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 2019

FINANCIAL HIGHLIGHTS

- **Revenue: HK$1,411.8 million, up 15.1% (2018: HK$1,226.1 million)**
- **Gross profit margin: 18.3%, down 1.9 points (2018: 20.2%)**
- **Profit attributable to equity holders of the Company: HK$40.5 million, up 32.7% (2018: HK$30.5 million)**
- **Basic earnings per share: HK9.6 cents (2018: HK7.3 cents)**
- **Final dividend (per share): HK5.0 cents (2018: HK5.0 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 2019.

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 2019

	Note	**2019** **HK$'000**	2018 HK$'000
Revenue	4	**1,411,795**	1,226,121
Cost of sales		**(1,154,092)**	(978,377)
Gross profit		**257,703**	247,744
Other gains/(losses) - net		**8,046**	(15,973)
Distribution and selling expenses		**(14,293)**	(12,903)
General and administrative expenses		**(166,569)**	(154,662)
(Provision)/reversal of provision for impairment of trade receivables		**(871)**	2,105
Operating profit	5	**84,016**	66,311
Finance income - net		**4,572**	3,278
Profit before income tax		**88,588**	69,589
Income tax expenses	6	**(19,620)**	(15,310)
Profit for the year		**68,968**	54,279
Other comprehensive income:			
Items that have been reclassified or may be subsequently reclassified to profit or loss:			
- Currency translation differences		**(26,683)**	43,244
- Fair value gains on financial assets at fair value through other comprehensive income		**51**	-
- Fair value losses on available-for-sale financial assets		**-**	(25)
- Release of investment reserve upon disposal of available-for-sale financial assets		**-**	20
Other comprehensive income for the year, net of tax		**(26,632)**	43,239
Total comprehensive income for the year		**42,336**	97,518
Profit attributable to:			
Equity holders of the Company		**40,490**	30,518
Non-controlling interests		**28,478**	23,761
		68,968	54,279
Total comprehensive income attributable to:			
Equity holders of the Company		**15,795**	70,701
Non-controlling interests		**26,541**	26,817
		42,336	97,518
Earnings per share for profit attributable to the equity holders of the Company for the year:			
- Basic (HK cents per share)	8	**9.6**	7.3
- Diluted (HK cents per share)	8	**9.5**	7.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**142,442**	137,898
Investment property		**1,400**	1,200
Land use rights		**3,879**	4,316
Non-current deposits and other assets		**4,812**	2,758
Available-for-sale financial assets		**-**	3,928
Financial assets at fair value through other comprehensive income		**3,979**	-
Deferred income tax assets		**6,644**	5,836
Total non-current assets		**163,156**	155,936
Current assets			
Inventories		**313,876**	237,111
Trade receivables	9	**258,226**	228,332
Other receivables		**39,149**	30,005
Financial assets at fair value through profit or loss		**2,109**	2,145
Current income tax recoverable		**1,003**	61
Cash and cash equivalents		**263,137**	408,633
Total current assets		**877,500**	906,287
Current liabilities			
Trade payables	10	**173,121**	205,668
Contract liabilities, accruals and other payables		**125,690**	100,078
Current income tax liabilities		**4,805**	10,044
Total current liabilities		**303,616**	315,790
Net current assets		**573,884**	590,497
Total assets less current liabilities		**737,040**	746,433
Non-current liabilities			
Deferred income tax liabilities		**2,184**	1,491
Net assets		**734,856**	744,942
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital		**42,584**	42,107
Other reserves		**171,771**	191,739
Retained earnings			
- Proposed dividends		**21,292**	21,053
- Others		**437,446**	435,221
		673,093	690,120
Non-controlling interests		**61,763**	54,822
Total equity		**734,856**	744,942

NOTES

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with 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, financial assets at fair value through other comprehensive income, and 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) New and amended standards, improvement and interpretations to standards (collectively the "Amendments") adopted by the Group

The Group has applied the following Amendments for the first time for its financial year commencing on 1 April 2018:

• HKFRSs (Amendments)	Annual improvements to HKFRSs 2014-2016 cycle
• HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions
• HKFRS 4 (Amendments)	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts
• HKFRS 9	Financial instruments
• HKFRS 15	Revenue from contracts with customers
• HKFRS 15 (Amendments)	Clarifications to HKFRS 15
• HKAS 40 (Amendments)	Transfer to investment property
• HK (IFRIC) – Int 22	Foreign currency transactions and advance consideration

The impacts of the adoption of HKFRS 9 Financial instruments ("HKFRS 9") and HKFRS 15 Revenue from contracts with customers ("HKFRS 15") and the new accounting policies are disclosed in Note 3 below. Reclassification of impairment losses on financial assets is also required as a result of consequential changes made to HKAS 1 Presentation of financial statements. Impairment losses on financial assets that were previously classified as administrative expenses are now presented separately in the consolidated statement of comprehensive income. The adoption of other amended standards and interpretations to standards did not have a material impact on the Group's accounting policies and did not require retrospective adjustments.

2. Accounting policies (Continued)

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

A number of new and amended standards and interpretations to standards are effective for the Group's annual periods beginning on or after 1 April 2019 and have not been early adopted in preparing these consolidated financial statements:

• HKFRSs (Amendments)	Annual improvements to HKFRSs 2015–2017 cycle[1]
• HKFRS 3 (Amendments)	Definition of a business[2]
• 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[4]
• HKFRS 16	Leases[1]
• HKFRS 17	Insurance contract[3]
• HKAS 1 and HKAS 8 (Amendments)	Definition of material[2]
• HKAS 19 (Amendments)	Plan amendments, curtailment or settlement[1]
• HKAS 28 (Amendments)	Long-term interests in associates and joint ventures[1]
• HK (IFRIC) – Int 23	Uncertainty over income tax treatments[1]
• Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting[2]

1 Effective for financial years beginning on or after 1 January 2019
2 Effective for financial years beginning on or after 1 January 2020
3 Effective for financial years beginning on or after 1 January 2021
4 No mandatory effective date yet determined

The Group is in the process of making an assessment of the potential impact of these new and amended standards and interpretations to standards in the period of initial application. So far the Group has identified some aspects of certain HKFRS 16 Leases ("HKFRS 16") which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below:

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 by lessees, 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.

Impact
HKFRS 16 will primarily affect the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK$20.4 million in respect of certain properties. Upon the initial adoption of the standard, the opening balances of lease liabilities and the corresponding right-of-use assets will be recognised, after taking into account the effects of discounting, as at 1 April 2019. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the profit or loss over the period of the lease.

The Group has not yet fully assessed the adjustments, if any, that 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.

2. **Accounting policies (Continued)**

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

HKFRS 16, Leases (Continued)

Date of adoption by the Group
HKFRS 16 is mandatory for financial years commencing on or after 1 January 2019. The Group will apply the standard from its mandatory adoption date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

3. **Change in accounting policies**

This note explains the impact of the adoption of HKFRS 9 and HKFRS 15 on the Group's consolidated financial statements and also discloses the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior years.

(a) Adoption of HKFRS 9

HKFRS 9 replaces the provisions of HKAS 39 Financial instruments: recognition and measurement ("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 consolidated financial statements. 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 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 for 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. Change 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 three main types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- Trade receivables and contract assets;
- Other financial assets carried at amortised costs (including cash and cash equivalents and other receivables); and
- Debt instruments carried at FVOCI.

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 consolidated financial statements 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.

3. Change in accounting policies (Continued)

(a) Adoption of HKFRS 9 (Continued)

(ii) Impairment of financial assets (Continued)

(b) Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables, the expected credit loss is based on the 12-month expected credit loss. It is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. 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 any material impact on the Group's consolidated financial statements 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.

(c) Debt instruments

All of the entity's debt instruments at FVOCI are considered to have low credit risk. Instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

(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 ("HKAS 18"), 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.

3. Change in accounting policies (Continued)

(b) Adoption of HKFRS 15 (Continued)

(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:

	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	-	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

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 consolidated statement of comprehensive income.

4. Segment information (Continued)

	Headsets and headphones		Accessories and components		Elimination		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue								
- External revenue	**1,077,404**	914,502	**334,391**	311,619	**-**	-	**1,411,795**	1,226,121
- Inter-segment revenue	**-**	-	**46,675**	41,633	**(46,675)**	(41,633)	**-**	-
Total	**1,077,404**	914,502	**381,066**	353,252	**(46,675)**	(41,633)	**1,411,795**	1,226,121
Segment results	**21,294**	27,101	**62,619**	60,995	**-**	-	**83,913**	88,096
Corporate expenses							**(7,943)**	(5,812)
Other gains/(losses) - net							**8,046**	(15,973)
Finance income - net							**4,572**	3,278
Profit before income tax							**88,588**	69,589
Other segment information:								
Depreciation of property, plant and equipment	**22,109**	21,744	**8,887**	8,927	**-**	-	**30,996**	30,671
Amortisation of land use rights	**159**	161	**-**	-	**-**	-	**159**	161
Provision/(reversal of provision) for inventory obsolescence	**7,009**	13,165	**(876)**	43	**-**	-	**6,133**	13,208
Provision/(reversal) of provision) for impairment of trade receivables	**871**	(2,123)	**-**	18	**-**	-	**871**	(2,105)
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**34,773**	17,935	**10,558**	8,157	**-**	-	**45,331**	26,092

For the year ended 31 March 2019, revenues of approximately HK$1,038,684,000 (2018: HK$770,448,000) were derived from three (2018: three) customers, amounted to approximately HK$378,735,000, HK$344,853,000 and HK$315,096,000 respectively, which individually accounted for over 10% of the Group's total revenue. These revenues of approximately HK$768,003,000 (2018: HK$527,414,000) and HK$270,681,000 (2018: HK$243,034,000) were 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 year ended 31 March 2019 was approximately HK$1,296,210,000 (2018: HK$1,089,993,000), and the total revenue from external customers from China was approximately HK$115,585,000 (2018: HK$136,128,000).

At 31 March 2019, the total non-current assets other than financial instruments and deferred income tax assets located in Hong Kong and China were approximately HK$28,121,000 (2018: HK$26,186,000) and HK$124,412,000 (2018: HK$119,986,000) respectively.

5. Operating profit

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

	2019	2018
	HK$'000	*HK$'000*
Amortisation of land use rights	**159**	161
Depreciation of property, plant and equipment	**30,996**	30,671
Fair value gains on derivative financial instruments	**-**	(3,870)
Fair value losses on financial assets at fair value through profit or loss	**36**	49
Net losses on disposal of available-for-sale financial assets	**-**	20
Net losses on disposal of financial assets at fair value through profit or loss	**-**	19
Net gains on disposal of property, plant and equipment	**(770)**	(1)
Net foreign exchange (gains)/losses	**(7,112)**	16,377
Net realised losses from derivative financial instruments	**-**	3,529
Provision for inventory obsolescence	**6,133**	13,208
Staff costs (including directors' emoluments)	**397,821**	340,172

6. 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% (2018: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the year. The Group's subsidiaries in China are subject to the China Corporate Income Tax at a rate of 25% (2018: 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 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 China in respect of earnings generated from 1 January 2008.

	2019	2018
	HK$'000	*HK$'000*
Current income tax		
- Current tax on profits for the year	**20,169**	14,887
- Over-provision in prior years	**(60)**	(101)
- Withholding tax on dividends	**-**	334
	20,109	15,120
Deferred income tax (credit)/charge	**(489)**	190
	19,620	15,310

7. Dividends

The Board recommended a final dividend of HK5.0 cents (2018: HK5.0 cents) for the year ended 31 March 2019. The proposed dividend is not reflected as a dividend payable in these consolidated financial statements, and will be reflected as appropriation of retained earnings for the year ending 31 March 2020.

8. Earnings per share

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

	2019	2018
Profit attributable to equity holders of the Company (HK$'000)	**40,490**	30,518
Weighted average number of ordinary shares in issue (in thousands)	**422,566**	420,459
Adjustment for potential dilutive effect in respect of outstanding share options (in thousands)	**1,515**	1,574
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	**424,081**	422,033

9. Trade receivables

The Group grants credit periods to customers ranging from 7 to 120 days. As at 31 March 2019 and 2018, the ageing analysis of the trade receivables by past due date is as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Current	**221,318**	194,989
1 to 30 days	**20,968**	15,909
31 to 60 days	**11,894**	9,893
61 to 90 days	**2,164**	3,780
Over 90 days	**4,257**	6,113
	260,601	230,684
Less: Loss allowance for trade receivables	**(2,375)**	(2,352)
Trade receivables - net	**258,226**	228,332

10. Trade payables

As at 31 March 2019 and 2018, the ageing analysis of the trade payables by past due date is as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Current	**139,859**	188,881
1 to 30 days	**18,253**	3,462
31 to 60 days	**11,276**	7,973
61 to 90 days	**1,382**	773
Over 90 days	**2,351**	4,579
Trade payables	**173,121**	205,668

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 2019 to the shareholders whose names appeared on the Company's register of members on 5 August 2019. 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 21 August 2019 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 Thursday, 25 July 2019 to Tuesday, 30 July 2019 (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 Wednesday, 24 July 2019.

(b) In order to qualify for the proposed Dividend, the register of members of the Company will be closed from Monday, 5 August 2019 to Wednesday, 7 August 2019 (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 Friday, 2 August 2019.

BUSINESS REVIEW

For the year ended 31 March 2019, the Group recorded revenue of HK$1,411.8 million (2018: HK$1,226.1 million), representing a year-on-year increase of 15.1%. The increase in revenue was principally attributed to greater sales from the headsets and headphones operation. Gross profit rose to HK$257.7 million (2018: HK$247.7 million) despite a decrease in handling income which included the sales of moulds and service fees. Profit attributable to equity holders amounted to HK$40.5 million (2018: HK$30.5 million), representing a year-on-year increases of 32.7%. The rise in profitability, which was despite an appreciable increase in overall staff costs, in particular direct labour costs, was due in part to the depreciation of the Renminbi which led to a net exchange gain. Basic earnings per share were HK9.6 cents (2018: HK7.3 cents).

BUSINESS SEGMENT ANALYSIS

Headsets and Headphones

The headsets and headphones business continued to serve as the primary revenue source of the Group during the review year, contributing HK$1,077.4 million (2018: HK$914.5 million) in segmental revenue, which represented a year-on-year increase of 17.8%, and accounted for 76.3% of the Group's total revenue. The key driver of such growth has been the Group's Bluetooth-enabled solutions which expedited the product launches of its key clients. Through continuous efforts towards product development, with particular focus on sophisticated products requiring advanced technologies, over 80% of products sold by Fujikon now feature Bluetooth and/or active noise cancellation ("ANC") solutions. Ongoing efforts to restructure the client portfolio has also facilitated the rise in revenue. However, because of a labour shortage during the review year, the Company had to hire contract labour which is inherently less cost effective, hence labour cost appreciably increased. Moreover, while Fujikon was able to secure two new clients with high growth potential during the review year, production of their respective products was subject to further ramp up. The rise in labour cost and relatively lower production efficiency consequently impacted on the profitability of the headsets and headphones segment, as reflected by a profit of HK$21.3 million (2018: HK$27.1 million) recorded for the review year.

BUSINESS SEGMENT ANALYSIS (Continued)

Accessories and Components

The accessories and components operation has continued to deliver encouraging performance metrics, including segmental revenue of HK$334.4 million (2018: HK$311.6 million), representing a year-on-year increase of 7.3%, thus accounting for 23.7% of the Group's total revenue. Segmental profit also increased, topping HK$62.6 million (2018: HK$61.0 million) for the year ended 31 March 2019, with the packaging business again credited for the uptick. Apart from the financial contributions, the segment plays a crucial role in enabling the Group to realise its vertical integration strategy, which in turn ensures Fujikon possesses competitive advantages in a challenging market.

PROSPECTS

The new financial year looks set to remain testing, as subsequent to the review year, trade tensions between China and the US have further heightened with the latter raising tariffs on Chinese goods worth US$200 billion from 10% to 25% as of 10 May 2019. The Trump administration is also considering extending tariffs to the remaining US$300 billion or so in Chinese imports that have not been targeted, which includes smartphones and other electronics. A public hearing is expected to take place in June, and if negotiations between the two parties fail, the tariffs could be implemented by July 2019. Given that approximately 23% of Fujikon's revenue was derived from the US market during the review year, the proposed tariffs might potentially impact the Group. Such impact cannot be accurately assessed at this time, since the ramifications of the Sino-US trade war, which involves the two largest economies in the world, remain unknown, particularly as it pertains to the global economy. Regardless, Fujikon will devise contingency plans, including the possible recruitment of offshore manufacturing partners. Moreover, it will closely monitor market developments and take appropriate and measured action in a timely manner.

In the face of potential market volatility, Fujikon will continue to fortify its business foundation as well as capitalise on its engineering and manufacturing capabilities to strengthen its stature as a preferred one-stop ODM/JDM services provider. Furthermore, the Group will refine its customer portfolio, going beyond reinforcing ties with selected existing customers. Specifically, it will focus on securing new customers that are top-tier industry players, and which possess high growth potential as well as require miniaturised, complex and customised electro-acoustic products in significant quantities.

As both a veteran and pioneer of Bluetooth, True Wireless, ANC and Hybrid ANC technologies in electro-acoustic products, the Group will further bolster its leading position in these advanced technologies. Already, it is on the brink of another significant milestone – the miniaturisation and integration of True Wireless and ANC technologies to accommodate size-restrictive devices. As this latest breakthrough enters the market, along with other products in the pipeline, the Group will ensure that its manufacturing expertise will have a complementary role so as to drive growth of the headsets and headphones business. The Group's engineering expertise, technological advancement as well as manufacturing capabilities will allow it to differentiate itself from other industry players, and more importantly, increase its bargaining power under an adverse market. Such attributes will also attract more top-tier brands seeking sophisticated products and mass production capabilities.

To address both current and future production requirements, Fujikon will continue to invest in IT systems, semi-automation and high-precision equipment, which deliver the benefits of greater production volume, efficiency and cost effectiveness. Moreover, the management has been prudently restructuring the Group's supply chain. As a consequence, the Group has recently secured suppliers that are capable of providing a stable source of higher quality materials at lower costs. This will not only result in greater efficiency in procurement and production, but also assure adequate raw material supplies, hence mitigate the effects of material shortages.

Yet another proactive step taken by the Group involves human resource management. Given the persistent challenge posed by an industry-wide labour shortage, Fujikon has been continuously improving employment conditions and welfare benefits, going beyond the industry norm. Various incentives, appealing remuneration packages, and activities and initiatives aimed at raising job satisfaction as well as personal fulfilment have been introduced. Fujikon's reputation for being a preferred workplace has consequently been enhanced even further.

PROSPECTS (Continued)

In the final analysis, only the most competitive companies will be able to adapt to market conditions, whether favourable or difficult. Fujikon will be committed to ensuring that it is such a company, so as to both facilitate its long-term growth and create value for its shareholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group maintained at a strong financial position. Net current assets as at 31 March 2019 amounted to approximately HK$573.9 million (2018: HK$590.5 million). The Group's current and quick ratios were approximately 2.9 times (2018: 2.9 times) and 1.9 times (2018: 2.1 times), respectively.

The Group had cash and cash equivalents of approximately HK$263.1 million as at 31 March 2019, representing a decrease of approximately 35.6% against approximately HK$408.6 million as at 31 March 2018. Approximately 61.7%, 32.8% and 3.3% 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 2019, the Group had aggregated banking facilities of approximately HK$160.6 million (2018: 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 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 year, 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$16.4 million was recorded 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 2019, the Group employed a total of approximately 4,500 (2018: 4,100) employees. The staff costs (including the directors' emoluments) accounted for approximately HK$397.8 million during the year (2018: HK$340.2 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 developed training programs to its management and employees to ensure they are properly trained.

Financial Guarantee

As at 31 March 2019, the Company had provided corporate guarantees of approximately HK$155.7 million (2018: HK$155.7 million) to secure banking facilities of its subsidiaries. No facilities were utilised by the subsidiaries as at 31 March 2019 and 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 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 2019, 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.

Market Misconduct Tribunal proceedings

Reference is made to the announcement of the Company dated 12 April 2019 in relation to the proceedings at the Market Misconduct Tribunal ("MMT") regarding a breach of a disclosure requirement within the meaning of sections 307A, 307B and 307G of Part XIVA of the Securities and Futures Ordinance ("SFO"). The proceedings have been concluded on 12 April 2019.

Based on (i) the order made by the MMT; and (ii) information currently available to the management of the Company and its best estimate, (a) regulatory fines of HK$1.5 million, of which HK$1.0 million being imposed on the Company; (b) Securities and Futures Commission's costs of approximately HK$2.7 million; and (c) professional fees, training and other costs and expenses of approximately HK$6.9 million will be incurred by the Company, Mr. Yeung Chi Hung, Johnny and Ms. Chow Lai Fung in aggregate in relation to the proceedings at the MMT. The Company is currently enquiring with professional parties and insurance company in relation to the estimates as to the amount of professional fees and other costs and expenses to be incurred by the Company and the amounts to be covered by the insurance company (collectively, "Estimated Fees"). As at the date of this report, the Estimated Fees are yet to be ascertained.

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.

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

Hong Kong, 19 June 2019