FITTEC

FITTEC INTERNATIONAL GROUP LIMITED

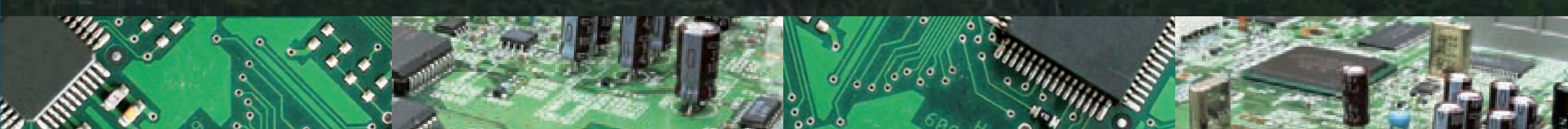
奕達國際集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 2662

2007/08

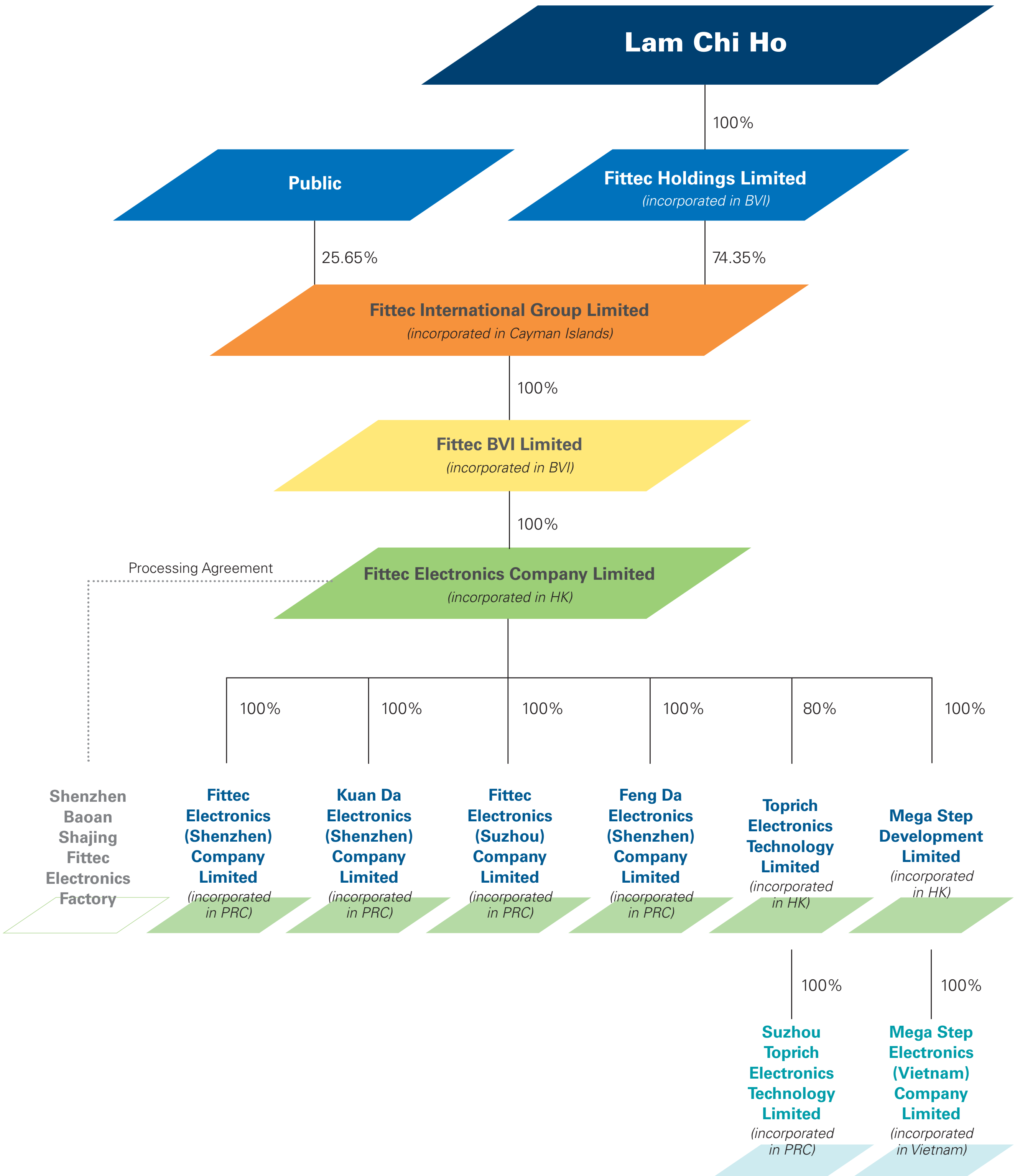
Annual Report



CONTENTS

CORPORATE STRUCTURE

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



CORPORATE INFORMATION

Board of Directors

Executive Directors:

Mr. Lam Chi Ho *(Chairman)*
Ms. Sun Mi Li
Mr. Tsuji Tadao

Independent Non-Executive Directors:

Mr. Christopher Roger Moss, OBE
Mr. Chung Wai Kwok, Jimmy
Mr. Xie Bai Quan

Company Secretary

Mr. Cheung Yiu Leung

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
China Construction Bank
The Bank of Tokyo-Mitsubishi UFJ, 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 2B-9, 9th Floor
Yuen Long Trading Centre
33 Wang Yip Street West
Yuen Long
New Territories
Hong Kong

Auditors

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

Principal Share Registrar

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

Branch Share Registrar in Hong Kong

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

Website

www.fittec.com.hk

Stock Code

2662

GLOSSARY OF TECHNICAL TERMS

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

"EMS"	electronics manufacturing services
"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
"MP3"	a digital music format which allows CD tracks to be reduced to around a tenth of their normal size without a significant loss of quality
"ODD controller"	optical disk drive controllers
"ODM"	original design manufacturers
"OEM"	original equipment manufacturers

CHAIRMAN'S STATEMENT

Dear Shareholders,

The global economy turned for the worse during the financial year with fuel prices climbing and impact of the sub-prime mortgage crisis in the United States continuing to ripple across the world. While the majority of industries everywhere suffered in the economic turmoil, the EMS industry demonstrated resilience and maintained growth with the help of advancement in technology and launch of new electronic products. Our revenue accordingly grew by 23% against last year to HK$2,456 million.

Although we were able to maintain business growth, there were various challenges on the operational front that we had to overcome, such as increasing labour costs and other production costs in China, compounded by the continual appreciation of the Renminbi (RMB). Since we paid our expenses in RMB, which surged by an almost 11% in value during the year, and received payment in US dollars, our profit for the year was eroded drastically.

During the year, we maintained strong partnership with major customers including Toshiba, Epson, Asustek and Asiarock and secured from them additional orders for our high quality products and services, and also added new top-tier customers from Japan, Taiwan and Korea into our clientele. Moreover, we have established a high-margin product mix comprising (i) motherboards, (ii) computer storage devices (i.e. CSD, including but not limited to fast growing small-form-factor HDD controllers), (iii) flexible printed circuit (FPC) board for cell phone products and (iv) digital displays for mobile phones and portable game devices which are major growing sectors or projects with strong potential market.

In early 2008, we consolidated our two plants in Fuyong and Futian in Shenzhen into a new and more advanced facility in Shajing. The move has not only allowed the Group to significantly trim production overhead expenses, but also reduced daily operational cost of the Group in terms of rent and labour expenses.

To mitigate the risks of over dependence on factories in one country, we adopted the "China plus one" strategy. With inflation climbing in China and continual appreciation of the RMB, other Asian countries, like Vietnam, are emerging as relatively more attractive choices for investment. We, therefore, decided to relocate part of our production facilities in China to Vietnam where labour and production costs are substantially lower. In addition, the value of the Vietnamese Dong has been relatively stable with a slight depreciation in the past year, which is helpful to alleviating cost pressure. Thus, we are confident that overall production costs will come down after the Vietnam facility starts operation in early next year.

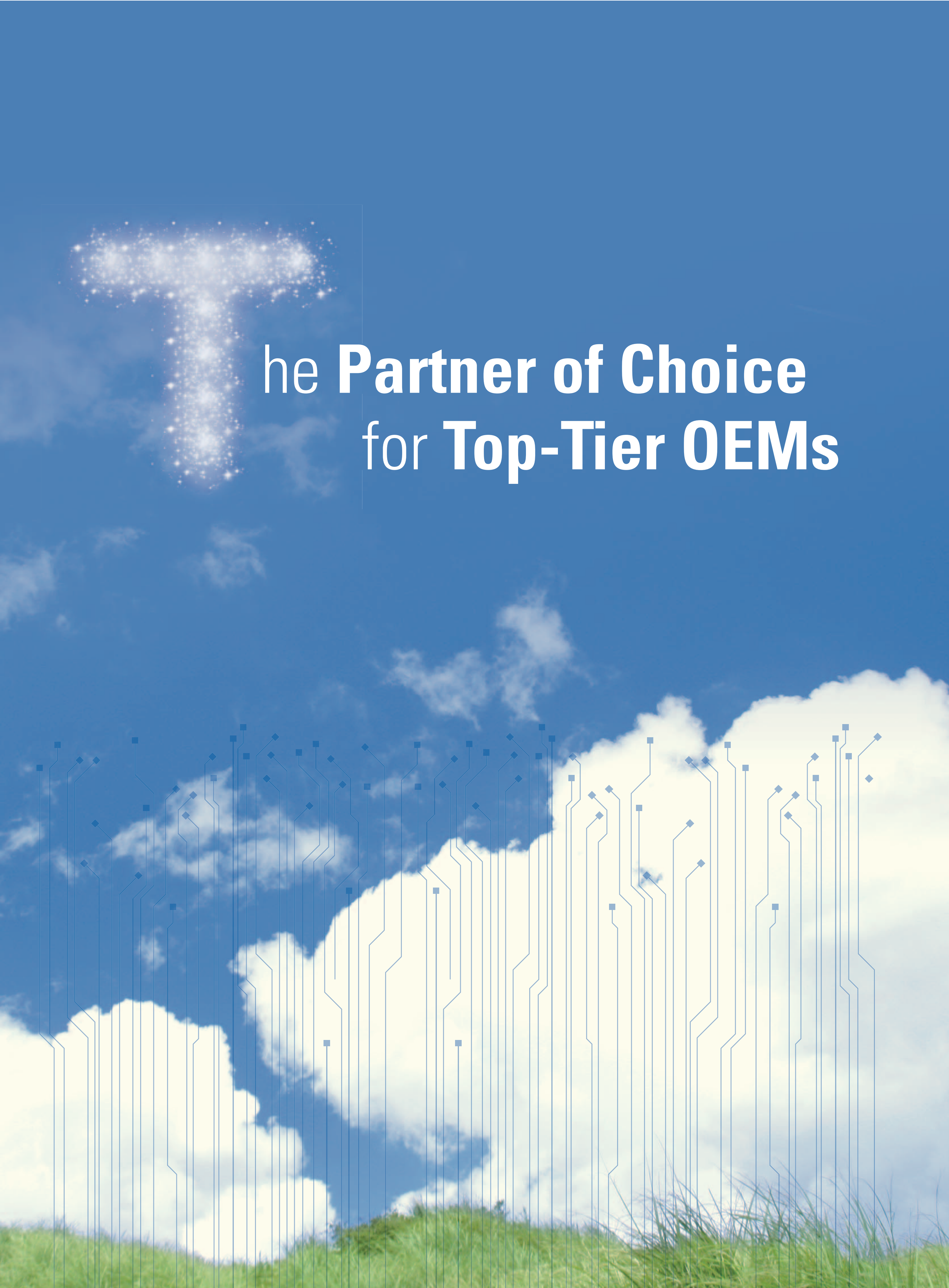
Amidst uncertainties caused by the looming financial crisis, looking ahead, the trend of the information technology and consumer electronics industries outsourcing manufacturing to EMS providers is expected to continue, allowing OEMs to reduce cost and enhance production efficiency and competitiveness. Apart from professional assembly services, EMS providers are increasingly engaged by OEMs for their supply chain management capabilities, which are what we offer. With this trend expected to drive growth of our business and an expanded product range and client base, we are cautiously optimistic about our prospects in the year ahead.

Taking into consideration of our prospects and the need for resources of our business in the coming year, as well as our relatively conservative dividend to profit ratio in the past years, I have recommended to the Board and the Board agreed to declare a final dividend of HK$0.03 per share this year to reward shareholders for their support. The dividend will be paid out of the profits accumulated over prior years.

On behalf of the Board, I would like to express my appreciation and gratitude to all colleagues for their continuous contribution and to customers, shareholders and investors for their trust and support.

Lam Chi Ho
Chairman

Hong Kong, 23 October 2008


The Partner of Choice
for Top-Tier OEMs

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group maintained growth momentum for the fiscal year ended 30 June 2008. Revenue increased from HK$1,992 million to HK$2,456 million, an impressive 23% leap thanks to the increased demands for the consumer electronics and communication products and clients changing from using pure assembly service to procurement and assembly service.

Overall cost of sales (a large portion of which was raw material costs subsequently borne by clients) increased as a result of higher labour cost, increased production costs and appreciation of RMB. Moreover, assembly resources of the Fuyong plant were under-utilised as a result of decrease in demand for PC motherboards and that in turn pushed up average production cost. Gross profit was down to HK$98 million for the year (for the year ended 30 June 2007: HK$167 million).

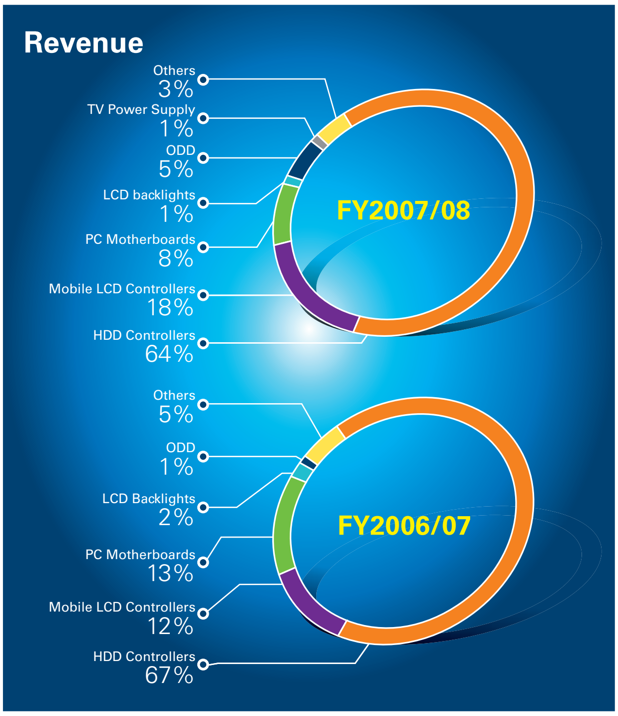
The increased operational expenses were partly attributable to the consistent appreciation of RMB, pushing up distribution and administrative expenses. The set-up cost of new plants and higher operation cost of existing plants also explained the squeezed net profit of the Group. Together with the one-time write-off of the remaining book value of intangible asset of an under-performing plant, the Group recorded a loss of HK$21 million for the year (for the year ended 30 June 2007: profit of HK$89 million). Excluding the impairment loss recognised in respect of intangible asset of HK$31 million, profit would be HK$10 million.

Business Review

The Group derives revenues from three major products, namely HDD controllers, mobile LCD controllers and PC motherboards. New products have just completed trial production at the Shajing and Suzhou plants and are expected to move into mass production and begin to bring both revenue and profit to the Group soon after. During the year, the migration of client's demand from pure assembly service to procurement and assembly service continued. This change to using service of high added value not only allowed the Group to strengthen ties with its clients, but also boosted its overall revenue.

The EMS product mix of the Group during the year was as follows:

	Revenue			
	FY2007/2008		FY2006/2007	
	Amounts (HKD million)	%	Amounts (HKD million)	%
HDD Controllers	1,586	64%	1,338	67%
Mobile LCD Controllers	439	18%	243	12%
PC Motherboards	202	8%	255	13%
LCD Backlights	18	1%	37	2%
ODD	112	5%	16	1%
TV Power Supply	25	1%	7	–
Others	74	3%	96	5%
	2,456	100%	1,992	100%



MANAGEMENT DISCUSSION AND ANALYSIS

HDD Controllers

HDD controllers are printed circuit boards that control data transmission to and from the disk drive in portable devices like notebook computers, MP3 players, digital video recorders, photocopying machines and GPS systems. This sector maintained healthy growth with total revenue reaching HK$1,586 million (for the year ended 30 June 2007: HK$1,338 million), which was mainly driven by stable demand for consumer electronic products. The Group is the largest EMS provider of PCB assembly of 2.5-inch and 1.8-inch HDD controllers to Toshiba in China. This partnership with the global brand is evidence of our strong expertise and has translated into orders from other clients and increasing orders from this client.

Mobile LCD Controllers

Mobile LCD controllers are flexible printed circuit boards containing circuitry that controls the LCD screen on mobile phones, GPS systems and digital cameras. In the fiscal year, Nitto Denko and Epson increased orders for mobile LCD controllers, which resulted in a notable increase in revenue from the segment to HK$439 million, against HK$243 million in the previous year. Orders for the product are expected to remain steady in the coming year in line with growing demand for high performance mobile phones. Heeding the trend, the Group will maintain focus on more sophisticated products that command higher assembly fees.

PC Motherboards

PC motherboards are the main printed circuit boards of computers. They contain electronic circuitry required to control operation of all peripheral devices of a computer. According to the data from Jihsun Securities, the global desktop PC market grew merely 0.7% from 2007 to 2008 and that sparked fierce competition among PC enterprises and subsequently dragged down the overall profit margin of PC motherboards. Most of the clients of the segment decided to exit entry level products and focus on higher end products that deliver more value to end-users. However, with order quantity typically lower from the high-end market relative to the lower-end one, revenue of the segment dropped to HK$202 million from HK$255 million last year.

ODD Controllers

ODD controllers are printed circuit boards with the circuitry for controlling the ODD used mainly in computers, home entertainment systems and car stereo systems. The Group provided procurement and assembly services for Toshiba's ODD controllers and shipment started in June 2007. The segment had steady progress during the fiscal year with total revenue reaching HK$112 million, a remarkable leap from HK$16 million last year.

Others

The sector includes other existing and new products. Demand for LCD TV power supply boards and LCD backlight was steady and contributed revenue of HK$25 million and HK$18 million respectively. During the year, the Group added more high-growing potential products to its diverse portfolio. For instance, the partnership with Toshiba saw the Group started trial production of the fast growing digital display controller products including projectors, it expected to be ready for mass production in the coming fiscal year. These high-margin products will allow the Group to sustain growth and improve profitability.

Production Facilities

During the year, the Group finished consolidation of the two plants in Fuyong and Futian respectively in Shenzhen into one new plant in Shajing. The new plant started operation in April 2008, enabling the Group to trim rental payment and labour costs. The new production base has a total floor area of 98,687 square metres, of which 48,000 square metres are equipped with 76 SMT production lines operated by around 5,000 workers. The Group invested HK$42,408,000 in new equipment and factory upgrade during the year. The plant has the capacity currently to produce a total of nearly 84 billion chips a year.

As at 30 June 2008, the overall maximum annual production capacity of the Group was 105 billion chips. However, with the US sub-prime mortgage crisis triggering a global economic slowdown, demand and production volume of PC motherboards were affected. Consequently, the overall utilization rate of production facilities of the Group was down to 50%. The designed full utilization rate of the facilities is 85%.

Prospects

According to the market research company Electronic Trend Publications, revenue of the global EMS industry is expected to reach US$442 billion by 2011, a substantial growth from US$223 billion in 2006. This forecast points to room for continuous growth for EMS providers, especially those like our Group which has a strong quality track record, scalable production facilities in Eastern and Southern China, capable of excellent customer service and assembling sophisticated products. The Group will strive to capture business opportunities with its niches and maintain focus on high-margin products and top-tier clients.

Although orders for PC motherboards are expected to take some time to return to normal, the Group expects the squeezed performance of the segment to be partly offset by demands for products for use in fast growing consumer electronics especially portable devices. In developed countries like the US, Japan and Europe, the digital display market (LCD TVs, projectors and Plasma TVs) has overtaken the traditional TV market. The Group believes the trend will soon arrive in developing countries and will translate into orders for its LCD TV and projector products. It also sees growth in adoption of ODD controllers in home stereo entertainment systems and car stereo systems, and steady growth in demand for HDD controllers and mobile LCD controllers. Expecting moderate growth for major products and strong demands for new products, the Group is confident of maintaining growth momentum and building a more diverse yet balanced product portfolio in the coming year and beyond.

On the cost front, the minimum wages of workers in China has increased by up to 20% a year on average in the past few years. The authority of Guangdong has already announced another impending increase in minimum wages in the province. Furthermore, RMB has been appreciating since mid-2005. Rising labour costs and the appreciating RMB combined has eroded the profitability of the Group. To mitigate the margin erosion, the Group has undertaken several strategic moves. The first move, which was completed during the year, was to consolidate the Futian and Fuyong plants into the new Shajing plant. The move has allowed the Group to save considerably on management overheads and operational expenses.

In addition, the Group is diversifying manufacturing to outside of China to address pressure from continuously increasing labour costs and RMB appreciation. A task force was set up in late 2007 to investigate such a possibility in Vietnam and the factory is now under construction. The Group believes these initiatives will help to boost its overall competitiveness in the global EMS industry in the long run.

Liquidity and Financial Resources

The Group had bank balances and cash of approximately HK$88 million as at 30 June 2008. The Group generally finances its operations through its internal resources and bank facilities provided by its principal bankers.

As at 30 June 2008, the Group had net current assets of approximate HK$490 million and a current ratio 2.54 (30 June 2007: 2.46). The Group's net asset value was HK$1,116 million (30 June 2007: HK$1,129 million).

Apart from obligations under finance lease, the Group was debt free as at 30 June 2008. All finance leases were utilized in financing the Group's machinery. The Group's total obligation under finance lease decreased from HK$33 million as at 30 June 2007 to HK$4 million as at 30 June 2008 in which approximately HK$3 million repayable within one year, HK$1 million repayable from two to five years. Total debt to total assets ratio was 23% (for the year ended 30 June 2007: 27%).

Currently, all of our cost of direct materials and our turnover are denominated in US dollars, to which the Hong Kong dollar is pegged. However, our labour costs and operation overheads are denominated in RMB. The labour costs in China have been increasing and RMB in China continues its appreciation trend. We have to actively monitor the foreign exchange exposure in this respect.

As at 30 June 2008, the Group did not have any material contingent liabilities.

Staff

As of June 2008, the Group employed a total of 5,870 staff, of which 5,827 were employed in Mainland, while 43 were employed in Hong Kong. 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

Taking into consideration of our prospects and need for resources of our business in the coming year, as well as the relative conservative dividend to profit ratio in the past years, the Board of Directors has resolved to declare a final dividend of HK$0.03 (for the year ended 30 June 2007: HK$0.015) per share payable on 8 December 2008 to the shareholders of the Company whose name appeared in the register of members on 28 November 2008. The dividend will be paid out of the profits accumulated over prior years.

Closure of Register of Member

Register of members of the Company will be closed from 24 November 2008 to 28 November 2008 (both days inclusive), during which period no transfer will be effected.

In order to qualify for above-mentioned final dividend, all transfers accompanied by the relevant share certificates must be logged by 4:30 p.m. on 21 November 2008, with the Company's Registrars, Computershare Hong Kong Investor Services Limited at 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Purchase, Sale or Redemption of Shares

During the year ended 30 June 2008, there was no purchase, redemption or disposal of the Group's listed securities by the Group.

Corporate Governance

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

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the year ended 30 June 2008, 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 and the internal control and risk management systems of the Company. The existing committee comprises Mr. Christopher Roger Moss, OBE, Mr. Chung Wai Kwok, Jimmy as chairman, and Mr. Xie Bai Quan, 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 review their reports. During the financial year, the audit committee held three meetings with respect to discuss matters regarding the 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 2008.

Remuneration Committee

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

Board of Directors

As at the date of this report, the Executive Directors are Mr. Lam Chi Ho, Ms. Sun Mi Li and Mr. Tsuji Tadao. The Independent Non-Executive Directors are Mr. Christopher Roger Moss, OBE, Mr. Xie Bai Quan and Mr. Chung Wai Kwok, Jimmy.

Our Advantage Your Benefit

Corporate Governance Practices

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

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

Chairman and Chief Executive Officer

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

Mr. Lam Chi Ho is both the chairman and the chief executive officer of the Group who is responsible for managing the Board and the businesses of the Group. He has been both chairman and chief executive officer of the Group since the incorporation Fittec Electronics Company Limited ("Fittec HK"). The Board considers that Mr. Lam's invaluable experience is a great benefit to the Group. Therefore, the Board is of the view that there is adequate impartiality and safeguards in place.

Appointment and Re-election of Directors

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

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

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 the internal controls of the Group's business operations.

CORPORATE GOVERNANCE REPORT

The Board comprises of three Executive Directors, namely Mr. Lam Chi Ho, Ms. Sun Mi Li, Mr. Tsuji Tadao and three Independent Non-Executive Directors, Mr. Christopher Roger Moss, OBE, Mr. Xie Bai Quan, Mr. Chung Wai Kwok, Jimmy. The members of the Board have no financial, business, family or other material/relevant relationship with each other except that Mr. Lam Chi Ho is the husband of Ms. Sun Mi Li.

Biographical details of the Directors are set out in the section of "Biographical Details of Directors and Senior Management" on pages 16 to 17.

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 2008, the Directors have made active contribution to the affairs of the Group and five Board meetings were held. Details of the Directors' attendance records are set out as follows:–

	No. of Meetings	
Directors	**Held**	**Attended**
Executive Directors		
Mr. Lam Chi Ho	5	5
Ms. Sun Mi Li	5	5
Ms. Wu Siu Fan, Anita (resigned with effect from 1 May 2008)	5	5
Mr. Tsuji Tadao	5	2
Independent Non-Executive Directors		
Mr. Christopher Roger Moss, OBE	5	5
Mr. Xie Bai Quan	5	3
Mr. Chung Wai Kwok, Jimmy	5	5

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. Christopher Roger Moss, OBE, Mr. Chung Wai Kwok, Jimmy as the Chairman, Mr. Xie Bai Quan, 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 year ended 30 June 2008, the audit committee held three meetings. Attendance of each audit committee members is set out as follows:–

	No. of Meetings	
Audit Committee Members	**Held**	**Attended**
Mr. Chung Wai Kwok Jimmy *(Chairman)*	3	3
Mr. Christopher Roger Moss, OBE	3	3
Mr. Xie Bai Quan	3	2

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 the specific remuneration packages of all Executive Directors and senior management of the Group.

The remuneration committee now comprises two Independent Non-Executive Directors, namely, Mr. Christopher Roger Moss, OBE and Mr. Chung Wai Kwok, Jimmy and one Executive Director, namely, Ms. Sun Mi Li.

The remuneration committee held four meetings during the year ended 30 June 2008. The attendance of each remuneration committee member is set out as follows:–

	No. of Meetings	
Remuneration Committee Members	**Held**	**Attended**
Mr. Christopher Roger Moss, OEB *(Chairman)*	4	4
Mr. Chung Wai Kowk, Jimmy	4	4
Ms. Sun Mi Li	4	4

Auditor's Remuneration

The Audit Committee of the Group is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performance by the external auditor. During the year under review, the Group is required to pay an aggregate of approximately HK$1,700,839 to the external auditor for the services including audit and non-audit services.

Accountability and Audit

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

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

Internal Control

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

Conclusion

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. Lam Chi Ho (林志豪), aged 50, is the co-founder, the Chairman and the shareholder of our Group. Mr. Lam was appointed as an Executive Director on 16 November 2005. He is responsible for the overall strategic and corporate planning, business development and general management of the Group since the incorporation of Fittec HK. He has more than 25 years of experience in manufacturing, sales and marketing in the electronic industry. Prior to the establishment of Fittec HK, he was a manager in other companies responsible for sales and marketing, global procurement, manufacturing, purchasing and contract negotiations. Mr. Lam is the husband of Ms. Sun Mi Li.

Ms. Sun Mi Li (孫明莉), aged 44, is the Director of our Group. Ms. Sun was appointed as an Executive Director on 16 November 2005. Ms. Sun has been significantly involved in the administration and management of Fittec HK since its incorporation. She leads the accounting and finance department and supervises the outgoing banking facilities, payments or other financial and accounting related matters. She was appointed as the Director of Fittec HK in February 2003. Ms. Sun provides guidance on finance, logistics, human resources issues and administrative matters since the Company was established. Prior to the appointment, Ms. Sun has been working in various industries in the area of sales and marketing and finance for 17 years. Ms. Sun is the spouse of Mr. Lam Chi Ho.

Mr. Tsuji Tadao (辻忠雄), aged 61, is the general manager of the sales and marketing department. Mr. Tsuji was appointed as an Executive Director on 16 November 2005. He joined our Group as business consultant in May 2002, and was promoted to the current position in August 2004. Mr. Tsuji is responsible for liaising with Japanese customers and directing and supervising the sales and marking department. Prior to joining our Group, he worked for Matsushita Electric Industrial Company Limited in Japan for 40 years and was responsible for various managerial duties. Mr. Tsuji is a qualified internal auditor upon successfully completing of the course of Internal Auditors for ISO 9000 series in 1995.

Independent Non-Executive Directors

Mr. Christopher Roger Moss, OBE, aged 72, was appointed as an Independent Non-Executive Director of our Group on 16 November 2005. He has more than 30 years of experience in the accounting and finance field. He has worked as an international adviser at Goldman Sachs (Asia) LLC from 1996 to 2003. Prior to joining Goldman Sachs (Asia) LLC, he was the finance director of the Mass Transit Railway Corporation in Hong Kong from 1984 to 1996. He was formerly the finance director of British Airways. He is a trust member of Hong Kong Outward Bound and a board member of Chinese International School. He was the former president of the Financial Executives Institute of Hong Kong, former council member of the Hong Kong Society of Accountants and is a vice patron of Community Chest of Hong Kong. He is chartered accountant and a graduate of Cambridge University.

Mr. Chung Wai Kwok, Jimmy (鍾維國), aged 58, was appointed as an Independent Non-Executive Director of our Group on 16 November 2005. He was the President of the Association of Chartered Certified Accountants Hong Kong Branch for the year 2005/2006. He has over 20 years of experience in financial advisory, taxation and management and was a partner of PricewaterhouseCoopers until June 2005. In October 2005, he joined a professional consulting firm, Russell Bedford Hong Kong Limited, as Director – Tax & Business Advisory. Mr. Chung is a member of Hong Kong Institute of Certified Public Accountants, the Taxation Institute of Hong Kong and the Association of Chartered Certified Accountants. He is also currently an Independent Non-Executive Director of Lee Kee Holdings Limited and Tradelink Electronic Commerce Limited, both listed on The Stock Exchange of Hong Kong Limited.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Xie Bai Quan (謝百泉), aged 64, was appointed as an Independent Non-Executive Director on 16 November 2005. He has over 20 years of experience working in various governmental departments in PRC. Prior to his retirement in early 2005, he was a member of the Congress for the City of Shenzhen from 2003 to 2005, secretary of commission of the Shenzhen Futian District government from 2000 to 2003, and chairman of the Shenzhen Futian District government from 1997 to 2002. He also held important roles in provincial and district government in Shenzhen Baoan District and Hainan and Guangdong provinces from 1983 to 1997. He graduated from Guangdong Zhongshan University in 1967, and is an engineer.

Senior Management

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

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 30 June 2008.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2008 are set out in the consolidated income statement on page 25.

No interim dividend was paid to the shareholders during the year. The Directors now recommend the payment of a final dividend of HK$0.03 per share to the shareholders on the register of members on 28 November 2008, amounting to HK$29,052,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 26 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 30 June 2008 amounted to HK$554,456,000 (2007: HK$541,121,000), which comprises the aggregate of contributed surplus of HK$514,642,000 (2007: HK$514,642,000) and accumulated profits of HK$39,814,000 (2007: HK$26,479,000).

Under the Companies Law (1998 Revision) of the Cayman Islands, the contributed surplus is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to payoff its debts as they fall due in the ordinary course of business.

DIRECTORS

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

Executive Directors

Lam Chi Ho
Sun Mi Li
Tsuji Tadao
Wu Siu Fan, Anita (resigned with effect from 1 May 2008)

Independent Non-Executive Directors

Christopher Roger Moss, OBE
Xie Bai Quan
Chung Wai Kwok, Jimmy

In accordance with Articles 86 and 87 of the Company's Article of Associations, Lam Chi Ho and Chung Wai Kwok, Jimmy will retire by rotation, and being eligible, offer themselves for re-election as Directors at the forth coming annual general meeting.

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

DIRECTORS' SERVICE CONTRACTS

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

Each of the Independent Non-Executive Directors of the Company entered into a letter of appointment with the Company and was appointed for a period of two years commencing 15 November 2007 subject to retirement by rotation under the Company's Article of Associations.

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

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2008, the interests of the Directors, the chief executives and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long position

(a) *Ordinary shares of HK$0.1 each of the Company*

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

(b) *Share options*

Name of director	Capacity	Number of options held	Number of underlyingshares
Mr. Tsuji Tadao	Beneficial owner	1,674,000	1,674,000
Ms. Wu Siu Fan, Anita *(Note ii)*	Beneficial owner	2,500,000	2,500,000
		4,174,000	4,174,000

Note:

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

(ii) Ms. Wu Siu Fan, Anita resigned with effect from 1 May 2008. The options have subsequently lapsed on 29 July 2008.

Save as disclosed above, none of the Directors, the chief executive nor their associates had any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations as at 30 June 2008.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 27 to the consolidated financial statements.

The following table discloses movements in the Company's share options during the year:

	Date of grant	Exercisable period	Exercise price per share *HK$*	Outstanding as at 1.7.2007	Lapsed during the year	Outstanding at 30.6.2008
Directors	23.4.2007	23.4.2008 to 22.4.2010	0.97	4,174,000	–	4,174,000
Employees	23.4.2007	23.4.2008 to 22.4.2010	0.97	5,214,000	(588,000)	4,626,000
				9,388,000	(588,000)	8,800,000

The closing price of the Company's shares immediately before 23 April 2007, the date of grant of the options, was HK$0.94 per share.

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 fellow subsidiaries or subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, as at 30 June 2008, the following shareholders had notified the Company of their relevant interests and short position in the issued share capital of the Company.

Long positions

Ordinary shares of HK$0.1 each of the Company

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

Notes:

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

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

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2008.

EMOLUMENT POLICY

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

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company'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 27 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers comprised approximately 93.4% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 69.1% of the Group's total sales for the year.

The aggregate purchases attributable to the Group's five largest suppliers comprised approximately 94.1% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 77.7% of the Group's total purchases for the year.

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 30 June 2008.

DONATIONS

During the year, the Group made charitable donations of HK$257,000.

AUDITOR

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

On behalf of the Board

Lam Chi Ho
Chairman
23 October 2008

AUDITOR'S REPORT

Deloitte.
德勤

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

We have audited the consolidated financial statements of Fittec International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 63, which comprise the consolidated balance sheet as at 30 June 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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, 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 as to 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 and true and fair presentation of the consolidated financial statements 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 state of affairs of the Group as at 30 June 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 October 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2008

	NOTES	2008 HK$'000	2007 HK$'000
Revenue	7	**2,456,380**	1,991,834
Cost of sales		**(2,358,840)**	(1,825,287)
Gross profit		**97,540**	166,547
Other income		**8,533**	23,163
Distribution costs		**(6,450)**	(3,549)
General and administrative expenses		**(80,122)**	(84,169)
Finance costs	8	**(1,273)**	(2,930)
Impairment loss recognised in respect of intangible asset	17	**(31,200)**	–
(Loss) profit before tax		**(12,972)**	99,062
Income tax expenses	9	**(7,578)**	(9,905)
(Loss) profit for the year	10	**(20,550)**	89,157
Dividend paid	13	**14,526**	33,894
Basic (loss) earnings per share	14	**(HK$0.02)**	HK$0.09

CONSOLIDATED BALANCE SHEET

At 30 June 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	15	**627,326**	531,883
Prepaid lease payments	16	**17,213**	–
Intangible asset	17	**–**	39,000
Deposits for acquisition of property, plant and equipment	18	**475**	7,531
		645,014	578,414
Current assets			
Inventories	19	**229,231**	220,447
Trade and other receivables	20	**490,948**	366,617
Prepaid lease payments	16	**357**	–
Investments held for trading	21	**–**	2,057
Bank balances and cash	22	**87,633**	374,681
		808,169	963,802
Current liabilities			
Trade and other payables	23	**265,041**	319,220
Tax liabilities		**50,416**	41,768
Obligations under finance leases – due within one year	24	**3,003**	29,463
		318,460	390,451
Net current assets		**489,709**	573,351
Total assets less current liabilities		**1,134,723**	1,151,765
Non-current liabilities			
Obligations under finance leases – due after one year	24	**497**	3,494
Deferred taxation	25	**18,500**	19,570
		18,997	23,064
		1,115,726	1,128,701
Capital and reserves			
Share capital	26	**96,839**	96,839
Reserves		**1,018,887**	1,031,862
		1,115,726	1,128,701

The consolidated financial statements on pages 25 to 63 were approved and authorised for issue by the Board of Directors on 23 October 2008 and are signed on its behalf by:

Lam Chi Ho	**Sun Mi Li**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2008

	Attributable to equity holders of the Company							
	Share capital	**Share premium**	**Contributed surplus**	**Special reserve**	**Share options reserve**	**Exchange reserve**	**Accumulated profits**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(note i)	*(note ii)*				
At 1 July 2006	96,839	450,739	11,478	6,400	–	(40)	508,449	1,073,865
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	–	–	(964)	–	(964)
Profit for the year	–	–	–	–	–	–	89,157	89,157
Total recognised income for the year	–	–	–	–	–	(964)	89,157	88,193
Recognition of equity-settled share-based payments	–	–	–	–	537	–	–	537
Dividend paid (Note 13)	–	–	–	–	–	–	(33,894)	(33,894)
At 30 June 2007	96,839	450,739	11,478	6,400	537	(1,004)	563,712	1,128,701
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	–	–	19,902	–	19,902
Loss for the year	–	–	–	–	–	–	(20,550)	(20,550)
Total recognised income for the year	–	–	–	–	–	19,902	(20,550)	(648)
Recognition of equity-settled share-based payments	–	–	–	–	2,199	–	–	2,199
Release upon lapse of vested share options	–	–	–	–	(72)	–	72	–
Dividend paid *(Note 13)*	–	–	–	–	–	–	(14,526)	(14,526)
At 30 June 2008	96,839	450,739	11,478	6,400	2,664	18,898	528,708	1,115,726

Notes:

(i) The contributed surplus represented the difference between the fair value of the underlying assets of a subsidiary acquired and the nominal value of the shares issued 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 CASH FLOW STATEMENT

For the year ended 30 June 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before tax	**(12,972)**	99,062
Adjustments for:		
Amortisation of intangible asset	**7,800**	–
Depreciation of property, plant and equipment	**68,987**	53,680
Finance costs	**1,273**	2,930
Loss on disposal of property, plant and equipment	**5**	715
Impairment loss recognised in respect of intangible asset	**31,200**	–
Release of prepaid lease payments	**282**	–
Share-based payment expenses	**2,199**	537
Write back of impairment loss against receivables	**(95)**	–
Interest income	**(6,093)**	(18,864)
Operating cash flows before movements in working capital	**92,586**	138,060
Increase in inventories	**(8,784)**	(106,834)
Increase in trade and other receivables	**(124,236)**	(142,043)
Decrease (increase) in investments held for trading	**2,057**	(172)
(Decrease) increase in trade and other payables	**(54,179)**	178,523
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(92,556)**	67,534
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(129,083)**	(260,672)
Additions to prepaid lease payments	**(16,937)**	–
Deposits for acquisition of property, plant and equipment	**(365)**	(7,531)
Purchase of intangible asset	**–**	(39,000)
Interest received	**6,093**	18,864
Proceeds from disposal of property, plant and equipment	**–**	1,217
NET CASH USED IN INVESTING ACTIVITIES	**(140,292)**	(287,122)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2008

	2008 HK$'000	2007 HK$'000
FINANCING ACTIVITIES		
Repayment of obligations under finance leases	**(29,457)**	(34,144)
Dividends paid	**(14,526)**	(33,894)
Interest paid	**(1,273)**	(2,930)
CASH USED IN FINANCING ACTIVITIES	**(45,256)**	(70,968)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(278,104)**	(290,556)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**374,681**	667,399
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(8,944)**	(2,162)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**87,633**	374,681

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

1. General

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

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

The consolidated financial statements are presented in Hong Kong dollars, while the functional currency of the Company is United States Dollars. The Directors of the Company selected Hong Kong dollars as the presentation currency because the shares of the Company are listed on the Stock Exchange.

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

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning 1 July 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments Disclosures
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of these new HKFRSs had no material effect on how the results and the financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendment)	Puttable Financial Instruments and Obligation Arising on Liquidation[1]
HKAS 39 & HKFRS 7 (Amendment)	Reclassification of Financial Assets[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 12	Service Concession Arrangements[4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[6]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective from 1 July 2008
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 July 2008
6 Effective for annual periods beginning on or after 1 October 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The Directors of the Company anticipate that the application of the other standards, amendments and interpretations will have no material impact on the results and financial position of the Group.

3. Significant Accounting Policies

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

3. Significant Accounting Policies (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the 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.

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

Minority interests in the net assets of consolidated subsidiaries, if any, 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 sold and services provided in the normal course of business.

Service income is recognised when services are provided.

Revenue from 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 including land and buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

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

3. Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term 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 consolidated income statement in the year in which the item is derecognised.

Prepaid lease payments

Prepaid lease payments are up-front payments to acquire long-term leasehold land interest. The prepaid lease payments are stated at cost and are charged to the consolidated income statement over the period of the lease on a straight-line basis.

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 consolidated 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 directly to profit or loss.

Rental payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. 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.

3. Significant Accounting Policies (Continued)

Leasing (Continued)

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification. Leasehold land which title is not expected to pass to the lessee by the end of the lease term is classified as an operating lease unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease.

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, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements.

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 Group (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 exchange 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 consolidated income statement 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 charged 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 as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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.

3. Significant Accounting Policies (Continued)

Taxation (Continued)

Deferred tax is recognised on 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, 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 taxable 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 is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

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 consolidated 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 ("FVTPL") 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.

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 on 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 asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss represents investments held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Company 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.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

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 trade and other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- 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 asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company'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 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset 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. Changes in the carrying amount of the allowance account are recognised in profit or loss. 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.

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

Financial liabilities and equity instruments issued by the Group 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 generally classified as other financial liabilities.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

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 through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits.

3. Significant Accounting Policies (Continued)

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its 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. 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 judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the key assumption concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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.

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 equity holders 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 debts, which include obligations under finance leases and equity attributable to equity holders of the Company, comprised issued share capital and various reserves.

5. Capital Risk Management (Continued)

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

6. Financial Instruments

a. Categories of financial instruments

	2008	2007
	HK$'000	HK$'000
Financial Assets		
Fair value through profit or loss ("FVTPL")		
held for trading investments	**–**	2,057
Loan and receivables (including cash and cash equivalents)	**556,466**	715,496
Financial Liabilities		
Amortised cost	**242,380**	296,085

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, investments held for trading, bank balances and cash, trade and other payables and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price 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 United States dollars, Japanese Yen, Vietnam Dong and Renminbi.

6. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets (including trade and other receivables, investments held for trading and bank balances) and monetary liabilities (including trade and other payables and obligations under finance leases) at the reporting date are as follows:

	Assets		Liabilities	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollars	**508,027**	652,165	**207,927**	256,014
Japanese Yen	**2,982**	18,262	**59**	1,296
Vietnam Dong	**13,663**	–	**–**	–
Renminbi	**31,866**	24,298	**6,658**	10,250

The following table details the Group's sensitivity to a 5% increase and decrease in functional currency against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel 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 United States dollars for entities with Hong Kong dollars as functional currency as the Directors consider that the Group's exposure to United States dollars is insignificant on the ground that Hong Kong dollars is pegged to United States dollars. The sensitivity analysis adjusts their translation at the year end for a 5% change in foreign currency rates.

	Japanese Yen Impact		Vietnam Dong Impact		Renminbi Impact	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
5% increase in functional currency						
Increase in loss for the year	**146**	–	**683**	–	**1,260**	–
Decrease in profit for the year	**–**	848	**–**	–	**–**	702
5% decrease in functional currency						
Decrease in loss for the year	**146**	–	**683**	–	**1,260**	–
Increase in profit for the year	**–**	848	**–**	–	**–**	702

In management's opinion, the sensitivity analysis is unrepresentative 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 both fair value and cash flow interest rate risks in relation to its finance lease obligations which carry fixed interest rate or variable interest rate, as detailed in the liquidity and interest rate risk tables below. The Group is also 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.

As the amount of finance lease obligations with fixed interest rate was small, the Group's exposure to fair value interest rate risk was insignificant.

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 monitor the Group's exposure on ongoing basis and will consider hedging the interest rate should the need arises.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate instruments at the balance sheet date. The analysis is prepared assuming the amount outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 30 June 2008 would decrease/increase by HK$170,000 (2007: profit for the year would increase/decrease by HK$25,000).

Other price risk

The Group is exposed to equity price risk through its investments held for trading. The Group's equity price risk is mainly concentrated on listed equity instruments quoted on the Stock Exchange. Management manages this exposure by maintaining a portfolio of investments with different risks.

Sensitivity analysis

At 30 June 2008, the Group did not have any holding of investment held of trading while the balance of such holding at 30 June 2007 was insignificant.

Credit risk

As at 30 June 2008, 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 balance sheet.

6. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group has a significant concentration of customers and its three largest customers accounted for approximately 90% of its total trade receivable at 30 June 2008 (87% at 30 June 2007). An analysis of the amounts due from these three customers at the balance sheet date is as follows:

	% of total trade receivable	
	At 30.6.2008	At 30.6.2007
Company A	**68**	42
Company B	**16**	30
Company C	**6**	15

In order to minimise the credit risk, management of the Group has delegated a team of staff members responsible for determination of credit limits, credit approvals and other monitoring procedures for all its customers and in particular, its three largest customers to ensure that follow-up action is taken to recover overdue debt. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors 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 its operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. For 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. The table includes both interest and principal cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

6. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables

	Weighted average effective interest rate	Repayable 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$'000	Carrying amount at 30 June 2008 HK$'000
2008							
Non-derivative financial liabilities							
Trade and other payables	–	242,380	–	–	–	242,380	242,380
Obligations under finance leases							
– fixed rate	4.00%	45	139	432	518	1,134	1,060
– variable rate	6.02%*	815	1,653	–	–	2,468	2,440
		243,240	1,792	432	518	245,982	245,880

	Weighted average effective interest rate	Repayable 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$'000	Carrying amount at 30 June 2007 HK$'000
2007							
Non-derivative financial liabilities							
Trade and other payables		296,085	–	–	–	296,085	296,085
Obligations under finance leases							
– fixed rate	4.00%	50	155	813	1,035	2,053	1,615
– variable rate	6.45%*	2,775	7,682	19,157	2,572	32,186	31,342
		298,910	7,837	19,970	3,607	330,324	329,042

* *effective interest rate at the balance sheet date.*

c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions.

The Directors consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

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. An analysis of the Group's revenue for the year is as follows:

	2008 HK$'000	2007 HK$'000
Sales of goods	**2,156,093**	1,605,941
Rendering of services	**300,287**	385,893
	2,456,380	1,991,834

Business segments

For management purpose, 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 the Group reports its primary segment information.

	2008 HK$'000	2007 HK$'000
Revenue		
Pure assembly services	**290,629**	374,988
Procurement and assembly services	**2,156,093**	1,605,941
Repair and maintenance services	**9,658**	10,905
	2,456,380	1,991,834
Segment results		
– Pure assembly services	**16,267**	123,693
– Procurement and assembly services	**78,997**	40,250
– Repair and maintenance services	**2,276**	2,604
	97,540	166,547
Unallocated corporate expenses	**(86,572)**	(87,718)
Unallocated other income	**8,533**	23,163
Finance costs	**(1,273)**	(2,930)
Impairment loss recognised in respect of intangible asset	**(31,200)**	–
(Loss) profit before tax	**(12,972)**	99,062
Income tax expenses	**(7,578)**	(9,905)
(Loss) profit for the year	**(20,550)**	89,157

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

7. REVENUE AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

	2008 HK$'000	2007 HK$'000
Balance sheet		
Segment assets		
– Pure assembly services	**113,448**	80,380
– Procurement and assembly services	**623,597**	513,061
– Repairs and maintenance services	**1,179**	1,154
	738,224	594,595
Unallocated assets	**714,959**	947,621
Total assets	**1,453,183**	1,542,216
Segment liabilities		
– Pure assembly services	**63,974**	97,447
– Procurement and assembly services	**204,352**	254,066
– Repairs and maintenance services	**215**	664
	268,541	352,177
Unallocated liabilities	**68,916**	61,338
Total liabilities	**337,457**	413,515

The majority of the Group's production facilities in the Peoples' Republic of China (the "PRC") are inter-changeably used in different segments. Accordingly, the allocation and analysis of capital additions and depreciation of property, plant and equipment and other non-cash information by business segments is not meaningful.

Geographical segments

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

	2008 HK$'000	2007 HK$'000
Japan	**2,239,781**	1,804,443
Taiwan	**183,942**	185,632
PRC	**32,657**	1,759
	2,456,380	1,991,834

7. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

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

8. Finance Costs

	2008 HK$'000	2007 HK$'000
Interest on borrowings wholly repayable within five years		
– bank borrowings	**149**	–
– finance leases	**1,124**	2,930
	1,273	2,930

9. Income Tax Expenses

	2008 HK$'000	2007 HK$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	**8,648**	6,875
Deferred taxation *(note 25)*	**(1,070)**	3,030
	7,578	9,905

Hong Kong Profits Tax is calculated at 16.5% (2007:17.5%) of the assessable profit for the year. In the opinion of the Directors, based on the Departmental Interpretation Practice Note No. 21 issued by the Inland Revenue Department of Hong Kong, Fittec Electronics Company Limited ("Fittec Electronics"), a subsidiary of the Company, is entitled to at least 50% relief from Hong Kong Profits Tax.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the year ended 30 June 2008.

9. Income Tax Expenses (Continued)

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), which will be effective from 1 January 2008. According to the New CIT Law, the PRC income tax for both domestic and foreign investment enterprises will be unified at 25% effective from 1 January 2008. There will be a transition period for enterprises that currently receive preferential tax treatments granted by relevant tax authorities. Enterprises that are subject to a PRC income tax rate lower than 25% may continue to enjoy the lower PRC income tax rate and gradually transfer to the new PRC income tax rate within five years after the effective date of the New CIT Law. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

For those subsidiaries located in the Shenzhen Free Trade Zone, the PRC, until 31 December 2007, the income tax rate was 15%. According to the New CIT Law which was effective on 1 January 2008, the income tax rate is 18% with effective from 1 January 2008 (it will be gradually increased to 20%, 22%, 24% and 25% with effective from 1 January 2009, 2010, 2011 and 2012 respectively).

Pursuant to the relevant laws and regulations in the PRC, two subsidiaries located in Suzhou are entitled to full exemption from PRC Enterprise Income Tax for two years commencing from their respective first profit-making year of operation and thereafter, are entitled to a 50% relief from PRC Enterprise Income Tax for the following three years. As of 30 June 2008, these two Suzhou subsidiaries had not yet started their first profit-ending year. No provision for PRC Enterprise Income Tax has been made for the year.

In accordance with the relevant tax rules and regulations in Vietnam, the Group's subsidiary in Vietnam will enjoy income tax exemptions and reductions. As of 30 June 2008, this subsidiary had not yet commenced its production and generated any assessable profit. No provision for Vietnam income tax has been made for both years.

The taxation for the year can be reconciled to the (loss) profit before tax per the consolidated income statement as follows:

	2008 **HK$'000**	2007 HK$'000
(Loss) profit before tax	**(12,972)**	99,062
Tax at the applicable income tax rate of 16.5% (2007:17.5%)	**(2,140)**	17,336
Tax effect of expenses not deductible for tax purposes	**8,889**	1,931
Tax effect of income not taxable for tax purposes	**(1,897)**	(5,880)
Tax effect of tax relief in Hong Kong	**(8,691)**	(7,620)
Tax effect of tax losses not recognised	**12,607**	4,886
Utilisation of tax losses previously not recognised	**(71)**	(745)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1)**	(3)
Decrease in opening deferred tax balances resulting from a decrease in applicable tax rate	**(1,118)**	–
Taxation for the year	**7,578**	9,905

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

10. (Loss) Profit for the year

	2008	2007
	HK$'000	HK$'000
(Loss) profit for the year has been arrived at after charging (crediting):		
Directors' emoluments *(note 11)*	**10,245**	9,040
Other staff costs	**180,594**	159,790
Retirement benefits scheme contributions (excluding contributions in respect of Directors)	**5,618**	3,821
Share-based payment expenses, excluding Directors	**1,174**	298
Total staff costs	**197,631**	172,949
Auditor's remuneration	**1,550**	1,550
Amortisation of intangible asset (included in cost of sales)	**7,800**	–
Depreciation of property, plant and equipment	**68,987**	53,680
Release of prepaid lease payments	**282**	–
Cost of inventories recognised as an expense	**2,077,096**	1,487,682
Loss on disposal of property, plant and equipment	**5**	715
Net exchange loss (gain)	**163**	(759)
Gain on changes in fair value on investments held for trading	**–**	(172)
Gain on disposal of investments held for trading	**(33)**	–
Write back of impairment loss against receivables	**(95)**	–
Interest income	**(6,093)**	(18,864)

11. Directors' Emoluments

The emoluments paid or payable to each of the seven Directors (2007: seven Directors) were as follows:

	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$'000	Xie Bai Quan HK$'000	Chung Wai Kwok, Jimmy HK$'000	Total HK$'000
2008								
Fees	**–**	**–**	**–**	**951**	**331**	**139**	**278**	**1,699**
Other emoluments:								
Salaries and other benefits	**2,893**	**2,411**	**1,355**	**195**	**–**	**–**	**–**	**6,854**
Retirement benefits scheme contributions	**12**	**12**	**10**	**–**	**–**	**–**	**–**	**34**
Discretionary bonus *(note i)*	**220**	**183**	**230**	**–**	**–**	**–**	**–**	**633**
Share-based payment expenses	**–**	**–**	**614**	**411**	**–**	**–**	**–**	**1,025**
Total emoluments	**3,125**	**2,606**	**2,209**	**1,557**	**331**	**139**	**278**	**10,245**
2007								
Fees	–	–	–	966	300	120	240	1,626
Other emoluments:								
Salaries and other benefits	2,720	2,267	1,390	–	–	–	–	6,377
Retirement benefits scheme contributions	12	12	12	–	–	–	–	36
Discretionary bonus *(note i)*	200	167	200	195	–	–	–	762
Share-based payment expenses	–	–	143	96	–	–	–	239
Total emoluments	2,932	2,446	1,745	1,257	300	120	240	9,040

No Directors waived any emoluments for the year ended 30 June 2008 and 2007.

Note i: Discretionary bonus is determined primarily based on the performance of each Director.

* Resigned with effect from 1 May 2008.

12. Employees' Emoluments

The five highest paid individuals of the Group included four Directors (2007: four Directors), details of which are set out above. The emoluments of the remaining one individual (2007: one individual) were as follows:

	2008	2007
	HK$'000	HK$'000
Basic salaries and allowances	**654**	626
Bonus	**69**	24
Retirement benefits scheme contributions	**12**	12
Share-based payment expenses	**–**	27
	735	689

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.

13. Dividends

	2008	2007
	HK$'000	HK$'000
Dividend recognised as distribution during the year:		
Interim dividend paid for 2008 – Nil (2007: HK$0.015) per share	**–**	14,526
Final dividend paid for 2007 – HK$0.015 (2007: final dividend for 2006: HK$0.02) per share	**14,526**	19,368
	14,526	33,894

A final dividend of HK$0.03 (2007: HK$0.015) per share, amounting to HK$29,052,000 has been proposed and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. Basic (Loss) Earnings Per Share

The calculation of the basic (loss) earnings per share for the year ended 30 June 2008 is based on the loss attributable to equity holders of the Company of HK$20,550,000 (2007: profit of HK$89,157,000) and the number of 968,394,000 (2007: 968,394,000) shares in issue.

No diluted (loss) earnings per share has been presented because the exercise price of the Company's options was higher than the average market price of the shares for both 2008 and 2007.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

15. 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	Construction in progress HK$'000	Total HK$'000
COST								
At 1 July 2006	2,570	25,734	12,275	5,199	32,914	410,307	–	488,999
Exchange realignment	–	241	322	31	38	830	–	1,462
Additions	–	1,884	20,196	2,935	20,816	182,999	41,853	270,683
Disposals	–	(216)	–	–	–	(2,059)	–	(2,275)
At 30 June 2007	2,570	27,643	32,793	8,165	53,768	592,077	41,853	758,869
Exchange realignment	–	786	3,405	388	1,836	16,834	7,549	30,798
Additions	–	627	884	3,012	15,420	35,057	81,514	136,514
Transferred from CIP	–	–	12,458	–	–	–	(12,458)	–
Disposals	–	–	–	–	(5)	–	–	(5)
Written off	–	(9,811)	–	–	–	–	–	(9,811)
At 30 June 2008	2,570	19,245	49,540	11,565	71,019	643,968	118,458	916,365
ACCUMULATED DEPRECIATION								
At 1 July 2006	159	13,141	3,170	885	13,523	142,507	–	173,385
Exchange realignment	–	12	70	2	36	144	–	264
Provided for the year	51	2,360	3,819	1,068	7,715	38,667	–	53,680
Elimination on disposals	–	–	–	–	–	(343)	–	(343)
At 30 June 2007	210	15,513	7,059	1,955	21,274	180,975	–	226,986
Exchange realignment	–	122	716	45	297	1,697	–	2,877
Provided for the year	51	2,467	6,997	1,897	9,152	48,423	–	68,987
Elimination on written off	–	(9,811)	–	–	–	–	–	(9,811)
At 30 June 2008	261	8,291	14,772	3,897	30,723	231,095	–	289,039
CARRYING AMOUNT								
At 30 June 2008	2,309	10,954	34,768	7,668	40,296	412,873	118,458	627,326
At 30 June 2007	2,360	12,130	25,734	6,210	32,494	411,102	41,853	531,883

The land and buildings are held in Hong Kong under medium-term leases. In the opinion of the Directors, allocation between the land and building elements could not be made reliably.

15. Property, Plant and Equipment (Continued)

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis at the following rates per annum:

Land and buildings	Shorter of 2% or the lease terms, where appropriate
Furniture and fixtures	20%
Leasehold improvements	Shorter of 10% or the lease terms, where appropriate
Motor vehicles	20%
Office equipment	20%
Plant and machinery	7.5% to 20%

The carrying amount of plant and machinery at 30 June 2008 included an amount of HK$33,759,000 (2007: HK$119,173,000) in respect of assets held under finance leases.

16. Prepaid Lease Payments

	2008 **HK$'000**	2007 HK$'000
The Group's prepaid lease payments comprise leasehold land in the PRC held under medium lease	**17,570**	–
Analysed for reporting purposes as:		
Current assets	**357**	–
Non-current assets	**17,213**	–
	17,570	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

17. Intangible Asset

	HK$'000
COST	
At 1 July 2006	–
Additions	39,000
At 30 June 2007 and 30 June 2008	39,000
AMORTISATION AND IMPAIRMENT	
At 1 July 2006	–
Charge for the year	–
At 30 June 2007	–
Charge for the year	7,800
Impairment loss recognised	31,200
At 30 June 2008	39,000
CARRYING VALUE	
At 30 June 2008	–
At 30 June 2007	39,000

The intangible asset represented a technology license acquired from an independent third party during the year ended 30 June 2007 for the production of Dual Interface Memory Card Converter ("the Converter Manufacturing Business"). The cost of the license was to be amortised over its estimated useful life of 5 years on a straight line basis commencing from the time when commercial production using the relevant technology began.

Commercial production using the technology license commenced during the year ended 30 June 2008 and the Group started to amortise the intangible asset. However, due to the rapid changes in technologies and the competitiveness of similar products in the market, the level of sale orders secured by the Group was unsatisfactory. The Directors, having considered the market conditions and business prospects, have decided not to continue the Converter Manufacturing Business. Consequently, the Directors consider that the unamortised balance of the intangible asset which was HK$31,200,000 at 30 June 2008 would not be recoverable and the full amount was recognised as an impairment loss in the consolidated income statement for the year ended 30 June 2008.

18. 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 amounts outstanding are shown as capital commitments in note 29.

19. Inventories

	2008 HK$'000	2007 HK$'000
Raw materials	**135,194**	155,109
Work in progress	**20,521**	15,798
Finished goods	**73,516**	49,540
	229,231	220,447

20. Trade and Other Receivables

	2008 HK$'000	2007 HK$'000
Trade receivables	**453,242**	328,224
Less: allowance for doubtful debts	**–**	(95)
	453,242	328,129
Prepayments	**7,405**	5,092
Deposits and other receivables	**30,301**	33,396
Trade and other receivables	**490,948**	366,617

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

	2008 HK$'000	2007 HK$'000
0-30 days	**194,389**	299,638
31-60 days	**237,527**	14,130
61-90 days	**14,412**	2,760
91-180 days	**2,943**	11,601
181-365 days	**2,204**	–
Over 365 days	**1,767**	–
Trade receivables	**453,242**	328,129

Included in the trade receivables is an aggregate amount of approximately HK$447,000,000 (2007: HK$309,000,000) which is denominated in United States dollars.

20. 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. 98.5% of the trade receivables that were neither past due nor impaired at 30 June 2008 have good repayment history in previous years.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$6,914,000 (2007: HK$11,601,000) which were past due at 30 June 2008 and for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 240 days (2007: 135 days).

Ageing of trade receivables which were past due but not impaired

	2008	2007
	HK$'000	HK$'000
91 – 180 days	**2,943**	11,601
181 – 365 days	**2,204**	–
Over 365 days	**1,767**	–
	6,914	11,601

The above trade debts are related to customers that have good repayment history with the Group. Management believes that no impairment allowances 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 fully recoverable.

Movement in the allowance for doubtful debts

	2008	2007
	HK$'000	HK$'000
Balance at beginning of the year	**95**	95
Write back of impairment loss against receivables	**(95)**	–
Balance at end of the year	**–**	95

The impairment loss recognised on trade receivables in prior years was mainly because those trade debtors have financial difficulties.

21. Investments Held for Trading

The balance at 30 June 2007 represents investments in unit trust quoted in Hong Kong that offered the Group the opportunity for return through fair value gains. The fair values of the securities were based on market bid prices available on the relevant exchange.

During the year ended 30 June 2008, these investments were fully disposed of.

22. 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 0.88% to 5.48% (2007: 4% to 5%) per annum.

At the balance sheet date, 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:

	2008	2007
	HK$'000	HK$'000
United States dollars	**60,192**	333,677
Japanese Yen	**2,982**	18,262
Vietnam Dong	**11,021**	–
Renminbi	**8,792**	9,079
	82,987	361,018

23. Trade and Other Payables

	2008	2007
	HK$'000	HK$'000
Trade payables	**240,849**	290,256
Payables for acquisition of property, plant and equipment	**1,079**	3,014
Accruals and other payables	**23,113**	25,950
	265,041	319,220

The aged analysis of the Group's trade payables as at the balance sheet date are as follows:

	2008	2007
	HK$'000	HK$'000
0-30 days	**195,850**	225,186
31-60 days	**41,941**	62,862
61-90 days	**733**	1,549
91-180 days	**858**	659
181-365 days	**1,467**	–
	240,849	290,256

Included in the trade payables is an aggregate amount of approximately HK$207,927,000 (2007: HK$256,014,000) which is denominated in United States dollars.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

24. Obligations Under Finance Leases

	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable under finance leases				
– within one year	**3,084**	30,632	**3,003**	29,463
– in more than one year but not more than two years	**451**	3,105	**430**	3,014
– in more than two years but not more than three years	**67**	451	**67**	430
– in more than three years but not more than four years	**–**	51	**–**	50
	3,602	34,239	**3,500**	32,957
Less: Future finance charges	**(102)**	(1,282)		
Present value of lease obligations	**3,500**	32,957		
Less: Amount due within one year shown under current liabilities			**(3,003)**	(29,463)
Amount due after one year			**497**	3,494

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 2008, the average effective borrowing rate was 5.01% (2007: 5.23%) per annum. Interest rates underlying all obligations under finance leases were fixed at the respective contract dates ranging from a flat rate of 4% to 0.334% to 2% above Hong Kong Interbank Offered Rate ("HIBOR") (2007: a flat rate of 4% to 0.334% to 2% above HIBOR) per annum. No arrangement was entered into for contingent rental payments.

At 30 June 2007, finance lease obligations in the equivalent amount of HK$1,226,000 were denominated in Japanese Yen. At 30 June 2008, all finance lease obligations were denominated in the functional currencies of the relevant entities.

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

25. Deferred Taxation

The following is the deferred tax liability recognised and movements thereon during the current and prior reporting years:

	Accelerated tax depreciation
	HK$'000
At 1 July 2006	16,540
Charged to consolidated income statement for the year	3,030
At 30 June 2007	19,570
Charged to consolidated income statement for the year	48
Effect of a change in applicable tax rate	(1,118)
At 30 June 2008	18,500

At the balance sheet date, the Group had unutilised tax losses of HK$104,150,000 (2007: HK$27,920,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

26. Share Capital

	Number of shares	**Amounts**
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 July 2006, 30 June 2007 and 2008	3,000,000,000	300,000
Issued and fully paid:		
At 1 July 2006, 30 June 2007 and 2008	968,394,000	96,839

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

27. Share-based Payment Transactions (Continued)

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 of 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 share.

Details of the share options granted under the Scheme are as follows:

	Date of grant	Vesting date	Exercisable period	Exercise price per share HK$	Outstanding as at 1.7.2007	Lapsed during the year	Outstanding as at 30.6.2008
Directors	23.4.2007	23.4.2008	23.4.2008 to 22.4.2010	0.97	4,174,000	–	4,174,000
Employees	23.4.2007	23.4.2008	23.4.2008 to 22.4.2010	0.97	5,214,000	(588,000)	4,626,000
					9,388,000	(588,000)	8,800,000

Total consideration received for the grant of options during the year ended 30 June 2007 was HK$68.

The total estimated fair value of the share options granted on 23 April 2007 was HK$2,844,000 on the date of grant. During the year ended 30 June 2008, with reference to the vesting period, the Group recognised share-based payment expenses of HK$2,199,000 (2007: HK$537,000) of which HK$1,174,000 (2007: HK$298,000) and HK$1,025,000 (2007: HK$239,000) were related to employees and Directors, respectively.

The fair value was calculated using the binominal model (the "Model"). The inputs into the Model were as follows:

Closing share price at the date of grant	HK$0.94
Exercise price	HK$0.97
Expected volatility	46.618%
Expected life	3 years
Risk-free rate	3.94%
Expected dividend yield	2.17%
Fair value per share option	HK$0.3029

27. Share-based Payment Transactions (Continued)

The value of an option varies with different variables of certain subjective assumptions. Expected volatility was determined by using the historical volatility of the Company's share price over the previous two years. The expected life used in the Model has been estimated, based on the management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

During the year ended 30 June 2008, 588,000 share options were lapsed and no share options were exercised and cancelled during the year.

28. Operating Lease Commitments

During the year, the Group made minimum lease payments of HK$31,200,000 (2007: HK$29,436,000) 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 nine years.

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

	2008 **HK$'000**	2007 HK$'000
Within one year	**31,711**	21,085
In the second to fifth year inclusive	**47,259**	50,100
Over five years	**8,575**	10,590
	87,545	81,775

29. Capital Commitments

	2008 **HK$'000**	2007 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**20,771**	60,947

30. Pledge of Assets

At 30 June 2007, the Group pledged its investments held for trading with a carrying amount of HK$2,057,000 to banks to secure general banking facilities granted to the Group. There was no pledge of assets at 30 June 2008.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

31. Retirement Benefits Plans

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

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

(ii) Plans for PRC employees

The employees employed in the PRC are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement 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.

The total cost of HK$5,652,000 (2007: HK$3,857,000) charged to consolidated income statement represents contributions paid or payable to the above schemes by the Group for the year.

32. Related Party Disclosures

Compensation of key management personnel

	2008	2007
	HK$'000	HK$'000
Short-term employee benefits	**9,186**	8,765
Post-employment benefits	**34**	36
Share-based payment	**1,025**	239
	10,245	9,040

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

33. Particulars of Subsidiaries of the Company

Particulars of the Company's subsidiaries as at 30 June 2008 and 30 June 2007 are as follows:

Name of subsidiaries	Place of establishment/ incorporation	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
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$7,776,139	–	100%	Manufacturing of PCB, electronics components and related parts
Fittec Electronics (Shenzhen) Co., Ltd.* 奕達電子(深圳)有限公司	PRC	Paid up capital US$242,565	–	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$23,421,610	–	100%	Manufacturing of PCB, electronics components and related parts
Fung Da Electronics (Shenzhen) Co., Ltd.* 豐達電子維修(深圳)有限公司	PRC	Paid up capital RMB1,000,000	–	100%	Provision of repair and maintenance services
Toprich Electronics Technology Limited 騰達電子科技有限公司	Hong Kong	Paid up capital HK$100	–	80%	Investment holding
Suzhou Toprich Electronics Technology Limited* 蘇州鵬達科技有限公司	PRC	Paid up capital US$3,316,522	–	80%	Manufacturing of PCB, electronics components and related parts
Mega Step Development Limited# 佰達發展有限公司	Hong Kong	Paid up capital HK$1	–	100%	Investment holding
Mega Step Electronics (Vietnam) Co., Ltd.#	Vietnam	Paid up capital US$2,700,000	–	100%	Not yet commenced production

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

\# *These subsidiaries are newly incorporated in 2008.*

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

FINANCIAL SUMMARY

Results

	Year ended 30 June				
	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000	**2008** **HK$'000**
Revenue	1,535,491	1,628,475	1,797,041	1,991,834	**2,456,380**
Profit (loss) before tax	111,971	210,180	180,397	99,062	**(12,972)**
Taxation	(12,072)	(18,350)	(14,280)	(9,905)	**(7,578)**
Profit (loss) for the year	99,899	191,830	166,117	89,157	**(20,550)**
Attributable to:					
Equity holders of the Company	95,903	187,993	166,117	89,157	**(20,550)**
Minority interests	3,996	3,837	–	–	**–**
	99,899	191,830	166,117	89,157	**(20,550)**

Assets and Liabilities

	At 30 June				
	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000	**2008** **HK$'000**
Total assets	607,581	672,130	1,330,082	1,542,216	**1,453,183**
Total liabilities	406,549	279,268	256,217	413,515	**337,457**
Shareholders' funds	201,032	392,862	1,073,865	1,128,701	**1,115,726**
Attributable to:					
Equity holders of the Company	192,991	392,862	1,073,865	1,128,701	**1,115,726**
Minority interests	8,041	–	–	–	**–**
	201,032	392,862	1,073,865	1,128,701	**1,115,726**