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

(incorporated in the Cayman Islands with limited liability)

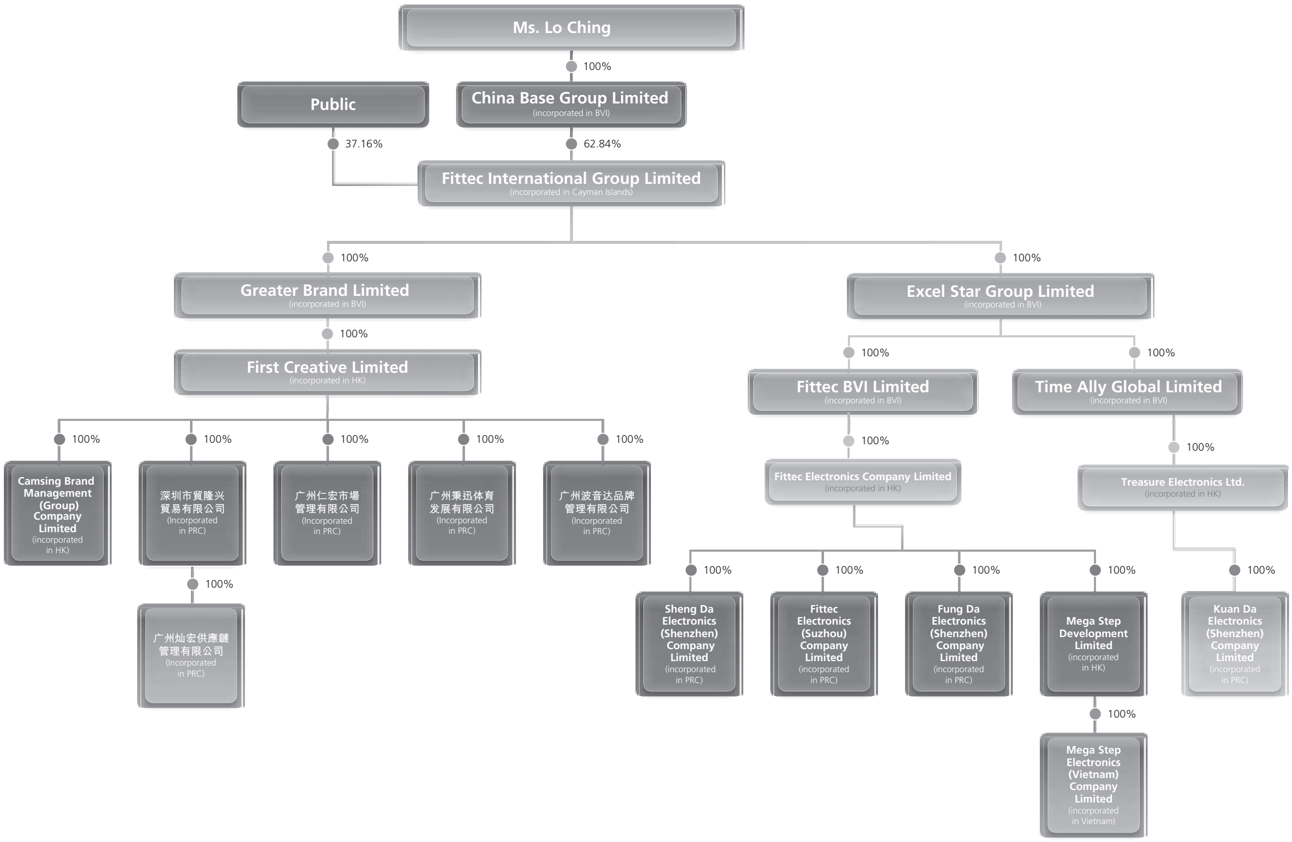
Stock Code: 2662

2015/16
Annual Report

Contents

Corporate Structure

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



Corporate Information

Board of Directors

Executive Directors:

Ms. Lo Ching (appointed on 21 January 2016) (Chairman)
Ms. Liu Hui (appointed on 21 January 2016)
Mr. Lam Chi Ho (resigned on 4 February 2016)
Ms. Sun Mi Li (resigned on 4 February 2016)
Mr. Tsuji Tadao (resigned on 4 February 2016)

Independent Non-Executive Directors:

Mr. Lei Jun (appointed on 21 January 2016)
Mr. Ross Yu Limjoco (appointed on 31 May 2016)
Mr. Zheng Yilei (appointed on 31 May 2016)
Mr. Yung Wing Ki, Samuel (appointed on 21 January 2016 and resigned on 31 May 2016)
Mr. Lee Kang Bor, Thomas (appointed on 21 January 2016 and resigned on 31 May 2016)
Mr. Chung Wai Kwok, Jimmy (resigned on 4 February 2016)
Mr. Sin Man Yin (resigned on 4 February 2016)
Mr. Tam Wing Kin (resigned on 4 February 2016)

Company Secretary

Mr. Fung Nam Shan (appointed on 4 February 2016)
Mr. Cheung Yiu Leung (resigned on 4 February 2016)

Principal Bankers

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

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

Unit 1709, 17/F
New World Tower Phase 1
16-18 Queen's Road
Central
Hong Kong

Auditor

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.fittecn.com

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
"PRC"	People's Republic of China

Chairman's Statement

Dear Shareholders,

Looking back in the past financial year, global economic development experienced fluctuations and uncertainties, and the road to global economic recovery was rocky and rough. Developed economies including the United States, Japan and the Eurozone were recovering modestly, while the economic growth of emerging economies represented by Brazil, India and Russia has been declining for five consecutive years. Global trade is experiencing a "winter", as the global trade growth rate had been lower than 3% for four consecutive years up to 2015, and China's foreign trade even recorded a negative growth for the first time in the past six years.

In the meantime, with social development and technological advance, the global demand for information technology is shifting to mobile internet, and the demand for computer hardware industry has been shrinking. The personal computer shipment in the world has been falling for over five years, and the growth of demand for tablets is also quickly slowing down. Market saturation and the lack of revolutionary innovations caused the revenue of the EMS industry to show a downward trend.

As such, this year is still a challenging year for Fittec.

Rising labour cost in the PRC made it hard for the labour-intensive industries to survive. Plus the incentive to avoid the growing international trade disputes since the global economic crisis, enterprises in the PRC have accelerated their relocation to surrounding countries in recent years.

The Group dissected the worldwide economy recovery 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. 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. That trend will help the Group to push up its overall equipment utilization rate eventually.

With global trade competition and advancing technology, product prices were forced to be cut. As original equipment manufacturers continued to demand cost reduction, it has become very difficult for the EMS industry to identify new source of profit. Like other EMS companies, we also face challenges mainly from declining operational profit.

Another factor having material impacts on the operation of the Group is the uncertainties of customers' needs for products. Consumer inclinations change day-to-day, requiring EMS companies to respond quickly. Despite the uncertainties about orders, our production capacity has to meet customer needs.

For the year ended 30 June 2016, with global economic downturn and resulting decline in global demand for PC motherboards and hard disks, our revenue decreased by approximately 36.44% to HK$462 million. Thanks to its improving cost control measures, the Group reversed the loss situation and turned into profit, recording gross profit of HK$26 million in the year, compared to loss of HK$17 million for the previous year. However, due to factors including low utilisation rate and rising salary expenses, the Group recorded net loss of HK$58 million for the year, representing a year-on-year decrease of HK$21 million.

In the mid-term to long-term, we remain conservative about our business. The decrease of worldwide economy will drive down the demand for 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 will continue to implement long-term cost control measures, in order to make sure the Group can conserve enough resources to sustain normal operation until the recession is over, and regain growth.

Since the Group's current business had been unprofitable for six consecutive years and given the unstable political and social environment of Vietnam, the Board will also review the current unfavourable business environment and future profitability of Group's current business and may consider disposing of any business with declining operating results.

The Board is looking to diversify the business and will consider any investment opportunities which will enable the Group to generate profit and maximise shareholder's value in the future. By leveraging the senior management's extensive experience and strong connections in intellectual property ("IP") right licensing and promotion and distribution of branded consumer goods, the Group will establish certain wholly-owned subsidiaries in Hong Kong, Mainland China and overseas and build a complete entertainment industrial chain to launch and development pan-entertainment business.

In July 2016, the Group completed its acquisition of Camsing Brand Management (Group) Company Limited, which will facilitate the Group's cooperation with renowned global brands such as Real Madrid and the Transformers and strengthen the foundations of the brand licensing and management business of the Group. In August 2016, Guangzhou Bingxun Sports Development Company Limited, an indirect wholly-owned subsidiary of the Group, successfully won the recognition of the high-end brand Mercedes-Benz. The parties will cooperate in the organisation of a series of family running events in major cities in the PRC. The cooperation with the above renowned brands fully demonstrated the Group's capability and experience in IP promotion and management and holding sports events, and provides strong confidence for the Group to develop pan-entertainment business.

The Board expects the new business to expand the business portfolio of the Group and diversify the source of income of the Group, which will hopefully improve the financial performance of the Group and is conducive to the enhancement of returns to shareholders.

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.

Chairman
Lo Ching

Hong Kong, 29 September 2016

Management Discussion and Analysis

Financial Review

Global economic growth in 2016 is similar to that seen in 2015. The growth of developed countries is expected to remain modestly above trend, with improving unemployment rates and these economies are expected to recover. The recovery process is much more advanced in the United States and Britain which are both embarking on a rate-hiking cycle, whereas in Japan and the Eurozone all people should focus on its ongoing loosening measures. For a number of emerging economies, Year 2015 was terrible, and Year 2016 will likely need some time before economy reaches meaningful growth.

There are many Emerging Market ("EM") economics facing significant structural challenges, ranging from unwinding the credit bubble and reforming the Chinese economy to adjusting to lower commodity prices. Tackling these challenges is similar to losing weight, easier in theory than in practice. Material progress has been made in improving competitiveness in some countries, but at the cost of higher unemployment and very weak economic growth. Although this weak economic growth is a necessary part of the adjustment phase, it increases the risk of a financial crisis such as corporate defaults.

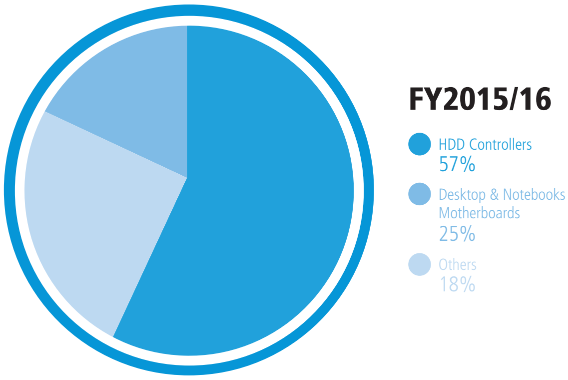
China remains the other significant source of risk to the relatively benign economic outlook. The likely outcome is a gradual slowing of the Chinese economy as it rebalances toward domestic consumption. However the robust growth in debt within the private sector over prior years is unsustainable and it need considerable faith in the government to achieve a successful deleveraging.

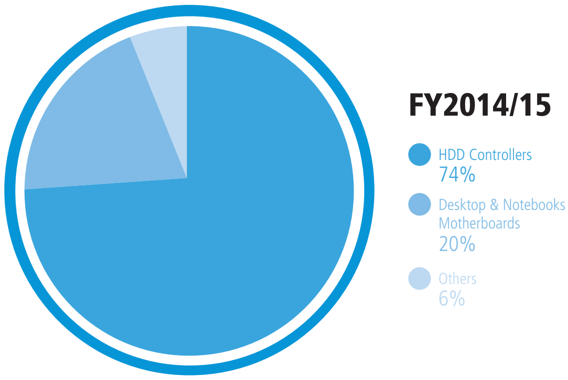
The slowdown in China has also heightened risks in other EM economies since they are becoming highly dependent on Chinese demand. Brazil looks especially fragile given its domestic political problems, and an accident on one economy could have repercussions for financial conditions across the developing world. Actually, China and the EM economics now have significant impacts on global growth and financial markets. Terrorism and geopolitical risks also linger more over the worldwide economy and market.

It is generally anticipated that the worldwide economy will grow 3.4% during 2016-2017 versus an estimated 3.1% this year. Beneath this dull headline hides material differences for the larger regions. The US & Europe seems set for modestly stronger growth; though Asia, led by China, appears to be heading towards weaker growth. The significant difference between these regions is the degree to which private sector balance sheets have deleveraged. Deleveraging is an essential condition for credit cycles to accelerate and lift domestic demand. The US has deleveraged the most since the global crisis, Europe less so, and China not at all. Thus, domestic demand in the latter slows and improves in the former. Finally, this situation caused global trade to slightly improve during 2015, but we anticipate it to remain relatively weak compared to pre-crisis trends and to global manufacturing capacity.

According to International Monetary Fund ("IMF"), the baseline projection for global growth in 2016 is a modest 3.2 percent, broadly in line with last year, and a 0.2 percentage point downward revision relative to the January 2016 *World Economic Outlook Update*. The recovery is projected to strengthen in 2017 and beyond, driven primarily by emerging markets and developing economies, as conditions in stressed economies start progressively to recover. However uncertainty has increased, and risks of weaker growth scenarios are becoming more tangible. The fragile conjuncture increases the urgency of a broad-based policy response to raise growth and manage vulnerabilities.

Major macroeconomic realignments are affecting prospects differentially across regions and nations. These include the slowdown and rebalancing in China; a further decrease in commodity prices, especially for oil, with sizable redistributive consequences across countries and sectors; a related slowdown in investment and trade; and declining capital steams to emerging market and developing economies. These realignments-together with a group of noneconomic factors, including geopolitical tensions and political discord-are creating significant uncertainty. On the whole, they are consistent with a subdued outlook for the global economy-but risks of much weaker global growth have also risen.





The life cycles of electronic products keep on shortening and together with consumers demanding devices with more functions at lower costs, original equipment manufacturers (OEMs) are challenged to diminish production costs and streamline manufacturing. Thus, they are outsourcing manufacturing to specialized companies providing electronic manufacturing services (EMS). Lately, EMS in the US has grown steadily. In 2016 it is expected to reach US$4.2 billion. With year-on-year growth of 1.06%, US EMS revenue will reach US$5.3 billion by 2020. The consumption of domestic appliances in the US, Canada and Latin America now surpasses production, representing huge export opportunities for EMS companies.

The EMS industry is also undergoing substantial consolidation, in spite of the fact that this is not deterring new participants from entering the business sector. The financial and structural advantages of outsourcing have been well demonstrated for many years, as evidenced by very rare OEM companies planning or investing in manufacturing automation, thus leaving the expertise of electronics production to EMS companies. More recently, this pattern is beginning to apply to new Asian OEM companies as original design manufacturers and EMS companies line up to secure contracts to manufacture new hardware innovations from established OEMs.

North American manufacturers that outsource the non-core tasks, the outsourcing strategy is slowly moving from offshoring to near-shoring of electronic assemblies and precision machined parts. This is happening because of the rising wages in emerging economies like China. In addition, the transportation cost and complex supply chain of offshoring can never again be neglected, especially when precision is demanded and the total cost of ownership is considered.

For the fiscal year ended 30 June 2016, the Group recorded revenue of HK$462 million (for the year ended 30 June 2015: HK$727 million). The turnover slipped from last year due to the decrease of the hard disk drive "HDD" orders which include a large amount of procurement income, and decrease in global demand of desktop motherboards.

Revenue

	FY2015/16		FY2014/15	
	Amounts (HKD million)	**%**	Amounts (HKD million)	%
HDD Controllers	**264**	**57**	538	74
Desktop & Notebooks Motherboards	**115**	**25**	146	20
Others	**83**	**18**	43	6
	462	**100**	727	100

The HDD companies, Seagate, Western Digital and Toshiba, have reported their Calendar Quarter (“Q”) 1, 2016 results. Overall HDD shipments dropped 12.3% over the prior quarter (100.6 M units versus 114.7 M units). The unit shipment decline was across the board for all HDD applications including Notebook Computers (down about 15%), Consumer Electronics (down about 14%), Branded Products (down about 14%), Desktop Computers (down about 10%), Near-Line Enterprise Storage (down about 3%) and High Performance Enterprise Storage (down about 12%).

At the same time that the HDD unit shipment volumes declined, average HDD capacities increased quarter over quarter.

To understand what the future has in store it is necessary for us to know the market dynamics in this industry as well as where HDDs could lose ground to flash memory and where they may have an enduring value. In light of late history, it is far-fetched that we will see normal growth in HDD shipped units of 15% or more in the foreseeable future, which was common several years ago. On the other hand it is unlikely that we will see a total displacement of HDD either, as long as the storage capacity of HDDs can advance by at least 30% annually and thus in line with the average increase in demand for flash memory. We believe that HDDs will continue to decline for client computer applications as the price of a useful flash amount of memory storage capacity decreases. For some individuals that keep their data in the cloud or in local external storage implies the amount of storage they need resident in their computers is not developing at the rate it was, say 10 years ago. So, for many people HDD will be gradually be replaced by flash memory.

HDDs and other storage for consumer electronic applications, such as DVRs will decay with the introduction into more markets of cloud driven network DVR where the recording is done in a data center instead of a set top box. Network DVRs will enhance the demand for near-line HDD storage in the cloud.

Facing weakening worldwide PC demand, Taiwan-based motherboard players have been expanding their businesses into new industries such as industrial PC (IPC), healthcare, car electronics and embedded products to strive for orders, according to sources from the upstream supply chain.

At Japan IT Week Spring 2016 being held in Tokyo from May 11-13, Taiwan-based IPC players including Advantech, Adlink, Innodisk, DFI, VIA and Aaeon, a subsidiary of Asustek Computer, are showcasing their latest products.

Taiwan-based motherboard and barebones vendors including Gigabyte Technology, ASRock, Micro-Star International (MSI) and Shuttle are also displaying their embedded motherboards and system solutions.

At the show, Gigabyte is displaying a mini PC which supports H.265 decoding and is able to output image to four Ultra HD monitors. ASRock is showcasing embedded motherboards and new HPC servers.

Motherboard vendors’ customization ability is anticipated to be greatly challenged if they hope to land orders from IPC and embedded solution vendors. However, since the product lines are able to contribute higher gross margins than their branded motherboard segment, entering the new markets has become an important strategy for them to maintain profitability.

The U.S. market witnesses a healthy jump in growth in the second quarter of 2016. Despite uncertainty in various parts of the market, the competitive environment, strength of the U.S. compared to other markets, strong gains in Chrome shipments, and a relatively easy comparison to year-ago shipments contributed to year-on-year growth of almost 5%.

In Europe, Middle East, and African (EMEA) regions, results are expected to be in line with forecast. Mobility demands keep on pushing interest towards notebooks, which supported overall volumes. This is the first recent quarter of comparison that was not impacted by Bing promotions (that inflated shipments through Q1 2015). Subsequently, second quarter of 2016 shipments represent a more normalized growth trend – still confirming long-term market erosion for traditional PCs, but showing hints of short-term stabilization. Currency fluctuations in the EMEA region, localized political developments in Western Europe, and ongoing instabilities in the Middle East are also compelling shipment growth.

The Asia-Pacific (excluding Japan) PC market saw a decline in line with expectations. Decline in consumer demand continued in most countries across the region: Ramadan observance affected consumer spending, while high inventory inhibited new shipments. Also, a number of commercial projects in India, Thailand, and the Philippines have been put off until the following quarter.

The Japan market performed better than industry forecast and posted strong year-on-year growth. However, a slowing economic outlook, weaker Yen, and sluggish consumer spending further dampened demand.

The Group recorded a net loss of HK$58 million for the year (for the year ended 30 June 2015: HK$79 million). The decrease in loss was primarily due to (A) less impairment loss for the property, plant and equipment recognised in 2016 amounting to HK$7.7 million compared to HK$13.2 million in 2015; (B) success of cost saving in 2016, the gross margin improved, and (C) offset by loss of HK$12.7 million on changes in fair value of the derivative financial instrument in 2016 as compared to a HK$7.8 million gain in 2015.

The decrease in the turnover in the computer motherboard and hard disk drive controller business, are mainly attributable to (i) weakening global demand of computer motherboard and hard disk drive which are the key products of the Group; (ii) the increase in the cost of raw materials and labour 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 will fully resume operation on 1 October 2014. The Group maintains insurance coverage that provides property coverage in the event of losses arising from riot. The claim process 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 2016, the Group had received the accumulated advance of compensation amount HK$3,720,000 from insurance company. (30 June 2015: HK$1,827,000).

Despite these difficulties, the Group was in a healthy financial position with net cash, being total cash less total debt, being positive. Cash and Cash equivalents as at 30 June 2016 was HK$148 million (30 June 2015: HK$193 million).

Business Review

During the review period, the Group focuses on top-tier clients and products with high growing potential to diversify the client base and product mix. Although the Group maintained focus on HDD controllers and PC motherboards (including desktop, Tablet PC and notebook PC), which are still the core products of the Group, their contribution of the total turnover decreased from 94% to 82%. Other products, such as the controller board of professional quadcopter which is a professional aerial filmmaking platform, mainboard of wearable device and mainboard of scanner are growing consistently during the year.

While nobody is writing off the PC market entirely, since its prime almost 10 years ago, the PC market has been decreasing moderately some time, and that decline has yet to bottom out. Sales of personal computers decreased by roughly 25 – 30 million units year-over-year, reaching an eight-year low in 2015 mainly due to economic trends, weak international currencies, and competition from tablets and smartphones in some markets. Shipments of PC components naturally decreased in line with weak PC sales, but hard drive sales in particular have made for an interesting observation: for 2015, decrease of HDD sales greatly outpaced the regression of the PC market. It is essentially a given fact that SSDs are gaining popularity in notebooks and high-end gaming systems at the expense of HDDs.

HDD Controllers

The Information Network reported that HDD shipments dropped 17% in 2015 to 469 million units and will drop below 400 million units in 2019, all three leading manufacturers – Western Digital, Seagate, and Toshiba saw shipments drop at least 18% compared to 2014. Western Digital saw its lead over Seagate decrease to a share of 43.6% in 2015 from 44.2% in 2014.

Further, HDD unit shipments for 3.5 inches desktops and 2.5 inches mobile HDDs were weaker in FY2016 than FY2015, which was mainly due to lower PC market demand. Since enterprise HDD customers' demand keeps mixing up to higher-capacity, performance-optimized HDD products and capacity-optimized HDD products, the enterprise HDD petabyte shipments for enterprise applications did increase slightly during the year.

HDD shipments have been adversely affected in the past few quarters, driven by declining sales in the PC market. According to Storage Newsletter, worldwide HDD shipments are expected to be 99.5 million-102.5 million units. That's a year-on-year decline of 7.2% to 9.9% for fiscal of the second quarter of 2016.

Dr. Robert Castellano, president of The Information Network noted that the PC market downturn together with advances and lower prices of Solid State Devices (SSDs) has crippled the Hard Disk Drive industry to the extent that manufacturers as well as vendors in the supply chain were operating at only 67% of their capacity at the end of 2015.

The top three players in the HDD segment are Western Digital, Seagate Technology, and Japan-based Toshiba, with market shares of 42%, 37%, and 21%, respectively.

According to StorageNewsletter.com, the worldwide HDD shipments are anticipated to be between 99.5 and 102.5 million units, representing a year-on-year decrease in the range of 7.2% to 9.9% for fiscal fourth quarter of 2016.

This decline is a concern for Toshiba, as it has a share of over 21% in the HDD market. Toshiba shipped 50.6 million 2.5" drives in calendar 2015 out of a total 75.8 million, so 67% of the total. 2.5-inch units are directly competing with its SSDs where Toshiba owns only 5% of the worldwide market but in a sector growing rapidly and the advantage to manufacture its own flash chips.

Due to the global economic trends, rivalry from SSDs, and many other factors, it is improbable that there will be significant changes in the HDD market in the future. In a bid to win market share, manufacturers of hard disk drives would have to sacrifice already thin margins, something they are unlikely to do. Therefore, the positioning of HDD makers has all chances to continue as before in the coming quarters.

This segment decline resulted from (i) the reducing global Notebook PC shipment volumes and (ii) the customer, Toshiba reducing its outsourcing production. Thus the revenue was down by 51% to HK$264 million from last year's HK$538 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, Toshiba is planning to spend 4 billion yen in restructuring costs in 2016 to reduce fixed costs in its HDD business by at least 10 billion yen. The target is to improve profitability in 2017.

Toshiba will remain active in the notebook market that accounts for 50% of its shipments, but will streamline its operations and minimize the number of models available. It will scale back its focus on notebook and external drives and will intensify its focus on higher-margin enterprise and near-line drives.

In general, HDD vendors continued to overwhelm the personal storage segment (representing 80% of unit share) and gained shipment share in the entry-level segment (capturing 26% unit share). Both HDD and mainstream non-HDD players have been struggling in the Personal Entry Level Storage ("PELS") market. Under estimation, Western Digital acquired SanDisk can gain more opportunities in the SSD market. Toshiba has been experiencing shipment decline and will have to go through restructuring to enhance its HDD business.

While historically Seagate outsold Western Digital on the desktop HDD market, in Q4 2015 the latter managed to become the world's largest supplier of 3.5" hard drives with 12.458 million desktop HDDs shipped (versus Seagate's 11.7 million). Eventually, time will tell whether it will stay on peak for long, but considering weak demand for PCs as well as measures to maintain profitability, it remains to be seen whether Seagate, Toshiba and Western Digital will fiercely compete for desktop market share at all.

Desktop & Notebooks Motherboards

Global PC market seems to have fallen into a peculiar circle – manufacturers complain about extended upgrade circle of consumers, while consumers believe new PC products bring no material performance lift, which results in manufacturers' hesitance to invest funds and energy in development of new designs. The motherboard shipments have seen a 20-30% decline in the second quarter of 2016. As a result, some brands quit, and some others turned to other businesses.

According to Digitimes, some motherboard players have seen over 20% decreases and some around 30%. Orders from the retail channel for the third quarter remain weak, which will continue to impact motherboard players' shipment performance in 2016.

Improvement in channel inventories seems to have contributed to the stronger results, along with an easier year-on-year comparison and easing of component supply. Unfortunately, these types of supply-side drivers cannot reflect a change in consumer purchases. Indeed, even PC channels are still fairly cautious following challenges over the previous year, so the results are not likely to raise the forecast.

Nevertheless, enhanced inventory levels put the business sector on a better footing for the second half of 2016, and the expiration of free Windows 10 upgrades may transition some users to buying new instead of updating older systems. Moreover, commercial evaluations of Windows 10 remain healthy and a near-term driver that could likewise add to the relative strength in shipments, particularly US market.

ASRock shipped over four million motherboards worldwide in 2015 and about 1.3 million units to China. And Asus and Gigabyte shipped 17.8 and 17.1 million motherboards in 2015, respectively. With motherboard demand estimated to remain weak in the second half of 2016 and issues including exchange rate fluctuations, political uncertainties and delay of Intel's Kaby Lake platform, Asus and Gigabyte are expected to see over 5% on-year declines in 2016 shipments.

China-based Jwele has chosen to leave the motherboard market, and some others plan to concentrate on other businesses, such as Onda, ECS and Biostar. As for those who want to stay, they shall have to slash prices to boost sales.

Undoubtedly, the Global brand motherboard market is now in fierce price competition, and in China, which represent almost 50% of global shipments, the competition is even fiercer with Asustek Computer and Gigabyte Technology together having a 70% share. Thus, our customer, ASRock has not been performing well in China as shipments of its motherboards declined. Apart from its unsuccessful strategy for the entry-level to mid-range segments, its brand recognition is also inferior to its Taiwan-based competitors. However, ASRock has performed rather steadily in Europe, North America, Japan and Korea because of its mid-range to high-end product lines.

ASRock has lost to ASUS and Gigabyte both which together hold 70% market share in motherboard shipments. The China market is largely consumed by the these two major brands but ASRock is still able to enjoy stability in market share in North America, Europe, Japan and Korea due to its mid to high end products.

As an OEM motherboard manufacturer, ASRock might need to evolve to more than a motherboard company to survive in this throat cutting business as PC sales in general are declining.

The revenue contributed by this customer was reduced by 20% to HK$112.4 million from last year's HK$141.3 million.

Prospect

The Worldwide Electronics Manufacturing Services Market estimated that total electronics assembly value was US$1.3 trillion in 2014 and will grow to approximately US$1.8 trillion in 2019 – a 5.7 percent compounded annual growth rate. Fueled by the demand for EMS services, this research indicates that the EMS industry will grow from US$460 billion in 2014 to US$621 billion in 2019 – approximately at a 6.2 percent CAGR.

Printed circuit board (PCB) and electronics manufacturing services (EMS) industries in North America continued to report positive growth in June 2016, based on three-month rolling averages. Semiconductor shipments continued to show signs of recovery in June, despite the fact that year-on-year sales growth remains negative, based on a three-month rolling average. The turnaround for semiconductor sales started in April 2016 after a steep decline that traversed 12 months.

Two leading indicators, the U.S. Purchasing Managers' Index (PMI) and U.S. new orders for computer and electronic products, were mixed in June. The PMI reinforced and remained in positive territory, while U.S. new orders strengthened slightly in June yet stayed negative. The PMI typically leads sales by three to six months and U.S. new orders for electronic products tend to lead sales by one to two months.

Another leading indicator, IPC's PCB book-to-bill ratio, is based on three-month rolling averages of orders and sales, and normally leads PCB sales by three to six months. The ratio was positive during the first five months of 2016, but declined to negative territory to 0.98 in June due to declines in order in April and May. Ratios above parity (1.00) demonstrate greater demand than supply, which may be an antecedent of strengthening sales for electronics manufacturers. These indicators point to a possible slowdown in electronics industry sales this summer, followed by slow growth in subsequent months.

According to Loren Loverde, vice president, Worldwide PC Trackers & Forecasting, the PC market continues to struggle and wait for replacements to accelerate, along with some return of spending from phones, tablets, and other IT. The long-term outlook of the PC market remains cautions. However, the robust results in the U.S. offer a glimpse of what the market could look like with pockets of growth and a stronger overall environment. It's not dramatic growth, but it could push the market into positive territory slightly ahead of our forecast for 2018.

The market considers that the larger story remains whether an early wave of enterprise shift to Windows 10 could help close out a 2016 that is increasingly appearing stronger in the U.S. In Europe, market sentiment remain quiet. A research manager, IDC Worldwide PC Tracker reported that even the best case scenario calls for PCs to face significant challenges, with a somewhat fragile stabilization in the long run. The preliminary results did not capture the potential repercussions from the Brexit vote, which is expected to affect the timing and scope of spending plans in Europe.

Despite the fact that worldwide motherboard shipments will keep dropping, our customer, ASRock expects its shipments to remain flat or grow slightly and will see its China motherboard business return to profitability.

As per IDC's five-year forecast for the worldwide hard disk drive market, the Enterprise market demand for HDDs is more complex and distinguishing than other HDD markets. Demand for HDD petabytes by enterprise customers is expected to grow steadily through 2020, although year-over-year growth petabyte shipment growth rates are expected to slow somewhat in the latter years of the forecast period. Yet for HDD, suppliers realize that for enterprise market revenue to grow beyond 2016, it will require a concomitant paradigm shift by enterprise HDD customers to expect and accept slowing enterprise HDD price-per-gigabyte declines.

"The HDD industry is in the process of concentrating and directing its resources on the enterprise HDD market segment given that nearly 60% of HDD industry petabyte shipments and more than 50% of HDD industry revenue will be derived from the enterprise market by 2020. At the same time, the commercialization of new HDD technologies that could radically increase HDD storage capacities without increasing the number of disks and heads in the drive remains elusive. As a result, HDD customers, and above all enterprise HDD customers, should expect slowing year-over-year HDD price-per-gigabyte declines." – John Rydning, research vice president, Worldwide Hard Disk Drives.

As an EMS provider assembly service for top tier leading electronic and computer customers, the company faces a lot of industry difficulties. In general, there are abundant opportunities for EMS providers as a result of increases in complexity and developing markets, for example: the Internet of Things space. Unfortunately, like other EMS providers, the company is challenged by the rising manufacturing costs and increasing original equipment manufacturer (OEM) price pressures.

The labor shortage and the minimum wage increase in China creates a tough operation environment for EMS in China. Looking 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 administration's goal to offset the raising local CPI.

This has forced EMS to look internally for cost-saving strategies that also act as technology enablers. Nowadays, Electronics design, functionality, and component sizes have advanced quickly. These advancements will have a direct effect on manufacturing skill and techniques during the production process. Although the company is known for its assembling ability, one must be diligent about maintaining flexible and responsive production. Furthermore, the volume forecasting mismatches and dynamic OEM orders also pose serious difficulties to the companies' resource planning and optimization strategies.

Recently, EMS service providers also face ever-increasing pressure for fully automated manufacturing sites, zero-tolerance for defects, and converging OEM and contract manufacturing models. Hence, it is a trend that EMS service provider will be adaptive, flexible, have scalable manufacturing with smaller production runs, and have increased reliance on artificial intelligence and robotic technology.

The smart plants and increased automation are becoming regular in the EMS market due to many manufacturers taking in hard lessons from keeping excess stocks or having long lead times. Neither situation bodes well for EMS providers' competitive positioning or profit margins. Many EMS providers are automating and using robotics to reduce labor costs and to create smart factories.

A reliable EMS provider also need to demonstrate that they can meet stringent financial business requirements in order to compete effectively in an increasingly competitive environment. Given the competition, EMS providers are looking to exhibit growth strategies and to offer a variety of smart services for the constantly changing needs of its client base.

According to Frost & Sullivan's research, customer loyalty is established best by gaining OEM trust. Therefore, OEMs in these markets in particular are looking for EMS providers with strong financial models. EMS providers with the necessary skills and expertise, not just in the manufacturing process but also with regard to financial stability, will be in the most ideal position to address OEM needs.

As one of top tier EMS service providers, we will try our best to tackle all these EMS Industry challenges.

The 11 May 2014 riot in Vietnam imposed certain impact to the Vietnam operation. Unfortunately, in July 2016, the Vietnamese gathered for anti-China protest in central Hanoi as they tried to rally support for an international tribunal's ruling rejecting Beijing's claims in the South China Sea. These political unstable issues caused certain negative impact to our business directly. Our customers are reluctance to increase the orders for this factory due to the uncertain environment. We foresee that a long time is required to re-build their confidence towards our production in Vietnam. Looking forward, the Group expects the overall EMS industry will maintain a minimum growth rate together with the slowly recovering global economy. In addition, the drastic increase in labor cost would bring in more serious impact to the overall EMS daily operations. Overseeing the trend, the Group will continue with diversification of its production facilities outside of China, as well as to improve its production efficiency by developing semi-automatic equipment, which would improve its competitive edge in the long run.

Since the Group's current businesses had been unprofitable for six consecutive years and facing the unstable political and social environment in Vietnam, the Board will consider any investment opportunities. 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 view of the funding position of the Group and the overall market condition and taking into consideration of, among others, the expertise possessed by the management of the Company in the field of Intellectual Property ("IP") licensing, management and operation, subsequent to the reporting date, the Group commenced new business activities involving pan-entertainment industry, which may include IP authorization, branded products distribution, IP promotion and entertainment and sports event organization etc. The Group intends to finance these new business activities by its own internal resources.

In July 2016, the Group completed its acquisition of Camsing Brand Management (Group) Company Limited (Camsing Brand). The acquisition will be beneficial for the Group's cooperation with a number of renowned international companies (such as Global Merchandising Services Inc. and Hasbro International, Inc. which own famous brands including "Real Madrid" and the "Transformers" respectively), and will facilitate the Group's development of global IP licensing and management business. In August 2016, Guangzhou Bingxun Sports Development Company Limited, an indirect wholly-owned subsidiary of the Group, received commercial sponsorship from the high-end brand Mercedes-Benz and successfully organised a series of family running events in major cities in the PRC. Such family running events are the major sports and entertainment events planned by the Group. The cooperation with Mercedes-Benz has fully demonstrated the Group's capability and experience in brand promotion and management and holding sports events, and provides strong confidence for the Group to develop pan-entertainment business.

In summary, the Group believes the worst recession is improving and is of the view that the commencement of the new business activities will be in the interest of the Company and its shareholders as a whole.

Staffs

As of 30 June 2016, the Group employed a total of 1,580 staffs, of which 752 were employed in China, 801 were employed in Vietnam, 26 were employed in Hong Kong and 1 was employed in Thailand (for the year ended 30 June 2015: Total: 1,758 staffs; China: 828 staffs; Vietnam: 901 staffs; Hong Kong: 28 staffs; Thailand: 1 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

A special dividend of HK$0.198 per ordinary share of the company for the year, amounting to approximately HK$191,742,000, has been declared and approved by the shareholders of the Company and was paid in January 2016.

The Board did not recommend the payment of final dividend for the year ended 30 June 2016 (for the year ended 30 June 2015: NIL).

Purchase, Sale or Redemption of Shares

During the year ended 30 June 2016, there was no purchase, redemption or disposal of the Group's listed securities by the Group.

Events after the end of the reporting period

(a) Acquisition of 深圳市貿隆興貿易有限公司 ("貿隆興")

On 25 July 2016, an indirect wholly-owned subsidiary of the Company entered into acquisition agreements with two independent third parties of the Group. Pursuant to the acquisition agreements, the Group agreed to acquire and the counterparties agreed to sell respectively 95% and 5% of the equity interest in 貿隆興, a company established in the PRC with limited liability, principally engages in investment holding and its subsidiary, a company established in the PRC with limited liability, principally engages in supply chain management, import and export goods, wholesale of equipment supplies. The cash consideration of the acquisition is RMB10,000,000 (equivalent to approximately HK$11,670,000). The acquisition was completed on 27 July 2016.

(b) Acquisition of Camsing Brand Management (Group) Company Limited

On 1 July 2016, an indirect wholly-owned subsidiary of the Company entered into an acquisition agreement with Guangzhou Camsing Limited Company 廣州承興營銷管理有限公司 ("Guangzhou Camsing"), a company under the control of Ms. Lo. Pursuant to the acquisition agreement, the Group agreed to acquire and Guangzhou Camsing agreed to sell 100% of the equity interest in Camsing Brand Management (Group) Company Limited 香港承興品牌管理有限公司 ("Camsing Brand"), a company incorporated in Hong Kong with limited liability, and principally engages in the intellectual properties and brand licensing and management business. The cash consideration of the acquisition is approximately HK$1,785,000. The acquisition was completed on 25 July 2016.

(c) Material borrowing agreement with Guangzhou Camsing

On 17 August 2016, an indirect wholly-owned subsidiary of the Company entered into a RMB60,000,000 6-month non-interest bearing borrowing agreement with Guangzhou Camsing, The borrowing is used to finance the subsidiary's daily operations which has been fully repaid subsequent to the end of the reporting period.

Significant investment held

Save as disclosed herein, during the financial year and up to the date of this report, the Group did not hold any significant investment.

Foreign Exchange exposure

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") 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 during 2016.

Charge on Group's Asset

During the financial year and up to the date of this report, none of the assets of the Group was pledged or charged.

Contingent Liabilities

During the financial year and up to the date of this report, the Group had no contingent liabilities.

Gearing Ratio

The gearing ratio is calculated on the basis of net borrowing over the equity attributable to Shareholders. Up to the date of this report, the Group had no short-term or long-term bank borrowings and its gearing ratio is nil.

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") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange" and the "Listing Rules" respectively) except for the deviations as stated herein. Code provision A.2.1 provides that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. Mr. Lam Chi Ho was both the Chairman and the Chief Executive Officer of the Group up to 4 February 2016 who was responsible for managing the Board and the businesses of the Group. Upon the resignation of Mr. Lam Chi Ho on 4 February 2016, Ms. Lo Ching took up his role. Given the current corporate structure, the Board 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 members of the Board, which include three Independent Non-Executive Directors who offers independent views. Therefore, while the responsibilities of the Chairman and Chief Executive Officer are vested in the same person, the Board is of the view that there is adequate impartiality and safeguards in place.

Code provision A.6.7 of the CG Code provides that Independent Non-Executive Directors and other Non-Executive Directors should attend the general meetings and develop a balance understanding of the views of shareholders. Mr. Chung Wai Kwok, Jimmy and Mr. Tam Wing Kin were not able to attend the annual general meeting of the Company on 26 November 2015 and the extraordinary general meeting of the Company held on 28 December 2015 respectively due to their respective business engagements. Other Board members who attended the above mentioned meetings were already of sufficient caliber and numbers for answering questions raised by the shareholders at the relevant meetings.

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 2016, 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. Ross Yu Limjoco as chairman, Mr. Lei Jun, and Mr. Zheng Yilei, 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 2016.

Remuneration Committee

The Board established the remuneration committee comprising all of Independent Non-Executive Directors, which meets at least once per year. It is chaired by Mr. Zheng Yilei and comprises two other members, namely, Mr. Lei Jun, and Mr. Ross Yu Limjoco. All remuneration committee members are Independent Non-Executive Directors. The principal duties of the remuneration committee as set out in its terms 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 once per year. It is chaired by Mr. Lei Jun and comprises two other members, namely, Ms. Lo Ching and Mr. Zheng Yilei. All nomination committee members, with the exception of Ms. Lo Ching, 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 Board comprises of Ms. Lo Ching and Ms. Liu Hui as the Executive Directors and Mr. Lei Jun, Mr. Ross Yu Limjoco and Mr. Zheng Yilei as Independent Non-Executive Directors.

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 control 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") except for the deviations as stated in this report.

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 was both the Chairman and the Chief Executive Officer of the Group up to 4 February 2016 who was responsible for managing the Board and the businesses of the Group. Upon the resignation of Mr. Lam Chi Ho on 4 February 2016, Ms. Lo Ching took up his role. Given the current corporate structure, the Board 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 members of the Board, which include three Independent Non-Executive Directors who offers independent views. Therefore, while the responsibilities of the Chairman and Chief Executive Officer are vested in the same person, the Board is of the view that there is adequate impartiality and safeguards in place.

Appointment and Re-election of Directors

Currently, Mr. Lei Jun, an Independent Non-Executive Director was 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 Articles of Association (the "Articles").

Each of Mr. Ross Yu Limjoco and Mr. Zheng Yilei, being an Independent Non-Executive Director was appointed for a specific term of one year and subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles.

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") as set 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 Executive Directors, constituting the senior management of the Company, are delegated with responsibilities in the day-to-day management of the Company and make operational and business decisions within the control and delegation framework of the Company.

The Board comprises two Executive Directors, namely Ms. Lo Ching and Ms. Lui Hui and three Independent Non-Executive Directors, Mr. Lei Jun, Mr. Ross Yu Limjoco and Mr. Zheng Yilei. The members of the Board have no financial, business, family or other material/relevant relationship with each other.

Biographical details of the Directors are set out in the section of "Biographical Details of Directors and Senior Management" on pages 27 to 28.

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 2016, the Directors shave made active contribution to the affairs of the Group and six Board meetings and two general meetings were held. Details of the Directors' attendance records are set out as follow:

Directors	No. of eligible Board Meeting Attended/Held	No. of eligible general meeting attended/Held
Executive Directors		
Ms. Lo Ching (appointed on 21 January 2016)	1/1	0/0
Ms. Liu Hui (appointed on 21 January 2016)	1/1	0/0
Mr. Lam Chi Ho (resigned on 4 February 2016)	5/5	2/2
Ms. Sun Mi Li (resigned on 4 February 2016)	5/5	2/2
Mr. Tsuji Tadao (resigned on 4 February 2016)	3/5	0/2
Independent Non-Executive Directors		
Mr. Lei Jun (appointed on 21 January 2016)	0/1	0/0
Mr. Ross Yu Limjoco (appointed on 31 May 2016)	0/0	0/0
Mr. Zheng Yilei (appointed on 31 May 2016)	0/0	0/0
Mr. Yung Wing Ki, Samuel (appointed on 21 January 2016 and resigned on 31 May 2016)	1/1	0/0
Mr. Lee Kang Bor, Thomas (appointed on 21 January 2016 and resigned on 31 May 2016)	1/1	0/0
Mr. Chung Wai Kwok, Jimmy (resigned on 4 February 2016)	4/5	1/2
Mr. Tam Wing Kin (resigned on 4 February 2016)	3/5	1/2
Mr. Sin Man Yin (resigned on 4 February 2016)	4/5	2/2

Code provision A.6.7 of the CG Code provides that independent Non-Executive Directors and other Non-Executive Directors should attend the general meetings and develop a balance understanding of the views of shareholders. Mr. Chung Wai Kwok, Jimmy and Mr. Tam Wing Kin were not able to attend the annual general meeting of the Company on 26 November 2015 and the extraordinary general meeting of the Company held on 28 December 2015 respectively due to their respective business engagements. Other Board members who attended the above mentioned meetings were already of sufficient caliber and numbers for answering questions raised by the shareholders at the relevant meetings.

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.

During the period from 1 July 2015 to 30 June 2016, the Directors also participated in the following trainings:

Name of Directors	Attending or Participating in the briefing session/ seminars/ programmes relevant to the business/
Executive Directors	
Ms. Lo Ching (appointed on 21 January 2016)	✔
Ms. Liu Hui (appointed on 21 January 2016)	✔
Mr. Lam Chi Ho (resigned on 4 February 2016)	✔
Ms. Sun Mi Li (resigned on 4 February 2016)	✔
Mr. Tsuji Tadao (resigned on 4 February 2016)	✔
Independent Non-Executive Directors	
Mr. Lei Jun (appointed on 21 January 2016)	✔
Mr. Ross Yu Limjoco (appointed on 31 May 2016)	✔
Mr. Zheng Yilei (appointed on 31 May 2016)	✔
Mr. Yung Wing Ki, Samuel (appointed on 21 January 2016 and resigned on 31 May 2016)	✔
Mr. Lee Kang Bor, Thomas (appointed on 21 January 2016 and resigned on 31 May 2016)	✔
Mr. Chung Wai Kwok, Jimmy (resigned on 4 February 2016)	✔
Mr. Tam Wing Kin (resigned on 4 February 2016)	✔
Mr. Sin Man Yin (resigned on 4 February 2016)	✔

Proper insurance coverage in respect of legal actions against the Directors' liability has been arranged by the Company.

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. Ross Yu Limjoco as the Chairman, Mr. Lei Jun and Mr. Zheng Yilei, 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.

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 2016.

Attendance records of each audit committee member are set out as follows:

Audit Committee Members	No. of eligible Meetings Attended/Held
Mr. Ross Yu Limjoco (appointed on 31 May 2016)	0/0
Mr. Lei Jun (appointed on 21 January 2016)	0/1
Mr. Zheng Yilei (appointed on 31 May 2016)	0/0
Mr. Yung Wing Ki, Samuel (appointed on 21 January 2016 and resigned on 31 May 2016)	1/1
Mr. Lee Kang Bor, Thomas (appointed on 21 January 2016 and resigned on 31 May 2016)	1/1
Mr. Chung Wai Kwok, Jimmy (resigned on 4 February 2016)	1/1
Mr. Tam Wing Kin (resigned on 4 February 2016)	1/1
Mr. Sin Man Yin (resigned on 4 February 2016)	1/1

The duties of the Audit Committee shall be:

(a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of the external auditors;

(b) to consider the plan for each year's audit submitted by the external auditors and discuss the same at a meeting if necessary;

(c) to review and monitor the external auditors' independence and objectivity

(d) to discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;

(e) to develop and implement policy on the engagement of the external auditors to supply non-audit services.

(f) to monitor integrity of the financial statements of the Company and the Company's annual report and accounts and half-year report, and to review significant financial reporting judgments contained in them. In this regard, in reviewing the Company's annual report and accounts and half-year report before submission to the Board, the Committee should focus particularly on:

  (i) any changes to accounting policies and practices;

  (ii) major judgmental areas;

  (iii) significant adjustments resulting from audit;

  (iv) the going concern assumptions and any qualifications;

  (v) compliance with accounting standards; and

  (vi) compliance with requirements under the Listing Rules and other regulatory and legal requirements.

(g) to review the Company's financial controls, internal control and risk management systems;

(h) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;

(i) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

(j) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;

(k) to review the group's financial and accounting policies and practices;

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 three Independent Non-Executive Directors, namely, Mr. Zheng Yilei as the Chairman, Mr. Lei Jun and Mr. Ross Yu Limjoco as members.

During the financial year, the remuneration committee determined the remuneration of the Executive Directors and independent Non-Executive Directors and approving the terms of executive Directors' service contracts.

The remuneration committee held two meetings for the year ended 30 June 2016. The attendance records of each remuneration committee member are set out as follows:

Remuneration Committee Members	No. of eligible Meetings Attended/Held
Mr. Ross Yu Limjoco (appointed on 31 May 2016)	0/0
Mr. Lei Jun (appointed on 21 January 2016)	0/0
Mr. Zheng Yilei (appointed on 31 May 2016)	0/0
Mr. Tam Wing Kin (Chairman) (resigned on 4 February 2016)	2/2
Mr. Chung Wai Kwok, Jimmy (resigned on 4 February 2016)	2/2
Ms. Sun Mi Li (resigned on 4 February 2016)	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. Zheng Yilei and Mr. Lei Jun as the Chairman, and one Executive Director, namely, Ms. Lo Ching.

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.

During the financial year, the nomination committee reviewed the structure, size and composition of the Board, to assess the independence of independent Non-Executive Directors, nominated the new Board members and re-appointment of Directors.

The nomination committee held two meetings for the year ended 30 June 2016. The attendance records of each nomination committee member are set out follows:

Nomination Committee Members	No. of eligible Meetings Attended/Held
Mr. Lei Jun (appointed on 21 January 2016)	0/0
Ms. Lo Ching (appointed on 21 January 2016) (Chairman)	0/0
Mr. Zheng Yilei (appointed on 31 May 2016)	0/0
Mr. Sin Man Yin (resigned on 4 February 2016)	2/2
Mr. Chung Wai Kwok, Jimmy (resigned on 4 February 2016)	2/2
Mr. Lam Chi Ho (resigned on 4 February 2016)	2/2

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 Chief Executive Officer.

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$1,944,000 to the external auditor for its services of which HK$423,000 was paid for non-audit services performed.

There is no disagreement between the Board and the audit committee on the re-appointment of Deloitte as the Company’s independent auditors, and they both have agreed to recommend the re-appointment of Messrs Deloitte Touche Tohmatsu as the independent auditors for its ensuing year at the 2016 annual general meeting of the Company.

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. The Board had considered the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function.

According to the Stock Exchange's proposal on risk management and internal control under the CG Code applicable to accounting periods of listed companies commencing on or after 1 January 2016, the Board would oversee the Company's risk management and internal control system on an ongoing basis.

Company Secretary

Mr. Fung Nam Shan was nominated by an external service provider as the Company Secretary, and his primary corporate contact person is Ms. Lo Ching, the Chairman of the Board.

According to Rule 3.29 of the Listing Rules, Mr. Fung Nam Shan has taken not less than 15 hours of relevant professional training for the financial year ended 30 June 2016.

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.fittecn.com. 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

Ms. Lo Ching, aged 44, is the Chairman of the Company. Ms. Lo was appointed as an Executive Director and the Chairman of the Board on 21 January 2016. Ms. Lo is the executive chairman and the sole ultimate beneficial owner of Guangzhou Camsing Company Limited (廣州承興營銷管理有限公司) ("Guangzhou Camsing"), a company incorporated in the People's Republic of China which principal business activities include brand licensing, promotion and distribution of consumer products. She is responsible for business development, strategic planning and general management of Camsing and its subsidiaries. She has over 20 years of experience in brands promotion and operation. She is also the executive chairman of Camsing Healthcare Limited ("Camsing Healthcare") (stock code: SGX:BAC), a company listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). Ms. Lo is also presently a council member of China Entrep Mulan Club, a member of the International Licensing Industry Merchandiser's Association, a member of the Hong Kong Professionals and Senior Executives Association and a member of the China Enterprise Confederation. Ms. Lo was elected as the "International Person of the Year" in 2011 by Advertising Specialty Institute. She received two Executive Master of Business Administration degrees from the Hong Kong University of Science and Technology and the HEC School of Management in Paris.

Ms. Liu Hui, aged 45, was appointed as an Executive Director on 21 January 2016. Ms. Liu is the vice president of Guangzhou Camsing and is primarily responsible for chairman's office management, large customer distribution business and audit management of Camsing and its subsidiaries. She is also an executive director of Camsing Healthcare. Ms. Liu is also presently a member of China Entrep Mulan Club. She was the Manager of the Securities Investment Department of 北京大地科技實業總公司 (Beijing Dadi Technology Company Limited*) from December 1994 to August 2001. Ms. Liu was the Senior Investment Manager of the Securities Department of 寧都創業投資有限公司 (Ningdu Chuangye Investment Company Limited*) from August 2001 to January 2007. She was also the Audit Manager of the Audit Department of Cinda Securities Company Limited from December 2007 to January 2012. She received an Executive Master of Business Administration degree from the HEC School of Management in Paris in 2009.

Independent Non-Executive Directors

Mr. Lei Jun, aged 46, was appointed as an Independent Non-Executive Director on 21 January 2016. He was the General Manager of the Capital Operation Department of Beijing Capital Airport Holding Company from June 2005 to November 2015. He was a non-executive director of Bank of Communications Company Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 3328, 4605 (preference share)), from August 2008 to December 2015. He worked for Baoshan Iron & Steel Company Limited from July 1992 to April 1995. Mr. Lei was the Deputy Chief of the Enterprise Management Section of Shanghai Baosteel Group Corporation from April 1995 to June 1998. He was the Departmental Deputy General Manager of Fortune Trust & Investment Company Limited from June 1998 to October 2003. He was the General Director of the Management Innovation Department of Shanghai Baosteel Group Corporation from October 2003 to January 2005. He was the General Manager of the Merger and Acquisition Department of Goldstate Securities Company Limited from January to June 2005. Mr. Lei received a Master's Degree in Business Administration from The University of Hong Kong in 2000.

Mr. Ross Yu Limjoco, aged 46, was appointed as an Independent Non-Executive Director on 31 May 2016. Mr. Ross is the assurance and M&A director of Nexia TS Advisory Pte Ltd. He is an independent director and a member of each of the audit committee, nominating committee and remuneration committee of Ipco International Limited (stock code: SGX:I11), a company listed on the SGX-ST. He is also an independent director of Hubei Zhong Liang Huan Energy Management Co., Ltd (湖北綜聯桓能源投資管理股份有限公司) (stock code: 833823), a company listed on the National Equities Exchange and Quotations System ("NEEQ") in the People's Republic of China (NEEQ is also commonly known as 新三板 (The New Third Board)). He was the managing director of TMS Capital Advisory Limited from May 2014 to March 2016. From 2012 to 2014, he was the chief financial officer and joint company secretary of PSL Holdings Limited (stock code: SGXBLL), a company listed on the SGX-ST. Mr. Ross holds a Bachelor of Science in Business Administration degree with a Major in Accounting from the Philippine School of Business Administration. He is a Practising Member of the Institute of Singapore Chartered Accountants, a Certified Fraud Examiner, and a member of each of the Philippine Institute of Certified Public Accountants and International Association of Consultants, Valuators and Analysts.

Mr. Zheng Yilei, aged 37, was appointed as an Independent Non-Executive Director of the Company on 31 May 2016. Mr. Zheng is the partner of Jingtian & Gongcheng, a law firm in the People's Republic of China. Mr. Zheng has been in the legal practice for over 10 years. He started his legal profession in King & Wood Shanghai Office from 2003 to 2006. From 2006 to 2008, he worked for Jones Day Shanghai Office as a senior PRC legal. Afterwards, Mr. Zheng joined Fangda Partners as a senior associate until 2011. Mr. Zheng obtained a Bachelor of Law degree from Peking University Law School in 2001. He holds Master's Degree in Law from Transnational Law & Business University and also Master's Degree in Law from the Law School of University of California, Berkeley.

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.

* *for identification purpose only*

Directors' Report

The directors of the Company (the "Directors") present their annual report and the audited consolidated financial statements for the year ended 30 June 2016.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 32 to the consolidated financial statements.

BUSINESS REVIEW

Overview and Performance of the Year

A review of the business of the Group and analysis of the Group's performance using financial key performance indicators is provided in the Management Discussion and Analysis section on pages 7 to 19 of this annual report.

Environmental Policies and Performance

In conducting its business, the Group endeavors to minimize the adverse effects of its operations on the environment. The Group has complied with a number of environmental protection laws of PRC, Hong Kong and Vietnam, in connection with water pollutants, air pollutants, solid waste pollutants, as well as noise pollution generated from its manufacturing operations. During the reporting period, the Group complied with the applicable environmental laws and regulations and was not subject to any fines or legal action resulting from incidents of non-compliance with any applicable environmental laws and regulations, nor was there any threatened or pending action by any environmental regulatory authority.

Compliance with Relevant Laws and Regulations

During the year, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

Key Relationships with Stakeholders

The Group's long term success depends on its employees, customers, suppliers and other stakeholders. As the Group recognizes the importance of its employees, it offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to employees including housing and travel allowances depending on their grade and ranking within the Group. The Group also maintains medical insurance for the benefit of its employees. The Group conducts induction training for all of its new employees and on-going training from time to time during their employment. The nature of training offered depends on their specific field of operation. The Group strives to maintain and enhance the relationship with its customers and to maintain a fair and co-operating relationship with its suppliers.

Principal Risks and Uncertainties

The Group's business prospects, operating results and financial condition have been affected by a number of risks and uncertainties. The following sections list out the principal risks and uncertainties facing the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the principal risks outlined below.

(i) Depressed macro-economy and sluggish global economic recovery

The prospects of global economy recovery remain uncertain. Developed economies including the United States, Japan and the Eurozone were recovering modestly, while the economic growth of emerging economies represented by Brazil, India and Russia has been declining for five consecutive years. Turbulent economic and political situations have significantly curbed the demand for electronic products, and the EMS market continued to shrink in the past few years. Depressed macro-economy undoubtedly posed great challenges to the steady business of the Group.

(ii) Continuous decline in global demand for motherboards and hard disk drives

With social development and technological advance, the global demand for information technology is shifting to mobile internet, and the demand for computer hardware industry has been shrinking. The personal computer shipment in the world has been falling for over five years, and the growth of demand for tablets is also quickly slowing down. With global trade competition and advancing technology, product prices were forced to be cut. As original equipment manufacturers continued to demand cost reduction, it has become very difficult for the EMS industry to identify new source of profit. Like other EMS companies, the Group also faces challenges mainly from declining operational profit.

(iii) Huge cost pressure arising from dramatic increase in the costs of materials and labour in the PRC

As China's GDP continued to grow in recent years, the PRC economy has entered a stage of cyclical increase in the costs of production elements, with rising costs of various production elements. With the change of demographic structure and the advance of urbanization process, the shortage of labour in the PRC has led to increase in labour cost. Significant increase in land cost has driven up the prices of various material costs. As a labour-extensive enterprise, the operations in the PRC is facing huge cost pressure.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 37 of this annual report.

A special dividend of HK$0.198 per ordinary share amounting to approximately HK$191,742,000 in aggregate was paid to the ordinary shareholders during the year. The Directors do not recommend the payment of a final dividend for the year.

Five Year Financial Summary

The result, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, are summarized on pages 80 of this annual report.

SHARE CAPITAL

Details of the Company's share capital are set out in note 24 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

On 3 June 2016, the Company entered into a placing agreement to place up to 108,734,000 new shares to independent third parties at HK$1.1 per share. On 16 June 2016, 108,734,000 new shares were issued and allotted upon the placement. The net proceeds are to be utilised for general working capital and/or future investment of the Group as and when opportunities arise.

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 2016 amounted to approximately HK$383,809,000 (2015: HK$473,695,000), which comprises the share premium of approximately HK$366,526,000 (2015: HK$450,739,000) and the contributed surplus of approximately HK$514,645,000 (2015: HK$514,645,000) net of accumulated losses of approximately HK$497,362,000 (2015: HK$491,689,000).

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

Executive Directors

Ms. Lo Ching	(appointed on 21 January 2016)
Ms. Liu Hui	(appointed on 21 January 2016)
Mr. Lam Chi Ho	(resigned on 4 February 2016)
Ms. Sun Mi Li	(resigned on 4 February 2016)
Mr. Tsuji Tadao	(resigned on 4 February 2016)

Independent Non-Executive Directors

Mr. Ross Yu Limjoco	(appointed on 31 May 2016)
Mr. Zheng Yilei	(appointed on 31 May 2016)
Mr. Lei Jun	(appointed on 21 January 2016)
Mr. Lee Kang Bor, Thomas	(appointed on 21 January 2016 and resigned on 31 May 2016)
Mr. Yung Wing Ki, Samuel	(appointed on 21 January 2016 and resigned on 31 May 2016)
Mr. Chung Wai Kwok, Jimmy	(resigned on 4 February 2016)
Mr. Sin Man Yin	(resigned on 4 February 2016)
Mr. Tam Wing Kin	(resigned on 4 February 2016)

In accordance with Articles 86(3) of the Company's Articles of Association (the "Articles"), any Director so appointed shall hold office only until the next following general meeting (in case of filing casual vacancy) or until the next following annual general meeting (in case of an addition to the Board) and shall then be eligible for reappointment. Accordingly, Ms. Lo Ching, Ms. Liu Hui, Mr. Ross Yu Limjoco, Mr. Zheng Yilei and Mr. Lei Jun will retire, 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 Listing Rules. The Company considers all of the Independent Non-Executive Directors are independent.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Biographical details of the Directors and the senior management of the Group are set out on pages 27 to 28 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors of the Company entered into a service contract with the Company for a term of two years commencing 21 January 2016.

Mr. Lei Jun, an Independent Non-Executive Director, entered into a letter of appointment with the Company for a term of two years commencing 21 January 2016. Each of Mr. Ross Yu Limjoco and Mr. Zheng Yilei, the Independent Non-Executive Directors, entered into a letter of appointment with the Company and was appointed for a period of one year commencing 31 May 2016 subject to retirement by rotation under the Articles.

Save as aforesaid, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, the Directors shall be indemnified and secured harmless out of the assets and profit of the Company from and against all actions, costs, charges, losses, damages and expense which they shall or may incur or sustain. In addition, the Company has arranged for appropriate directors and officers liabilities insurance to indemnify its Directors and officers against liabilities arising out of legal action on corporate activities.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2016, the interests and short position of the Directors, the chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (b) or pursuant to Section 352 of the SFO to be recorded in the register to therein; or (c) to be 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
Ms. Lo Ching ("Ms. Lo")	Interest of a controlled corporation (note)	676,864,150	62.84%

Note: These securities are registered in the name of and beneficially owned by China Base Group Limited ("China Base"), a company incorporated in the British Virgin Islands. The entire issued share capital of China Base is beneficially owned by Ms. Lo. Accordingly, Ms. Lo is deemed to be interested in 676,864,150 shares held by China Base under the SFO.

Other than as disclosed above, as at 30 June 2016, none of the Directors, the chief executive and their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 25 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 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.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

During the financial year and up to the date of this annual report, the changes in Directors' information which is required to be disclosed and has been disclosed by Directors pursuant to Rule 13.51B of the Listing Rules are set out below:

Name of Director	**Details of change**
Ms. Lo Ching	Appointed as an Executive Director, the Chairman of the Board and a member of the Nomination Committee on 21 January 2016
Ms. Liu Hui	Appointed as an Executive Director on 21 January 2016
Mr. Lei Jun	Appointed as an Independent Non-Executive Director on 21 January 2016 and appointed as the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee on 4 February 2016
Mr. Ross Yu Limjoco	Appointed as an Independent Non-Executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee on 31 May 2016
Mr. Zheng Yilei	Appointed as an Independent Non-Executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee on 31 May 2016
Mr. Lam Chi Ho	Resigned as an Executive Director on 4 February 2016
Ms. Sun Mi Li	Resigned as an Executive Director on 4 February 2016
Mr. Tsuji Tadao	Resigned as an Executive Director on 4 February 2016
Mr. Yung Wing Ki, Samuel	Appointed as an Independent Non-Executive Director on 21 January 2016 and resigned on 31 May 2016
Mr. Lee Kang Bor, Thomas	Appointed as an Independent Non-Executive Director on 21 January 2016 and resigned on 31 May 2016
Mr. Chung Wai Kwok, Jimmy	Resigned as an Independent Non-Executive Director on 4 February 2016
Mr. Sin Man Yin	Resigned as an Independent Non-Executive Director on 4 February 2016
Mr. Tam Wing Kin	Resigned as an Independent Non-Executive Director on 4 February 2016

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, the interests or short positions of every person, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register to be kept under Section 336 of the SFO were as follows:

Long position

Ordinary shares of HK$0.1 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held: Direct interest	Number of issued ordinary shares held: Total interest	Percentage of the issued share capital of the Company	Note
China Base	Beneficial owner	676,864,150	676,864,150	62.84%	a

Note:

(a) These shares are owned by China Base, the issued share capital of which is wholly owned by Ms. Lo.

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 2016.

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.

Subject to shareholders' approval, the emoluments of the Directors 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 25 to the consolidated financial statements.

Details of directors' emoluments during the year are set out in note 12 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers comprised approximately 92.7% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 57.2% of the Group's total sales for the year.

The aggregate purchases attributable to the Group's five largest suppliers comprised approximately 94.3% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 90.3% of the Group's total purchases for the year.

At no time during the year did a Director, a close associate of a Director or a shareholder of the Company (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) have any beneficial 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 2016.

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

Ms. Lo Ching
Chairman
29 September 2016

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 37 to 79, which comprise the consolidated statement of financial position as at 30 June 2016, 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 2016, 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
29 September 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016

	NOTES	2016 HK$'000	2015 HK$'000
Revenue	7	**461,922**	726,771
Cost of sales		**(436,280)**	(743,856)
Gross profit (loss)		**25,642**	(17,085)
Other income		**4,987**	6,360
Other gains and losses	8	**(2,129)**	(137)
Change in fair value of derivative financial instruments	22	**(12,743)**	7,844
Distribution costs		**(10,514)**	(9,634)
General and administrative expenses		**(48,398)**	(51,875)
Impairment loss recognised in respect of property, plant and equipment	16	**(7,674)**	(13,234)
Finance costs	9	**–**	(17)
Loss before tax		**(50,829)**	(77,778)
Income tax expense	10	**(849)**	(52)
Loss for the year	11	**(51,678)**	(77,830)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(9,102)**	(1,558)
Cumulative exchange differences reclassified to profit or loss upon deregistration of a subsidiary		**2,901**	–
		(6,201)	(1,558)
Total comprehensive expense for the year		**(57,879)**	(79,388)
Basic loss per share	15	**(HK$0.05)**	(HK$0.08)

Consolidated Statement of Financial Position

At 30 June 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	16	**110,681**	148,457
Prepaid lease payments	17	**3,168**	3,358
Deposit paid for acquisition of property, plant and equipment		**–**	715
		113,849	152,530
Current assets			
Inventories	18	**25,524**	39,204
Trade and other receivables	19	**143,042**	165,608
Prepaid lease payments	17	**90**	96
Bank balances and cash	20	**148,487**	192,737
		317,143	397,645
Current liabilities			
Trade and other payables	21	**65,725**	44,681
Derivative financial instruments	22	**877**	9,885
Tax liabilities		**1,981**	1,981
		68,583	56,547
Net current assets		**248,560**	341,098
		362,409	493,628
Capital and reserves			
Share capital	24	**107,712**	96,839
Share premium and reserves		**254,697**	396,789
		362,409	493,628

The consolidated financial statements on pages 36 to 78 were approved and authorised for issue by the Board of Directors on 29 September 2016 and are signed on its behalf by:

Ms. Lo Ching
DIRECTOR

Ms. Liu Hui
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

	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$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 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 a subsidiary (note 26(b))	–	–	–	–	–	–	–	(164)	(164)
At 30 June 2015	**96,839**	**450,739**	**11,478**	**6,400**	**19,730**	**(91,558)**	**493,628**	**–**	**493,628**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(51,678)**	**(51,678)**	**–**	**(51,678)**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**(9,102)**	**–**	**(9,102)**	**–**	**(9,102)**
Cumulative exchange differences reclassified to profit or loss upon deregistration of a subsidiary (note 26(a))	**–**	**–**	**–**	**–**	**2,901**	**–**	**2,901**	**–**	**2,901**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(6,201)**	**(51,678)**	**(57,879)**	**–**	**(57,879)**
Dividend recognised as distribution (note 14)	**–**	**(191,742)**	**–**	**–**	**–**	**–**	**(191,742)**	**–**	**(191,742)**
Issue of shares (note 24)	**10,873**	**108,734**	**–**	**–**	**–**	**–**	**119,607**	**–**	**119,607**
Cost of issuing new shares	**–**	**(1,205)**	**–**	**–**	**–**	**–**	**(1,205)**	**–**	**(1,205)**
At 30 June 2016	**107,712**	**366,526**	**11,478**	**6,400**	**13,529**	**(143,236)**	**362,409**	**–**	**362,409**

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 2016

	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES		
Loss before tax	(50,829)	(77,778)
Adjustments for:		
Depreciation of property, plant and equipment	24,347	29,905
Finance costs	–	17
Write-down of inventories	129	167
Impairment loss recognised in respect of property, plant and equipment	7,674	13,234
Allowance for doubtful debts recovered during the year	(190)	–
Insurance compensation income	(1,893)	(1,572)
Interest income	(195)	(1,101)
(Gain) loss on disposals of property, plant and equipment	(295)	48
Loss on write-off of property, plant and equipment	235	53
Loss (gain) on deregistration of a subsidiary	2,901	(164)
Release of prepaid lease payments	90	96
Change in fair value of derivative financial instruments	12,743	(7,844)
Operating cash flows before movements in working capital	(5,283)	(44,939)
Decrease in inventories	11,588	19,517
Decrease in trade and other receivables	20,841	35,173
Increase (decrease) in trade and other payables	22,241	(57,955)
Change in derivative financial instruments	(21,751)	(2,127)
Cash generated from (used in) operations	27,636	(50,331)
Income tax paid	(849)	(52)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	26,787	(50,383)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,300)	(6,724)
Proceeds from disposals of property, plant and equipment	2,162	2,993
Insurance compensation received	1,893	1,572
Interest received	195	1,101
Deposit paid for acquisition of property, plant and equipment	–	(715)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	1,950	(1,773)
FINANCING ACTIVITIES		
Dividend paid	(191,742)	–
Proceeds on issue of shares, net of share issue expenses	118,402	–
Repayment of bank borrowing	–	(1,696)
Interest paid	–	(17)
NET CASH USED IN FINANCING ACTIVITIES	(73,340)	(1,713)

	2016 HK$'000	2015 HK$'000
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(44,603)**	(53,869)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**192,737**	246,956
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**353**	(350)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**148,487**	192,737

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 addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

On 24 November 2015, China Base Group Limited entered into a conditional sales and purchase agreement to acquire a total of 720,000,000 ordinary shares of the Company from Fittec Holdings Limited, which represents 74.35% of total issued share capital of the Company. The transaction was completed in January 2016 and the Company's immediate and ultimate holding company was changed from Fittec Holdings Limited to China Base Group Limited. The ultimate controlling party is Ms. Lo Ching ("Ms. Lo"), an Executive Director and the Chairman of the Board of Directors of the Company.

The Company is an investment holding company. Particulars of the principal activities of its subsidiaries are set out in note 32.

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 of the Company 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")

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[5]
Amendments to HKFRS 2	Classification and Measurement of Share-based, Payment Transactions[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to HKAS 7	Disclosure Initiative[6]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[6]

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

New and revised HKFRSs issued but not yet effective (Continued)

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
[3] Effective for annual periods beginning on or after 1 January 2016
[4] Effective for annual periods beginning on or after a date to be determined
[5] Effective for annual periods beginning on or after 1 January 2019
[6] Effective for annual periods beginning on or after 1 January 2017

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash payments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and these lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently.

The directors of the Company will assess the impact of application of HKFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 16 until the Group performs a detail review.

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

3. Significant accounting policies

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 (the "Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The provision of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 30 June 2016. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 30 June 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 30 June 2015 are presented and disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

3. Significant accounting policies (Continued)

The consolidated financial statements have been prepared on the historical cost basis except for derivative 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, 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.

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.

3. Significant accounting policies (Continued)

Basis of consolidation (Continued)

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.

Revenue from sales of goods is recognised when the goods are delivered and titles have passed, 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.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings (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.

3. Significant accounting policies (Continued)

Property, plant and equipment (Continued)

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.

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.

3. Significant accounting policies (Continued)

Foreign currencies (Continued)

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.

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 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.

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.

3. Significant accounting policies (Continued)

Taxation (Continued)

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 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 ("FVTPL") are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into 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.

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).

Impairment of financial assets

Financial assets 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.

3. Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method (Continued)

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.

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.

3. Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL

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

A financial liability 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 liabilities 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 interest paid on the financial liabilities and is included in the "change in fair value of 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.

Other financial liability

The Group's other financial liability represents trade and other payables, is 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.

3. Significant accounting policies (Continued)

Financial instruments (Continued)

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.

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 years.

4. Key Sources of estimation uncertainty (Continued)

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 years, 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 2016, impairment losses of approximately HK$7,674,000 (2015: HK$13,234,000) were recognised in profit or loss. Details are set out in note 16.

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 2016, the carrying amount of trade receivables, net of allowance for doubtful debts of approximately HK$39,000 (2015: HK$229,000), was approximately HK$123,212,000 (2015: HK$145,054,000).

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. If the net realisable value of inventories of the Group becomes much lower than its carrying amount subsequently, 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$129,000 (2015: HK$167,000), was approximately HK$25,524,000 (2015: HK$39,204,000).

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 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.

6. Financial instruments

a. Categories of financial instruments

	2016 HK$'000	2015 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	277,539	339,355
Financial liabilities		
Amortised cost	48,959	29,312
Fair value through profit or loss		
Derivative financial instruments	877	9,885

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 and trade and other payables. 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") 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 during 2016. Details of the outstanding forward foreign exchange contracts are listed in note 22.

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) at the end of the reporting period are as follows:

	Assets		Liabilities	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
HKD	122,485	8,700	3,270	896
USD	18,264	17,418	–	–
JPY	757	1,383	42	36
RMB	495	2,551	3,693	528

6. Financial instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

The following table details the Group's sensitivity to a 5% (2015: 5%) increase and decrease in the value of the functional currencies against the relevant foreign currencies. 5% (2015: 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% (2015: 5%) change in foreign currency rates.

	USD Impact		JPY Impact		RMB Impact	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
5% appreciation of the functional currencies						
(Decrease) increase in post-tax loss for the year	**712**	679	**30**	56	**(134)**	84
5% depreciation of the functional currencies						
Increase (decrease) in post-tax loss for the year	**(712)**	(679)	**(30)**	(56)	**134**	(84)

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 Vietnam Dong ("VND"), different with Group's presentation currency (i.e. HKD). When VND strengthens 5% (2015: 5%) against the HKD, other comprehensive expense of the Group will increase by approximately HK$46,000 (2015: HK$92,000) and vice versa.

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% (2015: 5%), the potential effect on post-tax loss for the year is as follows:

	2016	2015
	HK$'000	HK$'000
USD strengthens against RMB by 5%		
Increase in post-tax loss for the year	**(828)**	(2,917)
USD weakens against RMB by 5%		
Decrease in post-tax loss for the year	**1,005**	2,917

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.

6. Financial instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

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 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 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 (2015: 50 basis points increase or 5 basis points decrease) for bank balances 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 (2015: 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$75,000/increase by approximately HK$8,000 (2015: decrease by approximately HK$711,000/increase by HK$71,000).

Credit risk

As at 30 June 2016, 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 (2015: two customers) accounted for approximately 81% (2015: 96%) of its total trade receivables at 30 June 2016. An analysis of the amounts due from these customers at the end of the reporting period is as follows:

	% of total trade receivables	
	At 30.6.2016	At 30.6.2015
Customer A	**63**	79
Customer B	**18**	17

6. Financial instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk (Continued)

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.

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.

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$'000	Carrying amount at 30 June 2016 HK$'000
2016							
Non-derivative financial liabilities							
Trade and other payables	–	48,959	–	–	–	48,959	48,959
Derivative – net settlement							
Forward foreign exchange contracts	–	460	417	–	–	877	877

6. Financial instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

	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

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
- 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**
	2016 HK$'000	2015 HK$'000		
Forward foreign exchange contacts (note 22)	**877**	9,885	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:

	2016 HK$'000	2015 HK$'000
Sales of goods	**285,346**	556,819
Rendering of services	**176,576**	169,952
	461,922	726,771

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.

	2016 HK$'000	2015 HK$'000
Results		
Segment revenue		
Pure assembly services	**173,318**	164,937
Procurement and assembly services	**285,346**	556,819
Repair and maintenance services	**3,258**	5,015
	461,922	726,771
Segment results		
– Pure assembly services (Note 1)	**4,720**	(49,232)
– Procurement and assembly services (Note 2)	**13,199**	17,876
– Repair and maintenance services (Note 2)	**109**	936
	18,028	(30,420)
Unallocated corporate expenses	**(58,912)**	(61,509)
Other income	**4,987**	6,360
Unallocated other gains and losses	**(2,189)**	(36)
Change in fair value of derivative financial instruments	**(12,743)**	7,844
Finance costs	**–**	(17)
Loss before tax	**(50,829)**	(77,778)

7. Revenue and segment information (Continued)

Segment information

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 2016 included the impairment loss recognised on property, plant and equipment of approximately HK$7,674,000 (2015: HK$13,234,000), the gain on disposals of property, plant and equipment of approximately HK$390,000 (2015: loss of HK$48,000) and the loss on write-off of property, plant and equipment of approximately HK$235,000 (2015: HK$53,000) for the year ended 30 June 2016.

2: The segment result of the procurement and assembly services segment for the year ended 30 June 2016 included the write-down of certain categories of inventory of approximately HK$129,000 (2015: HK$167,000). The segment result of the repair and maintenance services segment for the year ended 30 June 2016 included the loss on disposals of property, plant and equipment of approximately HK$95,000 (2015: nil).

Segment profit (loss) represents the profit earned (loss from) 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:

	2016	2015
	HK$'000	HK$'000
HDD Controllers	**264,333**	538,271
Desktop and notebook PC Motherboards	**115,275**	145,716
Others	**83,314**	42,784
	461,922	726,771

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:

	2016	2015
	HK$'000	HK$'000
Japan	**269,097**	554,792
Taiwan	**114,753**	141,260
The People's Republic of China (the "PRC")	**78,072**	30,719
	461,922	726,771

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

7. Revenue and segment information (Continued)

Geographical segments (Continued)

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

	2016	2015
	HK$'000	HK$'000
PRC	**65,135**	97,296
Hong Kong	**5,397**	9,329
Vietnam	**43,317**	45,905
	113,849	152,530

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

	Year ended	
	2016	2015
	HK$'000	HK$'000
Customer A[1]	**264,333**	538,271
Customer B[2]	**112,410**	141,260

1 Revenue derived from the procurement and assembly services segment was approximately HK$264,333,000 (2015: HK$538,271,000).

2 Revenue derived from the pure assembly services segment was approximately HK$109,152,000 (2015: HK$136,245,000) and the repair and maintenance services segment was approximately HK$3,258,000 (2015: HK$5,015,000) respectively.

8. Other Gains and Losses

	2016	2015
	HK$'000	HK$'000
Gain (loss) on disposals of property, plant and equipment	**295**	(48)
Loss on write-off of property, plant and equipment	**(235)**	(53)
Net foreign exchange gain (loss)	**219**	(200)
(Loss) gain on deregistration of a subsidiary (note 26)	**(2,901)**	164
Others	**493**	–
	(2,129)	(137)

9. Finance costs

	2016 HK$'000	2015 HK$'000
Interest on bank borrowing	–	17

10. Income tax expense

	2016 HK$'000	2015 HK$'000
The income tax expense comprises:		
Current tax:		
PRC Enterprise Income Tax	107	41
Underprovision in prior years:		
PRC Enterprise Income Tax	742	–
Thailand income tax	–	11
	849	52

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits of the Group for both years. No provision for Hong Kong Profits Tax has been made as the Group had estimated assessable loss arising in Hong Kong for the year ended 30 June 2016 (2015: the assessable profits arising in Hong Kong were wholly absorbed by tax losses brought forward).

PRC

Under the Enterprise Income Tax Law of the PRC (the "EIT Law"), 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, 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. No provision for Vietnam corporate income tax has been made as the assessable profits arising are wholly absorbed by tax losses brought forward for both years.

Thailand

In accordance with the relevant rules and regulations in Thailand, Fittec Electronics (Thailand) Company Limited ("Fittec Thailand"), the Company's subsidiary incorporated in Thailand, was entitled to income tax exemption for a period of eight years from the date it first generates income. Due to Fittec Thailand had applied for dissolution from the prior year and no longer entitled to the tax exemption. Thailand income tax was calculated at 20% of the estimated assessable profit for both years. No provision for Thailand income tax has been made as the subsidiary incurred loss for the year ended 30 June 2016.

10. Income tax expense (Continued)

Thailand (Continued)

The income tax expense 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:

	2016 HK$'000	2015 HK$'000
Loss before tax	**(50,829)**	(77,778)
Tax at the Hong Kong Profit Tax rate of 16.5%	**(8,387)**	(12,833)
Tax effect of expenses not deductible for tax purposes	**4,590**	5,566
Tax effect of income not taxable for tax purposes	**(766)**	(421)
Tax effect of tax losses not recognised	**8,518**	14,239
Utilisation of tax losses not recognised previously	**(2,668)**	(210)
Underprovision in prior years	**742**	11
Effect of different tax rate of group entities operating in jurisdictions other than Hong Kong	**(1,180)**	(6,300)
Income tax expense for the year	**849**	52

Details of the deferred taxation are set out in note 23.

11. Loss for the year

	2016 HK$'000	2015 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Directors' emoluments (note 12)	**4,481**	7,427
Other staff costs	**109,313**	133,949
Retirement benefit scheme contributions (excluding contributions in respect of directors of the Company)	**8,114**	9,875
Total staff costs	**121,908**	151,251
Auditor's remuneration		
– audit services	**1,521**	1,444
– non-audit services	**423**	299
Depreciation of property, plant and equipment	**24,347**	29,905
Release of prepaid lease payments	**90**	96
Cost of inventories recognised as an expense (including write-down of inventories of approximately HK$129,000 (2015: HK$167,000))	**262,979**	611,663
Allowance for doubtful debts recovered	**(190)**	–
Interest income	**(195)**	(1,101)
Rework charges to customers (included in other income)	**(722)**	(600)
Insurance compensation received (included in other income)	**(1,893)**	(1,572)

12. Directors' and chief executive's emoluments

The emoluments paid or payable to each of the thirteen (2015: seven) directors were as follows:

For the year ended 30 June 2016

Name of Director	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive Directors				
Ms. Lo (Note a)	–	–	–	–
Ms. Liu Hui (Note a)	–	–	–	–
Mr. Lam Chi Ho (Note b)	–	1,774	11	1,785
Ms. Sun Mi Li (Note b)	–	1,479	11	1,490
Mr. Tsuji Tadao (Note b)	386	39	–	425
Independent Non-Executive Directors				
Mr. Lei Jun (Note a)	161	–	–	161
Mr. Ross Yu Limjoco (Note c)	10	–	–	10
Mr. Zheng Yilei (Note c)	10	–	–	10
Mr. Yung Wing Ki, Samuel (Note d)	140	–	–	140
Mr. Lee Kang Bor, Thomas (Note d)	140	–	–	140
Mr. Chung Wai Kwok, Jimmy (Note b)	178	–	–	178
Mr. Tam Wing Kin (Note b)	71	–	–	71
Mr. Sin Man Yin (Note b)	71	–	–	71
	1,167	3,292	22	4,481

For the year ended 30 June 2015

Name of Director	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive Directors				
Mr. Lam Chi Ho (Note b)	–	3,075	18	3,093
Ms. Sun Mi Li (Note b)	–	2,564	18	2,582
Mr. Tsuji Tadao (Note b)	926	272	–	1,198
Independent Non-Executive Directors				
Mr. Chung Wai Kwok, Jimmy (Note b)	300	–	–	300
Mr. Tam Wing Kin (Note b)	120	–	–	120
Mr. Sin Man Yin (Note b)	64	–	–	64
Mr. Xie Bai Quan (Note e)	70	–	–	70
	1,480	5,911	36	7,427

12. Directors' and chief executive's emoluments (Continued)

Notes:

(a) Appointed on 21 January 2016
(b) Resigned on 4 February 2016
(c) Appointed on 31 May 2016
(d) Appointed on 21 January 2016 and resigned on 31 May 2016
(e) Resigned on 18 December 2014

Ms. Lo is also the chief executive officer of the Company and her emoluments include those for services rendered by her as the chief executive officer was borned by the ultimate holding company.

The Executive Directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group and the emoluments paid to certain Executive Directors were borned by the ultimate holding company.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

During the years ended 30 June 2016 and 2015, no emoluments were paid by the Group to the directors and the chief executive officer as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, neither the chief executive officer nor any of the directors waived any emoluments during the years ended 30 June 2016 and 2015.

13. Five highest paid employees

The five highest paid employees of the Group included three (2015: three) directors and the chief executive officer. The emoluments of the five highest paid employees were as follows:

	2016	2015
	HK$'000	HK$'000
Directors' fees	**386**	926
Basic salaries and allowances	**7,736**	7,246
Bonus	**57**	–
Retirement benefit scheme contributions	**72**	54
	8,251	8,226

Their emoluments were within the following band:

	2016		2015	
	No. of directors	**No. of employees**	No. of directors	No. of employees
Nil to HK$1,000,000	**–**	**2**	–	2
HK$1,000,001 to HK$1,500,000	**1**	**–**	1	–
HK$2,500,001 to HK$3,000,000	**1**	**–**	1	–
HK$3,000,001 to HK$3,500,000	**1**	**–**	1	–

14. Dividend

A special dividend of HK$0.198 per ordinary share amounting to approximately HK$191,742,000 in aggregate was paid to the ordinary shareholders during the year ended 30 June 2016.

No interim and final dividend was proposed during 2016 and 2015, 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 2016 is based on the loss attributable to owners of the Company of approximately HK$51,678,000 (2015: HK$77,830,000) and 972,553,000 (2015: 968,394,000) shares in issue.

Diluted loss per share is not presented for the years ended 30 June 2016 and 2015 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	Furniture and fixtures	Leasehold improvements	Motor vehicles	Office equipment	Plant and machinery	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST							
At 1 July 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
Exchange realignment	(1,199)	(629)	(5,837)	(365)	(1,682)	(15,334)	(25,046)
Additions	530	4	103	343	1,700	335	3,015
Disposals	–	(41)	(756)	–	(905)	(33,101)	(34,803)
Write-off	–	–	–	(2,061)	(416)	(1,138)	(3,615)
At 30 June 2016	**40,325**	**8,324**	**86,847**	**15,420**	**90,230**	**477,833**	**718,979**

16. Property, plant and equipment (Continued)

	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
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 July 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
Exchange realignment	(162)	(600)	(3,762)	(277)	(1,364)	(12,213)	(18,378)
Provided for the year	1,184	5	4,268	1,617	2,165	15,108	24,347
Eliminated on disposals	–	(41)	(756)	–	(870)	(31,269)	(32,936)
Eliminated on write-off	–	–	–	(1,896)	(413)	(1,071)	(3,380)
Impairment loss recognised in profit or loss	–	–	–	–	–	7,674	7,674
At 30 June 2016	**6,334**	**7,372**	**57,864**	**12,726**	**79,647**	**444,355**	**608,298**
CARRYING AMOUNT							
At 30 June 2016	**33,991**	**952**	**28,983**	**2,694**	**10,583**	**33,478**	**110,681**
At 30 June 2015	**35,682**	**982**	**35,223**	**4,221**	**11,404**	**60,945**	**148,457**

The leasehold land and buildings with carrying amount of HK$1,896,000 in Hong Kong (2015: HK$1,948,000) and buildings with a carrying amount of HK$32,095,000 in Vietnam (2015: HK$33,734,000). 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%

16. Property, plant and equipment (Continued)

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 loss was noted for the companies located in the PRC for the pure assembly services. Accordingly, impairment loss of HK$7,674,000 (2015: HK$13,234,000) 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.

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

	2016 HK$'000	2015 HK$'000
The Group's prepaid lease payments comprise leasehold land in Vietnam	**3,258**	3,454
Analysed for reporting purposes as:		
Current assets	**90**	96
Non-current assets	**3,168**	3,358
	3,258	3,454

18. Inventories

	2016 HK$'000	2015 HK$'000
Raw materials	**14,848**	16,696
Work in progress	**3,077**	5,997
Finished goods	**7,599**	16,511
	25,524	39,204

19. Trade and other receivables

	2016 HK$'000	2015 HK$'000
Trade receivables	123,251	145,283
Less: allowance for doubtful debts	(39)	(229)
	123,212	145,054
Prepayments	6,922	11,344
Deposits and other receivables	12,908	9,210
Trade and other receivables	143,042	165,608

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:

	2016 HK$'000	2015 HK$'000
0-30 days	52,187	36,787
31-60 days	46,184	43,605
61-90 days	22,937	31,219
91-120 days	1,868	33,443
Over 365 days	36	–
Trade receivables	123,212	145,054

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:

	2016 HK$'000	2015 HK$'000
HKD	4,808	48
USD	11,905	10,442
	16,713	10,490

19. Trade and other receivables (Continued)

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. 99.9% (2015: 100%) trade receivables were neither past due nor impaired at 30 June 2016 and had good repayment history.

Included in the Group's trade receivables balance, approximately HK$36,000 (2015: nil) 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.

Ageing of trade receivables which were past due but not impaired

	2016 HK$'000	2015 HK$'000
Over 365 days	36	–

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

	2016 HK$'000	2015 HK$'000
At beginning of the year	229	304
Amounts written off as uncollectible	–	(75)
Amounts recovered during the year	(190)	–
At end of the year	39	229

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 1.00% (2015: 0.01% to 2.86%) 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:

	2016	2015
	HK$'000	HK$'000
HKD	**117,677**	8,652
USD	**6,359**	6,976
JPY	**757**	1,383
RMB	**495**	2,551
	125,288	19,562

21. Trade and other payables

	2016	2015
	HK$'000	HK$'000
Trade payables	**42,549**	28,288
Accruals and other payables (note)	**23,176**	16,393
	65,725	44,681

Note: Included in accruals and other payables, approximately HK$1,000 (2015: nil) and approximately HK$280,000 (2015: nil), respectively, are due to Ms. Lo and a related company in which Ms. Lo has significant influence. The balances are unsecured, interest-free and repayable on demand and have been fully repaid subsequent to the end of the reporting period.

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:

	2016	2015
	HK$'000	HK$'000
0 – 30 days	**40,332**	23,121
31 – 60 days	**1,346**	3,403
61 – 90 days	**515**	195
91 – 180 days	**326**	1,542
Over 181 days	**30**	27
	42,549	28,288

21. Trade and other payables (Continued)

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:

	2016 HK$'000	2015 HK$'000
HKD	3,270	896
JPY	42	36
RMB	3,693	528
	7,005	1,460

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 2016, fair value loss of approximately HK$12,743,000 (2015: fair value gain of approximately HK$7,844,000) 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 2016

Buy	Sell	Notional amount US$	Maturity date	Contracted exchange rate (per US$1)
RMB	USD	700,000/1,400,000	12 August 2016 (note)	RMB6.4000

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

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. 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 2014	–	–	–
Charged (credited) to profit or loss	2,164	(2,164)	–
At 30 June 2015	2,164	(2,164)	–
(Credited) charged to profit or loss	(950)	950	–
At 30 June 2016	1,214	(1,214)	–

At the end of the reporting period, the Group had unused tax losses of approximately HK$262,750,000 (2015: HK$237,621,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$7,358,000 (2015: HK$13,115,000) of such losses as at 30 June 2016. No deferred tax asset has been recognised in respect of approximately HK$255,392,000 (2015: HK$224,506,000) due to the unpredictability of future profit streams.

At 30 June 2016, the tax losses amounted to approximately HK$106,102,000 (2015: HK$100,196,000) will be expired in one to five years, other losses may be carried forward indefinitely. Unrecognised tax losses of approximately HK$6,855,000 (2015: HK$15,172,000) expired during the year.

24. SHARE CAPITAL

	Number of shares	Amounts HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 July 2014, 30 June 2015 and 30 June 2016	3,000,000,000	300,000
Issued and fully paid:		
At 1 July 2014 and 30 June 2015	968,394,000	96,839
Issue of shares upon placement	108,734,000	10,873
At 30 June 2016	1,077,128,000	107,712

On 3 June 2016, the Company entered into a placing agreement to place up to 108,734,000 new shares to independent third parties at HK$1.1 per share. On 16 June 2016, 108,734,000 new shares were issued and allotted upon the placement. The net proceeds are to be utilised for general working capital and/or future investment of the Group as and when opportunities arise.

25. 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 expired 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.

26. Deregistration of subsidiaries of the company

(a) During the year ended 30 June 2016, Fittec Thailand was deregistered on 27 November 2015.

The loss of Fittec Thailand at the date of deregistration is as follows:

	HK$'000
Exchange reserve released	(2,901)
Loss on deregistration of a subsidiary	(2,901)

(b) 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

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

27. Operating lease commitments

During the year, the Group made minimum lease payments of approximately HK$10,150,000 (2015: HK$11,851,000) 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 four years (2015: 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:

	2016 HK$'000	2015 HK$'000
Within one year	4,956	11,564
In the second to fifth year inclusive	5,857	1,746
	10,813	13,310

28. 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 benefit 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$8,136,000 (2015: HK$9,911,000) charged to profit or loss represents contributions paid or payable to the above schemes by the Group for the year.

29. Related party disclosures

Compensation of key management personnel

	2016 HK$'000	2015 HK$'000
Short-term employee benefits	7,619	7,391
Post-employment benefits	36	36
	7,655	7,427

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

30. Capital commitment

	2016 HK$'000	2015 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	–	518

31. Statement of financial position of the company

	2016 HK$'000	2015 HK$'000
Non-current asset		
Investments in a unlisted subsidiary	–	–
Current assets		
Amounts due from subsidiaries	376,759	571,021
Other receivables	110	136
Bank balances and cash	116,256	42
	493,125	571,199
Current liabilities		
Amount due to a subsidiary	–	388
Other payables	1,604	277
	1,604	665
Net current assets	491,521	570,534
	491,521	570,534
Capital and reserves		
Share capital	107,712	96,839
Share premium	366,526	450,739
Contribution surplus	514,645	514,645
Accumulated losses	(497,362)	(491,689)
	491,521	570,534

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 29 September 2016.

Ms. Lo Ching
DIRECTOR

Ms. Liu Hui
DIRECTOR

31. Statement of financial position of the company (Continued)

Movement in the Company's reserves:

	Share premium HK$'000	Contribution surplus HK$'000	Accumulated profits (losses) HK$'000	Total HK$'000
At 1 July 2014	450,739	514,645	28,849	994,233
Loss for the year	–	–	(520,538)	(520,538)
At 30 June 2015	450,739	514,645	(491,689)	473,695
Loss for the year	–	–	(5,673)	(5,673)
Dividend recognised as distribution	(191,742)	–	–	(191,742)
Issue of shares	108,734	–	–	108,734
Cost of issuing new shares	(1,205)	–	–	(1,205)
At 30 June 2016	366,526	514,645	(497,362)	383,809

32. Particulars of subsidiaries of the company

Particulars of the Company's subsidiaries as at 30 June 2016 and 30 June 2015 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				Principal activities
			Directly		Indirectly		
			2016	2015	2016	2015	
Excel Star Group Limited	British Virgin Islands ("BVI")	Ordinary US$50,000	100%	100%	–	–	Investment holding
Greater Brand Limited□	BVI	Ordinary HK$1	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

32. 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		
			2016	2015	2016	2015	
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
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 Thailand#	Thailand	Paid up capital Thai Baht 96,900,000	–	–	–	100%	Inactive
First Creative International Limited	Hong Kong	Ordinary HK$1,000,000	–	–	100%	–	Investment holding

* These subsidiaries are established in the PRC as wholly foreign-owned enterprises.
\# This subsidiary was deregistered in November 2015 (note 26(a)).
This subsidiary was incorporated in May 2016.
□ This subsidiary was incorporated in April 2016.

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

33. Events after the end of the reporting period

(a) Acquisition of 深圳市貿隆興貿易有限公司 (“貿隆興”)

On 25 July 2016, an indirect wholly-owned subsidiary of the Company entered into acquisition agreements with two independent third parties of the Group. Pursuant to the acquisition agreements, the Group agreed to acquire and the counterparties agreed to sell respectively 95% and 5% of the equity interest in 貿隆興, a company established in the PRC with limited liability, principally engages in investment holding and its subsidiary, a company established in the PRC with limited liability, principally engages in supply chain management, import and export goods, wholesale of equipment supplies. The cash consideration of the acquisition is RMB10,000,000 (equivalent to approximately HK$11,670,000).

The acquisition was completed on 27 July 2016. The directors of the Company are in the process of assessing the fair value of assets and liabilities of 貿隆興 being acquired by the Group on the completion date.

(b) Acquisition of Camsing Brand Management (Group) Company Limited

On 1 July 2016, an indirect wholly-owned subsidiary of the Company entered into an acquisition agreement with Guangzhou Camsing Limited Company 廣州承興營銷管理有限公司 (“Guangzhou Camsing”), a company under the control of Ms. Lo. Pursuant to the acquisition agreement, the Group agreed to acquire and Guangzhou Camsing agreed to sell 100% of the equity interest in Camsing Brand Management (Group) Company Limited 香港承興品牌管理有限公司 (“Camsing Brand”), a company incorporated in Hong Kong with limited liability, and principally engages in the intellectual properties and brand licensing and management business. The cash consideration of the acquisition is approximately HK$1,785,000.

The acquisition was completed on 25 July 2016. The directors of the Company are in the process of assessing the fair value of assets and liabilities of Camsing Brand being acquired by the Group on the completion date.

(c) Material borrowing agreement with Guangzhou Camsing

On 17 August 2016, an indirect wholly-owned subsidiary of the Company entered into a RMB60,000,000 6-month non-interest bearing borrowing agreement with Guangzhou Camsing, The borrowing is used to finance the subsidiary’s daily operations, which has been fully repaid subsequent to the end of the reporting period.

Financial Summary

Results

	Year ended 30 June				
	2012	2013	2014	2015	**2016**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	1,528,994	1,168,662	1,081,782	726,771	**461,922**
Loss before tax	(108,439)	(49,445)	(265,480)	(77,778)	**(50,829)**
Income tax credit (expense)	3,549	1,898	629	(52)	**(849)**
Loss for the year	(104,890)	(47,547)	(264,851)	(77,830)	**(51,678)**
Attributable to:					
Owners of the Company	(104,333)	(47,545)	(264,851)	(77,830)	**(51,678)**
Non-controlling interests	(557)	(2)	–	–	**–**
	(104,890)	(47,547)	(264,851)	(77,830)	**(51,678)**

Assets and Liabilities

	At 30 June				
	2012	2013	2014	2015	**2016**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	1,085,148	977,583	699,349	550,175	**430,992**
Total liabilities	204,060	136,520	126,169	56,547	**68,583**
Shareholders' funds	881,088	841,063	573,180	493,628	**362,409**
Attributable to:					
Owners of the Company	889,419	849,631	573,016	493,628	**362,409**
Non-controlling interests	(8,331)	(8,568)	164	–	**–**
	881,088	841,063	573,180	493,628	**362,409**