1. General

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (2004 Second, Revision) of the Cayman Islands on 19 August 2005. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 14 December 2005. The Company's ultimate holding company is Fittec Holdings Limited ("Fittec Holdings"), a company incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

In preparation for the listing of the Company's shares on the Stock Exchange, the Company has undergone a group reorganisation (the "Group Reorganisation") in November 2005 pursuant to which the Company became the holding company of the subsidiaries (collectively referred to as the "Group"). The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group have been prepared using the principles of merger accounting as if the current group structure had been in existence throughout the two years ended 30 June 2006 in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Details of the Group Reorganisation are set out in the prospectus dated 30 November 2005 issued by the Company ("Prospectus").

The Company is an investment holding company. The activities of its principal subsidiaries are disclosed in note 36.

The consolidated financial statements are presented in Hong Kong dollars which is the same as the functional currency of the Company.

2. Potential Impact Arising on the Recently Issued Accounting Standards

The Group has not early applied the following new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("INT") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA but are not yet effective. The Directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the consolidated financial statements of the Group:

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HKIFRIC – INT 4	Determining whether an arrangement contains a lease[2]
HKIFRIC – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]

2. Potential Impact Arising on the Recently Issued Accounting Standards (Continued)

HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC) – INT 8	Scope of HKFRS 2[5]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[6]
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment[7]

[1] Effective for annual periods beginning on or after 1 January 2007.

[2] Effective for annual periods beginning on or after 1 January 2006.

[3] Effective for annual periods beginning on or after 1 December 2005.

[4] Effective for annual periods beginning on or after 1 March 2006.

[5] Effective for annual periods beginning on or after 1 May 2006.

[6] Effective for annual periods beginning on or after 1 June 2006.

[7] Effective for annual periods beginning on or after 1 November 2006.

3. Significant Accounting Policies

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

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

In 2004, the HKICPA issued a number new and revised HKAS and HKFRSs which are effective for the accounting periods beginning on or after 1 January 2005. For the purpose of the preparing and presenting financial information in the Prospectus, the Group has early adopted all these HKAS and HKFRSs.

The application of the new and revised HKAS and HKFRSs which are effective for the accounting periods beginning on or after 1 January 2005 have no material impact on the consolidated financial statements of the Group for the year ended 30 June 2006 and 30 June 2005.

Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Company and its subsidiaries made up to 30 June each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statements from the effective date of acquisition or up to date of effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

3. Significant Accounting Policies (Continued)

Basis of consolidation (Continued)

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable, less returns and represents amount receivable for goods and services provided in the normal course of business.

Service income is recognised when the services are provided.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset 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.

Property, plant and equipment

Property, plant and equipment are stated at cost less any accumulated depreciation and amortisation and accumulated impairment losses.

Depreciation and amortisation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets, or where shorter, the terms of the relevant lease.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

3. Significant Accounting Policies (Continued)

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

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the leases, or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement.

Rental payable under operating leases are charged to the income statement on a straight line basis over the relevant lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

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 recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the income statement in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans/state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

3. Significant Accounting Policies (Continued)

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 as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted-average method.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. 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 and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including bank balances and cash, pledged bank deposits and trade and other receivables) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are classified as other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities including bank borrowings, trade and other payables, obligations under finance leases and amounts due to related companies and Directors, are subsequently measured at amortised cost, using the effective interest rate method.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedging

The Group uses derivative financial instruments (primarily forward exchange contracts) to hedge its exposure against foreign exchange risks. All the derivatives that do not qualify for hedge accounting and are deemed as financial assets held for trading or financial liabilities held for trading. The derivatives are measured at fair value and changes in fair values of such derivatives are recognised directly in profit or loss.

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. 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 as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but 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. Financial Risk Management Objectives and Policies

The Group's major financial instruments include trade and other receivables, investments held for trading, pledged bank deposits, bank balances and cash, trade and other payables, obligations under finance leases and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Certain trade receivables, trade payables, obligations under finance leases and borrowings of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy qualified as effective hedge under HKAS 39. However, the management monitors foreign exchange exposure and will consider entering into foreign currency forward contracts in order to mitigate the foreign currency risk.

4. Financial Risk Management Objectives and Policies (Continued)

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 30 June 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

At the balance sheet date, the five largest receivable balances accounted for approximately 96% of the trade receivables and the largest trade receivable attributable to the Group's trade receivables were approximately 57% of the Group's total trade receivables.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivables at each balance sheet date 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 counter parties are banks with high credit-rating.

The Group's concentration of credit risk by geographical locations are mainly Japan and Taiwan, which accounted for 85% and 15% of the turnover for the year ended 30 June 2006.

Cash flow interest rate risk

All bank deposits and borrowings of the Group are arranged at floating rates. Finance leases that are at fixed rates exposure the Group to fair value interest rate risk. The Group currently does not have a hedging policy on interest rate risk. However, the management monitors interest rate exposure and will consider interest rate swap contracts should the need arise.

5. Turnover and Segmental Information

Business segments

For management purpose, the Group is currently organised into the following major divisions, that is, the provision of (i) assembly services; (ii) procurement and assembly services; (iii) repair and maintenance services and (iv) trading of electronics components. These divisions are the basis of which the Group reports its primary segment information.

	2006	2005
	HK$'000	*HK$'000*
Turnover		
Assembly services	**391,494**	392,906
Procurement and assembly services	**1,397,486**	1,235,569
Repair and maintenance services	**8,061**	–
	1,797,041	1,628,475

	For the year ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
Results		
Segment results		
– Assembly services	**177,117**	174,567
– Procurement and assembly services	**53,733**	65,411
– Repair and maintenance services	**2,974**	–
– Trading of electronics components	**–**	(95)
	233,824	239,883
Unallocated corporate expenses	**(46,106)**	(31,781)
Unallocated other income	**16,718**	7,205
Listing expenses	**(18,657)**	–
Finance costs	**(5,382)**	(5,127)
Profit before taxation	**180,397**	210,180
Taxation	**(14,280)**	(18,350)
Profit for the year	**166,117**	191,830

5. Turnover and Segmental Information (Continued)

Business segments (Continued)

	As at 30 June	
	2006	2005
	HK$'000	*HK$'000*
Balance sheet		
Segment assets		
– Assembly services	**248,613**	199,499
– Procurement and assembly services	**76,394**	74,753
– Repairs and maintenance services	**2,306**	–
	327,313	274,252
Unallocated	**1,002,769**	397,878
	1,330,082	672,130
Segment liabilities		
– Assembly services	**95,493**	100,019
– Procurement and assembly services	**29,342**	23,477
– Repairs and maintenance services	**–**	–
	124,835	123,496
Unallocated	**131,382**	155,772
	256,217	279,268

	For the year ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
Other information		
Impairment on trade receivables		
– Assembly service	**–**	–
– Procurement and assembly services	**–**	101
– Trading of electronic components	**–**	95
	–	196

The assets of the Group, mainly the production facilities, located in the Peoples' Republic of China (the "PRC"), are inter-changeably used in different segments, therefore, the allocation and analysis of capital additions and depreciation and amortisation by business segments is not meaningful.

5. Turnover and Segmental Information (Continued)

Geographical segments

An analysis of the Group's turnover by geographical market, irrespective of the origins of the goods and services, is presented below:

	For the year ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
Japan	**1,525,766**	1,338,050
Taiwan	**271,275**	228,855
Netherland	**–**	61,570
	1,797,041	1,628,475

As at the respective balance sheet date, over 90% of the identifiable assets of the Group are located in the PRC and Hong Kong. Accordingly, no analysis on carrying amount of segment assets or addition to property, plant and equipment is presented.

6. Finance Costs

	2006	2005
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years		
– bank loans	**943**	2,006
– finance leases	**4,439**	3,121
	5,382	5,127

Notes to the Financial Statements

For the year ended 30 June 2006

7. Profit Before Taxation

	2006	2005
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Directors' emoluments *(note 8)*	6,211	2,116
Other staff costs	119,286	82,436
Retirement benefits scheme contributions (excluding contributions in respect of Directors)	2,840	1,167
Total staff costs	128,337	85,719
Impairment on trade receivables	–	196
Auditors' remuneration	1,550	600
Depreciation and amortisation	37,475	31,276
Cost of inventories recognised	1,563,217	1,386,056
Loss on disposal of property, plant and equipment	151	–
Exchange loss	62	2,907
and after crediting:		
Interest income	14,870	779

8. Directors' Emoluments

The emoluments paid or payable to each of the 7 (2005: 4) Directors were as follows:

2006

	Lam Chi Ho *HK$'000*	Sun Mi Li *HK$'000*	Wu Siu Fan, Anita *HK$'000*	Tsuji Tadao *HK$'000*	Christopher Roger Moss, OBE *HK$'00*	Xie Bai Quan *HK$'000*	Chung Wai Kwok, Jimmy *HK$'000*	Total *HK$'000*
Salaries and other benefits	1,959	1,650	1,238	914	188	75	151	6,175
Retirement benefits scheme contributions	12	12	12	–	–	–	–	36
	1,971	1,662	1,250	914	188	75	151	6,211

2005

	Lam Chi Ho *HK$'000*	Sun Mi Li *HK$'000*	Wu Siu Fan, Anita *HK$'000*	Tsuji Tadao *HK$'000*	Total *HK$'000*
Salaries and other benefits	626	311	648	501	2,086
Retirement benefits scheme contributions	12	6	12	–	30
	638	317	660	501	2,116

No Directors waived any emoluments in the year ended 30 June 2006 and 2005.

9. Employees' Emoluments

The five highest paid individuals of the Group included four Directors (2005: one Director), details of which are set out in note 8 above. The emoluments of the remaining one individual (2005: four individuals), were as follows:

	2006 *HK$'000*	2005 *HK$'000*
Basic salaries and allowances	620	2,821
Bonus	47	171
Retirement benefits scheme contributions	12	48
	679	3,040

The emoluments of the remaining individual (2005: four individuals) during both years were below HK$1,000,000.

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

10. Taxation

	2006 *HK$'000*	2005 *HK$'000*
The charge comprises:		
Hong Kong	14,790	15,460
PRC	300	–
	15,090	15,460
Deferred taxation *(note 26)*	(810)	2,890
	14,280	18,350

Hong Kong Profits Tax is calculated at 17.5% of the assessable profit for both years. In the opinion of the Directors, based on the Departmental Interpretation Practice Notes No. 21 issued by the Inland Revenue Department of Hong Kong, a subsidiary of the Company is entitled to at least 50% relief from Hong Kong Profits Tax.

For those subsidiaries located in the Shenzhen Free Trade Zone, PRC, the income tax rate is 15%.

For subsidiary located in Suzhou, no provision for PRC enterprise income tax has been made as it has no assessable profit for the year.

10. Taxation (Continued)

The taxation for the year can be reconciled to the profit before taxation per the income statement as follows:

	2006 *HK$'000*	2005 *HK$'000*
Profit before taxation	180,397	210,180
Tax at the applicable income tax rate of 17.5%	31,569	36,781
Tax effect of expenses not deductible for tax purposes	3,836	93
Tax effect of income not taxable for tax purposes	(21,835)	(18,524)
Tax effect of tax losses not recognised	745	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	(35)	–
Taxation for the year	14,280	18,350

11. Dividend

	2006 *HK$'000*	2005 *HK$'000*
2006 interim dividend of HK$0.03 per share paid (2005: Nil per share)	29,052	–
Proposed final dividend of HK$0.02 per share (2005: Nil per share)	19,368	–

Proposed dividend for the year is subjected to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. Basic Earnings Per Share

The calculation of the basic earnings per share for the year ended 30 June 2006 is based on the profit attributable to equity holders of the Company of HK$166,117,000 (2005: HK$187,993,000) and the weighted average number of 854,285,293 (2005: 720,000,000) shares in issue during the year. The weighted average number of shares for the year ended 30 June 2006 and 2005 have been retrospectively adjusted for the effect of the capitalisation of share premium and the effect of Group Reorganisation on 16 November 2005 as detailed in the Prospectus.

Diluted earnings per share are not presented because there were no potential ordinary shares outstanding during both years.

13. Property, Plant and Equipment

	Land and buildings *HK$'000*	Furniture and fixtures *HK$'000*	Leasehold improvements *HK$'000*	Motor vehicles *HK$'000*	Office equipment *HK$'000*	Plant and machinery *HK$'000*	Total *HK$'000*
COST							
At 1 July 2004	760	12,514	4,226	1,050	13,817	348,527	380,894
Additions	1,810	4,925	–	1,662	10,397	24,695	43,489
At 30 June 2005	2,570	17,439	4,226	2,712	24,214	373,222	424,383
Exchange realignment	–	18	–	–	11	13	42
Additions	–	8,277	8,049	3,395	8,689	37,072	65,482
Disposals	–	–	–	(908)	–	–	(908)
At 30 June 2006	2,570	25,734	12,275	5,199	32,914	410,307	488,999
DEPRECIATION AND AMORTISATION							
At 1 July 2004	92	8,359	2,566	562	4,950	88,700	105,229
Provided for the year	15	2,169	302	361	3,490	24,939	31,276
At 30 June 2005	107	10,528	2,868	923	8,440	113,639	136,505
Provided for the year	52	2,613	302	557	5,083	28,868	37,475
Elimination on disposals	–	–	–	(595)	–	–	(595)
At 30 June 2006	159	13,141	3,170	885	13,523	142,507	173,385
CARRYING AMOUNTS							
At 30 June 2006	2,411	12,593	9,105	4,314	19,391	267,800	315,614
At 30 June 2005	2,463	6,911	1,358	1,789	15,774	259,583	287,878

The owner-occupied leasehold land are included in the leasehold land and building of property, plant and equipment as in the opinion of the Directors, allocation between the land and building elements could not be made reliably. The leasehold land and buildings are held in Hong Kong under medium-term lease.

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

Land and building	2%
Furniture and fixtures	20%
Leasehold improvement	7%
Motor vehicles	20%
Office equipment	20%
Plant and machinery	7.5% to 20%

The carrying amounts of plant and machinery includes an amount of HK$153,306,000 (2005: HK$165,140,000) in respect of assets held under finance leases.

14. Deposits for Acquisition of Property, Plant and Equipment

The deposits were made in connection with the acquisition of property, plant and equipment in the PRC. The amount outstanding is shown as capital commitments in note 31.

15. Inventories

	2006 *HK$'000*	2005 *HK$'000*
Raw materials	**87,315**	71,570
Work in progress	**13,995**	27,019
Finished goods	**12,303**	6,245
	113,613	104,834

16. Trade and Other Receivables

The Group allows an average credit period of 30 days to 90 days to its trade customers. The following is an aged analysis of the Group's trade receivables at the balance sheet date:

	2006 *HK$'000*	2005 *HK$'000*
0 – 30 days	**151,915**	120,172
31 – 60 days	**20,508**	23,859
61 – 90 days	**17,642**	16,896
91 – 180 days	**6,252**	1,711
181 – 365 days	**–**	970
>365 days	**–**	808
Trade receivables	**196,317**	164,416
Prepayments and deposits	**15,620**	4,846
Other receivables	**12,637**	156
	224,574	169,418

The fair values of the Group's trade and other receivables at balance sheet date approximate to their corresponding carrying amounts.

17. Investments Held for Trading

The amounts represent investments in unit trust quoted in Hong Kong that offer the Group the opportunity for return through fair value gains. The fair values of the securities are based on quoted market bid prices available on the relevant exchanges.

18. Pledged Bank Deposits

The amount represented deposits pledged to banks to secure banking facilities granted to the Group. At 30 June 2005, deposits of HK$15,105,000 were pledged to secure short-term bank loans and were therefore classified as current assets. The deposits carried fixed interest rate at 2% to 4%. The pledged bank deposits were released during the year ended 30 June 2006.

19. Bank Balances and Cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits that are interest bearing at market interest rate and have original maturity of three months or less. The effective interest rates on short-term bank deposits are ranged from 4% to 5%. The carrying amount of these assets approximates to their fair value.

At the balance sheet date, the Group's bank balances and cash that are denominated in currencies, other than the functional currency of the Group, are set out below:

	2006 *HK$'000*	2005 *HK$'000*
United States dollars	370,366	79,382
Japanese Yen	17,816	2
Renminbi	9,117	1,727
	397,299	81,111

20. Trade and Other Payables

	2006 HK$'000	2005 HK$'000
0 – 30 days	103,470	114,424
31 – 60 days	9,675	9,172
61 – 90 days	7,718	293
91 – 180 days	3,922	623
181 – 365 days	–	25
Trade payables	124,785	124,537
Payables for acquisition of property, plant and equipment	–	41
Accruals	12,898	11,289
	137,683	135,867

The fair values of Group's trade and other payables at balance sheet date approximate to their corresponding carrying amounts.

21. Amounts Due to Related Companies

	2006 HK$'000	2005 HK$'000
Amounts due to:		
Mikawa Technology Company Limited ("Mikawa")	–	1,923
Host Leader Enterprise Limited ("Host Leader")	–	1,215
	–	3,138

Mikawa is a company in which a Director of the Company, Ms. Sun Mi Li, is also a Director and shareholder. The amount was unsecured, interest-free and fully settled during the year.

Host Leader is a company in which Directors of the Company, Mr. Lam Chi Ho and Ms. Sun Mi Li, are Directors and shareholders. The amount was unsecured, interest-free and fully settled during the year.

22. Amount Due to a Director

	2006 *HK$'000*	2005 *HK$'000*
Amount due to a Director		
– Ms. Sun Mi Li	**–**	414

The amount was unsecured, interest-free and fully settled during the year.

23. Obligations under Finance Leases

	Minimum lease payments		Present value of minimum lease payments	
	2006 *HK$'000*	2005 *HK$'000*	**2006** *HK$'000*	2005 *HK$'000*
Amount payable under finance leases				
– within one year	**37,049**	41,144	**34,208**	37,420
– in more than one year but not more than two years	**30,530**	35,139	**29,478**	33,275
– in more than two years but not more than three years	**3,094**	29,900	**2,988**	28,931
– in more than three years but not more than four years	**451**	2,464	**382**	2,441
– in more than four years but not more than five years	**67**	–	**45**	–
	71,191	108,647	**67,101**	102,067
Less: Future finance charges	**(4,090)**	(6,580)	**–**	–
Present value of lease obligations	**67,101**	102,067	**67,101**	102,067
Less: Amount due within one year shown under current liabilities			**34,208**	37,420
Amount due after one year			**32,893**	64,647

It is the Group's policy to lease certain of its plant and machinery under finance leases. The average lease term is three years. For the year ended 30 June 2006, the average effective borrowing rate was 6.4% (2005: 5.2%). Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 0.334% to 2% above Hong Kong Interbank Offered Rate ("HIBOR") (2005: 0.334% to 2% above HIBOR) per annum. No arrangements have been entered into for contingent rental payments.

23. Obligations under Finance Leases (Continued)

Included in the finance lease obligations is an amount of HK$3,029,000 (2004: HK$4,789,000) which is denominated in Japanese Yen.

The Group's obligations under finance leases are secured by the lessor's charge to the leased assets.

The fair values of the Group's obligations under finance leases at the balance sheet date approximate to their corresponding carrying amounts.

24. Secured Bank Borrowings

	2006	2005
	HK$'000	*HK$'000*
Trust receipt and import loans	–	487

For the year ended 30 June 2005, the average interest rate of the trust receipt and import loans were 3.87%.

25. Derivative Financial Instruments

The Group's activities expose primarily to the financial risks of changes in foreign exchange rates.

The Group uses derivative financial instruments (primarily foreign currency forward contracts) to manage its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The Group does not use derivative financial instruments for speculative purposes.

The Group utilises currency derivatives to manage future transactions and cash flows. The Group is a party to foreign currency forward contracts in managing its exchange rate exposures. The instruments purchased during the year ended 30 June 2005 were denominated in United States Dollar for a period of three months. Their fair value were determined based on the quoted market prices for equivalent investment at the balance sheet date. The fair value of the currency derivatives at 30 June 2005 was insignificant.

At 30 June 2006, the Group had no foreign currency forward contracts outstanding.

26. Deferred Taxation

The following are the deferred tax liabilities recognised and movements thereon during the current and prior reporting years:

	Accelerated tax depreciation *HK$'000*
At 1 July 2004	14,460
Charge to income statement for the year	2,890
At 30 June 2005	17,350
Credit to income statement for the year	(810)
At 30 June 2006	16,540

At the balance sheet date, the Group has unutilised tax losses of HK$4,257,000 (2005: Nil) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

27. Share Capital

	Number of shares	Amounts
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
On the date of incorporation	1,000,000	100
Increase on 16 November 2005	2,999,000,000	299,900
At 30 June 2006	3,000,000,000	300,000
Issued and fully paid:		
Allotted and issued at nil paid on the date of incorporation	1	–
Issue of shares upon the Group Reorganisation	36,000,000	3,600
Issue of shares on capitalisation of share premium account	683,999,999	68,400
Issue of shares for global offering	240,000,000	24,000
Issue of shares for the over-allotment option	8,394,000	839
At 30 June 2006	968,394,000	96,839

The following changes in the share capital of the Company took place during the period from 19 August 2005 (date of incorporation) to 30 June 2006:

(a) The Company was incorporated on 19 August 2005 with an authorised capital of HK$100,000 divided into 1,000,000 shares of HK$0.1 each. On the date of incorporation, 1 share was allotted and issued at nil paid.

(b) Pursuant to the written resolutions passed by all the shareholders of the Company on 16 November 2005 to effect the Group Reorganisation, the following movements in the authorised and issued share capital of the Company took place:

   (i) The authorised share capital of the Company was increased from HK$100,000 to HK$300,000,000 by the creation of an additional 2,999,000,000 ordinary shares of HK$0.10 each. The new shares rank pari passu in all respects with the then existing shares.

   (ii) Pursuant to the agreement with Fittec Holdings, the Company acquired from Fittec Holdings the entire issued share capital of Fittec (BVI) Limited, in consideration of which the Company allotted and issued 36,000,000 ordinary shares of HK$0.10 each, credited as fully paid, to Fittec Holdings.

   (iii) 683,999,999 ordinary shares of HK$0.10 each in the Company were allotted and issued as fully paid to the shareholders on 16 November 2005 in proportion to their respective shareholdings, by the capitalisation of an amount of HK$68,400,000 in the share premium account of the Company.

27. Share Capital (Continued)

(c) On 14 December 2005, the Company issued a total of 240,000,000 ordinary shares of HK$0.1 each at the price of HK$2.30 per share by means of global offering.

(d) On 4 January 2006, the Company issued 8,394,000 shares of HK$0.1 each at a price of HK$2.30 by means of the partial exercise of the over-allotment option as set out in the Prospectus, details of which are set out in the announcement to the shareholders of the Company on the same day.

All the shares issued during the period rank pari passu in all respects with the then existing shares.

The share capital of the Group at 30 June 2005 represented the share capital of Fittec Electronics Company Limited, a subsidiary of the Company, before Group Reorganisation.

28. Share Option Scheme

The Group'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 and eligible employees, and will expire on 15 November 2015. Under the Scheme, the Board of Directors of the Group may grant options to eligible employees, including any full-time or part-time employee of the Group or any member of the Group, including any executive, Non-Executive Directors and Independent Non-Executive Directors, advisors, consultants of the Group or any subsidiaries of the Group, to subscribe for shares in the Group.

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 Group in issue at the date of listing of shares of the Group unless obtained prior approval from the Group'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 Group in issue of any point in time, without prior approval from the Group'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 of the share option to the 10th anniversary of the date of grant. The exercise price is determined by the Directors of the Group, and will not be less than the highest of the closing price of the Group'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 Group's share.

No option has been granted since the adoption of the Scheme.

29. Non-cash Transactions

During the year, the Group has the following major non-cash transactions:

(i) The Group entered into finance leases in respect of property, plant and equipment with a total value at the inception of the leases of HK$2,334,000 (2005: HK$35,554,000).

(ii) In December 2004, Mr. Lam Chi Ho acquired the remaining 4% interest in Fittec Electronics Company Limited from Ms. Sun Ming Yee, the sister-in-law of Mr. Lam Chi Ho, for a nominal consideration of HK$400,000 and accounted for as a contributed surplus from shareholders.

30. Operating Lease Commitments

During the year, the Group made minimum lease payments of HK$11,429,000 (2005: HK$20,359,000) under operating leases in respect of its factory and office premises.

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2006 *HK$'000*	2005 *HK$'000*
Within one year	11,956	7,952
In the second to fifth year inclusive	6,273	410
Over five years	3,884	–
	22,113	8,362

Operating lease payments represent rentals payable by the Group for certain of its factory and office premises. Leases are negotiated for an average terms of three years fixed rentals.

31. Capital commitments

	2006 *HK$'000*	2005 *HK$'000*
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	47,073	2,223

32. Pledge of Assets

At the balance sheet date, the following assets were pledged to banks to secure general banking facilities granted to the Group.

	2006 *HK$'000*	2005 *HK$'000*
Investments	1,885	1,885
Bank deposits	–	15,105
	1,885	16,990

33. Retirement Benefits Plans

Defined contribution scheme

(i) Plans for Hong Kong employees

The Group operates 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 MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

(ii) Plans for PRC employees

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

34. Related Party Disclosures

(i) Related party transactions

Company	Transaction	2006 *HK$'000*	2005 *HK$'000*
Host Leader	Rental expenses	–	96
	Acquisition of property, plant and equipment	–	1,350
Mikawa	Sub-contracting expenses	–	23,960
Ms. Sun Mi Li	Acquisition of property, plant plant and equipment	–	970
Ms. Sun Ming Yee *(Note)*	Acquisition of additional interest in Fittec Electronics Company Limited	–	400

Note: Ms. Sun Ming Yee is the sister-in-law of Mr. Lam Chi Ho, Philip, a Director of the Company.

(ii) Related party balances

Details of the Group's outstanding balances with related parties are set out on the consolidated balance sheets and in notes 21 and 22.

34. Related Party Disclosures (Continued)

(iii) Banking facilities

At 30 June 2005, in addition to the pledge of the Group's assets as set out in note 32, certain of the Group's banking facilities were secured by the guarantees jointly given by Mr. Lam Chi Ho and Ms. Sun Mi Li to the extent of approximately HK$88,200,000. The guarantees were released during the year ended 30 June 2006 upon the listing of the Company's shares on the Stock Exchange.

(iv) Compensation of key management personnel

The remuneration of Directors and key management of the Group for the year was as follows:

	2006 *HK$'000*	2005 *HK$'000*
Short-term benefits	6,175	2,086
Post-employment benefits	36	30
	6,211	2,116

The remuneration of Directors and key management of the Group, determined by the remuneration committees of the Group having regard to the performance of individuals and market trends.

35. Balance Sheet of the Company

	2006 *HK$'000*
Non-current asset	
Investments in subsidiaries	518,242
Current assets	
Other receivables	10,871
Amounts due from subsidiaries	295,909
Bank balances and cash	263,667
	570,447
Current liabilities	
Other payables	(12)
Net current assets	570,435
	1,088,677
Capital and reserves	
Share capital	96,839
Reserves *(note)*	991,838
	1,088,677

35. Balance Sheet of the Company (Continued)

Note:

Reserves

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
Profit and total recognised profit for the period	–	–	55,509	55,509
Dividend paid	–	–	(29,052)	(29,052)
Group reorganisation *(note 1)*	(68,400)	514,642	–	446,242
Issue of new shares *(note 27)*	546,467	–	–	546,467
Share issue expenses	(27,328)	–	–	(27,328)
At 30 June 2006	450,739	514,642	26,457	991,838

The contributed surplus of the Company represents the difference between the fair value of the underlying net assets of the subsidiaries acquired by the Company and the nominal amount of the share capital issued by the Company under the Group Reorganisation undertaken in 2005.

36. Subsidiaries

Particulars of the Company's subsidiaries as at 30 June 2006 are as follows:

Name of subsidiary	Place of establishment/ incorporation	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company *Directly*	*Indirectly*	Principal activities
Fittec (BVI) Limited	British Virgin Islands	Ordinary US$1.00	100%	–	Investment holding
Fittec Electronics Company Limited	Hong Kong	Ordinary HK$10,000,000	–	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$1,000,000	–	100%	Manufacturing of PCB, electronics components and related parts

36. Subsidiaries (Continued)

Name of subsidiary	Place of establishment/ incorporation	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company *Directly*	*Indirectly*	Principal activities
Fittec Electronics (Shenzhen) Co., Ltd.* 奕達電子(深圳)有限公司	PRC	Paid up capital US$203,206	–	100%	Provision of repair and maintenance services
Fittec Electronics (Suzhou) Co., Ltd.* 泛達電子(蘇州)有限公司	PRC	Paid up capital US$1,800,000	–	100%	Manufacturing of PCB, electronics components and related parts

* These subsidiaries are established in the PRC as wholly-owned foreign enterprises.

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