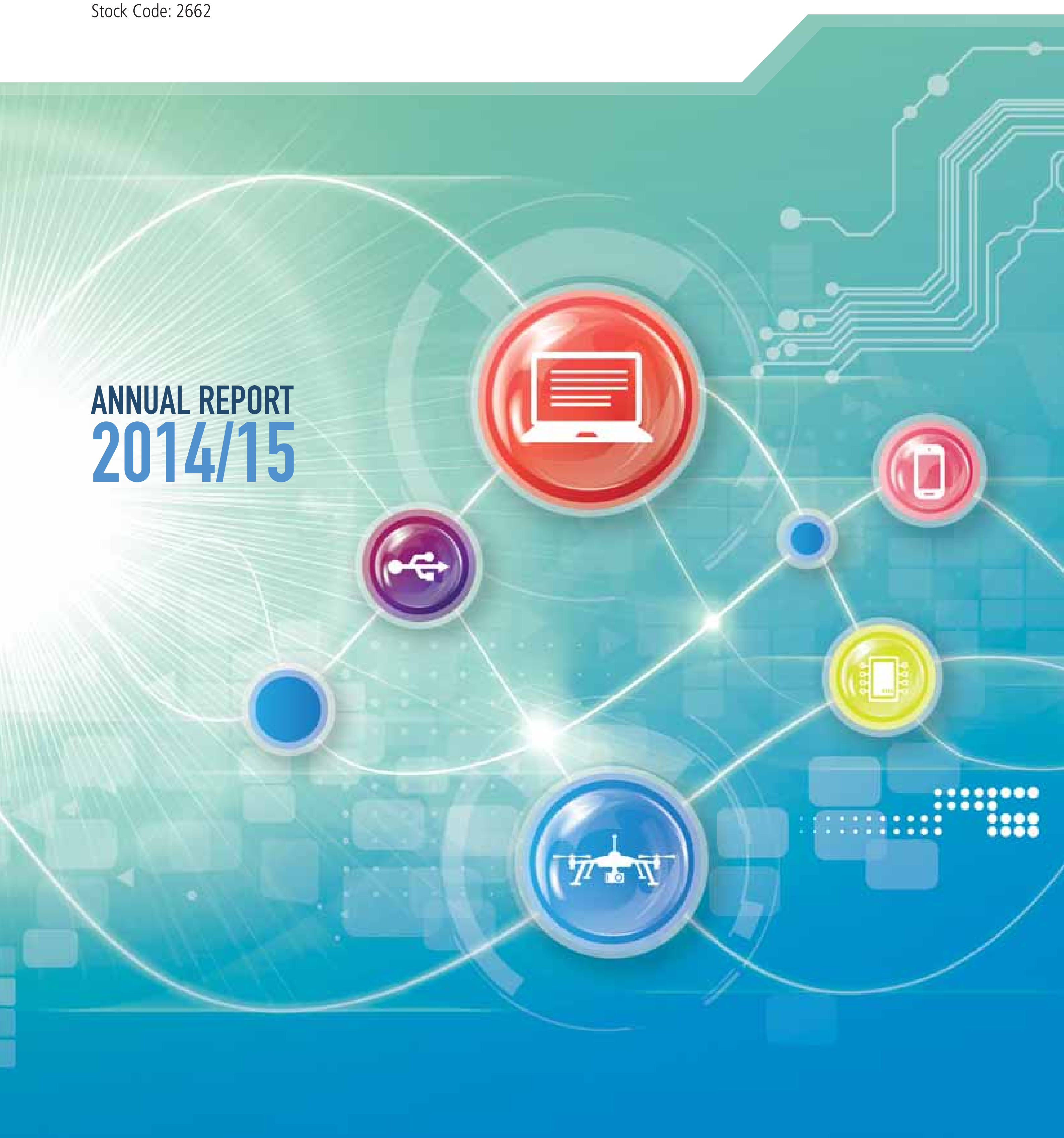
FITTEC INTERNATIONAL GROUP LIMITED
奕達國際集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 2662

ANNUAL REPORT
2014/15



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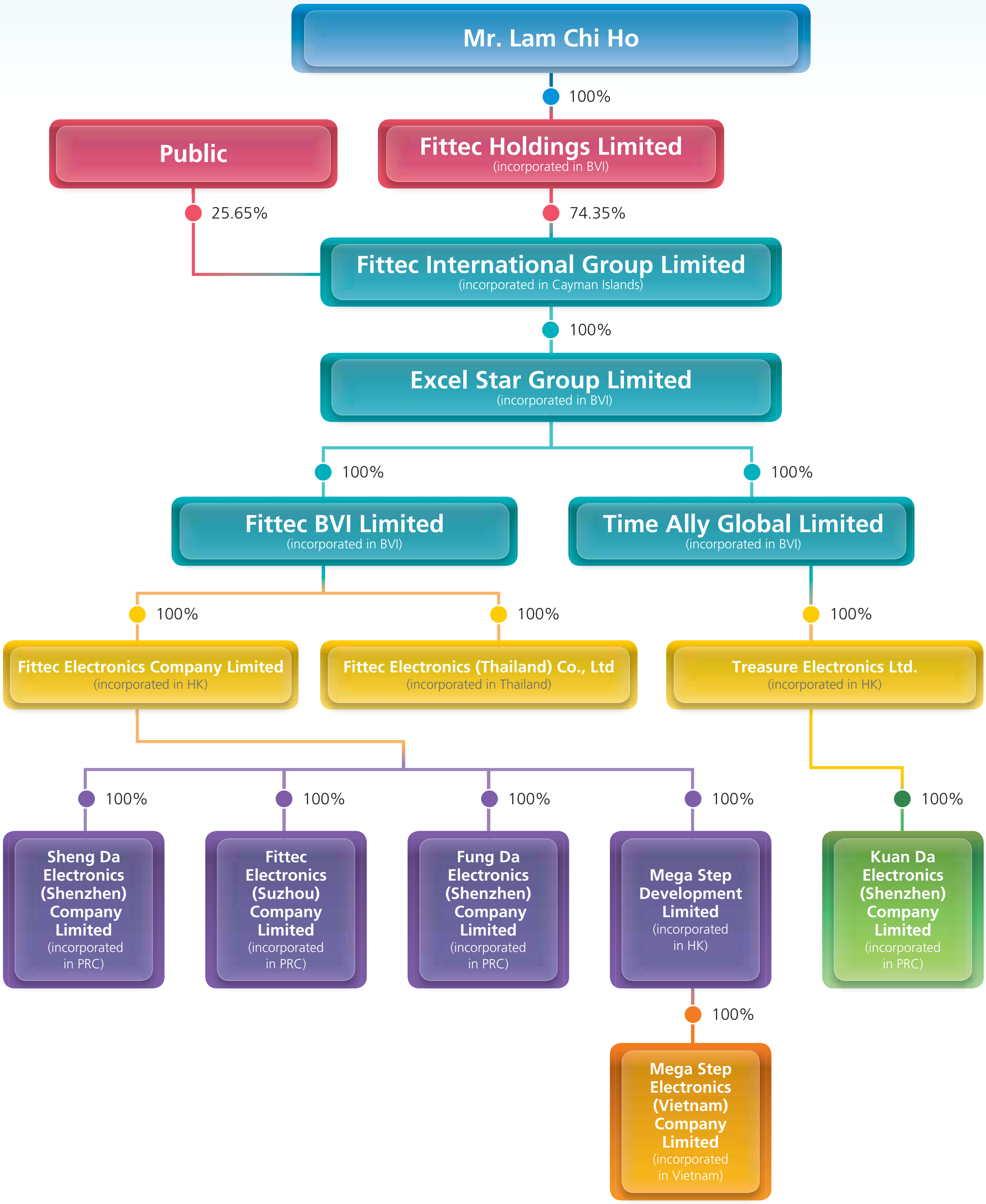
Corporate Structure

The following chart illustrates the corporate structure up to the date of this report.



Corporate Information

Board of Directors

Executive Directors:
Mr. Lam Chi Ho (Chairman)
Ms. Sun Mi Li
Mr. Tsuji Tadao

Independent Non-Executive Directors:
Mr. Chung Wai Kwok, Jimmy
Mr. Sin Man Yin
Mr. Tam Wing Kin

Company Secretary

Mr. Cheung Yiu Leung

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited

Registered Office

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P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

Unit 9, 9th Floor
Yuen Long Trading Centre
33 Wang Yip Street West
Yuen Long
New Territories
Hong Kong

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Principal Share Registrar

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

Branch Share Registrar in Hong Kong

Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Website

www.fittec.com.hk

Stock Code

2662

Glossary of Technical Terms

This glossary of technical terms contains explanations of certain terms used in this annual report in connection with us and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

"EMS"	electronics manufacturing services
"FPC"	flexible printed circuit
"GPS"	global positioning system
"HDD controller"	hard disk drive controller
"LCD"	liquid crystal display, a technology used for portable computer displays and watches etc
"LCD backlight"	a backlight, the form of illumination used in the LCD display
"LCD controller"	liquid crystal display controller
"ODM"	original design manufacturers
"OEM"	original equipment manufacturers
"PCBA"	printed circuit board assembly
"PC Motherboards"	Desktop Motherboards, Motherboards for Notebooks/Netbooks

Chairman's Statement

Dear Shareholders,

This year is a tough year for Fittec. During the period under review, the global economy let us misgiving. Our focus should not just constrained to sluggish growth, deteriorating demographics or the overhang of consumer and government debt. World trade is also a critical factor. It used to become speedier than GDP that like change to sluggish. In each of the most recent three years, growth has been less than 3% in real terms. The World Trade Organization is hoping for 3.3% this year but it routinely needs to cut its forecasts; there have been reports of export declines in recent weeks from Taiwan, Egypt, Indonesia, Jordan, and China, to name but a few. Some of the current year's decay is down to a stronger US currency which reduces the dollar value of exports. But it is hard to believe that is the only thing going on.

It is well known fact that exports from north-east Asia is a good measure of the health of the global economy. The region, which combines together Japan's high-tech products, Korean and Taiwanese expertise in electronics, and China's prowess in assembly, produces nearly a quarter of all goods shipped around the world. The situation is changing. South Korean exports dropped by 8.1%, the worst figure in two years. China's were declined 6.4% year on year. Japanese and Taiwanese exports are limping along as well. The weak figure is a signal of renewed funk for the world economy. Indeed, Asian exports are never again being a reliable indicator of global demand.

Despite the fact that before the dollar's rally started in mid-2014, the link between north-east Asian exports and growth in developed economies had begun to separate. Over the past three years, for instance, north-east Asian exports have grown much more slowly than the American economy. It is predominantly because of other regions are now out-competing north-east Asia as Chinese labour costs rise. But this does not hold up to scrutiny: over the past year exports from emerging economies in Asia excluding China have followed the path as those from north-east Asia. Exports from Latin America and central and Eastern Europe have fared worse. North-east Asia's share of global exports actually little rise from 22% in 2011 to 23% last year.

The Group dissected the worldwide economy recouping pattern and China local advancement precisely, and made proper strategic moves accordingly. Ever since the 2008 financial tsunami, the Group has started to set up an offshore production bases in Vietnam to diversify our sole focus in China. However, after the Anti-China riots burst in Vietnam unexpectedly on 13th of May, 2014, we need to reestablish the confidence of our customer on Vietnam. The social unstable has serious affect the attractive of our Vietnam operation.

In the course of recent decades, strategic outsourcing has built up itself as a powerful force in North American & Japanese business. Every business component from human resources to accounting to information technology to manufacturing is a possibility for strategic outsourcing. The electronics manufacturing services industry (EMS) has been the prime beneficiary of the leap to strategic outsourcing.

EMS has moved from board stuffers (consigned parts) to contract manufacturers (buying parts and assembling them). Today, numerous EMS companies offer to one-step services, including product design and build.

We like other EMS company; the significant challenge is shrinking operating margins. As global rivalry and new advances drive the pricing down, we like other EMS companies must do whatever is necessary to survive, including constantly becoming and remaining more cost-efficient in order to maintain profitable or break even.

Another challenge for EMS Company is investment in the operations and management of global manufacturing processes. This investment comes with inherent risks. OEMs use this capacity and operations on an as-needed basis, so the risk scale seems heavier on the EMS side. This risk cannot be evacuated.

AS an EMS companies must balance internal and external resources yet remain within international standards. Traceability and compliance issues are adding to operational weights. Components and sub-components may travel across several continents before they delivered to the end-consumer.

Over pass few years, EMS industry facing that there are very few new sources for generate income. The difficulties here are the consistent cost reductions OEMs request, adversely affecting EMS providers' profit margins directly.

The global trend of short product lifecycles is discriminatingly influencing the EMS industry. Consumer inclinations change day-to-day, requiring EMS companies to maintain quick and effective New Product Introduction processes. The product needs to dispatch on time, at the right volume, price and quality.

The most important factor affect our group is the uncertain demand for products. We must face with an unpredictable economy and variable demand resulting in fluctuations in production. In today's business world, a company must be resourceful in lean times and well prepared to strike when the iron is hot. Despite the fact that the order is uncertain, our production capacity must keep up with customer demand.

For the EMS companies, location is the key to profitability, supply chains, scheduling, staffing, and business success. Winning a contract on a Request for Proposal may depend on the factory's location. Since EMS companies are at the mercy of the OEMs with regard to relocation, location is an essential consideration and a lasting one.

As one of a stable EMS provider, Fittec has seen these issues and responded to the challenges. By enlisting capable workers with the right ability, picking the best hardware, installing all of the necessary engineering services, and utilizing sound business standard.

With decline of global economy, temporary suspending of the Vietnam factory, dropped of global demand of personal computer motherboard and hard disk drive, our revenue has declined almost 33% to HK$727 million for the year ended 30 June 2015 (for the year ended 30 June 2014: HK$1,082 million).

Under capacity utilization together with unflavored labor wage and incident in Vietnam, led to a recorded a gross loss HK$17 million and net loss HK$79 million, (for the year ended 30 June 2014: HK$27 million and HK$277 million separately).

The board of directors did not recommend the payment of a dividend. Looking ahead, we are aware of the serious challenges from the continuously basic salary hike in China, as well as the uncertain global economy outlook. On the other hand, the Group is actively targeting the steady T Remote Control RC Model Helicopters business and stared mass production in July 2015. This positive development will help to push up the utilization rate eventually.

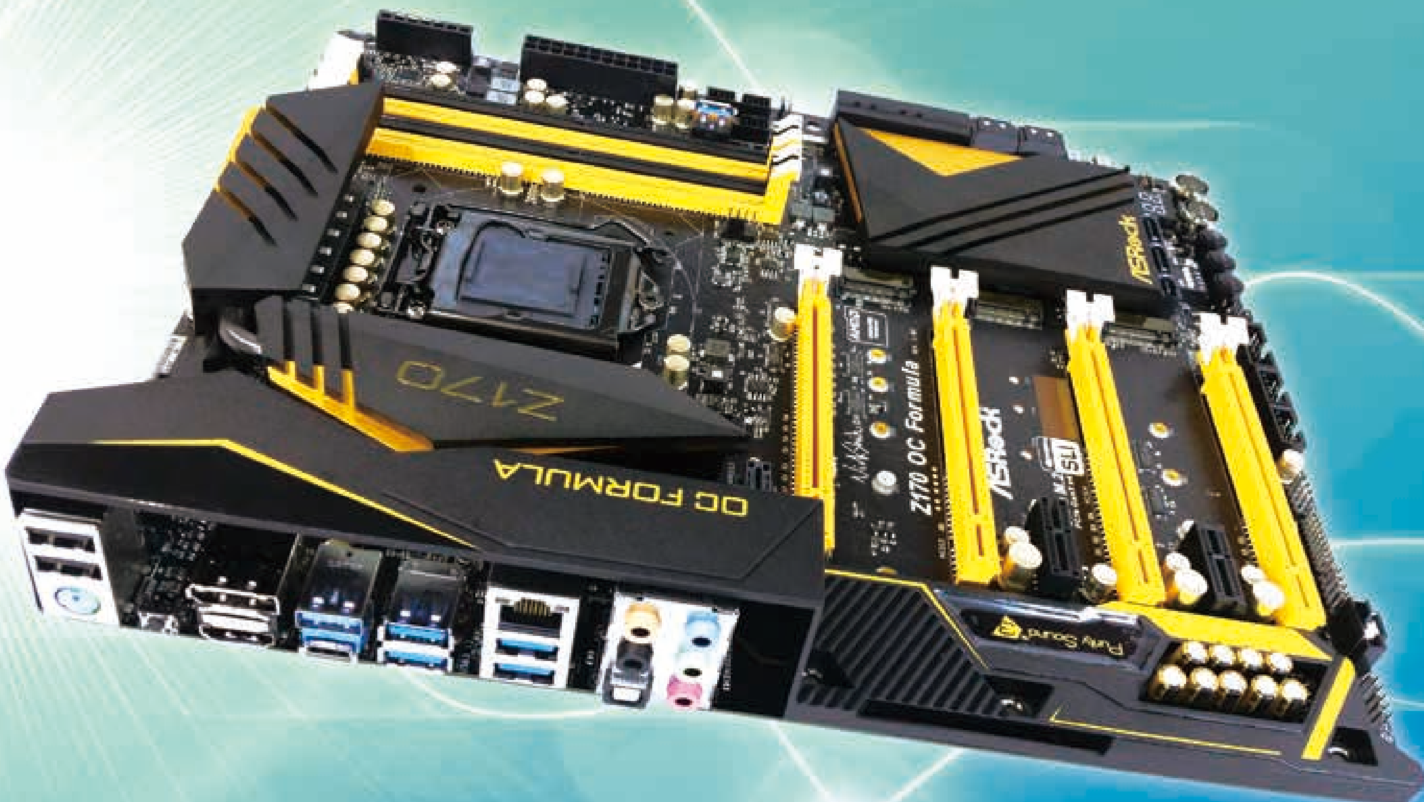
In the mid-term to long-term, we remain conservative about our business. The decrease of worldwide economy will drive down the demands of all consumer goods, and the rate of utilization of aggregate factories' capacities. More severe price erosion among manufacturers would occur while trying to compete for fewer orders. Thus the Group is implementing permanent cost control actions, to make sure the Group can conserve enough resources to sustain normal operation until the recession is over, and regain growth.

Since the Group current business had been unprofitable for five consecutive years and unstable political and social environment of Vietnam, the boards are looking to diversify the business and will consider any investment opportunities including but not limited to business of similar nature and technological know-hows, which will enable the Group to generate profit and shareholder's value in the future. The Board will also review the current unfavorable business environment and future profitability of Group's current business and may consider disposing any business with declining operating results.

On behalf of the Board, I would like to express my appreciation to the management and staff for their dedication and contributions. My thanks also go to our customers, shareholders and investors for their trust and support through this challenging period.

Lam Chi Ho
Chairman

Hong Kong, 30 September 2015



INDUSTRY HIGHLIGHT

Management Discussion and Analysis

Financial Review

Global economic growth is anticipated to strengthen in the course of 2015 and 2016, but will remain modest relative to the pre-crisis period and its global distribution will change from that in recent years. The acceleration is underpinned by very supportive monetary conditions, a slower pace of fiscal consolidation, lower oil prices and financial repair. Investment is a crucial component of the outlook, has yet to take off. The appreciation of the US dollar against other currencies has led to a significant realignment in exchange rates since mid-2014. The ensuing relative price effects are shifting global demand more toward Europe, Japan and some emerging market economies (EMEs). The growth in EMEs is slowing due to specific factors in China, Brazil and Russia and it could continue to be weak in the absence of structural reforms to undo bottlenecks.

Developing countries face a series of tough challenges in 2015, including the looming prospect of higher borrowing costs in a new era of low prices for oil and other key commodities. This will result in a fourth consecutive year of disappointing economic growth this year, says the World Bank Group's latest 2015 Global Economic Prospects report, released on June 10. Developing countries are now projected to grow by 4.4% this year, with a likely rise to 5.2% in 2016, and 5.4% in 2017. Developing countries were an engine of global growth following the financial crisis, but now they face a more difficult economic environment.

The Global economy was weaker than originally projected growth in the Eurozone and the emerging markets will result in the European Electronics Manufacturing Services ("EMS") Industry posting only modest growth in 2014/15, extending the period of market stagnation to three years.

The rapidly deteriorating geopolitical situation together with the economic slowdown, in Europe and globally, in the second half of 2014 continued to subdue demand and result in the current market stagnation in the European EMS industry continues in 2015.

The worldwide EMS market is a determining force in production of electronics products and now accounts for almost 40% of all assembly. Although the growth of outsourcing is slowing, it still represents the most desired manufacturing model for the assembly of electronics products available to Original Equipment Manufacturer ("OEM") companies. The EMS industry expanded approximately 5.3% in 2014 as a result of the slowing of sales for PCs (desktop and notebook).

In the global EMS and Original Design Manufacturers ("ODM") industry, there are about 300–350 companies with high industrial concentration. The top eight enterprises have about 81% of market share and serve large customers. Accordingly, medium-sized enterprises find it hard to see growth. About 75% of EMS and ODM vendors globally are Taiwanese companies represented by Hon Hai, Quanta, Pegatron, Compal, Wistron, Inventec, New Kinpo and Universal Scientific Industrial.

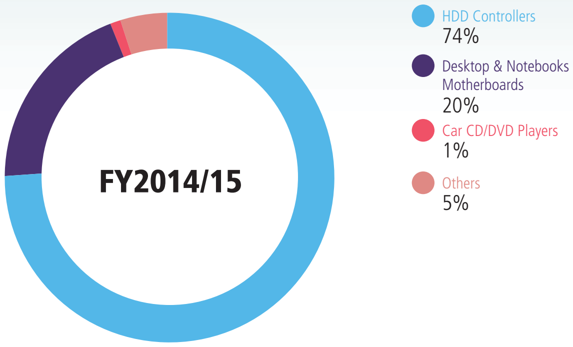
In Central and Eastern European region, over 80% of the total sales (Euro 20.2 billion) are achieved by 97 EMS companies who are less than 10% of the total number. We believe that there will be further consolidation across the industry due to the downward price pressure, slow economic growth and requirement to broaden and deepen the design, development and aftercare services to customers.

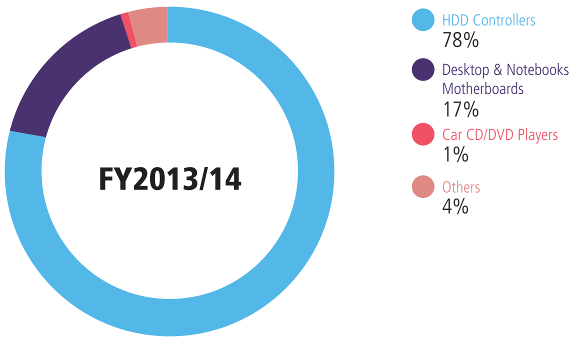
For the fiscal year ended 30 June 2015, the Group recorded revenue of HK$727 million (for the year ended 30 June 2014: HK$1,082 million). The turnover is slipped from last years due to the decrease of HDD ("HDD") orders, which include a large amount of procurement income, and the decrease in global demand of desktop motherboard.

Rotating and mechanical magnetic HDD are not going to fade out in near future but the market will gradually decline.

Historically, since 1976, the global shipments of HDDs always grew year-on-year (with only one exception in 2001 because of the economical crisis) and generally rapid. However from 2011, this trend has changed. It seems that it is definitively the end of the market growth for HDDs in units shipped – with an exception in 2014 with a slightly 2% growth – and more in revenue.

Revenue





About all devices into less than 2.5-inch form factor have disappeared which is due to more recent flash units (solid-state drives ("SSD") and keys), based on solid-state memories only and without any mechanical process.

The historical yearly record of 651 million HDDs shipped in 2012 could never be beaten in a saturated market but shared by only three manufacturers.

According to the International Data Corporation ("IDC") Worldwide Quarterly PC Tracker, Worldwide Personal Computer ("PC") shipments totaled 80.8 million units in the fourth quarter of 2014, a year-on-year decline of 2.4%. Total shipments were just little above expectations of negative growth 4.8%, but the market still contracted both year on year and in comparison to the third quarter. Although the holiday quarter saw shipment volume inch above 80 million units for the first time in 2014, the final quarter nonetheless marked the end of yet another difficult year – the third consecutive year with overall volumes declining. On an annual basis, 2014 shipments totaled 308.6 million units, down 2.1% from the prior year.

For HDD and PC, while the U.S. and Europe remained stronger than other markets, growth in these mature regions slowed down. Asia/Pacific (excluding Japan) was only a very slight increase in volume as a number of public projects and improving consumer demand helped stabilize the market. Similarly, commercial demand, which boosted growth earlier in the year, has slowed while consumer demand is gradually coming back. Nevertheless, the market progress has been fueled by low-priced systems, including growth of Chromebooks and promotion of Windows 8 + Bing. Constraints on Bing promotions, such as limits on larger-sized devices, could remove a key market driver while some fourth quarter production was attributed to getting ahead of holiday-related production constraints in Asia in the first quarter, effectively shifting volume from early 2015 into the end of 2014.

The Group recorded a net loss of HK$79 million for the year (for the year ended 30 June 2014; HK$277 million). The decrease in loss was primarily due to (i) a once off impairment loss for the property, plant and equipment in relation to the Vietnam Factory suffered by the riot in May 2014 was recorded in 2014; (ii) recognised a gain of HK$8 million on changes in fair value of the derivative financial instruments in 2015 as compared to a loss of HK$13 million in 2014.

Revenue

	FY2014/15		FY2013/14	
	Amounts (HKD million)	**%**	Amounts (HKD million)	%
HDD Controllers	**538**	**74**	842	78
Desktop & Notebooks Motherboards	**146**	**20**	185	17
Car CD/DVD players	**10**	**1**	9	1
Others	**33**	**5**	46	4
	727	**100**	1,082	100

The decrease in turnover and the a gross loss margin in the computer motherboard and HDD controller business, is mainly attributable to (i) weakening global demand of computer motherboard and HDD which are the key products of the Group; (ii) the increase in the cost of raw materials and labour cost in China; (iii) the continual slow growth of the global economy and the economic downturn of the United States of America, the European countries and Japan which prolonged the refresh cycles for PCs.

The Vietnam Factory was torched and looted by rioters on 13 May 2014 and the Vietnam Factory had since been suspended from operation. The factory was fully resumed its operation on 1 October 2014. The Group maintains insurance coverage that provides property coverage in the event of losses arising from riot. The claim is in process and we are unable to predict how much of our losses will be covered by insurance. The Group also cannot estimate the timing of the proceeds that will be ultimately received under the insurance policies, and there may be a substantial delay between our incurrence of losses and our recovery under our insurance policies. As at 30 June 2015, the Group had received the advance of compensation amount HK$1,572,000 from insurance company (30 June 2014: HK$255,000).

Despite these difficulties, the Group was in a healthy financial position with net cash, being total cash less total debt, was positive. Cash and Cash equivalents as at 30 June 2015 was HK$193 million (30 June 2014: HK$247 million).

Business Review

During the review period, the Group maintained focus on top-tier clients and products. HDD controllers and PC motherboards (include desktop, Tablet PC and notebook PC) remained the core products of the Group, contributing 94% of the total turnover. Other products, such as car CD and DVD player controller boards remained quite stable during the period.

In the constantly changing digital world, small portable digital devices such as smartphones and tablets continue to gain. Even though the popularity of mobile, businesses, consumers, and other organizations continue to buy millions of desktop and laptop PCs. But this market continues to slowly diminish. Worldwide PC shipments totaled 71.7 million units in the first quarter of 2015, according to estimates by market research firm Gartner. But this was a 5.2% drop from a year earlier. The declines of PC shipment also affect the HDD markets. The decreased demands of PC indirectly affect the HDD orders.

Desktop PCs led the decline, with sales of laptop PCs actually growing. Gartner predicts a moderate drop in overall PC shipments for all of 2015 but "slow, consistent growth" over the next five years from 2013/14.

HDD Controllers

After three consecutive years of declining HDD shipments, 2014 HDD Shipments grow 2.2% to 563.94 million game console refresh fuels consumer electronics ("CE") HDD sales. All three HDD companies benefit from solid 2014 market demand – total exabytes increase 15% to 528.57. Since 2011, initially as a result of the massive flooding in Thailand that wiped out considerable HDD and HDD component manufacturing capacity, and later due to a shift from laptop to tablet computers, HDD shipments were lower year over year until 2013. According to Coughlin Associates produces a newsletter on Digital Storage Technology Trends, the year over year decline was 4% in 2011, 7.6% in 2012, and 4.3% in 2013. In 2014, due to the growth of HDDs in cloud and other enterprise applications and especially the stabilization of the laptop market, total HDD shipments increased to about 564 million units.

Although Toshiba enterprise and branded were the only two segments that posted higher numbers, it was almost to offset the decreased in net client (desktop and mobile) and CE sales. Desktop and mobile HDD sales (which include the branded numbers) decreased 2% and 1% respectively, while CE dropped nearly 4% for the quarter. Enterprise sales jumped up 17% to 1.83 million units while branded HDD subtotal increased up 12% due to strong holiday sales, reaching 3.82 million units. Nearline HDD shipments accounted 25% or 0.46 million units of its total 1.83 million enterprise HDDs.

In 2014 Western Digital has about 44% market share, followed by Seagate at 40% and Toshiba at 16%. Seagate shipped out 224 million hard drives last year, of which 146 million units were either PC or laptop storage drives. Similarly, nearly 154 million hard drives out of a total 249 million units sold by Western Digital in 2014 were compute storage (PC or laptop) units. As evidenced by the contribution to total sales volumes, compute storage is a key contributor to product sales for HDD companies.

Shipments of HDD tanked significantly in the first quarter of the year due to sharp declines of sales of both PC and non-PC HDDs. Average selling prices of HDDs remained flat during the quarter. Global demand for desktop computers and laptops has dropped in recent years as sales of smartphones, tablets and other portable devices have risen. The latest worldwide trends in the PC and notebooks markets had direct impact on HDD companies.

Shipments of HDD for client computers – both desktops and notebooks – were down both sequentially and annually. According to estimates by Seagate and WD, sales of desktop drives were down 11.3% quarter-over-quarter ("QoQ") and 23.7% year-over-year. Mobile HDD declined 13% QoQ and 7% year-on-year, according to figures by the two leading makers of HDD.

Based on the data from IDC worldwide PC shipments totalled 68.5 million units in the first quarter of 2015, a year-on-year decline of 6.7%. 68.5 million units is the lowest recorded volume since Q1 2009. Given the industry trend, it is not surprising that sales of consumer-class HDDs for client applications dropped substantially.

It is unknown how significantly a sale of client SSD impacted shipments of HDDs during the quarter. However, it is clear that SSDs as well as tablets represent lost sales for makers of HDD.

This segment showed gradually decrease resulting from the decline of global Notebook PC shipment volumes and the customer, Toshiba reduce its outsourcing production. Thus the revenue was down by 36% to HK$538 million from last year's HK$842 million. The Group is the major provider of PCB assembly service in China for Toshiba's 2.5-inch and 1.8-inch HDD controller.

Looking to the future, the growth of content needing to be stored in digital libraries is increasing by perhaps 40% annually while the storage capacity of HDDs may only be growing at about 15% annually.

Thus there is demand for more storage capacity in the market and this should drive additional unit demand for HDDs in the next few years. Coughlin Associates predict HDD unit shipment grow over the next few years to meet the needs of content creators, with shipments of about 721 million units by 2019. Over the same period, total annual HDD shipments will grow from about 540 Exabytes to close to 2,000 Exabytes (2 Zetabytes).

Although facing the competition with flash memory, the recovery in the laptop market and growing needs for massive storage libraries in the cloud and for many emerging enterprise applications will drive HDD shipment and revenue growth for several years to come, assuming continual increases in HDD storage capacities.

As a result of reducing compute-storage units, hard drive manufacturers have been focusing on alternate storage technologies to cater to the fast-growing market segments, namely enterprise and cloud storage. However, PC and notebook storage units still contribute to substantial revenue for HDD vendor, with computer storage units making up nearly two-thirds of total unit shipments for the vendor. Microsoft decided to end support for the XP operating system in April last year, which led a lot of customers to refresh their computers. As a result, the rate of decline in the number of PC shipments in 2014 was lower than previous years. The decline has continued through the March quarter this year, with combined unit shipments declining by almost 7% y-o-y to 68.5 million units. It is expected that sales could continue to be low through Q2 as well. On the other hand, unit shipments could pick up in the latter half of the year as Microsoft plans to release Windows 10 in July, which could lead to rise in PC and notebook sales.

Desktop & Notebooks Motherboards

According to Research and Markets: Global Motherboard Market Forecast – 2015 Report, the Worldwide commercial replacement demand helped to soften motherboard market decline in 2014, with a total of approximately 146 million motherboards shipped in 2014, up 2.2% compared to 2013. As the replacement demand triggered by Windows 7 has just come to an end and low-cost notebook PCs are continuing to eat away market share of desktop PCs. The global motherboard shipment volume is predicted to reach around 134 million units in 2015, down 8.1% compared to 2014. Undoubtedly, it will be the fourth consecutive year of declining volume as the PC market continues to struggle with competition from smartphones and tablets and generally low demand.

Actually, the market have stable shipments in mid-2014 as the end of support for Windows XP boosted demand for replacements, but that cycle has passed and been replaced by a reduction in inventory on the supply side as the market awaits the arrival of Windows 10 this summer.

The impact of competing products, as well as the strong US dollar and weak commodity prices have also constrained spending. This has seriously affected the consumer segment, while commercial demand remains stronger in both mature and emerging regions.

Among Taiwan-based motherboard players, ASUSTek Computer and Gigabyte Technology have been in a price competition to maintain market shares and shipments, and consequently second-tier ASRock and Micro-Star International ("MSI") are expected to see 2015 shipments drop to 6.5 million units and 6 million units respectively and Elitegroup Computer Systems ("ECS") and Biostar Microtech International ("Biostar") to 2.8-3.0 million units each, according to Taiwan-based supply chain makers. ASRock, MSI, Biostar and ECS have already withdrawn from the price war in China and are focusing mainly on maintaining their profits, but the move will seriously impact their shipments in 2015.

Our PC Motherboard Customer, ASRock's orders in the second half of 2014, which was affected by sharp declines in demand from Eastern Europe and Latin America because of strong US currency and customer was affected by Intel delaying its Skylake CPUs in the first half of 2015 to the third quarter.

According to DIGITIMES, some market watchers expect ASRock's motherboard shipments to drop to only 5.5 million units in 2015, down from 6.2 million units in 2014. The revenue contributed by this customer was reduced by 21% to HK$136.2 million from last year's HK$172.6 million.

Others

The Group maintains long time relationship with one of the leading in-car CD and DVD player system providers. We provide the controlled board to the customer, then assembly into CD/DVD players and send to car maker for final assembly. This is a special market, requires extremely high quality and durability production process, and associates higher than average profit margins. The Group is the main supplier of the customers due to past excellent performances, and expects this market could maintain its current level of volume in the coming years.

Liquidity and Financial Resources

The Group had bank balances and cash of approximately HK$193 million as at 30 June 2015 (As at 30 June 2014: HK$247 million). The Group generally finances its operations through its internal resources and bank facilities provided by its principal bankers. As at 30 June 2015, the Group had net current assets of approximately HK$341 million and a current ratio of 7.03 (As at 30 June 2014: net current assets: HK$381 million; current ratio: 4.02). The Group's net asset value was HK$494 million (As at 30 June 2014: HK$573 million). Total debt to total assets ratio was 10% (As at 30 June 2014: 18%). Currently, all of our cost of direct materials and our turnover are denominated in US dollars, to which the Hong Kong dollar is pegged. However, our labor costs and operation overheads are denominated in RMB and VND. The labor costs in China have been increasing and RMB in China continues its fluctuation trend. We have been actively monitoring the foreign exchange exposure in this respect. As at 30 June 2015, the Group did not have any material contingent liabilities.

Production Facilities

During the review period, the Group continued to relocate some equipment from both its Shenzhen and Suzhou factories to its Vietnam factory. Thus the overall equipment utilization rate was still below the optimum level as some production works had been relocated to its offshore factories and setting up process. The temporary suspension of the Vietnam factory from the riot had driven down the utilization rate further. As of 30 June 2015, it had 35 SMT lines and a production capacity of 48.9 billion chips per year in China.

The Vietnam factory has been completed and started to increase production volumes steadily from the beginning of 2010, as its local management team is becoming mature. Currently the Vietnam factory has installed 15 SMT lines, with a production capacity of 29.1 billion chips per year. As the total costs of the PC motherboard production in China keep on increasing, the Group expects the customer will arrange more production capacities into the Vietnam factory, and would need to relocate more machinery from China to meet the end requirements. That trend will help the Group to push up its overall equipment utilization rate eventually.

Prospect

According to the report of United Nations Department of Economic and Social Affairs, the global economy continued to expand at only a moderate estimated pace of 2.6% in 2014. Recovery was hampered by some new challenges, including a number of unexpected shocks, such as the heightened geopolitical conflicts in different parts of the world. Most economies have seen a shift in gross domestic product growth to a noticeably lower path compared to pre-crisis levels, raising the spectre of longer-term mediocre economic growth. In the developed economies, although some improvements are forecast for 2015 and 2016, significant downside risks persist, especially in the euro area and Japan. Growth rates in developing countries and economies in transition have become more divergent during 2014, with a sharp deceleration in a number of large emerging economies, particularly in Latin America and the Commonwealth of Independent States. A number of these economies have encountered various country-specific challenges, including structural imbalances and geopolitical tensions. In the outlook period, the global economy is expected to expand at a slightly faster but still only moderate pace, with world gross product projected to grow by 3.1 and 3.3% in 2015 and 2016, respectively.

In the next five years, the mobile phone market is expected to have the highest growth potential in the EMS and ODM industry. The success of Xiaomi, a company that focuses on marketing and brand promotion while entirely outsourcing manufacturing to its contract vendors, propels EMS and ODM services. Xiaomi's success has led a large number of electronic companies to follow suit, which opens a wide space for EMS and ODM vendors. Samsung and LG may commission EMS and ODM vendors to partially conduct manufacturing. The EMS and ODM market for communication terminals is expected to jump from US$30.8 billion in 2013 to US$35.2 billion in 2017. In the global EMS and ODM industry, the eight largest companies cover about 81% of market share. It is difficult for the small and medium-sized enterprises to growth.

Researchers are expecting that there will be further consolidation across the industry because of the downward price pressure, slow economic growth and requirement to broaden and deepen the design, development and aftercare services to customers. For EMS companies based in Western Europe, the most attractive sectors are those of Control & Instrumentation, Industrial, Medical, Aerospace and Defense, Automotive and Energy, particularly Renewables. In the CEE and other low cost countries, the focus remains on the transfer of production of low and medium volume/high mix electronic assembly from Western European EMS.

ASRock cannot achieve its mainboards shipments target in 2014. In 2014 ASRock shipped 6.2 million mainboards, which was well below its plans. In 2013, it sold 7.6 million motherboards, significant the drop in last year was due to ASRock did not want to lower prices. This year the situation on the motherboard market is to be significantly different than last year and leading vendors are reportedly not going to start price wars. As a result, ASRock hopes to regain its positions.

For 2015, ASRock reportedly expects the volume to return above 7 million units. It is unclear how the manufacturers intends to boost its shipments, but it is expected that this year the situation on the market of mainboards will be vastly different than in 2014. First of all, leading motherboard makers are not expected to start a new price war and are ready to sacrifice market share and shipments for profitability. Moreover, co-existence of several different generations of Intel processors on the market will lead to co-existence of five different platforms for Intel chips, which means a lot of internal competition and necessity to manage components and inventory.

Windows 10 must be an important contributor to the PC market – providing an upgrade path from Windows 7 for commercial users and a range of features boosting convenience and integrating the user experience across platforms. However, there is uncertain that the changes like the free upgrade option for consumers and platform integration able to drive a surge in new PC shipments. The commercial segment is expected to evaluate the OS before deploying it and most new commercial PCs will be replacement systems. The consumer transition to Windows 10 should happen quickly, but the free upgrade reduces the need for a new PC and IDC predict that many consumers will continue to prioritize spending on phones, tablets, and wearable devices like the Apple Watch instead of new pc during the holiday season.

We believe that PC vendors and Microsoft still need a period of time to convince users of the advantages of the new OS and new PCs. Besides educating clients, vendor face tough competition from other devices and weak spending in many regions. As a result, we agree that PC shipments stabilizing in 2016, followed by limited growth for the next few years.

According to estimates by the two leading HDD manufacturers as well as by independent analysts. The total available market of HDDs in Q1 2015 was 125 million units, the market declined by 9.5% year-over-year and by 11.3% quarter-over-quarter. Both annual and sequential declines are more significant than in the recent years.

The labor shortage and increase in minimum wage increase in China which create a tough operation environment for EMS in China. Shenzhen already announced to increase the minimum wage to RMB2,030 per month, a hefty leap of almost 12% from beginning of 2015, while many other provinces in China made similar announcement one by one. Look forward, the Group believes the Chinese business environment would become even tougher as the minimum wages in the PRC would climb up continuously, partially resulting from the sustaining labor shortage, and partially as the government's intention to offset the raising domestic consumer price index.

In the first quarter of 2015 sales of HDDs hit multi-year low. There were only two instances in the last five years when sales of HDDs declined to below 130 million units per quarter. In Q1 2009 because of global economic crisis and drastic PC market contraction, sales of HDDs declined to around 111 million units. In Q4 2011 due to devastating floods in Thailand, actual shipments of hard drives by all manufacturers dropped to 119.1 million units.

Toshiba sold 20.373 million HDDs in total and had market share of 16.3%, according to KitGuru estimates. Sales of Toshiba dropped noticeably for the first time in about 1.5 years.

The market of HDD generally reflects global high-tech industry trends. However, there are a number of factors that have direct impact on HDD shipments: sales of SSD for client PCs; shipments of tablets and smartphones; demand for game consoles and digital video recorders with HDDs inside and some other.

Two key things that will influence shipments of HDDs this year are expected to be the introduction of Intel Corp.'s "Skylake" microprocessors and the release of Microsoft Corp.'s Windows 10. If the launch of Intel "Skylake" processors and Windows 10 mostly catalyse demand for high-end ultra-thin laptops that use SSD, then HDD makers will continue to experience declines in their shipments. However, of the new chip and the operating system manage to revive the whole PC market, then the global total available market of HDDs may get back to historical 140 million units per quarter.

Since the Group's current businesses had been unprofitable for five consecutive years and the political and social environment in Vietnam had been unstable, the Board will consider any investment opportunities, including but not limited to businesses of similar nature and technological know-hows, which will enable the Group to generate profit and shareholders' value in the future. The Board will also review the future profitability of the Group's current businesses and may consider disposing any businesses with declining operating results.

In summary, the Group believes the worst recession is improving, but far from over, which has reflected in its performance. The last year riot in Vietnam imposed some impacts to Vietnam operation, and customer unwilling to increase its orders for this factory. We predicted that we need to take a long time to re-build our customers confidence of our production in Vietnam. Look forward, the Group expects the overall EMS industry will maintain minimum grow rate together with the slowly recovering global economy. In addition, the drastic increase of labor cost and shortage of labor in China would bring in more serious impact to the overall EMS daily operation. Oversees the trend, the Group will keep on diversification of its production facilities outside of China, as well as to improve its production efficiency by developing semi-automatic equipment, which would enable its competitive edge in the long run.

Staffs

As of June 2015, the Group employed a total of 1,758 staffs, of which 828 were employed in China, 901 were employed in Vietnam, 28 were employed in Hong Kong and 1 were employed in Thailand (for the year ended 30 June 2014: Total: 3,296 staffs; China: 2,104 staffs; Vietnam: 1,163 staffs; Hong Kong: 27 staffs; Thailand: 2 staffs). The Group has implemented remuneration package, bonus and share option scheme which were part of the remuneration policy designed to motivate individual staff by linking part of the staff's compensation with their respective performance. In addition, fringe benefits such as insurance, medical allowance and pensions were provided to ensure the competitiveness of remuneration packages offered by the Group.

Dividend

The Board of Directors did not recommend the payment of final dividend for the year ended 30 June 2015 (for the year ended 30 June 2014: NIL).

Purchase, Sale or Redemption of Shares

During the year ended 30 June 2015, there was no purchase, redemption or disposal of the Group's listed securities by the Group.

Corporate Governance

The Board confirms that the Group has complied with all material code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") (previous know as Code on Corporate Governance Practices ("Former CG Code")) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except for the deviations as stated in code provision A.2.1 on Chairman and Chief Executive officer of the Group. Given the current corporate structure, the Board currently considers that there is no need for separation between the roles of Chairman and Chief Executive Officer. All major decisions are made in consultation with the Board with sufficient independent constituents and hence independent views for protection of minority shareholders' interest, although the roles and responsibilities for the Chairman and Chief Executive Officer are vested in one person. Therefore, the Board is of the view that there is adequate impartiality and safeguards in place.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the year ended 30 June 2015, all Directors have fully complied with the required standard set out in the Model Code.

Audit Committee

The Company has formed an audit committee to assist the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Company. The existing committee comprises Mr. Chung Wai Kwok, Jimmy as chairman, Mr. Tam Wing Kin, and Mr. Sin Man Yin, all of whom are Independent Non-Executive Directors.

The audit committee is provided with sufficient resources to discharge its duties and meets regularly with the management and external auditors and reviews their reports. During the financial year, the audit committee held two meetings with respect to discussing matters regarding internal controls and financial reporting (including the interim results before proposing them to the Board for approval) with the management and external auditors. The audit committee has reviewed the results announcement of the Group for the year ended 30 June 2015.

Remuneration Committee

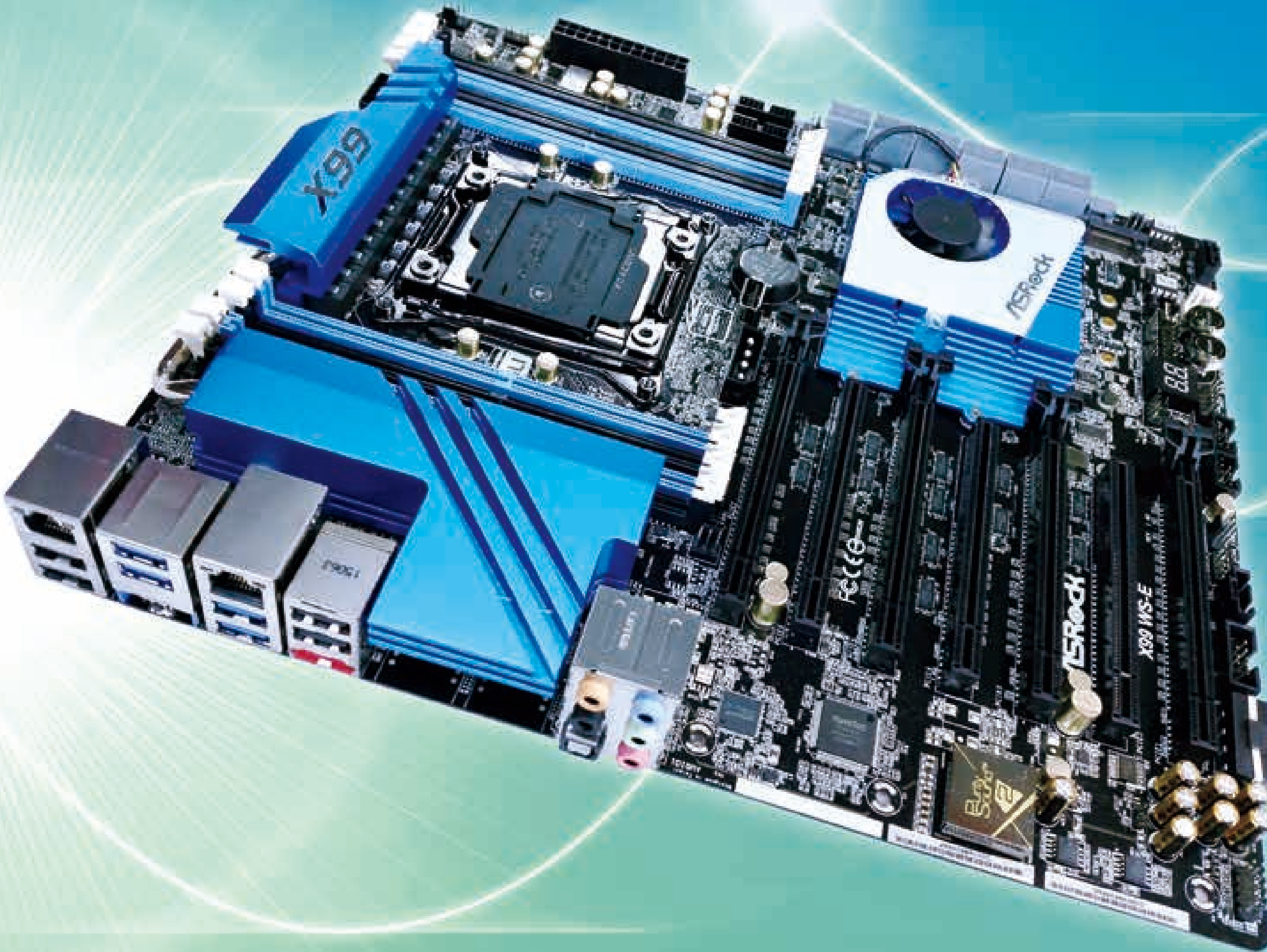
The Board established the remuneration committee comprising a majority of Independent Non-Executive Directors, which meets at least one time per year. It is chaired by Mr. Tam Wing Kin and comprises two other members, namely, Mr. Chung Wai Kwok, Jimmy and Ms. Sun Mi Li. All remuneration committee members, with the exception of Ms. Sun Mi Li, are Independent Non-Executive Directors. The principal duties of the remuneration committee as set out in its items of reference include, inter alia, the determination of remuneration of Executive Directors and senior management and review of the remuneration policy of the Group.

Nomination Committee

The Board established the nomination committee comprising a majority of Independent Non-Executive Directors, which meets at least one time per year. It is chaired by Mr. Sin Man Yin and comprises two other members, namely, Mr. Chung Wai Kwok, Jimmy and Mr. Lam Chi Ho. All nomination committee members, with the exception of Mr. Lam Chi Ho, are Independent Non-Executive Directors. The duties of the nomination committee are to review the structure, size and composition of the Board, to identify individuals suitably qualified to become Board members, to assess the independence of independent non-executive directors, to select or make recommendations to the Board on the appointment or re-appointment of directors and succession planning for Directors, in particular the Chairmen and CEO.

Board of Directors

As at the date of this report, the Executive Directors are Mr. Lam Chi Ho, Ms. Sun Mi Li and Mr. Tsuji Tadao. The Independent Non-Executive Directors are Mr. Chung Wai Kwok, Jimmy, Mr. Tam Wing Kin and Mr. Sin Man Yin.



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Corporate Governance Report

Corporate Governance Practices

The Group commits to maintain and ensure a high level of corporate governance standards and continuously reviews and improves our corporate governance and internal controls practices. We believe that corporate governance in a commercial and profit-making organization is about promoting fairness, transparency, accountability and responsibility. Therefore, it is necessary to direct greater or additional efforts towards enhancing managerial transparency by improving and strengthening disclosure requirements, in order to have better and stronger corporate governance. The following paragraphs set out the principles of corporate governance as adopted by the Group during the reporting year.

The Board confirms that the Group has complied with most of the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") previously known as Code on Corporate Governance Practices (Former "CG Code") except for the deviation as stated in code provision A.2.1 on Chairman and Chief Executive Officer as described below.

Chairman and Chief Executive Officer

Under provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

Mr. Lam Chi Ho is both the chairman and the chief executive officer of the Group who is responsible for managing the Board and the businesses of the Group. He has been both chairman and chief executive officer of the Group since the incorporation of Fittec Electronics Company Limited ("Fittec HK"). The Board considers that Mr. Lam's safeguards in place.

Appointment and Re-election of Directors

Currently, all Independent Non-Executive Directors are appointed for a specific term of two years and subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

All Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every Executive Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In 30 March 2012 the Board established nomination committee for the selection and recommendation of candidates for directorships of the Company. The nomination committee shall, base on appropriate experience, personal skills and time commitments, among other, identify and recommend the proposed candidate to the Board for approval.

Securities Transactions by Directors

The Company had adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") asset out in Appendix 10 of the Rules governing the Listing of securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the code for dealing in securities of the Group by the Directors. Having made specified enquiry, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code.

Board of Directors

The Board is responsible for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The principal focus of the Board is on the overall strategic development of the Group. The Board also monitors the financial performance and internal controls of the Group's business operations.

The Board comprises three Executive Directors, namely Mr. Lam Chi Ho, Ms. Sun Mi Li, Mr. Tsuji Tadao and three Independent Non-Executive Directors, Mr. Chung Wai Kwok, Jimmy, Mr. Tam Wing Kin and Mr. Sin Man Yin. The members of the Board have no financial, business, family or other material/relevant relationship with each other except that Mr. Lam Chi Ho is the husband of Ms. Sun Mi Li.

Biographical details of the Directors are set out in the section of "Biographical Details of Directors and Senior Management" on pages 24 to 25.

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-Executive Directors to be independent.

During the year ended 30 June 2015, the Director shave made active contribution to the affairs of the Group and four Board meetings were held. Details of the Directors' attendance records are set out as follow:

Directors	No. of Meetings Held	Attended
Executive Directors		
Mr. Lam Chi Ho	4	4
Ms. Sun Mi Li	4	4
Mr. Tsuji Tadao	4	3
Independent Non-Executive directors		
Mr. Chung Wai Kwok, Jimmy	4	4
Mr. Tam Wing Kin	4	4
Mr. Sin Man Yin (appointed with effect from 18 December 2014)	4	2
Mr. Xie Bai Quan (resigned with effect from 18 December 2014)	4	2

Every newly appointed Director shall receive a comprehensive, formal and tailored induction on the first occasion of his appointment. All Directors shall be updated and briefed on continuing professional development as is necessary to ensure that they have a proper understanding of the operations and the business of the Company and that they are fully aware of their responsibilities under the applicable laws and regulations. The Board has a procedure for Directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Company's expenses to enable and facilitate the Directors to make well considered decisions. Appropriate insurance coverage for Directors' and officers' liability has been arranged against possibility of legal action to be taken against the Directors and the management.

According to A.6.5 of the Code, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

A briefing session was organised for the Directors for the year under review to update the Directors on the new amendments to the Code and associated Listing Rules.

During the period from 1 July 2014 to 30 June 2015, the Directors also participated in the following trainings:

Name of Directors	Attending or Participating in the briefing session/ seminars/ programmes relevant to the business/ directors' duties
Executive Directors	
Mr. Lam Chi Ho (Chairman)	✔
Ms. Sun Mi Li	✔
Mr. Tsuji Tadao	✔
Independent Non-Executive Directors	
Mr. Chung Wai Kwok, Jimmy	✔
Mr. Tam Wing Kin	✔
Mr. Sin Man Yin (appointed with effect from 18 December 2014)	✔
Mr. Xie Bai Quan (resigned with effect from 18 December 2014)	✔

The Directors confirmed that they have complied with A.6.5 of the Code effective on 1 April 2012 on Directors' training.

Audit Committee

The Company has established an audit committee with written terms of reference based as suggested under the Code of Best Practice set out in Appendix 14 of the Listing Rules and adopted with reference to "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants. The audit committee comprises Mr. Chung Wai Kwok, Jimmy as the Chairman, Mr. Tam Wing Kin and Mr. Sin Man Yin, all of whom are Independent Non-Executive Directors. The Board is satisfied that these Directors possess relevant qualifications and management expertise to enable them to discharge fully the duties of the audit committee.

For the year ended 30 June 2015, the audit committee held two meetings. Attendance records of each audit committee member are set out as follows:

Audit Committee Members	No. of Meetings Held	No. of Meetings Attended
Mr. Chung Wai Kwok, Jimmy (Chairman)	2	2
Mr. Tam Wing Kin	2	2
Mr. Sin Man Yin (appointed with effect from 18 December 2014)	2	1
Mr. Xie Bai Quan (resigned with effect from 18 December 2014)	2	1

Remuneration Committee

The Board established the remuneration committee on 16 November 2005 and the Board adopted the new terms of reference of remuneration committee in alignment with the mandatory provisions set out in the CG Code.

The principal responsibilities of the remuneration committee include making recommendations to the Board on the Group's policy and structure for all remuneration of Directors and senior management and reviewing specific remuneration packages of all Executive Directors and senior management of the Group.

The remuneration committee now comprises two Independent Non-Executive Directors, namely, Mr. Tam Wing Kin as the Chairman, Mr. Chung Wai Kwok, Jimmy and one Executive Director, namely, Ms. Sun Mi Li.

The remuneration committee held two meetings for the year ended 30 June 2015. The attendance records of each remuneration committee member are set out as follows:

Remuneration Committee Members	No. of Meetings Held	No. of Meetings Attended
Mr. Tam Wing Kin (Chairman)	2	2
Mr. Chung Wai Kwok, Jimmy	2	2
Ms. Sun Mi Li	2	2

Nomination Committee

The Board established the nomination committee on 30 March 2012 with written terms of reference based as suggested under the new CG code. The nomination committee now comprises two Independent Non-Executive Directors, namely, Mr. Chung Wai Kwok, Jimmy and Mr. Sin Man Yin as the Chairman, and one Executive Director, namely, Mr. Lam Chi Ho.

The Board is satisfied that these Directors possess relevant qualifications and management expertise to enable them to discharge fully the duties of the nomination committee.

The nomination committee held one meeting for the year ended 30 June 2015. The attendance records of each nomination committee member are set out follows:

Nomination Committee Members	No. of Meetings Held	No. of Meetings Attended
Mr. Sin Man Yin (Chairman) (appointed with effect from 18 December 2014)	1	1
Mr. Chung Wai Kwok, Jimmy	1	1
Mr. Lam Chi Ho	1	1
Mr. Xie Bai Quan (Chairman) (resigned with effect from 18 December 2014)	1	1

Auditor's Remuneration

The Audit Committee of the Group is responsible for considering the appointment of external auditors and reviewing any non-audit functions performed by external auditors. During the year under review, the Group is required to pay an aggregate of approximately HK$1,678,300 to the external auditor for the services including audit and non-audit services.

Accountability and Audit

The Board acknowledges its responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. The Board is not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue its business. Accordingly, the Board has prepared the financial statements of the Group on a going concern basis.

The Board acknowledges its responsibility to present a balanced, clear and understandable assessment in the Group's annual and interim reports, price sensitive announcements and financial disclosures required under the Listing Rules, and reports to the regulators as well as information required to be disclosed pursuant to statutory requirements.

Internal Control

The Board has conducted annual review on the system of internal control of the Group and its effectiveness covering the financial, operational, human resources and administration, compliance controls and risk management functions. The Board is committed to implementing an effective and sound internal control system to safeguard the interest of shareholders and the Group's assets.

Company Secretary

According to Rule 3.29 of the Listing Rules, the Company Secretary of the Company has taken not less than 15 hours of relevant professional training for the financial year ended 30 June 2015.

Shareholders' Rights

To safeguard shareholders' interest and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, pursuant to the Company's Articles of Association, shareholder(s) holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings may request the Company to convene an extraordinary general meeting by sending a written requisition to the Board or the Company Secretary. The objects of the meeting must be stated in the written requisition.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board.

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the Company and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.fittec.com.hk) immediately after the relevant general meetings.

Constitutional Documents

During the year under review, the Company has not made any changes to its Articles of Association. An up to date version of the Articles of Association is available on the Company's website and The Stock Exchange of Hong Kong Limited's website. Shareholders may refer to the Company's Articles of Association for further details of their rights.

Communication with Shareholders

The Board endeavours to maintain an on-going dialogue with shareholders. All directors are encouraged to attend the general meetings to have personal communication with shareholders. In annual general meeting, Chairman of the Board and the chairman of each committee are required to attend and answer questions from shareholders in respect of the matters that they are responsible and accountable for. The external auditor is also required to be present to assist the directors in addressing any relevant queries by shareholders. The Company has also set up an investor relations website for communicate with shareholders and public.

The Company's annual general meeting ("AGM") and extraordinary general meeting ("EGM") provide good opportunities for shareholders to air their views and ask directors and management questions regarding the Company. All shareholders of the Company receive the annual report, circulars and notices of AGM and EGM and other corporate communications in a form chosen by each shareholder of the Company. The notices are also published on the Company's website at www.fittec.com.hk. Separate resolutions are required at general meetings on each distinct issue. A shareholder is permitted to appoint any number of proxies to attend and vote in his stead.

Conclusion

The Group strongly believes that good corporate governance can safeguard the effective allocation of resources and protect shareholders' interest and the management will keep on reviewing its corporate governance standards on a timely basis and the Board endeavors to take the necessary actions to ensure the compliance with the provisions of the CG Code.

Biographical Details of Directors and Senior Management

Directors

Executive Directors

Mr. Lam Chi Ho (林志豪), aged 57, is the co-founder, the Chairman and the shareholder of our group. Mr. Lam was appointed as an Executive Director on 16 November 2005. He is responsible for the overall strategic and corporate planning, business development and general management of the Group since the incorporation of Fittec HK. He has more than 27 years of experience in manufacturing, sales and marketing in the electronics industry. Prior to the establishment of Fittec HK, he was a manager in other companies responsible for sales and marketing, global procurement, manufacturing, purchasing and contract negotiations. Mr. Lam is the husband of Ms. Sun Mi Li.

Ms. Sun Mi Li (孫明莉) aged 51, is the Director of our Group. Ms. Sun was appointed as an Executive Director on 16 November 2005. Ms. Sun has been significantly involved in the administration and management of Fittec HK since its incorporation. She leads the accounting and finance department and supervises the outgoing banking facilities, payments or other financial and accounting related matters. She was appointed as the Director of Fittec HK in February 2003. Ms. Sun provides guidance on finance, logistics, human resources issues and administrative matters since the Company was established. Prior to the appointment, Ms. Sun was working in various industries in the areas of sales and marketing and finance for 20 years. Ms. Sun is the spouse of Mr. Lam Chi Ho.

Mr. Tsuji Tadao (辻忠雄), aged 68, is the general manager of the sales and marketing department. Mr. Tsuji was appointed as an Executive Director of our Group on 16 November 2005. He joined our Group as a business consultant in May 2002, and was promoted to the current positioning August 2004. Mr. Tsuji is responsible for liaising with Japanese customers and directing and supervising the sales and marketing department. Prior to joining our group, he worked for Matsushita Electric Industrial Company Limited in Japan for 40 years and was responsible for various managerial duties. Mr. Tsuji is a qualified internal auditor up on his successful completion of the course of Internal Auditors for ISO9000 series in 1995.

Independent Non-Executive Directors

Mr. Chung Wai Kwok, Jimmy (鍾維國), aged 65, was appointed as an Independent Non-Executive Director of our Group on 16 November 2005. He was the President of the Association of Chartered Certified Accountants (ACCA) Hong Kong Branch for the year 2005/2006. He has over 20 years of experience in financial advisory, taxation and management and was a partner of PricewaterhouseCoopers until June 2005. In October 2005, he joined a professional consulting firm, Russell Bedford Hong Kong Limited, as Director – Tax & Business Advisory.

Mr. Chung is a member of Hong Kong Institute of Certified Public Accountants, the Taxation Institute of Hong Kong and the Association of Chartered Certified Accountants (ACCA). He is also currently an Independent Non-Executive Director of Lee Kee Holdings Limited and Tradelink Electronic Commerce Limited, all of which are listed on The Stock Exchange of Hong Kong Limited; and China World Trade Center Company Limited, listed on the Shanghai Stock Exchange.

Mr. Tam Wing Kin (譚榮健), aged 50, was appointed as an Independent Non-Executive Director of our Group on 1 January 2009. He is currently the Chief Financial Officer of Unicorn Studios. He is also an Independent Non-Executive Director of China Post E-commerce (Holdings) Limited. He was a qualified accountant and company secretary of Imagi International Holdings Limited from August 2007 to December 2009. He was an Executive Director of Tomorrow International Holdings Limited from February 2000 to August 2007. He is a member of the Chartered Institute of Management Accountants, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a Certified Public Accountant (Practising) with over 20 years of experience in the accounting field.

Mr. Sin Man Yin (冼敏然), aged 51, was appointed as an Independent Non-Executive Director of our Group on 18 December 2014. He has more than 20 years of experience in banking and finance field. He has worked as Vice President & Team Manager, Institution Banking Group of DBS (HK) Ltd from 2011 to 2013. Prior joining DBS (HK) Ltd, he was the Director, Corporate Banking of KBC Bank N.V. Hong Kong Branch from 1996 to 2010 after leaving Credit Agricole, HK Branch. He was a member of the Hong Kong Institute of Bankers from 2001 to 2010. He holds a master degree of Corporate Finance from Hong Kong Polytechnic University.

Senior Management

All the Executive Directors of the Company are respectively responsible for the various aspects of the business and operation of the Group. These Executive Directors of the Company are regarded as the members of the senior management team of the Group.

Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 30 June 2015.

Principal Activities

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 33 to the consolidated financial statements.

Results

The results of the Group for the year ended 30 June 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 32.

The directors do not recommend the payment of a dividend.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

Share Capital

Details of the Company's share capital are set out in note 25 to the consolidated financial statements.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Distributable Reserves of the Company

The Company's reserves available for distribution to shareholders as at 30 June 2015 amounted to approximately HK$22,956,000 (2014: HK$543,494,000), which comprises the contributed surplus of approximately HK$514,645,000 (2014: HK$514,645,000) and accumulated losses of approximately HK$491,689,000 (2014: accumulated profits of approximately HK$28,849,000).

Under the Companies Law (2001 Second Revision) of the Cayman Islands, the contributed surplus is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to payoff its debts as they fall due in the ordinary course of business.

Directors

The directors of the Company during the year and up to the date of this report were:

Executive Directors

Lam Chi Ho
Sun Mi Li
Tsuji Tadao

Independent Non-Executive Directors

Chung Wai Kwok, Jimmy
Tam Wing Kin
Sin Man Yin (appointed on 18 December 2014)
Xie Bai Quan (resigned on 18 December 2014)

In accordance with Articles 86 and 87 of the Company's Article of Associations, Mr. Tsuji Tadao and Mr. Tam Wing Kin will retire by rotation, and being eligible, offer themselves for re-election as Directors at the forth coming annual general meeting.

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers all the Independent Non-Executive Directors are independent.

Directors' Service Contracts

Each of the Executive Directors of the Company entered into a service contract with the Company for a term of three years commencing 15 November 2005, and which would continue thereafter until terminated by either party thereto giving to the other party not less than three months' prior notice in writing.

Chung Wai Kwok, Jimmy and Tam Wing Kin, the Independent Non-Executive Directors of the Company, entered into a letter of appointment with the Company and was appointed for a period of two years commencing 15 November 2013 subject to retirement by rotation under the Company's Article of Associations. Sin Man Yin, the Independent Non-Executive Director of the Company, entered into a letter of appointment with the Company and was appointed for a period from 18 December 2014 to 14 November 2015 subject to retirement by rotation under the Company's Article of Associations.

These service contracts may be terminated by either party by notice in writing to the Company.

Directors' Interests in Shares and Underlying Shares

At 30 June 2015, the interests of the directors, the chief executives and their associates in the shares, underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long position

Ordinary shares of HK$0.1 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Lam Chi Ho ("Mr. Lam")	Interest of a controlled corporation (note)	720,000,000	74.35%
Ms. Sun Mi Li	Family interest (note)	720,000,000	74.35%

Note: These securities are registered in the name of and beneficially owned by Fittec Holdings Limited ("Fittec Holdings"), a company incorporated in the British Virgin Islands. The entire issued share capital of Fittec Holdings is beneficially owned by Mr. Lam. Accordingly, Mr. Lam is deemed to be interested in 720,000,000 shares held by Fittec Holdings under the SFO. Ms. Sun Mi Li, the spouse of Mr. Lam, is deemed to be interested in the same shares.

Other than as disclosed above, none of the directors, the chief executive and their associates had any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations as at 30 June 2015.

Share Options

Particulars of the Company's share option scheme are set out in note 26 to the consolidated financial statements.

No share options are outstanding in the current and prior years.

Arrangements to Purchase Shares or Debentures

Other than as disclosed under the heading "Share Options" above, at no time during the year was the Company, its ultimate holding company or any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Contracts of Significance

No contract of significance, to which the Company, its ultimate holding company or any of its fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Substantial Shareholders

As at 30 June 2015, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short position in the issued share capital of the Company.

Long positions

Ordinary shares of HK$0.1 each of the Company

		Number of issued ordinary shares held			Percentage of the issued share capital of the Company	
Name of shareholders	Capacity	Direct interest	Deemed interest	Total interest		Notes
Fittec Holdings	Beneficial owner	720,000,000	–	720,000,000	74.35%	a
Mr. Lam	Interest of a controlled corporation	–	720,000,000 (through 100% corporate interest in Fittec Holdings)	720,000,000	74.35%	a
Ms. Sun Mi Li	Family interest	–	720,000,000 (through 100% family interest in Fittec Holdings)	720,000,000	74.35%	b

Notes:

(a) These shares are owned by Fittec Holdings, the issued share capital of which is wholly owned by Mr. Lam.

(b) Ms. Sun Mi Li is the wife of Mr. Lam. Her shareholding in the above table is the family interest of Mr. Lam.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2015.

Emolument Policy

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees. Details of the scheme are set out in note 26 to the consolidated financial statements.

Major Customers and Suppliers

The aggregate sales attributable to the Group's five largest customers comprised approximately 97.6% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 74.1% of the Group's total sales for the year.

The aggregate purchases attributable to the Group's five largest suppliers comprised approximately 98.0% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 93.8% of the Group's total purchases for the year.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 30 June 2015.

Auditor

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

Lam Chi Ho
Chairman
30 September 2015

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF FITTEC INTERNATIONAL GROUP LIMITED
奕達國際集團有限公司
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Fittec International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 75, which comprise the consolidated statement of financial position as at 30 June 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 September 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2015

	NOTES	2015 HK$'000	2014 HK$'000
Revenue	7	**726,771**	1,081,782
Cost of sales		**(743,856)**	(1,109,125)
Gross loss		**(17,085)**	(27,343)
Other income		**6,360**	6,520
Other gains and losses	8	**(137)**	(81,781)
Change in fair value of derivative financial instruments	22	**7,844**	(13,414)
Distribution costs		**(9,634)**	(10,692)
General and administrative expenses		**(51,875)**	(61,488)
Impairment loss recognised in respect of property, plant and equipment	16	**(13,234)**	(77,120)
Finance costs	9	**(17)**	(162)
Loss before tax		**(77,778)**	(265,480)
Income tax (expense) credit	10	**(52)**	629
Loss for the year	11	**(77,830)**	(264,851)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,558)**	(4,514)
Cumulative exchange differences reclassified to profit or loss upon deregistration of subsidiaries		**–**	(7,250)
		(1,558)	(11,764)
Total comprehensive expense for the year		**(79,388)**	(276,615)
Basic loss per share	15	**(HK$0.08)**	(HK$0.27)

Consolidated Statement of Financial Position

At 30 June 2015

	NOTES	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	16	**148,457**	189,090
Prepaid lease payments	17	**3,358**	3,538
Deposit paid for acquisition of property, plant and equipments		**715**	–
		152,530	192,628
Current assets			
Inventories	18	**39,204**	58,888
Trade and other receivables	19	**165,608**	200,781
Prepaid lease payments	17	**96**	96
Bank balances and cash	20	**192,737**	246,956
		397,645	506,721
Current liabilities			
Trade and other payables	21	**44,681**	102,636
Derivative financial instruments	22	**9,885**	19,856
Tax liabilities		**1,981**	1,981
Unsecured bank borrowing	23	**–**	1,696
		56,547	126,169
Net current assets		**341,098**	380,552
		493,628	573,180
Capital and reserves			
Share capital	25	**96,839**	96,839
Share premium and reserves		**396,789**	476,177
Equity attributable to owners of the Company		**493,628**	573,016
Non-controlling interests		**–**	164
		493,628	573,180

The consolidated financial statements on pages 32 to 75 were approved and authorised for issue by the Board of Directors on 30 September 2015 and are signed on its behalf by:

Lam Chi Ho
DIRECTOR

Sun Mi Li
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 30 June 2015

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (note i)	Special reserve HK$'000 (note ii)	Exchange reserve HK$'000	Accumulated profits (losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2013	96,839	450,739	11,478	6,400	33,052	251,123	849,631	(8,568)	841,063
Loss for the year	–	–	–	–	–	(264,851)	(264,851)	–	(264,851)
Exchange differences arising on translation of foreign operations	–	–	–	–	(4,514)	–	(4,514)	–	(4,514)
Exchange differences reclassified to profit or loss upon deregistration of subsidiaries (note 27(b))	–	–	–	–	(7,250)	–	(7,250)	–	(7,250)
Total comprehensive expense for the year	–	–	–	–	(11,764)	(264,851)	(276,615)	–	(276,615)
Release upon deregistration of subsidiaries (note 27(b))	–	–	–	–	–	–	–	8,732	8,732
At 30 June 2014	96,839	450,739	11,478	6,400	21,288	(13,728)	573,016	164	573,180
Loss for the year	–	–	–	–	–	(77,830)	(77,830)	–	(77,830)
Exchange differences arising on translation of foreign operations	–	–	–	–	(1,558)	–	(1,558)	–	(1,558)
Total comprehensive expense for the year	–	–	–	–	(1,558)	(77,830)	(79,388)	–	(79,388)
Release upon deregistration of subsidiaries (note 27(a))	–	–	–	–	–	–	–	(164)	(164)
At 30 June 2015	96,839	450,739	11,478	6,400	19,730	(91,558)	493,628	–	493,628

Notes:

(i) The contributed surplus represents the difference between the fair value of the underlying assets of a subsidiary acquired and the nominal value of the shares issued by the Company in exchange in December 2004.

(ii) The special reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the share capital of the subsidiaries acquired pursuant to a group reorganisation in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in 2005.

Consolidated Statement of Cash Flows

For the year ended 30 June 2015

	2015 HK$'000	2014 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(77,778)**	(265,480)
Adjustments for:		
Depreciation of property, plant and equipment	**29,905**	50,670
Finance costs	**17**	162
Write-down of inventories	**167**	989
Impairment loss recognised in respect of property, plant and equipment	**13,234**	77,120
Insurance compensation income	**(1,572)**	(255)
Interest income	**(1,101)**	(2,441)
Loss on disposals of property, plant and equipment	**48**	36,017
Loss on write-off of property, plant and equipment	**53**	45,505
(Gain) loss on deregistration of subsidiaries	**(164)**	1,482
Release of prepaid lease payments	**96**	96
Change in fair value of derivative financial instruments	**(7,844)**	13,414
Operating cash flows before movements in working capital	**(44,939)**	(42,721)
Decrease in inventories	**19,517**	16,824
Decrease in trade and other receivables	**35,173**	18,042
Decrease in trade and other payables	**(57,955)**	(2,595)
Change in derivative financial instruments	**(2,127)**	2,758
Cash used in operations	**(50,331)**	(7,692)
Income tax paid	**(52)**	(16,014)
NET CASH USED IN OPERATING ACTIVITIES	**(50,383)**	(23,706)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(6,724)**	(5,099)
Deposit paid for acquisition of property, plant and equipment	**(715)**	–
Proceeds from disposals of property, plant and equipment	**2,993**	3,210
Insurance compensation received	**1,572**	255
Interest received	**1,101**	2,441
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(1,773)**	807
FINANCING ACTIVITIES		
Repayment of bank borrowing	**(1,696)**	(7,087)
Interest paid	**(17)**	(162)
NET CASH USED IN FINANCING ACTIVITIES	**(1,713)**	(7,249)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(53,869)**	(30,148)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**246,956**	278,564
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(350)**	(1,460)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**192,737**	246,956

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

1. General

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (2001 Second Revision) of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's immediate and ultimate holding company is Fittec Holdings Limited ("Fittec Holdings"), a company incorporated in the British Virgin Islands. The ultimate controlling party is Mr. Lam Chi Ho, a director and the Chief Executive of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company is an investment holding company. Particulars of the principal activities of its subsidiaries are set out in note 33.

The consolidated financial statements are presented in Hong Kong dollars ("HKD"), while the functional currency of the Company is United States dollars ("USD"). The directors have selected HKD as the presentation currency because the shares of the Company are listed on the Stock Exchange.

2. Application of Hong Kong Financial Reporting Standards ("HKFRSs")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation Hedge Accounting
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle
HK(IFRIC) – Int 21	Levies

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. Application of Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to HKAS 36 "Recoverable Amount Disclosures for Non-Financial Assets" for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 "Fair Value Measurements".

Other than the additional disclosures, the application of these amendments has had no material impact on the amounts recognised in the Group's consolidated financial statements.

New or revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to HKAS 1	Disclosure Initiative[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[4]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

The directors of the Company anticipate that the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. Significant accounting policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

3. Significant accounting policies (Continued)

Basis of consolidation (Continued)

The Group reassesses whether or not its controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Specifically, revenue from sales of goods in the ordinary course of business is recognised when the respective goods have been completed and delivered to the buyers, at which time all of the following criteria are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. Significant accounting policies (Continued)

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance lease), held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease terms, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease terms on a straight line basis. When the lease payments cannot be allocated reliably between land and the building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. Significant accounting policies (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributable to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. Significant accounting policies (Continued)

Taxation (Continued)

Deferred tax (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to settle the carrying amount of its assets and liabilities.

Current and deferred tax for tax year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted-average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets at FVTPL of the Group comprise derivative financial instruments classified as held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "change in fair value on derivative financial instruments" line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 6c.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss of financial assets below).

3. Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 120 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by the group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

The Group's financial liabilities including trade and other payables and unsecured bank borrowing, are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derivative financial instruments

Derivatives are classified as financial assets or liabilities held for trading and are initially recognised at fair value at the date derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirely, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. Significant accounting policies (Continued)

Impairment of assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets with definite useful lives have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. Key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Impairment on property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The review comprises a comparison of the carrying amount and recoverable amount of the property, plant and equipment. During the current and prior periods, the recoverable amount of the property, plant and equipment was determined by reference to the assets' fair value less cost to sell which is determined by reference to valuations of their market values or value in use. During the year ended 30 June 2015, impairment losses of approximately HK$13,234,000 (2014: HK$77,120,000) were recognised in profit or loss. Details are set out in note 16.

4. Key sources of estimation uncertainty (Continued)

Estimated impairment loss on trade receivables

The policy for allowance for bad or doubtful debts of the Group is based on the evaluation of collectability of accounts and on management's estimate. In determining whether impairment is required, the Group takes into consideration the likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original interest rate and the carrying value. Where the actual future cash flows are less than expected, a material impairment loss may arise. At 30 June 2015, the carrying amount of trade receivables, net of allowance for doubtful debts of approximately HK$229,000 (2014: HK$304,000), was approximately HK$145,054,000 (2014: HK$173,954,000).

Write-down of inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined by the weighted-average method. Net realisable value is generally the merchandise's selling price quoted from the market for similar items. The Group reviews its inventories levels in order to identify slow moving and obsolete merchandise. When the Group identifies items of inventories which would not be used for future production or have market prices lower than their carrying amounts, the Group estimates an amount of write-down on inventories charged to profit or loss for the year. Where the actual future cash flows are less than expected, a material write-down may arise. At the end of the reporting period, the carrying amount of inventories, net of write-down of inventories amounted to approximately HK$167,000 (2014: HK$989,000), was approximately HK$39,204,000 (2014: HK$58,888,000).

5. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which include unsecured bank borrowing disclosed in note 23, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, share premium and various reserves.

The directors of the Company review the capital structure on regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issue and the issue of new debt or the repayment of existing debt.

6. Financial instruments

a. Categories of financial instruments

	2015 HK$'000	2014 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**339,355**	427,283
Financial liabilities		
Amortised cost	**29,312**	83,772
Fair value through profit or loss		
Derivative financial instruments	**9,885**	19,856

b. Financial risk management objectives and policies

The Group's major financial instruments include derivative financial instruments, trade and other receivables, bank balances and cash, trade and other payables and unsecured bank borrowing. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk, and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group's exposure to currency risk mainly arises from fluctuation of foreign currencies against the functional currency of the relevant Group entities, including HKD, USD, Japanese Yen ("JPY"), Vietnam Dong ("VND") and Renminbi ("RMB").

During both years, the Group entered into forward foreign exchange contracts to cover the anticipated foreign currency exposures. These contracts were arranged mainly to hedge the currency fluctuation of RMB against USD of a group entity. These contracts were arranged with maturities spread over the months from 2015 to 2016. Details of the outstanding forward foreign exchange contracts are listed in note 22.

6. Financial instruments (continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets (including trade and other receivables and bank balances) and monetary liabilities (including trade and other payables and unsecured bank borrowing) at the end of the reporting period are as follows:

	Assets		Liabilities	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
HKD	**8,700**	3,995	**896**	3,078
USD	**17,418**	26,050	**–**	–
JPY	**1,383**	2,769	**36**	43
RMB	**2,551**	23,692	**528**	326

The following table details the Group's sensitivity to a 5% (2014: 5%) increase and decrease in the value of the functional currencies against the relevant foreign currencies. 5% (2014: 5%) is the sensitivity rate used and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items but excludes monetary items denominated in USD and HKD for entities with HKD and USD as functional currencies, respectively, as the directors of the Company consider that the Group's exposure to USD and HKD is insignificant on the ground that HKD is pegged to USD. The sensitivity analysis adjusts their translation at the year end for a 5% (2014: 5%) change in foreign currency rates.

	USD Impact		JPY Impact		RMB Impact	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
5% appreciation of the functional currency						
Increase in post-tax loss for the year	**(679)**	(1,088)	**(56)**	(114)	**(84)**	(976)
5% depreciation of the functional currency						
Decrease in post-tax loss for the year	**679**	1,088	**56**	114	**84**	976

The Group is also exposed to currency risk concerning non-trading nature current accounts with a group entity operated in Vietnam, the functional currency of which is VND, different with Group's presentation currency (i.e. HKD). When VND strengthens 5% (2014: 5%) against the HKD, other comprehensive income of the Group will increase by approximately HK$92,000 (2014: HK$388,000) and vice versa.

6. Financial instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

For the forward foreign exchange contracts, the sensitivity analysis has been estimated based on the contracts outstanding at the end of respective reporting periods. If the market ask forward exchange rate of USD against RMB changes by 5% (2014: 5%), the potential effect on post-tax loss for the year is as follows:

	2015 HK$'000	2014 HK$'000
USD strengthens against RMB by 5%		
Increase in post-tax loss for the year	**(2,917)**	(28,798)
USD weakens against RMB by 5%		
Decrease in post-tax loss for the year	**2,917**	28,798

In management's opinion, the sensitivity analysis is not necessarily representative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to cash flow interest rate risk on its bank balances because these balances carry interest at prevailing rates and they are of short maturity. The Group was also exposed to cash flow interest rate risks in relation to its unsecured bank borrowing which carry variable-interest-rate in prior years.

The Group currently does not have any interest rate hedging policy in relation to fair value interest rate risk and cash flow interest rate risk. The directors of the Company monitor the Group's exposure on an ongoing basis and will consider hedging the interest rate should the need arises.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank balances and unsecured bank borrowing at the end of the reporting period. The analysis is prepared assuming the amount outstanding at the end of the reporting period was outstanding for the whole year. 50 basis points increase or 5 basis points decrease (2014: 50 basis points increase or 5 basis points decrease) for bank balances and 50 basis points increase or decrease for unsecured bank borrowing are used and represent management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/5 basis points lower (2014: 50 basis points higher/5 basis points lower) for bank balances and all other variables were held constant, the Group's post tax loss for the year would decrease by approximately HK$711,000/increase by approximately HK$71,000 (2014: decrease by approximately HK$549,000/increase by HK$55,000).

At 30 June 2014, if interest rate had been 50 basis points higher/lower for unsecured bank borrowing, and all other variables were held constant, the Group's post-tax loss for the year would increase/decrease by approximately HK$8,000.

6. Financial instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk

As at 30 June 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has significant concentration of credit risk as receivable from two customers accounted for approximately 96% (2014: 96%) of its total trade receivables at 30 June 2015. An analysis of the amounts due from these two customers at the end of the reporting period is as follows:

	% of total trade receivables	
	At 30.6.2015	At 30.6.2014
Customer A	**79**	73
Customer B	**17**	23

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures for all its customers and in particular, its two largest customers to ensure that follow-up action is taken to recover overdue debts. Customer A and Customer B are listed entities in Japan and Taiwan, respectively, and they are well-known manufacturers of high technology electronic products in the world which have good repayment history. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensure compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Specifically, bank borrowing with a repayment on demand clause which were fully repaid in current year were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate at the end of the reporting period.

6. Financial instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative financial instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

Liquidity and interest risk tables

	Weighted average effective interest rate	On demand and less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 30 June 2015 HK$'000
2015							
Non-derivative financial liabilities							
Trade and other payables	–	29,312	–	–	–	29,312	29,312
Derivative – net settlement							
Forward foreign exchange contracts	–	639	2,401	5,956	889	9,885	9,885

	Weighted average effective interest rate	On demand and less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 30 June 2014 HK$'000
2014							
Non-derivative financial liabilities							
Trade and other payables	–	82,076	–	–	–	82,076	82,076
Unsecured bank borrowing							
– floating rate	2.80%	1,696	–	–	–	1,696	1,696
		83,772	–	–	–	83,772	83,772
Derivative – net settlement							
Forward foreign exchange contracts	–	931	1,863	8,382	8,680	19,856	19,856

6. Financial instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. During the year ended 30 June 2015, the bank borrowing has been fully repaid. As at 30 June 2014, the aggregate undiscounted principal amounts of these bank borrowings amounted to approximately HK$1,696,000. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowing will be repaid and presented as below in accordance with the scheduled repayment dates set out in the loan agreements.

	Weighted average effective interest rate	On demand and less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2014							
Unsecured bank borrowing							
– floating rate*	2.80%	214	429	1,071	–	1,714	1,696

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if the change in variable interest rates differ to those estimates of interest rate determined at the end of the reporting period.

c. Fair value measurement of financial instruments

Some of the Group's financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation technique(s) and inputs used), as well as the level of fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets and liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

6. Financial Instruments (Continued)

c. Fair value measurement of financial instruments (Continued)

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial liabilities	Fair value as at 30 June		Fair value hierarchy	Valuation techniques and key inputs
	2015 HK$'000	2014 HK$'000		
Forward foreign exchange contacts (note 22)	**9,885**	19,856	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no transfers into and out of Level 2 in the current and prior years.

Except the above financial liabilities that are measured at fair value on a recurring basis, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values at the end of the reporting period.

7. Revenue and segment information

Revenue

Revenue represents revenue arising on sales of printed circuit boards and related products and rendering of services on assembly, repair and maintenance for the year. An analysis of the Group's revenue for the year is as follows:

	2015 HK$'000	2014 HK$'000
Sales of goods	**556,819**	872,416
Rendering of services	**169,952**	209,366
	726,771	1,081,782

7. Revenue and segment information (Continued)

Segment information

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The chief operating decision maker is the Company's executive directors.

For management purposes, the Group is currently organised into the following major divisions: the provision of (i) pure assembly services; (ii) procurement and assembly services and (iii) repair and maintenance services; all for printed circuit boards and related products. These divisions are the basis on which information reported to the executive directors to allocate resources and to assess the performance.

	2015 HK$'000	2014 HK$'000
Results		
Segment revenue		
Pure assembly services	**164,937**	203,737
Procurement and assembly services	**556,819**	872,416
Repair and maintenance services	**5,015**	5,629
	726,771	1,081,782
Segment results		
– Pure assembly services (Note 1)	**(49,232)**	(191,536)
– Procurement and assembly services (Note 2)	**17,876**	4,546
– Repair and maintenance services (Note 2)	**936**	1,005
	(30,420)	(185,985)
Unallocated corporate expenses	**(61,509)**	(72,181)
Other income	**6,360**	6,520
Unallocated other gains and losses	**(36)**	(258)
Change in fair value of derivative financial instruments	**7,844**	(13,414)
Finance costs	**(17)**	(162)
Loss before tax	**(77,778)**	(265,480)

7. Revenue and segment information (Continued)

Segment information (Continued)

The segment revenues are all from external customers and there are no inter-segment sales for both periods.

Notes:

1. The segment result of the pure assembly services segment for the year ended 30 June 2015 included the impairment loss recognised on property, plant and equipment of approximately HK$13,234,000 (2014: HK$77,120,000), the loss on disposals of property, plant and equipment of approximately HK$48,000 (2014: loss of HK$35,728,000) and the loss on write-off of property, plant and equipment of approximately HK$53,000 (2014: HK$45,505,000) for the year ended 30 June 2015.

2: The segment result of the procurement and assembly services segment for the year ended 30 June 2015 included the write-down of certain categories of inventory of approximately HK$167,000 (2014: HK$989,000). The segment result of the repair and maintenance services segment for the year ended 30 June 2014 included the loss on disposals of property, plant and equipment of approximately HK$289,000.

Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of other income, other gains and losses (excluding the items described in the above note), change in fair value of derivative financial instruments, distribution costs, general and administrative expenses and finance costs. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group's revenue from its major products and services:

	2015 HK$'000	2014 HK$'000
HDD Controllers	**538,271**	841,904
Desktop and notebook PC Motherboards	**145,716**	184,942
Others	**42,784**	54,936
	726,771	1,081,782

Geographical segments

An analysis of the Group's revenue by geographical market of the customers, irrespective of the origins of the goods, is presented based on the shipment destination as below:

	2015 HK$'000	2014 HK$'000
Japan	**554,792**	877,630
Taiwan	**141,260**	178,258
People's Republic of China ("PRC")	**30,719**	25,894
	726,771	1,081,782

7. Revenue and segment information (Continued)

Geographical segments (Continued)

Analysis of segment assets and liabilities has not been presented as it is not regularly reviewed by the chief operating decision maker.

The Group's non-current assets by geographical location of the assets is detailed below:

	2015 HK$'000	2014 HK$'000
PRC	**93,164**	140,440
Hong Kong	**9,329**	10,236
Vietnam	**50,037**	41,952
	152,530	192,628

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	Year ended 2015 HK$'000	 2014 HK$'000
Customer A[1]	**538,271**	841,904
Customer B[2]	**141,260**	178,258

1 Revenue derived from the procurement and assembly services segment was approximately HK$538,271,000 (2014: HK$841,904,000).

2 Revenue derived from the pure assembly services segment was approximately HK$136,245,000 (2014: HK$172,629,000) and the repair and maintenance services segment was approximately HK$5,015,000 (2014: HK$5,629,000) respectively.

8. Other gains and losses

	2015 HK$'000	2014 HK$'000
Loss on disposals of property, plant and equipment	**(48)**	(36,017)
Loss on write-off of property, plant and equipment	**(53)**	(45,505)
Net foreign exchange (loss) gain	**(200)**	1,127
Gain (loss) on deregistration of subsidiaries (note 27)	**164**	(1,482)
Others	**–**	96
	137	(81,781)

9. Finance costs

	2015 HK$'000	2014 HK$'000
Interest on bank borrowing wholly repayable within five years	**17**	162

10. Income tax expense (credit)

	2015 HK$'000	2014 HK$'000
The income tax expense (credit) comprises:		
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax	**41**	2,038
Under(over)provision in prior years:		
Hong Kong Profits Tax	**–**	(2,667)
Thailand income tax	**11**	–
	52	(629)

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit of the Group for both years. No provision for Hong Kong Profits Tax has been made as the assessable profit arising in Hong Kong is wholly absorbed by tax losses brought forward for the year ended 30 June 2015 and the Group had estimated assessable loss arising in Hong Kong for the year ended 30 June 2014.

PRC

Under the Enterprise Income Tax Law of the PRC (the "EIT Law"), which was effective from 1 January 2008, the PRC income tax rate for the Group's subsidiaries established in the PRC was 25% for both years.

Vietnam

In accordance with the relevant tax rules and regulations in Vietnam, Mega Step Electronics (Vietnam) Company Limited ("MSEVCL"), the Company's subsidiary incorporated in Vietnam, is entitled to a corporate income tax exemption for three years from its first profit making year and a reduction of 50% for seven years thereafter. This subsidiary generated assessable profit for the year ended 30 June 2015 and incurred losses for the year ended 30 June 2014. However, no provision for Vietnam corporate income tax was made for the year ended 30 June 2015 as it enjoys corporate income tax exemption.

Thailand

In accordance with the relevant rules and regulations in Thailand, Fittec Electronics (Thailand) Company Limited, the Company's subsidiary incorporated in Thailand, is entitled to income tax exemption for a period of eight years from the date it first generates income. Fittec Electronics (Thailand) Company Limited has applied for dissolution during the year ended 30 June 2015 and no longer entitle to the tax exemption. Thailand income tax is calculated at 20% of the estimated assessable profit for both years.

10. Income tax expense (credit) (Continued)

The income tax expense (credit) for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015 HK$'000	2014 HK$'000
Loss before tax	**(77,778)**	(265,480)
Tax at the Hong Kong Profit Tax rate of 16.5%	**(12,833)**	(43,804)
Tax effect of expenses not deductible for tax purposes	**5,566**	41,699
Tax effect of income not taxable for tax purposes	**(421)**	(3,548)
Tax effect of tax losses not recognised	**14,239**	11,813
Utilisation of tax losses not previously recognised	**(210)**	–
Under(over)provision in prior years	**11**	(2,667)
Effect of different tax rate of group entities operating in jurisdictions other than Hong Kong	**(6,300)**	(7,883)
Tax effect of deductible temporary differences not recognised	**–**	3,761
Income tax expense (credit) for the year	**52**	(629)

11. Loss for the year

	2015 HK$'000	2014 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Directors' emoluments (note 12)	**7,427**	7,437
Other staff costs	**133,949**	158,194
Retirement benefit scheme contributions (excluding contributions in respect of directors of the Company)	**9,875**	9,611
Total staff costs	**151,251**	175,242
Auditor's remuneration	**1,444**	1,475
Depreciation of property, plant and equipment	**29,905**	50,670
Release of prepaid lease payments	**96**	96
Cost of inventories recognised as an expense (including write-down of inventories of approximately HK$167,000 (2014: HK$989,000))	**611,663**	945,872
Interest income	**(1,101)**	(2,441)
Rework charges to customers (included in other income)	**(600)**	(3,014)
Insurance compensation received (included in other income)	**(1,572)**	(255)

12. Directors' and chief executive's emoluments

The emoluments paid or payable to each of the seven (2014: six) directors were as follows:

	Lam Chi Ho HK$'000	Sun Mi Li HK$'000	Tsuji Tadao HK$'000	Xie Bai Quan HK$'000	Chung Wai Kwok, Jimmy HK$'000	Tam Wing Kin HK$'000	Sin Man Yin HK$'000	Total HK$'000
2015								
Fees	**–**	**–**	**926**	**70**	**300**	**120**	**64**	**1,480**
Other emoluments:								
Salaries and other benefits	**3,075**	**2,564**	**272**	**–**	**–**	**–**	**–**	**5,911**
Retirement benefit scheme contributions	**18**	**18**	**–**	**–**	**–**	**–**	**–**	**36**
Total emoluments	**3,093**	**2,582**	**1,198**	**70**	**300**	**120**	**64**	**7,427**
2014								
Fees	–	–	926	150	300	120	–	1,496
Other emoluments:								
Salaries and other benefits	3,075	2,564	272	–	–	–	–	5,911
Retirement benefit scheme contributions	15	15	–	–	–	–	–	30
Total emoluments	3,090	2,579	1,198	150	300	120	–	7,437

Mr. Lam Chi Ho is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

Neither the chief executive nor any of the directors waived any emoluments for the year ended 30 June 2015 (2014: nil).

13. Employees' emoluments

The five highest paid individuals of the Group included three (2014: three) directors and the chief executive, details of which are set out above. The emoluments of the remaining two (2014: two) individuals were as follows:

	2015 HK$'000	2014 HK$'000
Basic salaries and allowances	**1,335**	1,306
Bonus	**–**	9
Retirement benefit scheme contributions	**18**	31
	1,353	1,346

Their emoluments were within the following band:

	2015 No. of employees	2014 No. of employees
Nil to HK$1,000,000	**2**	2

During the year, no emoluments were paid by the Group to any of the directors and the chief executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. Dividend

No dividend was proposed during 2015 and 2014, nor has any dividend been proposed since the end of the reporting period.

15. Basic loss per share

The calculation of the basic loss per share for the year ended 30 June 2015 is based on the loss attributable to owners of the Company of approximately HK$77,830,000 (2014: HK$264,851,000) and 968,394,000 (2014: 968,394,000) shares in issue.

Diluted loss per share is not presented for the years ended 30 June 2015 and 2014 as there is no potential ordinary shares outstanding during the year or at the end of the reporting period.

16. Property, plant and equipment

	Leasehold land and buildings HK$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Total HK$'000
COST							
At 1 July 2013	44,279	21,729	197,258	17,699	92,635	634,513	1,008,113
Exchange realignment	(859)	(118)	(1,037)	(91)	(299)	(4,069)	(6,473)
Additions	1,665	12	547	452	1,451	972	5,099
Disposals	–	(1,536)	(71,083)	(327)	(1,942)	(32,047)	(106,935)
Write-off	(6,350)	(11,079)	(32,658)	(436)	(981)	(46,457)	(97,961)
At 30 June 2014	38,735	9,008	93,027	17,297	90,864	552,912	801,843
Exchange realignment	(974)	–	(1)	(29)	(23)	(796)	(1,823)
Additions	3,233	10	311	655	1,546	969	6,724
Disposals	–	(28)	–	–	(502)	(26,014)	(26,544)
Write-off	–	–	–	(420)	(352)	–	(772)
At 30 June 2015	**40,994**	**8,990**	**93,337**	**17,503**	**91,533**	**527,071**	**779,428**
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 July 2013	4,138	18,705	94,228	10,763	76,027	405,348	609,209
Exchange realignment	(367)	(111)	(592)	(55)	(231)	(2,726)	(4,082)
Provided for the year	1,082	171	8,996	1,706	4,264	34,451	50,670
Eliminated on disposals	–	(1,303)	(39,018)	(169)	(1,934)	(25,284)	(67,708)
Eliminated on write-off	(1,625)	(9,458)	(9,956)	(367)	(830)	(30,220)	(52,456)
Impairment loss recognised in profit or loss	1,162	–	–	–	–	75,958	77,120
At 30 June 2014	4,390	8,004	53,658	11,878	77,296	457,527	612,753
Exchange realignment	(119)	–	(10)	(15)	(6)	(549)	(699)
Provided for the year	1,041	28	4,466	1,839	3,640	18,891	29,905
Eliminated on disposals	–	(24)	–	–	(502)	(22,977)	(23,503)
Eliminated on write-off	–	–	–	(420)	(299)	–	(719)
Impairment loss recognised in profit or loss	–	–	–	–	–	13,234	13,234
At 30 June 2015	**5,312**	**8,008**	**58,114**	**13,282**	**80,129**	**466,126**	**630,971**
CARRYING AMOUNT							
At 30 June 2015	**35,682**	**982**	**35,223**	**4,221**	**11,404**	**60,945**	**148,457**
At 30 June 2014	34,345	1,004	39,369	5,419	13,568	95,385	189,090

16. Property, plant and equipment (Continued)

The leasehold land and buildings with carrying amount of HK$1,948,000 in Hong Kong (2014: HK$2,000,000) and buildings with a carrying amount of HK$33,734,000 in Vietnam (2014: HK$32,345,000) are held under medium-term leases. In the opinion of the directors of the Company, allocation between the land and building elements of the property in Hong Kong could not be made reliably.

The above items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Leasehold land and buildings	Shorter of 2% or the lease terms of 43 years to 50 years
Furniture and fixtures	20%
Leasehold improvements	10%
Motor vehicles	20%
Office equipment	20%
Plant and machinery	7.5% to 20%

In light of the changes in technologies and market conditions, management critically reviewed the Group's plant and machinery and determined that a number of those assets were impaired due to segment loss was noted for the pure assembly services. Accordingly, impairment loss of HK$13,234,000 (2014: HK$77,120,000) have been recognised in respect of certain plant and machinery, which are used in the pure assembly service segment. The recoverable amounts of these plant and machinery, whose value in use amounts are determined to be insignificant, have been determined as the assets' fair value less cost to sell by reference to valuations of their market values which are higher than the value in use amounts. These valuations are performed by independent qualified professional valuers from Malcolm Associates Appraisal Limited, who are members of the Institute of Valuers and not connected with the Group.

The fair value of the plant and machinery was determined based on the market comparable approach that reflects recent transaction prices for similar plant and machinery, adjusted for differences in the condition of the asset under review. There has been no change from the valuation technique used in the prior year.

The fair value hierarchy of the plant and machinery is Level 3.

There were no transfers into and out of Level 3 during the current and prior years.

The key assumption used in determining the fair value was the market price of similar plant and machinery, using market comparable approach and taking into account of the differences in the condition of the asset under review.

As set out in the Company's announcement dated 14 May 2014, anti-China protests and riots took place at Vietnam have caused damage to the property, plant and equipment of MSEVCL. The Group has suspended all of its production at the Group's facility in Vietnam since 14 May 2014. The facility's property, plant and equipment, which are mainly plant and machinery were damaged during the riots. The directors of the Company consider that the damaged assets have no further value in use other than the disposal values. The carrying amount of the affected plant and machinery of approximately HK$16,144,000 was considered as written off. The Group resumed the production at Vietnam in September 2014. Furthermore, due to the change of business operations of Fittec Electronics Company Limited, the carrying amount of the leasehold improvements of HK$22,702,000 was considered as written off during the year ended 30 June 2014.

Management also assessed the potential for impairment of the Group's remaining property, plant and equipment and is satisfied that no objective evidence of impairment loss existed for these assets.

17. Prepaid lease payments

	2015 HK$'000	2014 HK$'000
The Group's prepaid lease payments comprise leasehold land held under medium-term lease in Vietnam	**3,454**	3,634
Analysed for reporting purposes as:		
Current assets	**96**	96
Non-current assets	**3,358**	3,538
	3,454	3,634

18. Inventories

	2015 HK$'000	2014 HK$'000
Raw materials	**16,696**	15,012
Work in progress	**5,997**	12,785
Finished goods	**16,511**	31,091
	39,204	58,888

19. Trade and other receivables

	2015 HK$'000	2014 HK$'000
Trade receivables	**145,283**	174,258
Less: allowance for doubtful debts	**(229)**	(304)
	145,054	173,954
Prepayments	**11,344**	12,828
Deposits and other receivables	**9,210**	13,999
Trade and other receivables	**165,608**	200,781

19. Trade and other receivables (Continued)

The Group allows credit periods ranging from 30 to 120 days to its trade customers. The following is an aged analysis of the Group's trade receivables, net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates:

	2015 HK$'000	2014 HK$'000
0–30 days	**36,787**	79,473
31–60 days	**43,605**	74,334
61–90 days	**31,219**	19,748
91–120 days	**33,443**	238
121–180 days	**–**	–
181–365 days	**–**	115
Over 365 days	**–**	46
Trade receivables	**145,054**	173,954

At the end of the reporting period, the Group's trade and other receivables that were denominated in currencies other than the functional currency of the relevant entities are set out below:

	2015 HK$'000	2014 HK$'000
HKD	**48**	30
USD	**10,442**	11,523
	10,490	11,553

Before accepting any new customers, the Group uses an internal credit assessment process to assess the potential customers' credit quality and defines credit limits by customers. Limits attributed to customers are reviewed regularly. All (2014: 99.7%) trade receivables were neither past due nor impaired at 30 June 2015 and had good repayment history.

Included in the Group's trade receivables balance, no debtors (2014: carrying amount of approximately HK$161,000) were past due at the end of the reporting period but for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

19. Trade and other receivables (Continued)

Ageing of trade receivables which were past due but not impaired

	2015 HK$'000	2014 HK$'000
181–365 days	–	115
Over 365 days	–	46
	–	161

The above trade debtors are related to customers that have good repayment history. Management believes that no allowances for impairment loss is necessary in respect of these balances as there has not been a significant change in credit quality of these customers and the balances are still considered to be fully recoverable.

Movement in the allowance for doubtful debts

	2015 HK$'000	2014 HK$'000
At beginning of the year	**304**	3,117
Amounts written off as uncollectible	**(75)**	(2,813)
At end of the year	**229**	304

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of trade receivable from the date credit was initially granted up to the end of the reporting period.

20. Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits bearing at market interest rate and have original maturity of three months or less. The effective interest rates on short-term bank deposits ranged from 0.01% to 2.86% (2014: 0.01% to 3%) per annum.

At the end of the reporting period, the Group's bank balances and cash that were denominated in currencies other than the functional currency of the relevant entities, are set out below:

	2015 HK$'000	2014 HK$'000
HKD	**8,652**	3,965
USD	**6,976**	14,527
JPY	**1,383**	2,769
RMB	**2,551**	23,692
	19,562	44,953

21. Trade and other payables

	2015 HK$'000	2014 HK$'000
Trade payables	**28,288**	81,453
Accruals and other payables	**16,393**	21,183
	44,681	102,636

The credit periods for purchase of goods ranging from 30 to 90 days. The aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period is as follows:

	2015 HK$'000	2014 HK$'000
0–30 days	**23,121**	71,103
31–60 days	**3,403**	3,115
61–90 days	**195**	1,704
91–180 days	**1,542**	5,504
181–365 days	**27**	27
	28,288	81,453

At the end of the reporting period, the Group's trade and other payables that were denominated in currencies other than the functional currency of the relevant entities are set out below:

	2015 HK$'000	2014 HK$'000
HKD	**896**	1,382
JPY	**36**	43
RMB	**528**	326
	1,460	1,751

22. Derivative financial instruments

The Group enters into forward foreign exchange contracts to cover the anticipated foreign currency exposures. The Group is a party to a number of forward foreign exchange contracts in the management of its exchange rate exposures. All contracts are settled net with the counterparties.

During the year ended 30 June 2015, fair value gain of approximately HK$7,844,000 (2014: fair value loss of approximately HK$13,414,000) was recognised directly in profit or loss.

The details of outstanding forward foreign exchange contracts to which the Group is committed are as follows:

At 30 June 2015

Buy	Sell	Notional amount US$	Maturity date	Contracted exchange rate (per US$1)
RMB	**USD**	**1,000,000**	**2 December 2015 (note)**	**RMB6.1600**
RMB	**USD**	**2,000,000**	**17 March 2016 (note)**	**RMB6.1200**
RMB	**USD**	**1,500,000**	**4 May 2016 (note)**	**RMB6.0500**
RMB	**USD**	**700,000/1,400,000**	**12 August 2016 (note)**	**RMB6.4000**
RMB	**USD**	**800,000/1,600,000**	**6 January 2016 (note)**	**RMB6.1300**

At 30 June 2014

Buy	Sell	Notional amount US$	Maturity date	Contracted exchange rate (per US$1)
RMB	USD	1,000,000	2 December 2015 (note)	RMB6.1600
RMB	USD	2,000,000	17 March 2016 (note)	RMB6.1200
RMB	USD	1,000,000/1,500,000	4 May 2016 (note)	RMB6.1000/RMB6.0500

Note: The contract requires the Group to sell USD and to buy RMB monthly at contracted exchange rate and contains knock-out features that will automatically terminate the contracts in certain conditions. The notional amount to be settled is determined under certain conditions set out in the contract.

23. Unsecured bank borrowing

	2015 HK$'000	2014 HK$'000
Bank borrowing	–	1,696
Carrying amount of bank borrowing that contain a repayable on demand clause: – scheduled for repayment within one year	–	1,696

At 30 June 2014, the Group's variable-rate bank borrowing carried interest at Hong Kong Interbank Offered Rate plus 2% to 2.5% per annum. The bank borrowing was fully repaid during the current year. The effective interest rate for the year is 2.74% (2014: 2.80%) per annum.

At the end of the reporting period, the Group's unsecured bank borrowing that was denominated in currency other than the functional currency of the relevant entities were as set out below:

	2015 HK$'000	2014 HK$'000
HKD	–	1,696

24. Deferred taxation

The followings are the deferred tax liability recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 July 2013	4,247	(4,247)	–
(Credited) charged to profit or loss	(4,247)	4,247	–
At 30 June 2014	–	–	–
Charged (credited) to profit or loss	2,164	(2,164)	–
At 30 June 2015	2,164	(2,164)	–

At the end of the reporting period, the Group had unused tax losses of approximately HK$498,177,000 (2014: HK$413,153,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$13,115,000 of such losses as at 30 June 2015. No deferred tax asset has been recognised in respect of approximately HK$485,062,000 (2014: HK$413,153,000) due to the unpredictability of future profit streams. At 30 June 2015, the tax losses amounted to approximately HK$387,080,000 will be expired in various date up to 2020, other losses may be carried forward indefinitely.

25. Share capital

	Number of shares	Amounts HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 July 2013, 30 June 2014 and 30 June 2015	3,000,000,000	300,000
Issued and fully paid:		
At 1 July 2013, 30 June 2014 and 30 June 2015	968,394,000	96,839

26. Share-based payment transactions

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 16 November 2005 for the primary purpose of providing incentives to directors of the Company and eligible employees, and will expire on 15 November 2015. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including any full-time or part-time employee of the Company or any member of the Group, including any Executive, Non-Executive Directors and Independent Non-Executive Directors, advisors, consultants of the Company or any of its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date of listing of shares of the Company unless prior approval is obtained from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per grant. Options may be exercised from the date of grant to the 10th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the highest of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

No share options were granted during both years nor outstanding at the end of the reporting period.

27. Deregistration of subsidiaries of the company

(a) During the year ended 30 June 2015, a subsidiary of the Company, Toprich Electronics Technology Limited ("Toprich") was deregistered on 28 November 2014.

The gain of Toprich at the date of deregistration is as follows:

	HK$'000
Non-controlling interests	164
Gain on deregistration of a subsidiary	164

(b) During the year ended 30 June 2014, two subsidiaries of the Company, Fittec Electronics (Shenzhen) Company Limited ("Fittec Shenzhen") and Suzhou Toprich Electronic Technology Limited ("Suzhou Toprich") were deregistered on 12 November 2013 and 26 November 2013, respectively.

The net loss of Fittec Shenzhen and Suzhou Toprich at the date of deregistration are as follows:

	HK$'000
Cumulative exchange differences reclassified from equity to profit or loss	(7,250)
Non-controlling interests	8,732
Loss on deregistration of subsidiaries	1,482

The subsidiaries deregistered during both years did not have significant contribution to the results and cash flows of the Group during the period prior to the deregistration.

28. Operating lease commitments

During the year, the Group made minimum lease payments of approximately HK$11,851,000 (2014: HK$13,051,000) under operating leases in respect of its factory and office premises. Leases are negotiated, and monthly rentals are fixed, for a range of one to five years (2014: one to five years).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015 HK$'000	2014 HK$'000
Within one year	**11,564**	11,314
In the second to fifth year inclusive	**1,746**	10,801
	13,310	22,115

29. Retirement benefit plans

The Group operates the following defined contribution schemes for its employees:

(i) Plans for Hong Kong employees

The Group participates in a MPF Scheme for all its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

(ii) Plans for PRC employees

The employees employed in the PRC are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

(iii) Plans for Vietnam employees

The employees employed in Vietnam are members of the state-managed retirement benefit schemes operated by the Vietnam government. The subsidiary incorporated in Vietnam is required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The total cost of approximately HK$9,911,000 (2014: HK$9,641,000) charged to profit or loss represents contributions paid or payable to the above schemes by the Group for the year.

30. Related party disclosures

Compensation of key management personnel

	2015 HK$'000	2014 HK$'000
Short-term employee benefits	**7,391**	7,407
Post-employment benefits	**36**	30
	7,427	7,437

The remuneration of directors of the Company, the key management of the Group, was determined by the remuneration committee of the Group having regard to the performance of individuals and market trends.

31. Capital commitment

	2015 HK$'000	2014 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**518**	–

32. Information about the statement of financial position of the company

	Notes	2015 HK$'000	2014 HK$'000
Assets			
Investments in unlisted subsidiaries		**–**	518,630
Amounts due from subsidiaries	a	**571,021**	572,421
Other receivables		**136**	130
Bank balances and cash		**42**	556
		571,199	1,091,737
Liabilities			
Amount due to a subsidiary	a	**388**	388
Other payables		**277**	277
		665	665
		570,534	1,091,072
Capital and reserves			
Share capital		**96,839**	96,839
Share premium		**450,739**	450,739
Contribution surplus		**514,645**	514,645
Accumulated (losses) profits	b	**(491,689)**	28,849
		570,534	1,091,072

32. Information about the statement of financial position of the company (Continued)

Notes:

a. The amounts are unsecured, interest-free and repayable on demand.

b. Movement of accumulated profits (losses) is shown as follows:

	Accumulated profits (losses) HK$'000
At 1 July 2013	30,049
Loss for the year	(1,200)
At 30 June 2014	28,849
Loss for the year	(520,538)
At 30 June 2015	(491,689)

33. Particulars of subsidiaries of the company

Particulars of the Company's subsidiaries as at 30 June 2015 and 30 June 2014 are as follows:

Name of subsidiaries	Place of establishment/ incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company Directly 2015	Directly 2014	Indirectly 2015	Indirectly 2014	Principal activities
Excel Star Group Limited Δ	British Virgin Islands ("BVI")	Ordinary US$50,000	**100%**	–	**–**	–	Investment holding
Fittec (BVI) Limited	BVI	Ordinary US$101	**–**	100%	**100%**	–	Investment holding
Time Ally Global Limited	BVI	Ordinary US$50,000	**–**	100%	**100%**	–	Investment holding
Fittec Electronics Company Limited	Hong Kong	Ordinary HK$10,000,000	**–**	–	**100%**	100%	Investment holding and manufacturing and sales of printed circuit board ("PCB") assembly
Kuan Da Electronics (Shenzhen) Co., Ltd.* 寬達電子(深圳)有限公司	PRC	Paid up capital US$8,188,159	**–**	–	**100%**	100%	Manufacturing of PCB, electronics components and related parts

33. Particulars of subsidiaries of the company (Continued)

Name of subsidiaries	Place of establishment/ incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company				Principal activities
			Directly		Indirectly		
			2015	2014	2015	2014	
Fittec Electronics (Suzhou) Co., Ltd.* 泛達電子(蘇州)有限公司	PRC	Paid up capital US$23,421,610	–	–	100%	100%	Manufacturing of PCB, electronics components and related parts
Fung Da Electronics (Shenzhen) Co., Ltd.* 豐達維修電子(深圳)有限公司	PRC	Paid up capital RMB1,000,000	–	–	100%	100%	Provision of repair and maintenance services
Toprich Electronics Technology Limited# 騰達電子科技有限公司	Hong Kong	Ordinary HK$100	–	–	–	80%	Investment holding
Treasure Electronics Limited 寶加電子有限公司	Hong Kong	Ordinary HK$10,000	–	–	100%	100%	Investment holding
Sheng Da Electronics (Shenzhen) Company Limited* 陞達電子(深圳)有限公司	PRC	Paid up capital US$6,393,000	–	–	100%	100%	Manufacturing of PCB, electronics components and related parts
Mega Step Development Limited 佰達發展有限公司	Hong Kong	Ordinary HK$1	–	–	100%	100%	Investment holding and sales of PCB electronics components and related parts
Mega Step Electronics (Vietnam) Co., Ltd.	Vietnam	Paid up capital US$4,000,000	–	–	100%	100%	Manufacturing of PCB, electronics components and related parts
Fittec Electronics (Thailand) Co., Ltd.	Thailand	Paid up capital Thai Baht 96,900,000	–	–	100%	100%	Inactive

* These subsidiaries are established in the PRC as wholly foreign-owned enterprises.
\# These subsidiaries were deregistered in November 2014 (note 27).
Δ This subsidiary was incorporated in June 2015.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

Financial Summary

Results

	Year ended 30 June				
	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000	**2015** **HK$'000**
Revenue	1,813,879	1,528,994	1,168,662	1,081,782	**726,771**
Loss before tax	(76,346)	(108,439)	(49,445)	(265,480)	**(77,778)**
Income tax (expense) credit	1,328	3,549	1,898	629	**(52)**
Loss for the year	(75,018)	(104,890)	(47,547)	(264,851)	**(77,830)**
Attributable to:					
Owners of the Company	(68,815)	(104,333)	(47,545)	(264,851)	**(77,830)**
Non-controlling interests	(6,203)	(557)	(2)	–	**–**
	(75,018)	(104,890)	(47,547)	(264,851)	**(77,830)**

Assets and Liabilities

	At 30 June				
	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000	**2015** **HK$'000**
Total assets	1,323,103	1,085,148	977,583	699,349	**550,175**
Total liabilities	341,142	204,060	136,520	126,169	**56,547**
Shareholders' funds	981,961	881,088	841,063	573,180	**493,628**
Attributable to:					
Owners of the Company	989,597	889,419	849,631	573,016	**493,628**
Non-controlling interests	(7,636)	(8,331)	(8,568)	164	**–**
	981,961	881,088	841,063	573,180	**493,628**