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 2019

FINANCIAL HIGHLIGHTS

- **Revenue: HK$806.3 million, up 8.4% (2018: HK$743.7 million)**
- **Gross profit: HK$156.6 million, up 5.1% (2018: HK$149.1 million)**
- **Profit attributable to equity holders of the Company: HK$33.9 million, down 9.0% (2018: HK$37.3 million)**
- **Basic earnings per share: HK7.96 cents (2018: HK8.84 cents)**
- **Dividends (per share): HK2.0 cents (2018: 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 2019.

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 2019 *HK$'000*	2018 *HK$'000*
Revenue	4	**806,328**	743,669
Cost of sales		**(649,692)**	(594,590)
Gross profit		**156,636**	149,079
Other gains - net		**7,256**	7,404
Distribution and selling expenses		**(5,971)**	(8,130)
General and administrative expenses		**(88,524)**	(88,173)
(Provision)/reversal of provision for impairment of trade receivables		**(2,005)**	1,176
Operating profit	5	**67,392**	61,356
Finance income - net		**2,082**	2,668
Profit before income tax		**69,474**	64,024
Income tax expenses	6	**(14,113)**	(12,167)
Profit for the period		**55,361**	51,857
Other comprehensive income:			
Items that have been reclassified or may be subsequently reclassified to profit or loss:			
- Currency translation differences		**(23,840)**	(36,833)
- Fair value gains/(losses) on financial assets at fair value through other comprehensive income		**146**	(64)
Other comprehensive income for the period, net of tax		**(23,694)**	(36,897)
Total comprehensive income for the period		**31,667**	14,960
Profit attributable to:			
Equity holders of the Company		**33,884**	37,252
Non-controlling interests		**21,477**	14,605
		55,361	51,857
Total comprehensive income attributable to:			
Equity holders of the Company		**12,333**	3,091
Non-controlling interests		**19,334**	11,869
		31,667	14,960
Earnings per share for profit attributable to the equity holders of the Company during the period:			
- Basic (HK cents per share)	8	**7.96**	8.84
- Diluted (HK cents per share)	8	**7.94**	8.82

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited As at 30 September 2019 *HK$'000***	Audited As at 31 March 2019 *HK$'000*
Non-current assets			
Property, plant and equipment		**133,368**	142,442
Investment property		**1,400**	1,400
Right-of-use assets		**14,599**	-
Land use rights		**3,566**	3,879
Non-current deposits and other assets		**3,650**	4,812
Financial assets at fair value through other comprehensive income		**4,124**	3,979
Deferred income tax assets		**9,879**	6,644
Total non-current assets		**170,586**	163,156
Current assets			
Inventories		**204,471**	313,876
Trade receivables	9	**350,004**	258,226
Other receivables		**29,705**	39,149
Financial assets at fair value through profit or loss		**1,861**	2,109
Current income tax recoverable		**100**	1,003
Cash and cash equivalents		**309,514**	263,137
Total current assets		**895,655**	877,500
Current liabilities			
Trade payables	10	**177,413**	173,121
Contract liabilities, accruals and other payables		**107,243**	125,690
Lease liabilities		**7,799**	-
Current income tax liabilities		**19,334**	4,805
Total current liabilities		**311,789**	303,616
Net current assets		**583,866**	573,884
Total assets less current liabilities		**754,452**	737,040
Non-current liabilities			
Lease liabilities		**6,875**	-
Deferred income tax liabilities		**2,346**	2,184
Total non-current liabilities		**9,221**	2,184
Net assets		**745,231**	734,856
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital		**42,584**	42,584
Other reserves		**150,220**	171,771
Retained earnings			
- Dividends		**8,517**	21,292
- Others		**462,813**	437,446
		664,134	673,093
Non-controlling interests		**81,097**	61,763
Total equity		**745,231**	734,856

NOTES

1. Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 September 2019 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 2019, 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 2019, except as mentioned below.

(a) New and amended standards and improvement and interpretation to standards (collectively the "Amendments") adopted by the Group

A number of Amendments 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:

• HKFRSs (Amendments)	Annual improvements to HKFRSs 2015-2017 cycle
• HKFRS 9 (Amendments)	Prepayment features with negative compensation
• HKFRS 16	Leases
• HKAS 19 (Amendments)	Plan amendments, curtailment or settlement
• HKAS 28 (Amendments)	Long-term interests in associates and joint ventures
• HK(IFRIC) – Int 23	Uncertainty over income tax treatments

The impact of the adoption of the HKFRS 16 "Leases" ("HKFRS 16") and the new accounting policies 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 and amended standards and interpretations to standards that have been issued but are not effective

The following new and amended standards and interpretation to standards have been issued, but are not effective for the Group's financial year beginning on 1 April 2019 and have not been early adopted:

• HKFRS 3 (Amendments)	Definition of a business[1]
• HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture[3]
• HKFRS 17	Insurance contracts[2]
• HKAS 1 and HKAS 8 (Amendments)	Definition of material[1]
• Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting[1]

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

3. Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 on the Group's condensed consolidated interim financial information and also discloses the new accounting policies that have been applied from 1 April 2019 in Note 3(b) below.

The Group has adopted HKFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

3. Changes in accounting policies (Continued)

(a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases" ("HKAS 17"). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019.

	HK$'000
Operating lease commitments disclosed as at 31 March 2019	20,351
Discounted using the Group's incremental borrowing rate of the date of initial application:	
Lease liabilities recognised as at 1 April 2019	**19,617**
Of which are:	
- Current lease liabilities	8,177
- Non-current lease liabilities	11,440
	19,617

The associated right-of-use assets were measured at the amount equal to the lease liabilities on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the following items in the balance sheet on 1 April 2019:

- Right-of-use assets – increased by HK$19,617,000
- Lease liabilities – increased by HK$19,617,000

There was no impact on retained earnings on 1 April 2019.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standards:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 "Determining whether an arrangement contains a lease".

3. Changes in accounting policies (Continued)

(b) The Group's leasing activities and how these are accounted for

The Group leases various properties. Rental contracts are typically made for fixed periods of 2 to 10 years but may have extension options as described in (i) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018/19 financial year, leases of properties were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(i) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. None of the extension and termination options were exercised in the six months ended 30 September 2019.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

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.

	Six months ended 30 September (Unaudited)							
	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	**577,723**	566,163	**228,605**	177,506	**-**	-	**806,328**	743,669
- Inter-segment revenue	**-**	-	**25,561**	24,459	**(25,561)**	(24,459)	**-**	-
Total	**577,723**	566,163	**254,166**	201,965	**(25,561)**	(24,459)	**806,328**	743,669
Segment results	**16,154**	25,305	**47,397**	32,492	**-**	-	**63,551**	57,797
Corporate expenses							**(3,415)**	(3,845)
Other gains - net							**7,256**	7,404
Finance income - net							**2,082**	2,668
Profit before income tax							**69,474**	64,024
Other segment information:								
Depreciation of property, plant and equipment	**12,542**	10,062	**4,501**	4,674	**-**	-	**17,043**	14,736
Depreciation of right-of-use assets	**552**	-	**3,501**	-	**-**	-	**4,053**	-
Amortisation of land use rights	**77**	81	**-**	-	**-**	-	**77**	81
Provision/(reversal of provision) for inventory obsolescence	**16,529**	5,368	**378**	(943)	**-**	-	**16,907**	4,425
Provision/(reversal of provision) for impairment of trade receivables	**1,935**	(1,197)	**70**	21	**-**	-	**2,005**	(1,176)
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**10,570**	22,740	**3,922**	4,512	**-**	-	**14,492**	27,252

For the six months ended 30 September 2019, revenues of approximately HK$614,418,000 (2018: HK$562,641,000) were derived from three (2018: three) customers, amounting to approximately HK$223,610,000, HK$206,093,000 and HK$184,715,000 respectively, which individually accounted for over 10% of the Group's total revenue. These revenues of approximately HK$422,807,000 (2018: HK$421,443,000) and HK$191,611,000 (2018: HK$141,198,000) are attributable to headsets and headphones segment and accessories and components segment respectively.

4. Segment information (Continued)

The Company is domiciled in Hong Kong. Revenue from external customers attributed to Hong Kong for the six months ended 30 September 2019 is approximately HK$754,144,000 (2018: HK$680,075,000), and the total revenue from external customers from China is approximately HK$52,184,000 (2018: HK$63,594,000).

At 30 September 2019, total non-current assets other than financial instruments and deferred income tax assets located in Hong Kong and China is approximately HK$26,609,000 (31 March 2019: HK$28,121,000) and HK$129,974,000 (31 March 2019: HK$124,412,000) respectively.

5. Operating profit

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

	Unaudited Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Amortisation of land use rights	**77**	81
Depreciation of property, plant and equipment	**17,043**	14,736
Depreciation of right-of-use assets	**4,053**	-
Fair value losses on financial assets at fair value through profit or loss	**247**	291
Net losses/(gains) on disposal of property, plant and equipment	**31**	(632)
Net foreign exchange gains	**(7,534)**	(7,063)
Provision for inventory obsolescence	**16,907**	4,425
Staff costs (including directors' emoluments)	**207,830**	208,392

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% (2018: 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% (2018: 25%) on the estimated assessable profits.

	Unaudited Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Current income tax		
- Current tax on profits for the period	**17,710**	12,213
- Under provision in prior years	**-**	16
	17,710	12,229
Deferred income tax	**(3,597)**	(62)
	14,113	12,167

7. Dividends

The Board has resolved to declare an interim dividend of HK2.0 cents (2018: HK4.0 cents) per ordinary share for the six months ended 30 September 2019. 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 2020.

8. Earnings per share

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

	Unaudited Six months ended 30 September 2019	2018
Profit attributable to equity holders of the Company (HK$'000)	**33,884**	37,252
Weighted average number of ordinary shares in issue (in thousands)	**425,839**	421,219
Adjustment for potential dilutive effect in respect of outstanding share options (in thousands)	**801**	1,119
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	**426,640**	422,338

9. Trade receivables

The Group grants credit periods to its customers ranging from 7 to 120 days. As at 30 September 2019 and 31 March 2019, the ageing analysis of the trade receivables by past due date is as follows:

	Unaudited As at 30 September 2019 ***HK$'000***	Audited As at 31 March 2019 *HK$'000*
Current	**299,630**	221,318
1 to 30 days	**37,105**	20,968
31 to 60 days	**8,449**	11,894
61 to 90 days	**3,251**	2,164
Over 90 days	**5,949**	4,257
	354,384	260,601
Less: Loss allowance for trade receivables	**(4,380)**	(2,375)
Trade receivables - net	**350,004**	258,226

10. Trade payables

As at 30 September 2019 and 31 March 2019, the ageing analysis of the trade payables by past due date is as follows:

	Unaudited As at 30 September 2019 ***HK$'000***	Audited As at 31 March 2019 *HK$'000*
Current	**113,519**	139,859
1 to 30 days	**48,171**	18,253
31 to 60 days	**11,190**	11,276
61 to 90 days	**2,136**	1,382
Over 90 days	**2,397**	2,351
Trade payables	**177,413**	173,121

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK2.0 cents (2018: HK4.0 cents) per ordinary share for the six months ended 30 September 2019. The interim dividend is expected to be paid on or around 27 December 2019 to shareholders whose names appeared on the Company's register of members on 9 December 2019.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to the interim dividend for the six months ended 30 September 2019, the register of members will be closed from Monday, 9 December 2019 to Wednesday, 11 December 2019 (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, 6 December 2019 for registration.

BUSINESS REVIEW

Owing to an increase in revenue from both the headsets and headphones as well as the accessories and components segments during the six months ended 30 September 2019 (the "Interim Period"), overall revenue rose to HK$806.3 million (2018: HK$743.7 million), representing a year-on-year increase of 8.4%. Gross profit rose by 5.1% year-on-year to HK$156.6 million (2018: HK$149.1 million), despite an upsurge in provision for obsolete stock leading to a rise in cost of sales. Accordingly, the Group's profit for the period recorded growth of 6.8% to HK$55.4 million (2018: HK$51.9 million). As a large portion of profit was generated from the Group's non-wholly owned subsidiary, profit attributable to equity holders was recorded at HK$33.9 million (2018: HK$37.3 million). Basic earnings per share were HK7.96 cents (2018: HK8.84 cents).

BUSINESS SEGMENT ANALYSIS

Headsets and Headphones

Leveraging the Group's sterling reputation for advancing innovative technologies, and its focus on developing sophisticated and distinct products featuring the latest technological breakthroughs, particularly Bluetooth-enabled and active noise cancellation ("ANC") solutions, complemented by the Group's ongoing efforts to refine its customer portfolio with an emphasis on customers that value the Group's strengths and possess high growth potential, sales momentum was sustained at the beginning of the financial year. However, as trade tensions between China and the US further escalated in May, the result of an announcement by the latter that tariffs would extend to include the remaining US$300 billion or so worth of Chinese imports, the Group's customers duly adopted a more prudent approach. This included adjusting their order forecasts, as well as delaying the placement of certain orders consistent with a "wait-and-see" approach.

Revenue from the headsets and headphones business was consequently affected by the aforementioned developments, rising modestly to HK$577.7 million (2018: HK$566.2 million), and accounting for 71.6% of total revenue. However, due to an increase in the provision for obsolete stock, segment profit of HK$16.2 million (2018: HK$25.3 million) was recorded.

Accessories and Components

The accessories and components business remained an important part of the Group's vertical integration efforts. Due to an increase in orders from the Group's packaging business resulting from the launch of a new product by a customer, segment revenue climbed by 28.8% year-on-year to HK$228.6 million (2018: HK$177.5 million), and accounted for 28.4% of total revenue. Segment profit also increased, rising by 45.9% to HK$47.4 million (2018: HK$32.5 million). The performance not only highlights the growing importance of the segment as a stable source of supplementary income to the Group, but also reflects its effectiveness in addressing customers' needs.

PROSPECTS

The ongoing trade tensions between China and the US has centred around reciprocal tariff increases. More recently, the United States Trade Representative (the "USTR") announced that an additional tariff would be imposed on approximately US$300 billion worth of Chinese imports that had not yet been targeted. A part of the tariff would take effect on 1 September 2019, with the remaining tariff to be implemented on 15 December 2019, hence the Group will invariably be impacted. As the Group's customers in the US would be responsible for paying the tariff, it can be expected that they will adopt a relatively conservative approach towards placing orders going forward, thus leading to greater uncertainties. Fujikon will therefore take steps to tackle the challenges ahead, including the recruitment of offshore manufacturing partners, as well as taking other measured actions as and when deemed appropriate.

Fully aware of the volatility in the coming few months, Fujikon holds reservations about the business outlook for the second half of the financial year and will be extra vigilant. Under this testing environment, the Group will strive to enhance its core strengths and thus raise its competitiveness in the market. Engineering and manufacturing capabilities which are the fundamentals for the Group to develop sophisticated and customised electro-acoustic products will be further bolstered. In this way, the Group will be able to achieve greater market differentiation, while at the same time further refine its client portfolio by tapping demand from premium brands with high growth potential.

Raising operational efficiency will be another important objective of the Group. Correspondingly, it will continue to direct resources towards investment in IT systems and machinery to increase flexibility, enhance efficiency and improve the cost effectiveness in production. The Group will also further enhance automation at its production facilities so as to achieve an ideal human-to-machinery ratio, which in turn results in greater efficiency and lower costs, leading ultimately to the optimum use of resources.

Another step Fujikon has and will continue to take is the restructuring of its supply chain, through which the Group is able to procure stable sources of critical components from secured suppliers in a cost-effective means. This will allow the Group to not only control costs and raise procurement and production efficiency, but also to tackle material shortages. Together with its persistent efforts in production material planning and inventory management, the Group has already managed to improve its inventory level, with inventory down by over 30% in terms of value as at 30 September 2019, when compared with the preceding year.

Amid rapidly changing and unpredictable market conditions, especially with uncertainties brought by the trade war, the management is fully aware of the need to be constantly alert to challenges and will remain committed to devising development strategies in an adaptive and responsive manner, as well as implementing effective cost controls to consolidate its market leadership. In this way, the Group will also be able to continue forging ahead, 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 2019 amounted to approximately HK$583.9 million (31 March 2019: HK$573.9 million). The Group's current and quick ratios were approximately 2.9 times (31 March 2019: 2.9 times) and 2.2 times (31 March 2019: 1.9 times), respectively.

The Group had cash and cash equivalents of approximately HK$309.5 million as at 30 September 2019, representing an increase of approximately 17.6% against approximately HK$263.1 million as at 31 March 2019. Approximately 77.6%, 16.9% and 3.4% 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 30 September 2019, the Group had aggregated banking facilities of approximately HK$160.6 million (31 March 2019: 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 Interim Period, the Group had recorded a net foreign exchange gain of approximately HK$7.5 million (2018: HK$7.1 million) mainly due to the depreciation of Renminbi.

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 2019, the Group employed a total of approximately 4,600 (31 March 2019: 4,500) employees. The staff costs (including the directors' emoluments) accounted for approximately HK$207.8 million during the Interim Period (2018: HK$208.4 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 2019, the Company had provided corporate guarantees of approximately HK$155.7 million (31 March 2019: HK$155.7 million) to secure banking facilities of its subsidiaries. No facilities were utilised by the subsidiaries as at 30 September 2019 and 31 March 2019.

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 2019.

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 2019.

CORPORATE GOVERNANCE

During the six months ended 30 September 2019, 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 2019, 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.

Hong Kong Market Misconduct Tribunal ("MMT") proceedings

Reference is made to the annual report of the Company for the year ended 31 March 2019.

As at the date of this announcement, the Company, Mr. Yeung Chi Hung Johnny ("Mr. Yeung") and Ms. Chow Lai Fung ("Ms. Chow") have fulfilled the orders made by the MMT, including settlements of (a) a regulatory fine of HK$1.5 million, of which HK$1.0 million being imposed on the Company; (b) the costs of Securities and Futures Commission ("SFC") of approximately HK$2.55 million; and (c) the government's costs and expenses of approximately HK$0.2 million. The Company has also appointed an independent professional adviser and completed a review of the Company's corporate disclosure regime, directors' duties and corporate governance. Further, Mr. Yeung and Ms. Chow have completed a training programme approved by SFC. The professional fees and other costs and expenses to be incurred by the Company and the amounts to be covered by the insurance company are yet to be ascertained as at the date of this announcement.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises six executive Directors, namely, Mr. Yeung Chi Hung, Johnny, Mr. Yuen Yee Sai, Simon, Mr. Chow Man Yan, Michael, Mr. Yuen Chi King, Wyman, Mr. Yeung Siu Chung, Ben and Ms. Chow Lai Fung; and three independent non-executive Directors, namely, Dr. Chung Chi Ping, Roy, Mr. Che Wai Hang, Allen and Mr. Lee Yiu Pun.

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

Hong Kong, 20 November 2019