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Fujikon Industrial Holdings Limited

富士高實業控股有限公司*

(incorporated in Bermuda with limited liability)

(stock code: 927)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2016

FINANCIAL HIGHLIGHTS

- Revenue: HK\$1,160.2 million, down 8.2% (2015: HK\$1,264.1 million)
- Gross profit margin: 17.3%, up 2.9 points (2015: 14.4%)
- Profit attributable to equity holders of the Company: HK\$11.3 million, down 10.7% (2015: HK\$12.6 million)
- Basic earnings per share: HK2.7 cents (2015: HK3.0 cents)
- Final dividend (per share): HK5.0 cents (2015: 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 2016.

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 2016

	Note	2016 HK\$'000	2015 HK\$'000
Revenue	3	1,160,220	1,264,135
Cost of sales		(959,963)	(1,082,479)
Gross profit		200,257	181,656
Other gains - net		3,221	15,295
Distribution and selling expenses		(14,409)	(22,753)
General and administrative expenses		(164,662)	(158,852)
Operating profit	4	24,407	15,346
Finance income		5,983	9,473
Profit before income tax		30,390	24,819
Income tax expenses	5	(5,424)	(4,345)
Profit for the year		24,966	20,474
Other comprehensive income:			
Items that have been reclassified or may be subsequently reclassified to income statement:			
Currency translation differences		(25,214)	3,939
Fair value losses on available-for-sale financial assets		(234)	(590)
Release of investment reserve upon disposal of available-for-sale financial assets		-	132
Release of exchange reserve upon disposal of subsidiaries		-	(9,607)
Other comprehensive income for the year, net of tax		(25,448)	(6,126)
Total comprehensive income for the year		(482)	14,348
Profit attributable to:			
Equity holders of the Company		11,259	12,602
Non-controlling interests		13,707	7,872
		24,966	20,474
Total comprehensive income attributable to:			
Equity holders of the Company		(12,655)	6,194
Non-controlling interests		12,173	8,154
		(482)	14,348
Dividends	6	29,414	37,787
Earnings per share for profit attributable to the equity holders of the Company during the year			
- Basic (HK cents per share)	7	2.7	3.0
- Diluted (HK cents per share)	7	2.7	3.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Property, plant and equipment		155,771	179,369
Investment properties		3,530	3,710
Land use rights		4,478	4,895
Non-current deposits and other assets		1,930	7,303
Available-for-sale financial assets		6,926	7,160
Deferred income tax assets		3,904	2,639
Total non-current assets		176,539	205,076
Current assets			
Inventories		169,959	156,028
Trade receivables	8	217,969	234,297
Other receivables		12,629	47,369
Other financial assets at fair value through profit or loss		2,523	3,700
Current income tax recoverable		251	7,690
Cash and cash equivalents		415,877	409,325
Total current assets		819,208	858,409
Current liabilities			
Trade payables	9	140,904	159,970
Accruals and other payables		74,189	93,103
Derivative financial instruments		8,372	4,034
Current income tax liabilities		17,625	16,701
Total current liabilities		241,090	273,808
Net current assets		578,118	584,601
Total assets less current liabilities		754,657	789,677
Non-current liabilities			
Deferred income tax liabilities		1,195	806
Net assets		753,462	788,871
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital		42,019	41,986
Other reserves		182,890	206,604
Retained earnings			
- Proposed dividends		21,010	20,993
- Others		467,312	485,350
		713,231	754,933
Non-controlling interests		40,231	33,938
Total equity		753,462	788,871

NOTES

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

2. Accounting policies

(a) Effect of adopting amendments to standards

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

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

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

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

The following new standards and amendments to standards have been issued, but are not effective for the Group’s financial year beginning on 1 April 2015 and have not been early adopted.

- | | |
|--|---|
| • HKFRSs (Amendments) | Annual improvements to HKFRSs 2012-2014 cycle ¹ |
| • HKFRS 9 | Financial instruments ² |
| • HKFRS 10 and HKAS 28 (Amendment) | Sales or contribution of assets between an investor and its associate or joint venture ⁴ |
| • HKFRS 10, HKFRS 12 and HKAS 28 (Amendment) | Investment entities: Applying the consolidation exception ¹ |
| • HKFRS 11 (Amendment) | Accounting for acquisitions of interests in joint operations ¹ |
| • HKFRS 14 | Regulatory deferral accounts ¹ |
| • HKFRS 15 | Revenue from contracts with customers ² |
| • HKFRS 16 | Leases ³ |
| • HKAS 1 (Amendment) | Disclosure initiative ¹ |
| • HKAS 16 and HKAS 38 (Amendment) | Clarification of acceptable methods of depreciation and amortisation ¹ |
| • HKAS 16 and HKAS 41 (Amendment) | Agriculture: Bearer plants ¹ |
| • HKAS 27 (Amendment) | Equity method in separate financial statements ¹ |

¹ Effective for financial years beginning on or after 1 January 2016

² Effective for financial years beginning on or after 1 January 2018

³ Effective for financial years beginning on or after 1 January 2019

⁴ No mandatory effective date yet determined

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

2. Accounting policies (Continued)

(c) New Hong Kong Companies Ordinance (Cap.622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

3. Segment information

The chief operating decision-maker ("CODM") has been identified as the executive directors. CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

CODM assesses the performance of the business from a product perspective, i.e. by headsets and headphones, and accessories and components.

CODM assesses the performance of the operating segments based on segment results before corporate expenses, other gains and losses, finance income and costs.

Revenue between segments is carried out in accordance with the terms mutually agreed by the respective parties. The revenue from external parties is derived from numerous external customers and is measured in a manner consistent with that in the consolidated statement of comprehensive income.

	Headsets and headphones		Accessories and components		Elimination		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Segment revenue								
- External revenue	887,777	913,798	272,443	350,337	-	-	1,160,220	1,264,135
- Inter-segment revenue	-	-	44,916	91,673	(44,916)	(91,673)	-	-
Total	<u>887,777</u>	<u>913,798</u>	<u>317,359</u>	<u>442,010</u>	<u>(44,916)</u>	<u>(91,673)</u>	<u>1,160,220</u>	<u>1,264,135</u>
Segment results	<u>(395)</u>	<u>(16,637)</u>	<u>25,867</u>	<u>21,071</u>	<u>-</u>	<u>-</u>	<u>25,472</u>	<u>4,434</u>
Corporate expenses							(4,286)	(4,383)
Other gains - net							3,221	15,295
Finance income							5,983	9,473
Profit before Income tax							<u>30,390</u>	<u>24,819</u>
Other segment information:								
Depreciation of property, plant and equipment	27,414	30,827	9,649	9,558	-	-	<u>37,063</u>	<u>40,385</u>
Amortisation of land use rights	167	172	-	43	-	-	<u>167</u>	<u>215</u>
Provision/(reversal of provision) for impairment of inventory obsolescence	4,867	(5,583)	1,476	1,011	-	-	<u>6,343</u>	<u>(4,572)</u>
Provision/(reversal of provision) for impairment of trade receivables	829	421	(521)	685	-	-	<u>308</u>	<u>1,106</u>
Additions to non-current assets (other than financial instruments and deferred income tax assets)	9,060	20,425	7,556	8,731	-	-	<u>16,616</u>	<u>29,156</u>

3. Segment information (Continued)

For the year ended 31 March 2016, revenues of approximately HK\$590,527,000 (2015: HK\$413,987,000) were derived from three (2015: two) customers, amounted to approximately HK\$224,325,000, HK\$216,014,000 and HK\$150,188,000 respectively, which individually accounted for over 10% of the Group's total revenue. These revenues of approximately HK\$400,187,000 (2015: HK\$280,976,000) and HK\$190,340,000 (2015: HK\$133,011,000) are attributable to headsets and headphones segment and accessories and components segment respectively.

The Company is domiciled in Hong Kong. Revenue from external customers attributed to Hong Kong for the year ended 31 March 2016 is approximately HK\$933,683,000 (2015: HK\$1,110,350,000), and the total revenue from external customers from Mainland China is approximately HK\$226,537,000 (2015: HK\$153,785,000).

At 31 March 2016, the total non-current assets other than financial instruments and deferred income tax assets located in Hong Kong and Mainland China is approximately HK\$32,620,000 (2015: HK\$36,168,000) and HK\$133,089,000 (2015: HK\$159,109,000) respectively.

4. Operating profit

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Amortisation of land use rights	167	215
Depreciation of property, plant and equipment	37,063	40,385
Fair value losses/(gains) on derivative financial instruments	4,338	(2,800)
Fair value losses/(gains) on other financial assets at fair value through profit or loss	1,177	(434)
Net losses on disposal of available-for-sale financial assets	-	77
Net gains on disposal of other financial assets at fair value through profit or loss	-	(136)
Net losses/(gains) on disposal of property, plant and equipment	784	(235)
Net gains on disposal of subsidiaries	-	(5,544)
Net foreign exchange gains	(8,523)	(1,127)
Net realised gains from derivative financial instruments	(1,177)	(4,506)
Provision/(reversal of provision) for impairment of inventory obsolescence	6,343	(4,572)
Provision for impairment of trade receivables	308	1,106
Staff costs (including directors' emoluments)	339,700	373,797

5. Income tax expenses

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

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the year. The Group's subsidiaries in Mainland China are subject to China Corporate Income Tax at a rate of 25% (2015: 25%) on the estimated assessable profits.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current income tax		
- Hong Kong profits tax	5,433	3,341
- China corporate income tax	1,137	2,982
- Over-provision in prior years	(107)	(2,390)
	<u>6,463</u>	<u>3,933</u>
Deferred income tax	(1,039)	412
	<u>5,424</u>	<u>4,345</u>

6. Dividends

The Board recommended a final dividend of HK5.0 cents (2015: HK5.0 cents) per ordinary share for the year ended 31 March 2016. The proposed dividends are not reflected as a dividend payable in the consolidated financial statements, and will be reflected as appropriation of retained earnings for the year ending 31 March 2017.

7. Earnings per share

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

	2016	2015
Profit attributable to equity holders of the Company (HK\$'000)	<u>11,259</u>	<u>12,602</u>
Weighted average number of ordinary shares in issue (in thousands)	420,111	419,859
Adjustment for potential dilutive effect in respect of outstanding share options (in thousands)	<u>1,095</u>	<u>6,940</u>
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	<u>421,206</u>	<u>426,799</u>

8. Trade receivables

The Group grants credit periods to its customers ranging from 7 to 120 days. As at 31 March 2016 and 2015, the ageing analysis of the trade receivables by past due date is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current	155,820	173,999
1 to 30 days	31,204	30,056
31 to 60 days	22,837	17,610
61 to 90 days	2,900	10,709
Over 90 days	<u>8,052</u>	<u>5,636</u>
	220,813	238,010
Less: Provision for impairment of trade receivables	<u>(2,844)</u>	<u>(3,713)</u>
Trade receivables, net	<u>217,969</u>	<u>234,297</u>

9. Trade payables

As at 31 March 2016 and 2015, the ageing analysis of the trade payables by past due date is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current	98,700	122,005
1 to 30 days	30,388	28,119
31 to 60 days	2,501	1,588
61 to 90 days	5,908	1,991
Over 90 days	<u>3,407</u>	<u>6,267</u>
Trade payables	<u>140,904</u>	<u>159,970</u>

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of HK5.0 cents per ordinary share for the year ended 31 March 2016 to the shareholders whose names appeared on the Register of Members of the Company on 11 August 2016. Subject to the approval by the shareholders of the Company at the forthcoming annual general meeting, the proposed final dividend is expected to be paid on 29 August 2016 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 Wednesday, 3 August 2016 to Friday, 5 August 2016 (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 4:30 p.m. on Tuesday, 2 August 2016.
- (b) In order to qualify for the proposed final dividend, the register of members of the Company will be closed from Thursday, 11 August 2016 to Monday, 15 August 2016 (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 4:30 p.m. on Wednesday, 10 August 2016.

BUSINESS REVIEW

Over the past year, the global economic recovery has struggled to gain traction, and market consolidation within the electro-acoustic industry has persisted. For the financial year ended 31 March 2016, the Group recorded revenue of HK\$1,160.2 million, a decline of 8.2% when compared with the corresponding period of last year (2015: HK\$1,264.1 million). The decline was due to several factors, including conservative consumption sentiment resulting from the generally weak global economy, change in product mix as older products of the Group gave way to new products that began production ramp ups, as well as loss of revenue resulting from the disposal of unprofitable subsidiaries.

Gross profit however increased to HK\$200.3 million compared with HK\$181.7 million in the prior year due to the absence of a one-off expenditure that was incurred in the preceding year in relation to product adjustments. However, due to an increase in staff cost for talent retention, the absence of one-off gain of HK\$5.5 million from disposal of subsidiaries and an increase in provision for obsolete stock, profit attributable to equity holders dipped by 10.7% to HK\$11.3 million (2015: HK\$12.6 million). Basic earnings per share were HK2.7 cents (2015: HK3.0 cents).

BUSINESS SEGMENT ANALYSIS

Headsets and Headphones

As the core business of the Group, the headsets and headphones segment generated revenue of HK\$887.8 million (2015: HK\$913.8 million), and accounted for 76.5% of the Group's total revenue for the year ended 31 March 2016.

The past year has remained challenging for players in the electro-acoustic industry, with continued cut-throat competition which in turn led to the postponement in orders by some customers of the Group so as to clear existing inventories.

BUSINESS SEGMENT ANALYSIS (Continued)

Headsets and Headphones (Continued)

Under severe competition and market consolidation, many of the Group's internationally renowned customers have clearly recognised the need to revitalise their product lines in order to protect their market positions. Assisting in this goal, the Group capitalised on its engineering capability and resources to develop products equipped with innovative technologies. It also collaborated with its selected customers in co-developing advanced products. All of these efforts have in turn led to a number of projects conducted by Fujikon, as well as the further expansion of its patent portfolio during the year under review.

In addition to collaborations with leading global brands on various projects, Fujikon also explored business opportunities in Asia. Significant headway has been achieved in ties with two newer key customers: one is a Chinese company that provides products for a major smartphone brand in China, while the other is a major player in the electro-acoustic market in India.

During the year, the Group introduced new products which featured several advanced technologies, including Beryllium Diaphragm Drivers and Balanced Armature Drivers while a Bluetooth outdoor speaker product also entered the market. All of these items have achieved favourable market response, leading to encouraging business opportunities for the Group.

Accessories and Components

The accessories and components business experienced a decline in revenue for the year, slipping to HK\$272.4 million due principally to the disposal of unprofitably subsidiaries. Consequently, the business segment accounted for 23.5% of the Group's total revenue. Nevertheless, the Group recorded growth in profit thanks to the disposal of the aforementioned subsidiaries as part of streamlining efforts as well as greater orders received from a key customer; climbing by 22.8% to HK\$25.9 million (2015: HK\$21.1 million) for the year ended 31 March 2016.

Since this segment has always been valued by the Group as it represents not only an additional service for clients, but also a principal component of its vertical integration structure, the management will continue to monitor its operations to improve its development.

PROSPECTS

As in the past year, the upcoming financial period is expected to remain challenging as there is no clear sign of a global economic recovery in sight. The outlook for the electro-acoustic industry is therefore anticipated to be similarly lacklustre, as intense competition and market consolidation will persist. The management will remain highly vigilant in monitoring market developments, and take steps to protect the Group's position, including the bolstering of its core competencies.

Being the preferred and trusted partner of leading electro-acoustic brands, the management is confident in the Group's capacity to weather the difficult conditions ahead. With the past year marking a new high point in terms of numbers of projects under development by the Group, the fruits of such labours are expected in the years ahead. Among the products that will enter the market include mono Bluetooth headsets for a new client, thus broadening the Group's portfolio of Bluetooth products even further. Moreover, the trend towards miniaturisation and high functionality will see the launch of exciting new products developed by the Group in FY2016/17.

The Group will continue to make investments in engineering and product development to maintain its leading position in Active Noise Cancellation (ANC), Bluetooth and Near Field Communication (NFC), among other technologies. Such expertise will be the important calling cards for winning still more customers, as well as the leverage for retaining the world's leading electro-acoustic brands.

The Group's product development prowess, while allowing it to garner new business, has also opened the way for establishing its presence outside of the traditional markets of Europe and the United States to include several emerging markets. In view of constantly changing consumption sentiment in different regions of the world, greater market presence offers the best means of hedging against such changes. Hence, aside from persevering through challenges, the management will look to enhance the Group's presence globally where opportunities are favourable.

PROSPECTS (Continued)

Going forward, the Group will continue to leverage the vast experience of its management team to fortify Fujikon's market position, strengthen ties with renowned electro-acoustic brands and maintain its path to become a world-class electro-acoustic group.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group maintained at a strong financial position. Net current assets as at 31 March 2016 amounted to approximately HK\$578.1 million (2015: HK\$584.6 million). The Group's current and quick ratios were approximately 3.4 times (2015: 3.1 times) and 2.7 times (2015: 2.6 times), respectively.

The Group had cash and cash equivalents of approximately HK\$415.9 million as at 31 March 2016, representing an increase of approximately 1.6% against approximately HK\$409.3 million as at 31 March 2015. Approximately 71.3%, 20.9% and 7.3% 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 2016, the Group had aggregated banking facilities of approximately HK\$160.6 million (2015: HK\$160.6 million) from several banks for loans and trade financing, with an unused balance of approximately HK\$160.6 million (2015: HK\$160.6 million).

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

Foreign Exchange Exposure

The Group mainly operates in Hong Kong and Mainland China with most transactions settled in Hong Kong dollars, Renminbi and US dollars. The Group is mainly exposed to foreign exchange risk arising from future commercial transactions, recognised assets and liabilities denominated in currencies other than the functional currency of the group entities to which they relate.

The Group entered into foreign exchange forward contracts to manage such exposure. The net fair value of foreign exchange forward contracts entered into by the Group for managing the risk relating to monetary assets and liabilities in foreign currencies at 31 March 2016 was a liability of HK\$8.4 million (2015: HK\$4.0 million). Fair value losses on derivative financial instruments accounted for approximately HK\$4.3 million (2015: gains HK\$2.8 million) for the year and such fair value losses/gains did not have impact to the Group's real cash flow.

Furthermore, net realised gains from derivative financial instruments of approximately HK\$1.2 million (2015: HK\$4.5 million) represented actual settlements under derivative contracts during the year. The Group also had net foreign exchange gains of approximately HK\$8.5 million (2015: HK\$1.1 million). If these net realised gains from derivative financial instruments and net exchange gains were taken into account, the Group's foreign exchange exposure was in net gains of approximately HK\$9.7 million for the year, representing an increase of approximately 72.2% against approximately HK\$5.6 million for last year.

As at 31 March 2016, there was one outstanding foreign exchange forward contract which was expected to mature within 15 months. Although the devaluation of RMB had negative financial impact derived from such foreign exchange forward contract, it benefited to the Group's operating costs in Mainland China.

Employee Information

As at 31 March 2016, the Group employed a total of approximately 4,200 (2015: 4,800) employees. The staff costs (including the directors' emoluments) accounted for approximately HK\$339.7 million (2015: HK\$373.8 million) during the year.

FINANCIAL REVIEW (Continued)

Employee Information (Continued)

The Group has developed its human resources policies and procedures based on performance and merit. Employees are rewarded on a performance-related basis within the general framework of its salary and bonus system. Discretionary bonus is linked to the profit performance of the Group as well as individual performance. Benefits include staff accommodation, medical schemes, share option scheme, Mandatory Provident Fund for employees in Hong Kong and state-sponsored retirement plans for employees in Mainland China. The Group has also developed training programs to its management and employees to ensure they are properly trained.

Financial Guarantee

As at 31 March 2016, the Company had provided corporate guarantees of approximately HK\$155.7 million (2015: HK\$155.7 million) to several banks to secure banking facilities of its subsidiaries. No facilities were utilised by the subsidiaries as at 31 March 2016 and 2015.

DEALING IN COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the 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 2016, 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.

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, 23 June 2016