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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

FINANCIAL HIGHLIGHTS

- Revenue: HK\$516.4 million, up 4.8% (2023: HK\$492.6 million)
- Gross profit margin: 23.5%, up 2.7 points (2023: 20.8%)
- Profit attributable to equity holders of the Company: HK\$16.5 million, down 9.3% (2023: HK\$18.2 million)
- Basic earnings per share: HK3.88 cents (2023: HK4.28 cents)
- Dividends (per share): HK2.0 cents (2023: HK2.0 cents)

UNAUDITED INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) 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 2024 (the “**Interim Period**”).

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

		Unaudited Six months ended 30 September	
		2024 HK\$'000	2023 HK\$'000
	<i>Note</i>		
Revenue	3	516,385	492,564
Cost of sales		(395,161)	(390,242)
Gross profit		121,224	102,322
Other (losses)/gains – net		(6,686)	2,148
Distribution and selling expenses		(5,027)	(4,720)
General and administrative expenses		(66,063)	(66,145)
Reversal of provision/(provision) for impairment of trade receivables		14	(11)
Operating profit	4	43,462	33,594
Finance income – net		6,460	6,299
Profit before income tax		49,922	39,893
Income tax expenses	5	(10,242)	(8,087)
Profit for the period		39,680	31,806
Profit attributable to:			
Equity holders of the Company		16,520	18,212
Non-controlling interests		23,160	13,594
		39,680	31,806
Earnings per share for profit attributable to the equity holders of the Company during the period:			
– Basic (HK cents per share)	7	3.88	4.28
– Diluted (HK cents per share)	7	3.88	4.28

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

	Unaudited	
	Six months ended	
	30 September	
	2024	2023
<i>Note</i>	HK\$'000	HK\$'000
Profit for the period	39,680	31,806
Other comprehensive income:		
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss:</i>		
– Currency translation differences	5,575	(13,978)
– Fair value gains on financial assets at fair value through other comprehensive income	283	4
<i>Items that will not be subsequently reclassified to profit or loss:</i>		
– Currency translation differences	800	(1,628)
– Surplus on revaluation of right-of-use assets upon transfer to investment properties	1,122	–
Other comprehensive income for the period, net of tax	7,780	(15,602)
Total comprehensive income for the period	47,460	16,204
Total comprehensive income attributable to:		
Equity holders of the Company	23,500	4,238
Non-controlling interests	23,960	11,966
	47,460	16,204

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited As at 30 September 2024 <i>HK\$'000</i>	Audited As at 31 March 2024 <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		111,070	106,934
Investment properties		3,400	1,400
Right-of-use assets		23,473	16,829
Intangible asset		–	5
Non-current deposits and other assets		6,977	4,226
Financial assets at fair value through other comprehensive income		7,832	–
Deferred income tax assets		<u>14,026</u>	<u>12,850</u>
Total non-current assets		<u>166,778</u>	<u>142,244</u>
Current assets			
Inventories		160,304	152,750
Trade receivables	8	302,035	303,551
Other receivables		19,034	17,369
Financial assets at fair value through other comprehensive income		23,009	–
Current income tax recoverable		235	271
Time deposit with original maturity of more than three months		18,198	–
Cash and cash equivalents		<u>285,125</u>	<u>325,842</u>
Total current assets		<u>807,940</u>	<u>799,783</u>
Current liabilities			
Trade payables	9	141,242	127,427
Contract liabilities, accruals and other payables	9	117,199	115,728
Lease liabilities		5,961	4,058
Current income tax liabilities		<u>26,744</u>	<u>18,946</u>
Total current liabilities		<u>291,146</u>	<u>266,159</u>
Net current assets		<u>516,794</u>	<u>533,624</u>
Total assets less current liabilities		<u>683,572</u>	<u>675,868</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Unaudited	Audited
	As at	As at
	30 September	31 March
	2024	2024
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	7,048	1,614
Deferred income tax liabilities	2,171	2,211
Total non-current liabilities	9,219	3,825
Net assets	674,353	672,043
Equity		
Capital and reserves attributable to the Company's equity holders		
Share capital	42,584	42,584
Reserves	526,315	528,365
	568,899	570,949
Non-controlling interests	105,454	101,094
Total equity	674,353	672,043

NOTES

1. Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 September 2024 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 2024, 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 2024, except as mentioned below.

(a) Amendments and interpretations to standards adopted by the Group

The following amendments and interpretations to standards have been adopted by the Group for the first time for its financial year commencing on 1 April 2024:

- | | |
|-----------------------------------|--|
| • HKAS 1 (Amendments) | Classification of liabilities as current or non-current |
| • HKAS 1 (Amendments) | Non-current liabilities with covenants |
| • HKAS 7 and HKFRS 7 (Amendments) | Supplier finance arrangements |
| • HKFRS 16 (Amendments) | Lease liability in a sale and leaseback |
| • HK Int 5 (Revised) | Presentation of financial statements
– classification by the borrower of a term loan that contains a repayment on demand clause |

The adoption of the above did not have any material impact on the Group’s accounting policies and did not require any adjustments.

2. Accounting policies (Continued)

- (b) New and amendments to standards (collectively the “**Amendments**”) which have been issued but are not yet effective and not early adopted by the Group

The following Amendments have been issued, but are not effective for the Group’s financial year beginning on or after 1 April 2024 and have not been early adopted in preparing these condensed consolidated financial statements:

- HKAS 21 and HKFRS 1 (Amendments) Lack of exchangeability¹
- HKFRS 9 and HKFRS 7 (Amendments) Amendments to the classification and measurement of financial instruments²
- HKFRS 10 and HKAS 28 (Amendments) Sale or contribution of assets between an investor and its associate or joint venture⁴
- HKFRS 18 Presentation and disclosure in financial statements³
- HKFRS 19 Subsidiaries without public accountability: disclosures³

¹ Effective for financial years beginning on or after 1 January 2025

² Effective for financial years beginning on or after 1 January 2026

³ Effective for financial years beginning on or after 1 January 2027

⁴ No mandatory effective date yet determined

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

3. 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 condensed consolidated statement of comprehensive income.

3. Segment information (Continued)

	Unaudited							
	Six months ended 30 September							
	Headsets and headphones		Accessories and components		Elimination		Total	
2024	2023	2024	2023	2024	2023	2024	2023	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue								
– External revenue	274,195	318,714	242,190	173,850	–	–	516,385	492,564
– Inter-segment revenue	–	–	7,568	10,122	(7,568)	(10,122)	–	–
Total	<u>274,195</u>	<u>318,714</u>	<u>249,758</u>	<u>183,972</u>	<u>(7,568)</u>	<u>(10,122)</u>	<u>516,385</u>	<u>492,564</u>
Segment results	<u>(3,554)</u>	<u>17,137</u>	<u>57,128</u>	<u>17,793</u>	<u>–</u>	<u>–</u>	<u>53,574</u>	<u>34,930</u>
Corporate expenses							(3,426)	(3,484)
Other (losses)/gains – net							(6,686)	2,148
Finance income – net							6,460	6,299
Profit before income tax							<u>49,922</u>	<u>39,893</u>
Other segment information:								
Depreciation of property, plant and equipment	6,738	5,160	3,553	2,756	–	–	<u>10,291</u>	<u>7,916</u>
Depreciation of right-of-use assets	845	806	2,843	2,824	–	–	<u>3,688</u>	<u>3,630</u>
Amortisation of intangible asset	5	7	–	–	–	–	<u>5</u>	<u>7</u>
Provision for inventory obsolescence	2,837	961	816	56	–	–	<u>3,653</u>	<u>1,017</u>
(Reversal of provision)/provision for impairment of trade receivables	–	–	(14)	11	–	–	<u>(14)</u>	<u>11</u>
Additions to non-current assets (other than financial instruments and deferred income tax assets)	8,092	27,705	18,582	6,572	–	–	<u>26,674</u>	<u>34,277</u>

For the six months ended 30 September 2024, revenue of approximately HK\$360,583,000 (2023: HK\$390,130,000) were derived from four (2023: four) customers, amounting to approximately HK\$127,750,000, HK\$105,419,000, HK\$67,477,000 and HK\$59,937,000 respectively, which individually accounted for over 10% of the Group's total revenue. These revenue of approximately HK\$167,598,000 (2023: HK\$225,603,000) and HK\$192,985,000 (2023: HK\$164,527,000) are attributable to headsets and headphones segment and accessories and components segment respectively.

3. 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 2024 was approximately HK\$461,458,000 (2023: HK\$484,368,000), and the total revenue from external customers from China is approximately HK\$54,927,000 (2023: HK\$8,196,000).

At 30 September 2024, total non-current assets other than financial instruments and deferred income tax assets located in Hong Kong and China is approximately HK\$24,509,000 (31 March 2024: HK\$23,464,000) and HK\$120,411,000 (31 March 2024: HK\$105,930,000) respectively.

4. Operating profit

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

	Unaudited	
	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	10,291	7,916
Depreciation of right-of-use assets	3,688	3,630
Amortisation of intangible asset	5	7
Fair value losses on financial assets at fair value through profit or loss	–	96
Net (gains)/losses on disposal of property, plant and equipment	(172)	133
Net foreign exchange losses/(gains)	6,861	(2,377)
Provision for inventory obsolescence	3,653	1,017
Provision for warranty	2,011	7,185
Staff costs (including directors' emoluments)	138,491	143,346

5. 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% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong for the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2023: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 16.5%). The Group's subsidiaries in China are subject to China Corporate Income Tax at a rate of 25% (2023: 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.

5. Income tax expenses (Continued)

	Unaudited	
	Six months ended 30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
– Current tax on profits for the period	11,092	7,163
– Under-provision in prior years	–	447
– Withholding tax on dividends	130	3
	<u>11,222</u>	<u>7,613</u>
Deferred income tax (credit)/charge	<u>(980)</u>	<u>474</u>
	<u>10,242</u>	<u>8,087</u>

6. Dividends

The Board has resolved to declare an interim dividend of HK2.0 cents (2023: HK2.0 cents) per ordinary share for the six months ended 30 September 2024. 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 2025.

7. Earnings per share

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

	Unaudited	
	Six months ended 30 September	
	2024	2023
Profit attributable to equity holders of the Company (HK\$'000)	16,520	18,212
Weighted average number of ordinary shares in issue (in thousands)	425,839	425,839
Basic earnings per share (HK cents)	<u>3.88</u>	<u>4.28</u>

For the six months ended 30 September 2024 and 2023, diluted earnings per share is the same as basic earnings per share as there are no potential dilutive shares.

8. Trade receivables

The Group grants credit periods to its customers ranging from 30 to 120 days. As at 30 September 2024 and 31 March 2024, the ageing analysis of the trade receivables by past due date is as follows:

	Unaudited As at 30 September 2024 HK\$'000	Audited As at 31 March 2024 HK\$'000
Current	222,453	188,876
1 to 30 days	40,958	77,517
31 to 60 days	23,357	36,047
61 to 90 days	13,314	723
Over 90 days	4,159	2,605
	<u>304,241</u>	<u>305,768</u>
Less: Loss allowance for trade receivables	<u>(2,206)</u>	<u>(2,217)</u>
Trade receivables – net	<u><u>302,035</u></u>	<u><u>303,551</u></u>

9. Trade payables, contract liabilities, accruals and other payables

As at 30 September 2024 and 31 March 2024, the ageing analysis of the trade payables by past due date is as follows:

	Unaudited As at 30 September 2024 HK\$'000	Audited As at 31 March 2024 HK\$'000
Current	94,126	76,230
1 to 30 days	43,476	40,896
31 to 60 days	88	6,897
61 to 90 days	153	–
Over 90 days	3,399	3,404
	<u>141,242</u>	<u>127,427</u>
Trade payables	141,242	127,427
Accruals and other payables (<i>Note</i>)	108,852	104,828
Contract liabilities	8,347	10,900
	<u><u>258,441</u></u>	<u><u>243,155</u></u>

Note: Based on the sales and purchase agreement with customers, the Group generally made provision for warranty for its products. During the six months ended 30 September 2024 and 2023, a particular product has seen a higher rate of return and accordingly, a specific provision of HK\$5,006,000 (2023: HK\$9,116,000) has been made and included in cost of sales.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK2.0 cents (2023: HK2.0 cents) per ordinary share for the six months ended 30 September 2024. The interim dividend is expected to be paid on or around 31 December 2024 to shareholders whose names are registered in the books of the Company on 12 December 2024.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to the interim dividend for the Interim Period, the register of members will be closed from 12 December 2024 to 16 December 2024 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 pm on 11 December 2024 for registration.

BUSINESS REVIEW

For the Interim Period, various concerns continued to persist, including geopolitical risks and uncertainty surrounding the results of the U.S. presidential election. For the electro-acoustic sector, the operating environment has become more challenging, as competition among industry players has intensified. With regard to Fujikon, the strategy of operating both the headsets and headphones business and accessories and components business has enabled the Group to sustain business growth. During the Interim Period, the Group's revenue totalled HK\$516.4 million (2023: HK\$492.6 million), representing a year-on-year increase of 4.8%. Gross profit amounted to HK\$121.2 million (2023: HK\$102.3 million), and gross profit margin reached 23.5% (2023: 20.8%). Despite a provision for warranty of approximately HK\$2.0 million was made for the Interim Period, coupled with making provision for inventory obsolescence of approximately HK\$3.7 million, in addition to net foreign exchange losses of approximately HK\$6.9 million, Fujikon managed to maintain the profit attributable to equity holders of the Company at HK\$16.5 million (2023: HK\$18.2 million).

BUSINESS SEGMENT ANALYSIS

Headsets and Headphones

During the Interim Period, the stagnant economic environment, challenging market conditions, and intense competition among audio brands directly impacted on the order volume received by the Group's headsets and headphones segment. The management duly adjusted its business strategy to address the adverse market conditions, which included restructuring the product mix. Specifically, it sought to focus on developing products with longer product cycles, so as to allow Fujikon to both diversify and stabilise its income streams. During this transitional period, and amid a testing market, sales of headsets and headphones were inevitably affected, with revenue of HK\$274.2 million (2023: HK\$318.7 million) recorded, which accounted for 53.1% of the Group's total revenue.

The adjustment in product mix has nonetheless allowed the Group to enter underserved markets with growth potential, such as automotive and education. Moreover, these markets, along with gaming and Call Centre & Office ("CC&O") markets of which Fujikon is also involved in, have products that characteristically have longer product life cycles, hence enabling the Group to be less vulnerable to market volatility. It is worth noting as well that, during the Interim Period, the Group successfully secured new clients and projects in the automotive and education sectors, which has allowed it to capture a greater share of these markets in the coming years.

Accessories and Components

With its established reputation for high-quality products, Fujikon has forged strong bonds with top-tier international brands over the years. In relation to the accessories and components segment, two existing core customers as well as a new client contributed to a noticeable rise in income for this segment during the Interim Period. During the Interim Period, segment revenue reached HK\$242.2 million (2023: HK\$173.9 million), which accounted for 46.9% of the Group's total revenue. Moreover, profit surged to HK\$57.1 million (2023: HK\$17.8 million), which was attributed primarily to completion of business restructuring and the receipt of new orders.

PROSPECTS

Looking ahead, the global economic outlook remains uncertain. According to the World Bank Group, in 2024-2025, growth is projected to fall below the 2010s average in nearly 60% of economies, comprising over 80% of the world population. It cited geopolitical tensions, trade fragmentation, sustained higher interest rates, and climate-related disasters as among the downside risks¹. As for the earphones and headphones market, one report states that it is projected to grow at a CAGR of approximately of 12% from 2024 to 2030, reaching nearly US\$140.84 billion by 2030 – up from US\$63.51 billion in 2023². While encouraging, the increasingly fierce market competition and ongoing industry consolidation are expected to persist. Considering the aforementioned, the Group will maintain a cautious outlook towards the immediate future.

¹ <https://www.worldbank.org/en/publication/global-economic-prospects>

² <https://www.stellarmr.com/report/earphones-and-headphones-market/2375>

PROSPECTS (Continued)

In line with this outlook, the Group will continue to focus on developing products with longer life cycles, leveraging the success of opportunities seized in the education and automotive sectors during the Interim Period. This will include stepping up the co-development of products with clients in these sectors to accelerate the Group's business repositioning. Particularly in the automotive sector, Fujikon sees excellent potential due to its high entry barrier, as it is necessary to obtain relevant certifications and meet strict industry regulations and procedures to qualify for product manufacturing. With Fujikon's unique combination of qualifications and advantages in high-quality electro-acoustic production, it is well-positioned to expand its presence in the automotive market going forward. Already, the Group is engaged in the research and development ("R&D") of new products for the gaming and automotive segments. With certain R&D projects nearing completion, the resultant products are expected to enter the market in the near future and their contributions will be reflected in the Group's overall results accordingly.

To ensure that the production end can meet demand, the Group has also diversified this aspect of operation by establishing its first offshore production base in Indonesia. As at the end of October 2024, one of the Group's top-tier customers has confirmed shifting the final assembly of its products from the Mainland China to the Indonesia production base, with deliveries set to commence in the first quarter of 2025. This marks a significant milestone in implementing the China Plus One strategy, addressing customers' need for offshore production options, and positioning Fujikon to capture more overseas orders.

On the automation front, the Group continues investing in this area as it constitutes one of its key strategic focuses. By increasing automation at both the Mainland China and Indonesia facilities, Fujikon will be able to maintain its commitment in providing high-quality products that align with evolving needs, thereby strengthening its partnership with discerning customers. A case in point is the recent installation of robotic arms at the production lines for an upcoming automotive project. By enhancing production line automation, the Group will also fulfil the needs of a top-tier customer as it launches an important second-generation product. As Fujikon further bolsters its production facilities, it will be able to reap still greater benefits, which include cutting labour and associated costs, increasing production efficiency, and meeting the demand for large-volume orders for advanced electro-acoustic products.

In the pursuit of greater efficiency, the management will also persist in restructuring and streamlining operations. This will involve implementing the "Make or Buy" strategy, which involves the redistribution of production processes; maintaining essential production in-house with secondary production being outsourced.

By continuously investing in key operational enhancements and leveraging its distinct advantages, including a strong industry reputation, partnerships with top-tier brands, an experienced management team, robust product development and engineering capabilities, and a solid financial position, Fujikon is well-prepared to face challenges ahead and maintain progress in the coming years.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group maintained at a strong financial position. Net current assets as at 30 September 2024 amounted to approximately HK\$516.8 million (31 March 2024: HK\$533.6 million). The Group's current and quick ratios were approximately 2.8 times (31 March 2024: 3.0 times) and 2.2 times (31 March 2024: 2.4 times), respectively.

The Group had cash and cash equivalents of approximately HK\$285.1 million as at 30 September 2024, representing a decrease of approximately 12.5% against approximately HK\$325.8 million as at 31 March 2024. Approximately 85.5%, 10.6% and 3.3% of the total cash and cash equivalents were denominated in US dollars, Renminbi and Hong Kong dollars respectively, and the remainders were in other currencies. As at 30 September 2024, the Group had aggregated banking facilities of approximately HK\$162.0 million (31 March 2024: 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 losses of approximately HK\$6.9 million (2023: net gains of HK\$2.4 million) mainly due to the depreciation of Renminbi.

The recent fluctuation of Renminbi directly affected the Group's operating costs. The Group will continuously monitor and enter foreign exchange forward contracts where appropriate.

Employee Information

As at 30 September 2024, the Group employed a total of approximately 2,200 (2023: 2,300) employees. The staff costs (including the directors' emoluments) accounted for approximately HK\$138.5 million during the Interim Period (2023: HK\$143.3 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 REVIEW (Continued)

Financial Guarantee

As at 30 September 2024, the Company had provided corporate guarantees of approximately HK\$157.1 million (31 March 2024: HK\$155.7 million) to secure banking facilities of its subsidiaries. No facilities were utilised by the subsidiaries as at 30 September 2024 and 31 March 2024.

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 2024.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors and senior management of the Group (the "**Model Code**") on terms no less exacting than the required standard set out in Appendix C3 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited. 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 2024.

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 C1 to the Listing Rules. Throughout the six months ended 30 September 2024, the Company has complied with the CG Code save for the deviation from the Code Provisions C.2.1 and the reasons for deviation of which are explained below.

CG Code Provisions C.2.1

According to the Code Provisions C.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.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Yeung Chi Hung, Johnny, Mr. Yuen Yee Sai, Simon, Mr. Chow Man Yan, Michael, Mr. Yuen Chi King, Wyman and Mr. Yeung Siu Chung, Ben; and three independent non-executive Directors, namely, Dr. Ng Wang Pun, Dennis, Mr. Che Wai Hang, Allen and Ms. Tse Kan.

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

Hong Kong, 27 November 2024