Fujikon

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 2020

FINANCIAL HIGHLIGHTS

- **Revenue: HK$1,250.2 million, down 11.4% (2019: HK$1,411.8 million)**
- **Gross profit margin: 19.4%, up 1.1 points (2019: 18.3%)**
- **Profit attributable to equity holders of the Company: HK$29.0 million, down 28.4% (2019: HK$40.5 million)**
- **Basic earnings per share: HK6.8 cents (2019: HK9.6 cents)**
- **Final dividend (per share): HK3.0 cents (2019: 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 2020.

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 2020

	Note	**2020** ***HK$'000***	2019 *HK$'000*
Revenue	4	**1,250,173**	1,411,795
Cost of sales		**(1,007,807)**	(1,154,092)
Gross profit		**242,366**	257,703
Other gains - net		**1,433**	8,046
Distribution and selling expenses		**(9,789)**	(14,293)
General and administrative expenses		**(163,735)**	(166,569)
Provision for impairment of trade receivables		**(5,067)**	(871)
Operating profit	5	**65,208**	84,016
Finance income - net		**4,720**	4,572
Profit before income tax		**69,928**	88,588
Income tax expenses	6	**(18,047)**	(19,620)
Profit for the year		**51,881**	68,968
Other comprehensive income:			
Items that have been reclassified or may be subsequently reclassified to profit or loss:			
- Currency translation differences		**(23,987)**	(26,683)
- Fair value gains on financial assets at fair value through other comprehensive income		**84**	51
Other comprehensive income for the year, net of tax		**(23,903)**	(26,632)
Total comprehensive income for the year		**27,978**	42,336
Profit attributable to:			
Equity holders of the Company		**28,991**	40,490
Non-controlling interests		**22,890**	28,478
		51,881	68,968
Total comprehensive income attributable to:			
Equity holders of the Company		**6,968**	15,795
Non-controlling interests		**21,010**	26,541
		27,978	42,336
Earnings per share for profit attributable to the equity holders of the Company for the year:			
- Basic (HK cents per share)	8	**6.8**	9.6
- Diluted (HK cents per share)	8	**6.8**	9.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2020

	Note	**2020**	2019
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**113,119**	142,442
Investment property		**1,500**	1,400
Right-of-use assets		**24,419**	-
Land use rights		**-**	3,879
Non-current deposits and other assets		**2,417**	4,812
Financial assets at fair value through other comprehensive income		**4,063**	3,979
Deferred income tax assets		**8,543**	6,644
Total non-current assets		**154,061**	163,156
Current assets			
Inventories		**172,582**	313,876
Trade receivables	9	**168,276**	258,226
Other receivables		**30,021**	39,149
Financial assets at fair value through profit or loss		**1,448**	2,109
Current income tax recoverable		**316**	1,003
Cash and cash equivalents		**421,768**	263,137
Total current assets		**794,411**	877,500
Current liabilities			
Trade payables	10	**108,809**	173,121
Contract liabilities, accruals and other payables		**106,429**	125,690
Lease liabilities		**6,880**	-
Current income tax liabilities		**4,714**	4,805
Total current liabilities		**226,832**	303,616
Net current assets		**567,579**	573,884
Total assets less current liabilities		**721,640**	737,040
Non-current liabilities			
Lease liabilities		**3,940**	-
Deferred income tax liabilities		**1,825**	2,184
Total non-current liabilities		**5,765**	2,184
Net assets		**715,875**	734,856
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital		**42,584**	42,584
Other reserves		**151,280**	171,771
Retained earnings			
- Proposed dividends		**12,775**	21,292
- Others		**443,613**	437,446
		650,252	673,093
Non-controlling interests		**65,623**	61,763
Total equity		**715,875**	734,856

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 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 2019:

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

The Group had changed its accounting policies as a result of adopting HKFRS 16 "Leases" ("HKFRS 16"). The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 April 2019. This is disclosed in Note 3. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

A number of new and amended standards are effective for the Group's annual periods beginning on or after 1 April 2020 and have not been early adopted in preparing these consolidated financial statements:

• HKFRS 3 (Amendments)	Definition of a business[1]
• HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest rate benchmark reform[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

The Group is in the process of making an assessment of the impact of these new and amendments to standards upon initial application but is not yet in a position to state whether these new and amendments to standards would have any significant impact on its results of operations and financial positions.

3. Change in accounting policies

This note explains the impact of the adoption of HKFRS 16 on the Group's consolidated financial statements.

As indicated in Note 2 above, the Group has adopted HKFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 April 2019.

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.

(i) Practical expedients applied

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 April 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using 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".

(ii) Measurement of lease liabilities

	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

(iii) Measurement of right-of-use assets

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 consolidated statement of financial position 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.

3. Change in accounting policies (Continued)

(iv) Adjustments recognised in the consolidated statement of financial position on 1 April 2019

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 April 2019:

- Property, plant and equipment – decreased by HK$10,633,000
- Land use rights – decreased by HK$3,879,000
- Right-of-use assets – increased by HK$34,129,000
- Lease liabilities – increased by HK$19,617,000

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

4. Segment information

The chief operating decision-maker (the "CODM") has been identified as the executive directors. CODM reviews the Group's internal reports 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	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue								
- External revenue	**913,816**	1,077,404	**336,357**	334,391	**-**	-	**1,250,173**	1,411,795
- Inter-segment revenue	**-**	-	**38,984**	46,675	**(38,984)**	(46,675)	**-**	-
Total	**913,816**	1,077,404	**375,341**	381,066	**(38,984)**	(46,675)	**1,250,173**	1,411,795
Segment results	**15,918**	21,294	**52,413**	62,619	**-**	-	**68,331**	83,913
Corporate expenses							**(4,556)**	(7,943)
Other gains - net							**1,433**	8,046
Finance income - net							**4,720**	4,572
Profit before income tax							**69,928**	88,588
Other segment information:								
Depreciation of property, plant and equipment	**25,106**	22,109	**9,165**	8,887	**-**	-	**34,271**	30,996
Depreciation of right-of-use assets	**1,607**	-	**6,965**	-	**-**	-	**8,572**	-
Amortisation of land use rights	**-**	159	**-**	-	**-**	-	**-**	159
Provision/(reversal of provision) for inventory obsolescence	**13,108**	7,009	**3,142**	(876)	**-**	-	**16,250**	6,133
Provision for impairment of trade receivables	**5,030**	871	**37**	-	**-**	-	**5,067**	871
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**15,189**	34,773	**8,328**	10,558	**-**	-	**23,517**	45,331

For the year ended 31 March 2020, revenues of approximately HK$921,654,000 (2019: HK$1,038,684,000) were derived from three (2019: three) customers, amounting to approximately HK$348,709,000, HK$294,693,000 and HK$278,252,000 respectively, which individually accounted for over 10% of the Group's total revenue. These revenues consisted of approximately HK$645,157,000 (2019: HK$768,003,000) and HK$276,497,000 (2019: HK$270,681,000) 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 2020 was approximately HK$1,181,480,000 (2019: HK$1,296,210,000), and the total revenue from external customers from China was approximately HK$68,693,000 (2019: HK$115,585,000).

At 31 March 2020, the total non-current assets other than financial instruments and deferred income tax assets located in Hong Kong and China were approximately HK$28,267,000 (2019: HK$28,121,000) and HK$113,188,000 (2019: HK$124,412,000) respectively.

5. Operating profit

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

	2020	2019
	HK$'000	*HK$'000*
Amortisation of land use rights	**-**	159
Depreciation of property, plant and equipment	**34,271**	30,996
Depreciation of right-of-use assets	**8,572**	-
Fair value losses on financial assets at fair value through profit or loss	**661**	36
Net gains on disposal of property, plant and equipment	**(253)**	(770)
Net foreign exchange gains	**(1,741)**	(7,112)
Provision for inventory obsolescence	**16,250**	6,133
Staff costs (including directors' emoluments)	**361,667**	397,821

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% (2019: 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 China Corporate Income Tax at a rate of 25% (2019: 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.

	2020	2019
	HK$'000	*HK$'000*
Current income tax		
- Current tax on profits for the year	**19,388**	20,169
- Under/(over)-provision in prior years	**17**	(60)
- Withholding tax on dividends	**1,389**	-
	20,794	20,109
Deferred income tax credit	**(2,747)**	(489)
	18,047	19,620

7. Dividends

The Board recommended a final dividend of HK3.0 cents (2019: HK5.0 cents) for the year ended 31 March 2020. 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 2021.

8. Earnings per share

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

	2020	2019
Profit attributable to equity holders of the Company (HK$'000)	**28,991**	40,490
Weighted average number of ordinary shares in issue (in thousands)	**425,839**	422,566
Adjustment for potential dilutive effect in respect of outstanding share options (in thousands)	**373**	1,515
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	**426,212**	424,081

9. Trade receivables

The Group grants credit periods to customers ranging from 7 to 120 days. As at 31 March 2020 and 2019, the ageing analysis of the trade receivables by past due date is as follows:

	2020	2019
	HK$'000	*HK$'000*
Current	**126,793**	221,318
1 to 30 days	**27,977**	20,968
31 to 60 days	**12,477**	11,894
61 to 90 days	**1,697**	2,164
Over 90 days	**6,731**	4,257
	175,675	260,601
Less: Loss allowance for trade receivables	**(7,399)**	(2,375)
Trade receivables - net	**168,276**	258,226

10. Trade payables

As at 31 March 2020 and 2019, the ageing analysis of the trade payables by past due date is as follows:

	2020	2019
	HK$'000	*HK$'000*
Current	**89,730**	139,859
1 to 30 days	**14,653**	18,253
31 to 60 days	**1,240**	11,276
61 to 90 days	**952**	1,382
Over 90 days	**2,234**	2,351
Trade payables	**108,809**	173,121

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK3.0 cents per ordinary share (the "Dividend") for the year ended 31 March 2020 to the shareholders whose names appeared on the Company's register of members on 5 August 2020. 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 2020 to the shareholders of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed as follows:

(a) For the purpose of determining shareholders who are entitled to attend and vote at the annual general meeting, the register of members of the Company will be closed from Monday, 27 July 2020 to Thursday, 30 July 2020 (both days inclusive), during which period no transfers of shares will be effected. To be entitled to attend and vote at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with Company's Hong Kong branch share registrar, Hong Kong Registrars Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30p.m. on Friday, 24 July 2020.

(b) In order to qualify for the proposed Dividend, the register of members of the Company will be closed from Wednesday, 5 August 2020 to Friday, 7 August 2020 (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 Tuesday, 4 August 2020.

BUSINESS REVIEW

For the year ended 31 March 2020 (the "review year"), the Group recorded revenue of HK$1,250.2 million (2019: HK$1,411.8 million), representing a year-on-year decline of 11.4%. The contraction was principally due to ongoing trade tensions between China and the US ("Trade War") and the outbreak of the novel coronavirus (the "Epidemic" or "COVID-19") in late 2019. Due to lower revenue and increase in the provision for obsolete stock, gross profit slipped to HK$242.4 million (2019: HK$257.7 million), while gross profit margin increased modestly to 19.4% (2019: 18.3%) owing to a reduction in labour cost. Profit attributable to equity holders amounted to HK$29.0 million (2019: HK$40.5 million), a year-on-year decline of 28.4%, which was mainly due to lower revenue; decrease in net exchange gains; and increase in the provision for impairment of trade receivables. Basic earnings per share were HK6.8 cents (2019: HK9.6 cents).

BUSINESS SEGMENT ANALYSIS

Headsets and Headphones

During the review year, the headsets and headphones business generated HK$913.8 million (2019: HK$1,077.4 million) in segmental revenue, and thus accounted for 73.1% of the Group's total revenue. The decline in top line was principally due to the protracted Trade War, compounded by the outbreak of COVID-19, which resulted in a more prudent approach adopted by the Group's customers.

The Epidemic has introduced unprecedented challenges to the world. As disclosed in the Company's announcement dated 3 March 2020 (the "Announcement"), the Group's headsets and headphones business has gradually resumed operation since 10 February 2020 following a precautionary citywide shutdown in China. However, there was still an inevitable delay in provision of raw materials and parts from the Group's suppliers. This has resulted in a decline in the Group's production capacity as well as delay in production schedules and product delivery. In response, the Group has taken comprehensive steps at raising efficiency across its supply chain, including recruiting more workers and closely communicating with suppliers, as well as liaising with customers to adjust their delivery schedules.

BUSINESS SEGMENT ANALYSIS (Continued)

Headsets and Headphones (Continued)

In spite of the testing environment, the Group has maintained its focus on developing products featuring various technologies, in particular, Bluetooth, True Wireless, Active Noise Cancellation ("ANC") and Hybrid ANC. Such efforts have enabled the Group to refine its customer portfolio by tapping demand from top-tier customers in the market, many of whom have high growth potential.

Accessories and Components

The Epidemic also affected the packaging business of the accessories and components segment, as delays in the resumption of certain customers' operations led to a decline in deliveries of packaging products. As stated in the Announcement, the Group endeavoured to liaise with its customers to adjust delivery schedules in a bid to minimise any negative economic impact on various fronts. Consequently, this segment was still able to contribute stable revenue to the Group, totalling HK$336.4 million (2019: HK$334.4 million) as at 31 March 2020, and thereby accounting for 26.9% of the Group's total revenue.

PROSPECTS

Going forward, the macroeconomic environment is set to remain challenging. On top of the existing Trade War, there is the growing possibility that the US will impose sanctions on China over the Epidemic. This has raised concerns about another round of dispute between the two countries. Therefore, the Group expects its customers will adopt a more conservative approach towards placing orders. Fujikon thus holds reservation about its business performance in the coming year, and will continue to pay close attention to the macroeconomic environment and is committed to implementing contingency plans in a timely manner.

With challenges come opportunities, and this is clearly evident in relation to the Call Centre & Office ("CC&O") product segment, which includes audio and video conferencing related products that have experienced a surge in demand in the wake of the Epidemic. Leveraging its capacity to develop advanced and innovative products featuring the latest technologies, the Group is tapping demand for CC&O products. These products have to meet stringent requirements backed by relevant certifications – a testament to the versatility and adaptability of Fujikon products, as well as the Group's effectiveness in addressing customers' needs. Looking ahead, the Group will continue to spare no effort in exploring segments that possess high growth potential and value.

The year 2020 is set to be a tumultuous period owing to the tense Sino-US relations and the crisis and aftermath of COVID-19. Nonetheless, Fujikon's customers' commitment to the co-development of new products reflects their confidence in the long-term prospects of the electro-acoustic industry. The Group will therefore continue adhering fully to its core strategy of building strong engineering and manufacturing capabilities for developing advanced and customisable electro-acoustic products. Furthermore, the Group will continue directing efforts towards restructuring its supply chain to secure a stable source of critical components in a cost-effective manner. It will also raise operational efficiency through continuous investment in IT systems and equipment, with the aim of optimally employing human and physical resources. In this way, Fujikon will be well-equipped to overcome whatever adversities that may appear, and remain fully dedicated to preserving its market leadership while creating greater 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 2020 amounted to approximately HK$567.6 million (2019: HK$573.9 million). The Group's current and quick ratios were approximately 3.5 times (2019: 2.9 times) and 2.7 times (2019: 1.9 times), respectively.

The Group had cash and cash equivalents of approximately HK$421.8 million as at 31 March 2020, representing an increase of approximately 60.3% against approximately HK$263.1 million as at 31 March 2019. Approximately 57.9%, 36.0% and 5.2% 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 2020, the Group had aggregated banking facilities of approximately HK$160.6 million (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 year, the Group had recorded a net foreign exchange gain of approximately HK$1.7 million (2019: 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 31 March 2020, the Group employed a total of approximately 3,300 (2019: 4,500) employees. The staff costs (including the directors' emoluments) accounted for approximately HK$361.7 million during the year (2019: HK$397.8 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 2020, the Company had provided corporate guarantees of approximately HK$155.7 million (2019: HK$155.7 million) to secure banking facilities of its subsidiaries. No facilities were utilised by the subsidiaries as at 31 March 2020 and 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 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 Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Throughout the year ended 31 March 2020, 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 officer 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.

Hong Kong Market Misconduct Tribunal ("MMT") proceedings

Reference is made to the interim report for the six months ended 30 September 2019.

As at the date of this report, the professional fees and other costs and expenses incurred by the Company in relation to the MMT proceedings and amounts to be covered by the insurance company are yet to be ascertained. The Company will update the shareholders and potential investors in due course once the amount is 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.

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

Hong Kong, 18 June 2020