Group to realise technological advancements and new breakthroughs that eventually become integral features of future products. It will also make investments in engineering and production to support its development as well as to address clients' increasingly high expectations. Such investments would also go towards raising production efficiency and flexibility, as well as allowing the Group to not only develop but produce in mass quantity increasingly advanced products.

In view of the highly competitive environment that the Group operates in as well as the possible headwinds ahead, the management will implement the strategies outlined in a timely manner so as to fortify its market position and achieve further progress, leading to greater value creation for its shareholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group maintained at a strong financial position. Net current assets as at 30 September 2018 amounted to approximately HK$583.9 million (31 March 2018: HK$590.5 million). The Group's current and quick ratios were approximately 2.4 times (31 March 2018: 2.9 times) and 1.7 times (31 March 2018: 2.1 times), respectively.

The Group had cash and cash equivalents of approximately HK$273.9 million as at 30 September 2018, representing a decrease of approximately 33.0% against approximately HK$408.6 million as at 31 March 2018. Approximately 59.0%, 35.7% and 3.2% 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 2018, the Group had aggregated banking facilities of approximately HK$160.6 million (31 March 2018: HK$160.6 million) for loans and trade financing, which were fully available for use.

FINANCIAL REVIEW (Continued)

Foreign Exchange Exposure

The Group mainly operates in Hong Kong and 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.

During the Interim Period, the Group had recorded a net foreign exchange gain of approximately HK$7.1 million mainly due to the depreciation of Renminbi, while a net foreign exchange loss of approximately HK$8.2 million was recorded during the last corresponding period.

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 30 September 2018, the Group employed a total of approximately 4,100 (31 March 2018: 4,100) employees. The staff costs (including the directors' emoluments) accounted for approximately HK$208.4 million during the Interim Period (2017: HK$169.7 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 China. The Group has also provided training programs to its management and employees to ensure they are properly trained.

Financial Guarantee

As at 30 September 2018, the Company had provided corporate guarantees of approximately HK$155.7 million (31 March 2018: HK$155.7 million) to secure banking facilities of its subsidiaries. No facilities were utilised by the subsidiaries as at 30 September 2018 and 31 March 2018.

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 six months ended 30 September 2018.

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 six months ended 30 September 2018.

CORPORATE GOVERNANCE

During the six months ended 30 September 2018, the Company has complied with the code provisions of the Corporate Governance Code (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 six months ended 30 September 2018, Mr. Yeung Chi Hung, Johnny acted as the chairman and 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 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, 22 November 2018