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

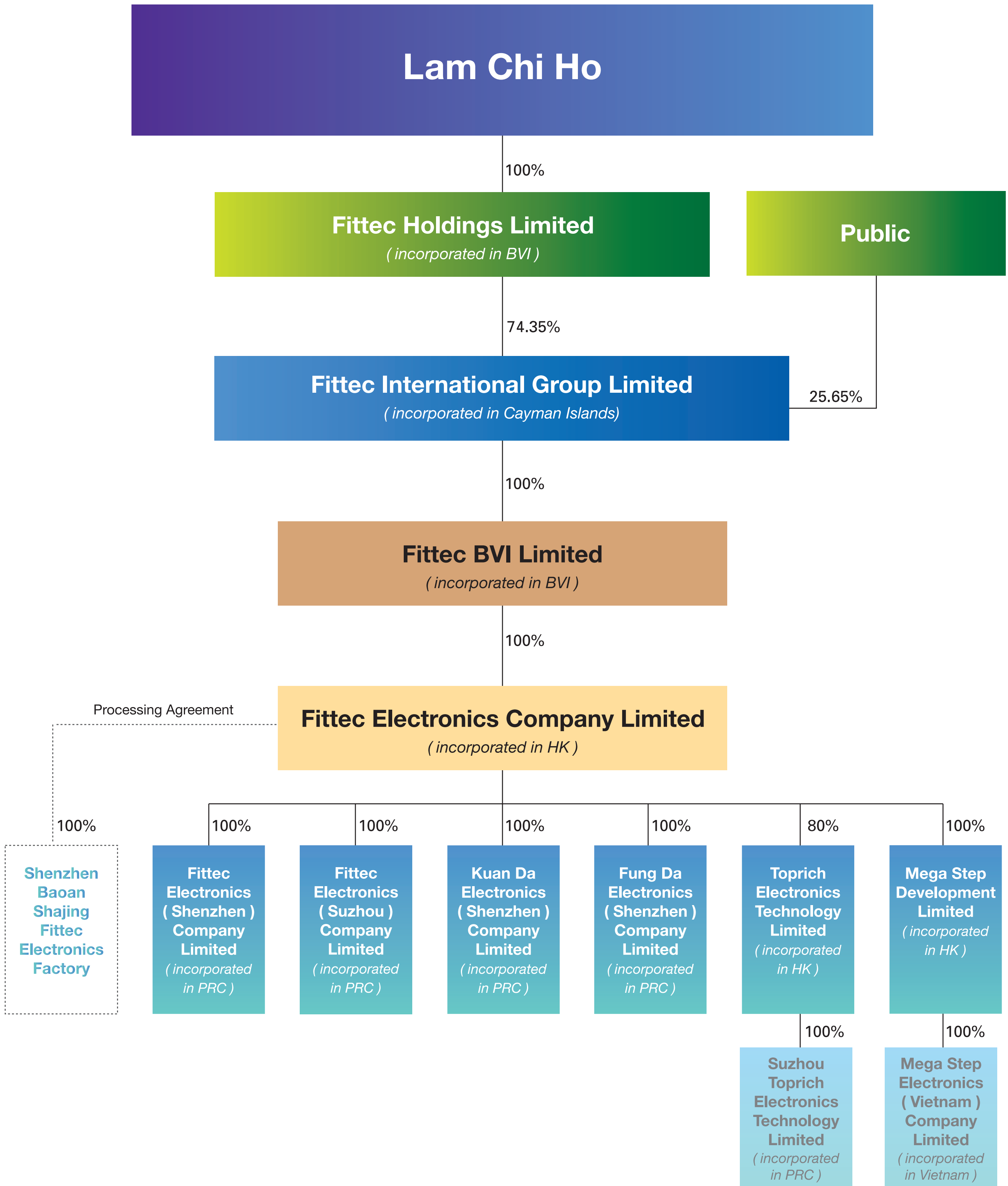
2008/2009

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. Chung Wai Kwok, Jimmy
Mr. Xie Bai Quan
Mr. Tam Wing Kin

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 Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

Branch Share Registrar in Hong Kong

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716
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,

During the year under review, the global economy has entered the worst recession in the decades since the "Great Depression". Most countries, from developed to developing to under-developed, are facing difficulties to control their damages resulting from the collapsing financial institutions and serious chain reactions. Consequently, consumers all over the world are suffering from the financial turbulence with less spending capabilities, which is unfortunately driving the economy further into a downward spiral.

Uncertain of how long and how bad the recession would be, together with the fast diminishing personal assets, consumers suspended normal personal spending immediately. The sudden halt in buying caused inventories across worldwide retail stores to pile up, which eventually pushed back demands from all production factories. As a result, all worldwide leading OEM/ODM/EMS are facing the deepest decline in production since World War II.

In line with the shrinking EMS industry, our revenue has declined more than 26% to HK$1,807 million for the twelve months that ended 30 June 2009. Fierce competition associated with reduced volume, among other challenges from the operational environment, led to a downturn of gross profit to HK$29 million and net profit to negative HK$38 million for the first time since the Group established its business.

Although the global economy and overall operating environment was tough, we were able to broaden our client base and product mix during the year. Apart from maintaining partnerships with our major clients including Toshiba, Matsushita and ASRock, we are working closely with China's leading local firms in co-developing the fastest growing product sector – the small form factor Notebook, also known as Netbook.

The Group also set up its first final product assembly lines in its Shenzhen factory and expanded its manufacturing service from original PCB Board assembly level to final product assembly, which was a great improvement during this tough time. The expanded client base and more diversified product mix plus opportunity to get into the Netbook market have given us a more solid foundation to develop our business in the future once the global economy stops its decline and regains its composure.

Taking into consideration of our prospects and the need for resources of our business in the coming years, I have recommended to the Board and the Board agreed to declare a final dividend of HK$0.02 per share this year to reward shareholders for their support. The dividend will be paid out of the profits accumulated over prior years. Looking ahead, we are aware of the challenges and expect the next fiscal year to be slightly less difficult as the worldwide economy attempts to rebound from its nadir. However, operation costs in the PRC will continue rising, driven mainly by the newly enacted China Labor Law. To cope with these challenges, we started last year to construct our new factory in Vietnam to mitigate the pressure from the growing operation costs in the PRC and to capture new orders from OEMs and ODMs around that plant. The construction of the new factory has been completed and mass production is expected to commence in the coming new fiscal year, which would lower the overall operational costs of the Group after it is fully operational.

In the mid- to long-term, we remain prudently optimistic about our business. To meet end-user demands for consumer electronics and rapid technological advancement, more and more OEMs need to outsource manufacturing procedures to EMS providers for cutting costs and shortening production lead time in order to enhance their competitiveness. Because we enjoy long-term relationship with top-tier customers, and because we are capable of meeting stringent requirements and delivering high-quality products, we are poised to capture opportunities ahead.

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

Philip Lam
Chairman

Hong Kong, 22 October 2009

Industry HighLight

Financial Review

The financial year ended 30 June 2009 was full of challenges and opportunities. We are one of the leading EMS providers in PRC's PCB assembly industry, with revenue of HK$1,807 million in fiscal year 2009. (for the year ended 30 June 2008: HK$2,456 million). Due to the dramatically deteriorating global macroeconomic woes and credit crisis in financial market, the demand for our customers' products has slowed down, especially in computer and mobile communication industries which we serve. This environment puts pressure on certain of our customers' cost structures, leading them to reduce their manufacturing and supply chain outsourcing requirements. The manufacturing capacities were under-utilized as a result of decrease in the demand of customers' products that in turn pushed up average production cost. The overall cost of sales decreased by 24.6% which is not in line with the turnover. This is a result of higher labour cost and appreciation of RMB. Gross profit was down to HK$29 million for the year (for the year ended 30 June 2008: HK$98 million).

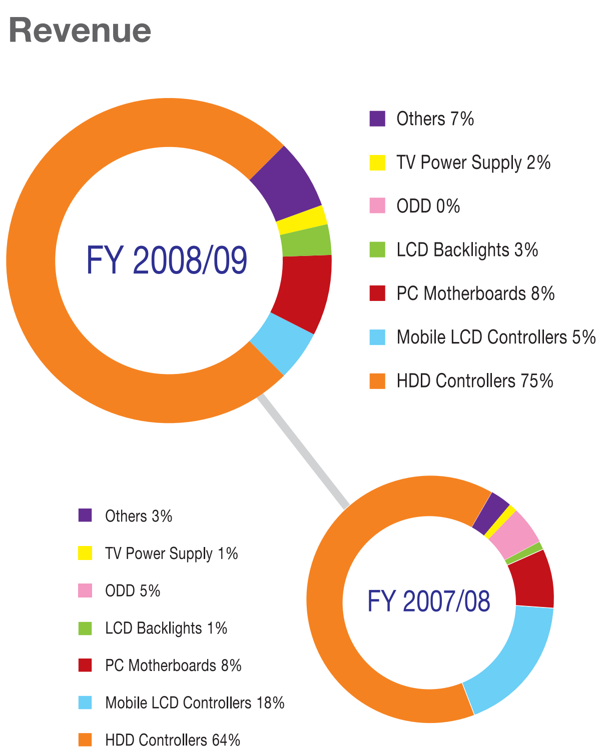
The sharp decrease in revenue in combination with idle capacity costs caused by low capacity utilization lead to a significant decrease in Group's profit in fiscal year 2009 compared to that of 2008. The increased operational expenses were partly attributable to the consistent appreciation of RMB, pushing 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. The Group recorded a net loss of HK$38 million for the year (for the year ended 30 June 2008: HK$21 million).

Business Review

The Group derives revenues from three major products, namely HDD controllers, mobile LCD controllers and PC motherboards. New products started mass production at the Shajing factory in September and began to bring both revenue and profit to the Group soon after. During the year, the migration of clients' 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			
	FY2008/09		FY2007/08	
	Amounts (HKD million)	**%**	Amounts (HKD million)	%
HDD Controllers	**1,361**	**75**	1,586	64
Mobile LCD Controllers	**98**	**5**	439	18
PC Motherboards	**145**	**8**	202	8
LCD Backlights	**54**	**3**	18	1
ODD	**–**	**–**	112	5
TV Power Supply	**28**	**2**	25	1
Others	**121**	**7**	74	3
	1,807	**100**	2,456	100



HDD Controllers

HDD controllers sales have continued to expand during the worse phase of the current downturn. HDD controllers are printed circuit boards that control data transmission to and from the disk drive in portable devices like notebook computers, netbook computers, set top boxes, MP3 players, digital video recorders, camcorders and GPS systems. This sector's revenue amounted to HK$1,361 million, down from HK$1,586 million last year. The impact of the credit crunch is clearly apparent in the HDD shipments. This was mainly driven by reduced demand for consumer electronic products as the financial crisis had eroded the confidence of consumers. 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 the 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. The handset display market was already struggling in 2008 due to declining average selling prices and dwindling margins. Under the current tough economic conditions, the mobile-phone market continues to shrink, although some panels for these products are likely to enjoy stable pricing or perhaps slight increases. Mobile LCD controller pricing remains weak. Many display suppliers, especially those in Taiwan, are striving to increase their market share and penetrate into the large handset vendors, specifically for smart-phone products. In order to win new projects, and they are likely to be more competitive on prices. The decreasing replacement rates for handsets due to deteriorating economic conditions were the main cause for the market downturn. New handset demand from the emerging countries was not sufficient to offset this decline. In this fiscal year, our customers decreased orders for mobile LCD controllers and a customer transferred its LCD controller business to its competitor, which resulted in a notable decrease in revenue from the segment to HK$98 million, against HK$439 million in the previous year.

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. For the first time since the Dot-Com bust of 2001, iSuppli predicts that the global PC market will suffer a contraction in unit shipment in 2009, due to a combination of falling IT spending and plunging sales of desktop computers.

Penetration of netbook is one of the major factors behind. The other factor is a dramatic reduction in demand from enterprise customers. Corporate responded quickly to the economic downturn by cutting purchase, especially of expensive IT-related products. Tight budgets are squeezing corporate IT spending. This is hitting desktop and server sales particularly hard. All these factors directly affect our customers' product demand. The revenue of this segment suffers a decline, with falling to HK$145 million, down by 28% from HK$202 million in 2008.

Others

The sector includes other existing and new products.

During the year, the Group no longer had revenue generated from HD –DVD and ODD controllers. (For the year ended 30 June 2008: HK$115 million) Toshiba exited the HD-DVD market in March 2008. It also affected the ODD revenue directly since the ODD controllers were mainly supplied for HD-DVD player.

During the year, the Group entered into Netbook market which contributed revenue of HK$3million. Demand for LCD TV power supply boards and LCD backlights increased and contributed revenue of HK$28 million and HK$54 million (for the year ended 30 June 2008: LCD TV power supply boards: HK$25 million; LCD backlights: HK$18 million) respectively. During the year, the Group added more high-growing potential products such as projectors and netbooks to its diverse portfolio. For instance, the partnership with Toshiba saw the Group started trial production of the fast growing LCD TV mainboard which started mass production in September 2009. These high-margin products will allow the Group to sustain growth and improve profitability.

Production Facilities

The Group operated two plants in China. One is in Southern China, Shajing and the other is in Eastern China, Suzhou.

As at 30 June 2009, the Shajing plant had 77 SMT lines and a production capacity of 81.8 billion chips per year while the Suzhou plant, equipped with 18 SMT lines, was able to output 15.4 billion chips a year.

For both the Shajing and Suzhou plant, utilization rate was still below the optimum level as a result of decreased orders. To address the issue, the Group has been actively seeking new customers to fill up the capacity.

During the year, the Group has made progress in expanding its production base to Vietnam. As at 30 June 2009, the Vietnam plant had 11 SMT lines and, if in full capacity, should be able to output 9.2 billion chips a year. The plant's trial productions has been completed and passed. This plant is ready for mass production in the coming fiscal year.

The overall utilization rate of the Group's production facilities was steadily increased to 69% as at 30 June 2009. The desired full utilization rate of the facilities is 85%.

Prospects

Latest statement from the Federal Reserve Banks of the United States indicates the worst period of this recession is about to over. Thus the global economy will gradually rebound, and eventually consumers will resume their normal buying patterns. In anticipation of the positive development, the Group believes the overall demands from various consumers' electronic industries shall start to improve, and so will the OEM/EMS industries.

Looking forward, the Group is moderately optimistic about the market outlook of HDD controllers and LCD TV controller boards, and expects steady growth for both product segments as the worldwide economy showing signs of rebounding from its nadir. Booming Netbook PC market shall stimulate the demand for the small form factor HDD, which the Group is focusing now. Worldwide trend of the conversion of TV broadcasting from analog to digital format will also increase the replacement ratio of traditional CRT TV to LCD TV sets.

However, the worldwide leading EMS market analysis company, the iSuppli, cut its revenue forecast for the 2006-2012 timeframe to 1.3% Compound Annual Growth Rate (CAGR), down from 5.3% before. The revised report also indicates the market is not going to fully recover in the foreseeable future, which will inevitably slow down the growth of the overall worldwide EMS market.

Besides, the business environment remains tough with minimum wages in the PRC on constant climb and pressure from appreciation of Renminbi. To tackle these challenges, the Group has made good progress in setting up a plant in Ho Chi Minh City of Vietnam during the year under review. The Group believes that upon completion and full operation of this new plant, it shall be able to combat the production cost issue in the PRC and to capture new orders from OEMs and ODMs near that plant.

In addition, the Group will maintain the strategy of focusing on high-margin products, deriving synergy from the partnership with top-tier customers and tightening ties with them. The Group will also keep its eye on new opportunities, such as the newly developed Netbook PC product sector, which strengthens the Group's client base. The Group will also enrich its product mix with high growth potential products to satisfy the fast growing consumer electronics market.

Management Discussion and Analysis

Liquidity and Financial Resources

The Group had bank balances and cash of approximately HK$ 304 million as at 30 June 2009 (for the year ended 30 June 2008: HK$88 million). The Group generally finances its operations through its internal resources and bank facilities provided by its principal bankers. As at 30 June 2009, the Group had net current assets of approximately HK$427 million and a current ratio of 1.86 (for the year ended 30 June 2008: net current assets: HK$490 million; current ratio: 2.54). The Group's net asset value was HK$1,054 million (for the year ended 30 June 2008: HK$1,116 million). Apart from obligations under finance lease, the Group was debt free as at 30 June 2009. All finance leases were utilized in financing the Group's machinery. The Group's total obligation under finance lease decreased from HK$4 million as at 30 June 2008 to HK$0.5 million as at 30 June 2009 in which approximately HK$0.43 million repayable within one year, HK$0.05 million repayable from two to five years. Total debt to total assets ratio was 33% (for the year ended 30 June 2008: 23%). 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. In these regards, the Group has been actively monitoring the foreign exchange exposure. As at 30 June 2009, the Group did not have any material contingent liabilities.

Staff

As of June 2009, the Group employed a total of 5,428 staffs, of which 5,247 were employed in Mainland, 144 were employed in Vietnam and 37 were employed in Hong Kong (for the year ended 30 June 2008: Total: 5,870 staffs; Mainland: 5,827 staffs; Hong Kong: 43 staffs). The Group has implemented remuneration package, bonus and share option scheme which were part of the remuneration policy designed to motivate individual staff by linking part of the staff's compensation with their respective performance. In addition, fringe benefits such as insurance, medical allowance and pensions were provided to ensure the competitiveness of remuneration packages offered by the Group.

Dividend

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 past years, the Board of Directors has resolved to declare a final dividend of HK$0.02 (for the year ended 30 June 2008: HK$0.03) per share payable on 8 December 2009 to the shareholders of the Company whose names appeared in the register of members on 24 November 2009. 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 17 November 2009 to 24 November 2009 (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 16 November 2009, with the Company's Registrars, Computershare Hong Kong Investor Services Limited at Rooms 1712 – 1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Purchase, Sale or Redemption of Shares

During the year ended 30 June 2009, 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 impartiality and safeguards in place.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the year ended 30 June 2009, all Directors have fully complied with the required standard set out in the Model Code.

Audit Committee

The Company has formed an audit committee to assist the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Company. The existing committee comprises Mr. Chung Wai Kwok, Jimmy as chairman, Mr. Xie Bai Quan, and Mr. Tam Wing Kin, 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 discussing matters regarding internal controls and financial reporting (including the interim results before proposing them to the Board for approval) with the management and external auditors. The audit committee has reviewed the results announcement of the Group for the year ended 30 June 2009.

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. Tam Wing Kin and comprises two other members, namely, Mr. Chung Wai Kwok, Jimmy and Ms. Sun Mi Li. All remuneration committee members, with the exception of Ms. Sun Mi Li, are Independent Non-Executive Directors. The principal duties of the remuneration committee as set out in its items of reference include, inter alia, the determination of remuneration of Executive Directors and senior management and review of the remuneration policy of the Group.

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. Xie Bai Quan Mr. Chung Wai Kwok, Jimmy and Mr. Tam Wing Kin.

Technology Explore

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 of 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 internal controls of the Group's business operations.

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. Chung Wai Kwok, Mr. Xie Bai Quan, Jimmy, Mr. Tam Wing Kin. 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.

Corporate Governance Report

During the year ended 30 June 2009, 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 follow:–

	No. of Meetings	
Directors	**Held**	**Attended**
Executive Directors		
Mr. Lam Chi Ho	5	4
Ms. Sun Mi Li	5	5
Mr. Tsuji Tadao	5	4
Independent Non-Executive Directors		
Mr. Xie Bai Quan	5	3
Mr. Chung Wai Kwok, Jimmy	5	4
Mr. Tam Wing Kin (appointed with effect from 1 January 2009)	5	3
Mr. Christopher Roger Moss, OBE (resigned with effect from 1 January 2009)	5	1

Audit Committee

The Company has established an audit committee with written terms of reference based as suggested under the Code of Best Practice set out in Appendix 14 of the Listing Rules and adopted with reference to "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants. The Audit Committee comprises Mr. Chung Wai Kwok, Jimmy as the Chairman, Mr. Xie Bai Quan and Mr. Tam Wing Kin 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 2009, the audit committee held three meetings. Attendance of each audit committee member is set out as follows:–

	No. of Meetings	
Audit Committee Members	**Held**	**Attended**
Mr. Chung Wai Kwok Jimmy *(Chairman)*	3	3
Mr. Xie Bai Quan	3	3
Mr. Tam Wing Kin (appointed with effect from 1 January 2009)	3	2
Mr. Christopher Roger Moss, OBE (resigned with effect from 1 January 2009)	3	1

Remuneration Committee

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

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

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

The remuneration committee held three meetings during the year ended 30 June 2009. The attendance of each remuneration committee member is set out as follows:–

	No. of Meetings	
Remuneration Committee Members	**Held**	**Attended**
Ms. Tam Wing Kin *(Chairman)* (appointed with effect from 1 January 2009)	3	2
Mr. Chung Wai Kowk, Jimmy	3	3
Ms. Sun Mi Li	3	3
Mr. Christopher Roger Moss, OEB *(Chairman)* (resigned with effect from 1 January 2009)	3	1

Auditor's Remuneration

The Audit Committee of the Group is responsible for considering the appointment of external auditors and reviewing any nonaudit functions performance by external auditors. During the year under review, the Group is required to pay an aggregate of approximately HK$2,059,000 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 51, 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 electronics industry. Prior to the establishment of Fittec HK, he was a manager in other companies responsible for sales and marketing, global procurement, manufacturing, purchasing and contract negotiations. Mr. Lam is the husband of Ms. Sun Mi Li.

Ms. Sun Mi Li (孫明莉), aged 45, 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 areas 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 62, 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 his successful completion of the course of Internal Auditors for ISO 9000 series in 1995.

Independent Non-Executive Directors

Mr. Tam Wing Kin (譚榮健), aged 43, was appointed as an Independent Non-Executive Director of our Group on 1 January 2009. He is currently a qualified accountant and company secretary of Imagi International Holdings Limited. He is an independent non-executive director and the chairman of the audit committee of Intcera High Tech Group Limited. He was an executive director of Tomorrow International Holdings Limited from February 2000 to August 2007. He is a member of the Chartered Institute of Management Accountants, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a Certified Public Accountant (Practising). He has over 20 years of experience in accounting field.

Biographical Details of Directors and Senior Management

Mr. Chung Wai Kwok, Jimmy (鍾維國), aged 59, 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.

Mr. Xie Bai Quan (謝百泉), aged 65, 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 was 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 2009.

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 2009 are set out in the consolidated income statement on page 26.

No interim dividend was paid to the shareholders during the year. The Directors now recommend the payment of a final dividend of HK$0.02 per share to the shareholders on the register of members on 24 November 2009, amounting to HK$19,368,000 for the year ended 30 June 2009.

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 the Company's share capital are set out in note 27 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 2009 amounted to HK$558,092,000 (2008: HK$554,456,000), which comprises the aggregate of contributed surplus of HK$514,642,000 (2008: HK$514,642,000) and accumulated profits of HK$43,450,000 (2008: HK$39,814,000).

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

Independent Non-Executive Directors

Xie Bai Quan	
Chung Wai Kwok, Jimmy	
Tam Wing Kin	(appointed on 1 January 2009)
Christopher Roger Moss, OBE	(resigned on 1 January 2009)

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

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers all the Independent Non-Executive Directors 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 2008 or 1 January 2009 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 2009, 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)	720,000,000	74.35%
Ms. Sun Mi Li	Family interest (note)	720,000,000	74.35%

(b) Share options

Name of director	Capacity	Number of options held	Number of underlying shares
Mr. Tsuji Tadao	Beneficial owner	1,674,000	1,674,000

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

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 2009.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 28 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 1.7.2008	Lapsed during the year	Outstanding at 30.6.2009
Directors	23.4.2007	23.4.2008 to 22.4.2010	0.97	4,174,000	(2,500,000)	**1,674,000**
Employees	23.4.2007	23.4.2008 to 22.4.2010	0.97	4,626,000	(364,000)	**4,262,000**
				8,800,000	(2,864,000)	**5,936,000**

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 2009, 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 2009.

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 28 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers comprised approximately 91.3% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 76.3% of the Group's total sales for the year.

The aggregate purchases attributable to the Group's five largest suppliers comprised approximately 96.3% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 88.7% 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 2009.

DONATIONS

During the year, the Group made charitable donations of HK$5,000.

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
22 October, 2009

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Fittec International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 67, which comprise the consolidated balance sheet as at 30 June 2009, 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 2009 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
22 October, 2009

Consolidated Income Statement

For the year ended 30 June 2009

	NOTES	**2009**	2008
		HK$'000	HK$'000
Revenue	7	**1,806,571**	2,456,380
Cost of sales		**(1,777,575)**	(2,358,840)
Gross profit		**28,996**	97,540
Other income		**22,520**	8,533
Distribution costs		**(4,945)**	(6,450)
General and administrative expenses		**(84,566)**	(80,122)
Finance costs	8	**(179)**	(1,273)
Impairment loss recognised in respect of intangible asset	17	**—**	(31,200)
Loss before tax		**(38,174)**	(12,972)
Income tax credit (expense)	9	**357**	(7,578)
Loss for the year	10	**(37,817)**	(20,550)
Dividend paid	13	**29,052**	14,526
Basic loss per share	14	**(HK$0.04)**	(HK$0.02)

Consolidated Balance Sheet

At 30 June 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	15	**618,070**	627,326
Prepaid lease payments	16	**22,629**	17,213
Intangible asset	17	**—**	—
Deposits for acquisition of property, plant and equipment	18	**3,383**	475
		644,082	645,014
Current assets			
Inventories	19	**173,006**	229,231
Trade and other receivables	20	**353,142**	490,948
Trade receivables factored with recourse	21	**91,746**	—
Prepaid lease payments	16	**485**	357
Pledged bank deposit	22	**2,202**	—
Bank balances and cash	23	**303,700**	87,633
		924,281	808,169
Current liabilities			
Trade and other payables	24	**356,297**	265,041
Advance drawn on trade receivables factored with recourse	21	**91,746**	—
Tax liabilities		**49,252**	50,416
Obligations under finance leases - due within one year	25	**430**	3,003
		497,725	318,460
Net current assets		**426,556**	489,709
Total assets less current liabilities		**1,070,638**	1,134,723
Non-current liabilities			
Obligations under finance leases - due after one year	25	**50**	497
Deferred taxation	26	**16,700**	18,500
		16,750	18,997
		1,053,888	1,115,726
Capital and reserves			
Share capital	27	**96,839**	96,839
Reserves		**957,049**	1,018,887
		1,053,888	1,115,726

The consolidated financial statements on pages 26 to 67 were approved and authorised for issue by the Board of Directors on 22 October, 2009 and are signed on its behalf by:

Lam Chi Ho
DIRECTOR

Sun Mi Li
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 30 June 2009

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (note i)	Special reserve HK$'000 (note ii)	Share options reserve HK$'000	Exchange reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 July 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
Exchange differences arising on translation of foreign operations recognised directly in equity	—	—	—	—	—	5,031	—	5,031
Loss for the year	—	—	—	—	—	—	(37,817)	(37,817)
Total recognised income for the year	—	—	—	—	—	5,031	(37,817)	(32,786)
Release upon lapse of vested share options	—	—	—	—	(868)	—	868	—
Dividend paid (note 13)	—	—	—	—	—	—	(29,052)	(29,052)
At 30 June 2009	**96,839**	**450,739**	**11,478**	**6,400**	**1,796**	**23,929**	**462,707**	**1,053,888**

notes:

(i) The contributed surplus represents the difference between the fair value of the underlying assets of a subsidiary acquired and the nominal value of the shares issued 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 2009

	2009	2008
	HK$'000	HK$'000
OPERATING ACTIVITIES		
Loss before tax	(38,174)	(12,972)
Adjustments for:		
Amortisation of intangible asset	—	7,800
Bad debts written off	1,479	—
Depreciation of property, plant and equipment	74,009	68,987
Finance costs	179	1,273
Impairment loss recognised in respect of intangible asset	—	31,200
Interest income	(1,300)	(6,093)
Loss on disposal of property, plant and equipment	46	5
Release of prepaid lease payments	361	282
Share-based payment expenses	—	2,199
Write back of impairment loss against receivables	—	(95)
Operating cash flows before movements in working capital	36,600	92,586
Decrease (increase) in inventories	56,225	(8,784)
Decrease (increase) in trade and other receivables	133,460	(124,236)
Decrease in investments held for trading	—	2,057
Increase (decrease) in trade and other payables	90,159	(54,179)
Cash generated from (used in) operations	316,444	(92,556)
Hong Kong Profits Tax paid	(2,607)	—
NET CASH FROM (USED IN) OPERATING ACTIVITIES	313,837	(92,556)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(53,201)	(129,083)
Additions to prepaid lease payments	(5,314)	(16,937)
Deposits for acquisition of property, plant and equipment	(3,383)	(365)
Increase in pledged bank deposit	(2,202)	—
Interest received	1,300	6,093
Proceeds from disposal of property, plant and equipment	57	—
NET CASH USED IN INVESTING ACTIVITIES	(62,743)	(140,292)

Consolidated Cash Flow Statement

For the year ended 30 June 2009

	2009 HK$'000	2008 HK$'000
FINANCING ACTIVITIES		
Dividends paid	**(29,052)**	(14,526)
Repayment of obligations under finance leases	**(3,020)**	(29,457)
Interest paid	**(179)**	(1,273)
CASH USED IN FINANCING ACTIVITIES	**(32,251)**	(45,256)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**218,843**	(278,104)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**87,633**	374,681
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(2,776)**	(8,944)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**303,700**	87,633

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (2001 Second Revision) of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's immediate and ultimate holding company is Fittec Holdings Limited ("Fittec Holdings"), a company incorporated in the British Virgin Islands. The ultimate controlling party is Mr. Lam Chi Ho. 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 have 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 the following amendments 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 on 1 July 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) - Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) - Int 12	Service Concession Arrangements
HK(IFRIC) - Int 13	Customer Loyalty Programmes
HK(IFRIC) - Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs has 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.

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 or interpretations that have been issued but are not yet effective.

HKFRSs (Amendment)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligation Arising on Liquidation[3]
HKAS 39	Eligible hedged items[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[5]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[5]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) - Int 17	Distribution of Non-cash Assets to Owners[4]
HK(IFRIC) - Int 18	Transfer of Assets from Customers[7]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate

3 Effective for annual periods beginning on or after 1 January 2009

4 Effective for annual periods beginning on or after 1 July 2009

5 Effective for annual periods beginning on or after 1 January 2010

6 Effective for annual periods beginning on or after 1 October 2008

7 Effective for transfer on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 July 2009. HKAS 27 (Revised) will affect the Group's accounting treatment for changes in a parent's ownership interest in a subsidiary. HKAS 23 (Revised) requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. In the opinions of the Directors of the Company, the borrowing costs to be capitalised in part of the cost of a qualifying asset cannot be estimated reliably for the present. The Directors of the Company anticipate that the application of the other new standards, amendments or 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 on the historical cost basis 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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment including leasehold 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.

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 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 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.

Financial assets

The Group's financial assets are classified into 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.

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, trade receivables factored with recourse, pledged bank deposit 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).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets

Financial assets 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.

For loans and receivables, 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 Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

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.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity

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.

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, advance drawn on trade receivables factored with recourse 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 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 assumptions 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 advance drawn on trade receivables factored with recourse and obligations under finance leases and equity attributable to equity holders of the Company, comprising issued share capital and various reserves.

The Directors 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

	2009	2008
	HK$'000	HK$'000
Financial assets		
Loan and receivables (including cash and cash equivalents)	**730,177**	556,466
Financial liabilities		
Amortised cost	**417,148**	245,880

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, trade receivables factored with recourse, pledged bank deposits, bank balances and cash, trade and other payables, advance drawn on trade receivables factored with recourse 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 and interest rate risk), credit risk, and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

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.

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

	Assets		Liabilities	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**17,454**	14,472	**7,812**	31,050
United States dollars	**17,472**	6,820	**—**	3,500
Japanese Yen	**27,923**	2,982	**33,856**	59
Renminbi	**36,753**	9,317	**4,891**	4,545

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 and Hong Kong dollars for entities with Hong Kong dollars and United States dollars as functional currencies respectively as the Directors consider that the Group's exposure to United States dollars and Hong Kong 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		Renminbi Impact	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
5% increase in functional currency				
(Decrease) increase in post-tax loss for the year	**(272)**	134	**1,462**	219
5% decrease in functional currency				
Increase (decrease) in post-tax loss for the year	**272**	(134)	**(1,462)**	(219)

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

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Market risk

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.

As the pledged bank deposit 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 (including variable-rate bank balances, advance drawn on trade receivables factored with recourse and obligations under finance leases) 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 post-tax loss for the year ended 30 June 2009 would decrease/increase by HK$825,000 (2008: decrease/increase by HK$156,000).

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Credit risk

As at 30 June 2009, 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.

The Group has a significant concentration of credit risk on two customers and its two largest customers accounted for approximately 79% of its total trade receivables at 30 June 2009 (84% at 30 June 2008). An analysis of the amounts due from these two customers at the balance sheet date is as follows:

	% of total trade receivables	
	At 30.6.2009	At 30.6.2008
Company A	**64**	68
Company B	**15**	16

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 two largest customers to ensure that follow-up action is taken to recover overdue debt. Company A and Company B are listed entities in Japan and Taiwan respectively, and they are well-known manufacturers of high technology electronic products in the world which have good credit rating and have good repayment history. 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.

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

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.

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$'000	Carrying amount at 30 June 2009 HK$'000
2009							
Non-derivative financial liabilities							
Trade and other payables	–	175,234	124,315	25,373	–	324,922	324,922
Advance drawn on trade receivables factored with recourse	1.75%	1	92,147	–	–	92,148	91,746
Obligations under finance leases – fixed rate	4.00%	53	157	241	51	502	480
		175,288	216,619	25,614	51	417,572	417,148

	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

* effective interest rate at the balance sheet date

6. FINANCIAL INSTRUMENTS *(continued)*

c. Fair value

The fair value of 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.

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:

	2009	2008
	HK$'000	HK$'000
Sales of goods	**1,519,075**	2,156,093
Rendering of services	**287,496**	300,287
	1,806,571	2,456,380

7. REVENUE AND SEGMENT INFORMATION *(continued)*

Business segments

For management purpose, the Group is currently organised into the following major divisions: the (i) pure assembly services; (ii) procurement and assembly services and (iii) repair and maintenance services divisions; all for printed circuit boards and related products. These divisions are the basis on which the Group reports its primary segment information.

	2009	2008
	HK$'000	HK$'000
Revenue		
Pure assembly services	**278,981**	290,629
Procurement and assembly services	**1,519,075**	2,156,093
Repair and maintenance services	**8,515**	9,658
	1,806,571	2,456,380
Segment results		
- Pure assembly services	**13,944**	16,267
- Procurement and assembly services	**13,382**	78,997
- Repair and maintenance services	**1,670**	2,276
	28,996	97,540
Unallocated corporate expenses	**(89,511)**	(86,572)
Unallocated other income	**22,520**	8,533
Finance costs	**(179)**	(1,273)
Impairment loss recognised in respect of intangible asset	**—**	(31,200)
Loss before tax	**(38,174)**	(12,972)
Income tax credit (expense)	**357**	(7,578)
Loss for the year	**(37,817)**	(20,550)

7. REVENUE AND SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

	2009 HK$'000	2008 HK$'000
Balance sheet		
Segment assets		
- Pure assembly services	**110,147**	101,149
- Procurement and assembly services	**509,830**	618,326
- Repairs and maintenance services	**1,300**	1,179
	621,277	720,654
Unallocated assets	**947,086**	732,529
Total assets	**1,568,363**	1,453,183
Segment liabilities		
- Pure assembly services	**23,647**	61,524
- Procurement and assembly services	**332,375**	203,302
- Repairs and maintenance services	**275**	215
	356,297	265,041
Unallocated liabilities	**158,178**	72,416
Total liabilities	**514,475**	337,457

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:

	2009 HK$'000	2008 HK$'000
Japan	**1,578,020**	2,239,781
Taiwan	**129,658**	183,942
PRC	**91,841**	32,657
Others	**7,052**	—
	1,806,571	2,456,380

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

	2009 HK$'000	2008 HK$'000
Interest on borrowings wholly repayable within five years		
- bank borrowings	**115**	149
- finance leases	**64**	1,124
	179	1,273

9. INCOME TAX (CREDIT) EXPENSE

	2009 HK$'000	2008 HK$'000
The (credit) charge comprises:		
Current tax:		
Hong Kong Profits Tax	**1,443**	8,648
Deferred taxation (note 26)	**(1,800)**	(1,070)
	(357)	7,578

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the assessable profit for both years. 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 included 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 had been reflected in measuring the current and deferred tax for the year ended 30 June 2008.

9. INCOME TAX (CREDIT) EXPENSE *(continued)*

PRC

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 was effective from 1 January 2008. According to the New CIT Law, the PRC income tax for both domestic and foreign investment enterprises was 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 transition 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 was 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 2009, these two Suzhou subsidiaries had not yet started their first profit-making year. No provision for PRC Enterprise Income Tax has been made for both years.

Vietnam

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 2009, this subsidiary had not yet commenced its production nor generated any assessable profit. No provision for Vietnam income tax has been made for both years.

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

	2009	2008
	HK$'000	HK$'000
Loss before tax	**(38,174)**	(12,972)
Tax at the applicable income tax rate of 16.5%	**(6,299)**	(2,140)
Tax effect of expenses not deductible for tax purposes	**1,414**	8,889
Tax effect of income not taxable for tax purposes	**(1,572)**	(1,897)
Tax effect of tax relief in Hong Kong	**(1,443)**	(8,691)
Tax effect of tax losses not recognised	**7,543**	12,607
Utilisation of tax losses previously not recognised	**—**	(71)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**—**	(1)
Decrease in opening deferred tax balances resulting from a decrease in applicable tax rate	**—**	(1,118)
Taxation (credit) charge for the year	**(357)**	7,578

10. LOSS FOR THE YEAR

	2009 HK$'000	2008 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Directors' emoluments (note 11)	**7,403**	10,245
Other staff costs	**153,436**	180,594
Retirement benefits scheme contributions (excluding contributions in respect of Directors)	**5,395**	5,618
Share-based payment expenses, excluding Directors	**—**	1,174
Total staff costs	**166,234**	197,631
Auditor's remuneration	**1,390**	1,550
Amortisation of intangible asset (included in cost of sales)	**—**	7,800
Bad debts written off	**1,479**	—
Depreciation of property, plant and equipment	**74,009**	68,987
Release of prepaid lease payments	**361**	282
Cost of inventories recognised as an expense	**1,503,339**	2,077,096
Loss on disposal of property, plant and equipment	**46**	5
Net exchange loss	**4,409**	163
Gain on disposal of investments held for trading	**—**	(33)
Write back of impairment loss against receivables	**—**	(95)
Interest income	**(1,300)**	(6,093)
Rework charges to customers (included in other income)	**(21,134)**	(2,390)

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the seven Directors (2008: seven Directors) were as follows:

	Lam Chi Ho HK$'000	Sun Mi Li HK$'000	Wu Siu Fan, Anita HK$'000 (note i)	Tsuji Tadao HK$'000	Christopher Roger Moss, OBE HK$'000 (note ii)	Xie Bai Quan HK$'000	Chung Wai Kwok, Jimmy HK$'000	Tam Wing Kin HK$'000 (note iii)	Total HK$'000
2009									
Fees	**–**	**–**	**–**	**949**	**350**	**150**	**300**	**60**	**1,809**
Other emoluments:									
Salaries and other benefits	**2,932**	**2,443**	**–**	**195**	**–**	**–**	**–**	**–**	**5,570**
Retirement benefits scheme contributions	**12**	**12**	**–**	**–**	**–**	**–**	**–**	**–**	**24**
Total emoluments	**2,944**	**2,455**	**–**	**1,144**	**350**	**150**	**300**	**60**	**7,403**
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 iv)	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

No Directors waived any emoluments for the years ended 30 June 2009 and 2008.

notes:

i. Resigned on 1 May 2008.

ii. Resigned on 1 January 2009.

iii. Appointed on 1 January 2009.

iv. Discretionary bonus is determined primarily based on the performance of each Director.

12. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group included three Directors (2008: four Directors), details of which are set out above. The emoluments of the remaining two individuals (2008: one individual) were as follows:

	2009 HK$'000	2008 HK$'000
Basic salaries and allowances	**1,213**	654
Bonus	**—**	69
Retirement benefits scheme contributions	**24**	12
	1,237	735

Their emoluments were within the following band:

	2009 No. of employees	2008 No. of employees
HK$nil to HK$1,000,000	**2**	1

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. DIVIDEND PAID

	2009 HK$'000	2008 HK$'000
Dividend recognised as distribution during the year:		
Final dividend paid for 2008 - HK$0.030 (2008: final dividend for 2007: HK$0.015) per share	**29,052**	14,526

A final dividend of HK$0.02 (2008: HK$0.03) per share, amounting to HK$19,368,000 has been proposed and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. BASIC LOSS PER SHARE

The calculation of the basic loss per share for the year ended 30 June 2009 is based on the loss attributable to equity holders of the Company of HK$37,817,000 (2008: HK$20,550,000) and the number of 968,394,000 (2008: 968,394,000) shares in issue.

No diluted loss 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 2009 and 2008.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Furniture and fixtures	Leasehold improvements	Motor vehicles	Office equipment	Plant and machinery	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST								
At 1 July 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
Exchange realignment	—	339	3,326	201	619	5,995	2,643	13,123
Additions	—	147	587	956	3,787	5,535	42,664	53,676
Transferred from CIP	—	—	108,494	—	—	—	(108,494)	—
Disposals	—	—	—	(154)	—	—	—	(154)
At 30 June 2009	**2,570**	**19,731**	**161,947**	**12,568**	**75,425**	**655,498**	**55,271**	**983,010**
ACCUMULATED DEPRECIATION								
At 1 July 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
Eliminated on written off	—	(9,811)	—	—	—	—	—	(9,811)
At 30 June 2008	261	8,291	14,772	3,897	30,723	231,095	—	289,039
Exchange realignment	—	111	530	44	212	1,046	—	1,943
Provided for the year	51	2,348	7,961	2,016	11,476	50,157	—	74,009
Eliminated on disposals	—	—	—	(51)	—	—	—	(51)
At 30 June 2009	**312**	**10,750**	**23,263**	**5,906**	**42,411**	**282,298**	**–**	**364,940**
CARRYING AMOUNT								
At 30 June 2009	**2,258**	**8,981**	**138,684**	**6,662**	**33,014**	**373,200**	**55,271**	**618,070**
At 30 June 2008	2,309	10,954	34,768	7,668	40,296	412,873	118,458	627,326

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
Furniture and fixtures	20%
Leasehold improvements	Shorter of 10% or the lease terms
Motor vehicles	20%
Office equipment	20%
Plant and machinery	7.5% to 20%

The carrying amount of plant and machinery at 30 June 2009 included an amount of HK$957,000 (2008: HK$33,759,000) in respect of assets held under finance leases.

16. PREPAID LEASE PAYMENTS

	2009	2008
	HK$'000	HK$'000
The Group's prepaid lease payments comprise leasehold lands held under medium leases:		
The PRC	**17,800**	17,570
Vietnam	**5,314**	—
	23,114	17,570
Analysed for reporting purposes as:		
Current assets	**485**	357
Non-current assets	**22,629**	17,213
	23,114	17,570

17. INTANGIBLE ASSET

	HK$'000
COST	
At 1 July 2007	—
Additions	39,000
At 30 June 2008 and 2009	39,000
AMORTISATION AND IMPAIRMENT	
At 1 July 2007	—
Charge for the year	7,800
Impairment loss recognised	31,200
At 30 June 2008 and 2009	39,000
CARRYING VALUE	
At 30 June 2009	—
At 30 June 2008	—

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 competiveness 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, decided not to continue the Converter Manufacturing Business. Consequently, the Directors considered 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 30.

19. INVENTORIES

	2009 HK$'000	2008 HK$'000
Raw materials	**99,769**	135,194
Work in progress	**9,827**	20,521
Finished goods	**63,410**	73,516
	173,006	229,231

20. TRADE AND OTHER RECEIVABLES

	2009 HK$'000	2008 HK$'000
Trade receivables	**323,832**	453,242
Less: allowance for doubtful debts	**—**	—
	323,832	453,242
Prepayments	**4,622**	7,405
Deposits and other receivables	**24,688**	30,301
Trade and other receivables	**353,142**	490,948

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:

	2009 HK$'000	2008 HK$'000
0-30 days	**254,005**	194,389
31-60 days	**27,742**	237,527
61-90 days	**33,573**	14,412
91-180 days	**6,788**	2,943
181-365 days	**866**	2,204
Over 365 days	**858**	1,767
Trade receivables	**323,832**	453,242

20. TRADE AND OTHER RECEIVABLES *(continued)*

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

	2009	2008
	HK$'000	HK$'000
Hong Kong dollars	**12,489**	10,633
United States dollars	**1,865**	4,511
Japanese Yen	**21,286**	—
Renminbi	**22,065**	4,064
	57,705	19,208

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. 97.4% (2008: 98.5%) of the trade receivables that were neither past due nor impaired at 30 June 2009 have good repayment history in previous years.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$8,512,000 (2008: HK$6,914,000) which were past due at 30 June 2009 but 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 170 days (2008: 240 days).

Ageing of trade receivables which were past due but not impaired

	2009	2008
	HK$'000	HK$'000
91 - 180 days	**6,788**	2,943
181 - 365 days	**866**	2,204
Over 365 days	**858**	1,767
	8,512	6,914

The above trade debts are related to customers that have good repayment history. 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

	2009	2008
	HK$'000	HK$'000
Balance at beginning of the year	**—**	95
Write back of impairment loss against receivables	**—**	(95)
Balance at end of the year	**—**	—

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

21. TRADE RECEIVABLES FACTORED WITH RECOURSE/ADVANCE DRAWN ON TRADE RECEIVABLES FACTORED WITH RECOURSE

The amounts represent trade receivables factored to banks with recourse with a maturity period of less than 90 days. The Group retains all the risks and rewards of such factored trade receivables and accordingly, the Group continues to recognise the full amount as trade receivables factored with recourse. The effective interest rate is charged at 1.125% per annum over London Interbank Offered Rates. There were no similar factoring transactions outstanding at 30 June 2008.

22. PLEDGED BANK DEPOSIT

The pledged bank deposit represents a deposit pledged to a bank to secure general banking facilities granted to a subsidiary of the Group, which were not utilised as at 30 June 2009, and is therefore classified as current asset. The deposit carries fixed interest rate at 0.1% per annum (2008: Nil). No bank deposit was pledged at 30 June 2008.

23. 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 ranged from 0.36% to 4.18% (2008: 0.88% to 5.48%) 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:

	2009	2008
	HK$'000	HK$'000
Hong Kong dollars	**4,965**	3,839
United States dollars	**15,607**	2,309
Japanese Yen	**6,637**	2,982
Renminbi	**14,688**	5,253
	41,897	14,383

24. TRADE AND OTHER PAYABLES

	2009	2008
	HK$'000	HK$'000
Trade payables	**323,982**	240,849
Payables for acquisition of property, plant and equipment	**378**	1,079
Accruals and other payables	**31,937**	23,113
	356,297	265,041

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

	2009	2008
	HK$'000	HK$'000
0-30 days	**174,294**	195,850
31-60 days	**124,315**	41,941
61-90 days	**12,305**	733
91-180 days	**11,260**	858
181-365 days	**1,808**	1,467
	323,982	240,849

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

	2009	2008
	HK$'000	HK$'000
Hong Kong dollars	**7,332**	27,550
United States dollars	**—**	3,500
Japanese Yen	**33,856**	59
Renminbi	**4,891**	4,545
	46,079	35,654

25. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable under finance leases				
- within one year	**451**	3,084	**430**	3,003
- in more than one year but not more than two years	**51**	451	**50**	430
- in more than two years but not more than three years	**—**	67	**—**	67
	502	3,602	**480**	3,500
Less: Future finance charges	**(22)**	(102)		
Present value of lease obligations	**480**	3,500		
Less: Amount due within one year shown under current liabilities			**(430)**	(3,003)
Amount due after one year			**50**	497

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 2009, the average effective borrowing rate was 3.95% (2008: 5.01%) per annum. Interest rates underlying the obligations under finance leases were fixed at a flat rate of 4% (2008: a flat rate of 4% to 0.334% to 2% above Hong Kong Interbank Offered Rate) per annum. No arrangement was entered into for contingent rental payments.

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

26. 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 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
Credited to consolidated income statement for the year	(1,800)
At 30 June 2009	**16,700**

At the balance sheet date, the Group had unutilised tax losses of HK$149,865,000 (2008: HK$104,150,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

27. SHARE CAPITAL

	Number of shares	**Amounts**
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 July 2007, 30 June 2008 and 2009	3,000,000,000	300,000
Issued and fully paid:		
At 1 July 2007, 30 June 2008 and 2009	968,394,000	96,839

28. 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.

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 1.7.2008	Lapsed during the year	Outstanding as at 30.6.2009
Directors	23.4.2007	23.4.2008	23.4.2008 to 22.4.2010	0.97	4,174,000	—	4,174,000	(2,500,000)	1,674,000
Employees	23.4.2007	23.4.2008	23.4.2008 to 22.4.2010	0.97	5,214,000	(588,000)	4,626,000	(364,000)	4,262,000
					9,388,000	(588,000)	8,800,000	(2,864,000)	5,936,000

Total consideration received for the grant of options in prior year 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. With reference to the vesting period, the Group recognised all share-based payment expenses in prior years.

28. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

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

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 2009, 2,864,000 share options were lapsed and no share options were exercised and cancelled during the year.

29. OPERATING LEASE COMMITMENTS

During the year, the Group made minimum lease payments of HK$21,401,000 (2008: HK$31,200,000) 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 ten 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:

	2009	2008
	HK$'000	HK$'000
Within one year	**10,007**	31,711
In the second to fifth year inclusive	**18,753**	47,259
Over five years	**12,671**	8,575
	41,431	87,545

30. CAPITAL COMMITMENTS

	2009	2008
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**5,421**	20,771

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$5,419,000 (2008: HK$5,652,000) 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

	2009	2008
	HK$'000	HK$'000
Short-term employee benefits	**7,379**	9,186
Post-employment benefits	**24**	34
Share-based payment expenses	**—**	1,025
	7,403	10,245

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 2009 and 30 June 2008 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.* 豐達維修電子（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

33. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(continued)*

Particulars of the Company's subsidiaries as at 30 June 2009 and 30 June 2008 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	
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 were 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				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
Revenue	1,628,475	1,797,041	1,991,834	2,456,380	**1,806,571**
Profit (loss) before tax	210,180	180,397	99,062	(12,972)	**(38,174)**
Taxation	(18,350)	(14,280)	(9,905)	(7,578)	**357**
Profit (loss) for the year	191,830	166,117	89,157	(20,550)	**(37,817)**
Attributable to:					
Equity holders of the Company	187,993	166,117	89,157	(20,550)	**(37,817)**
Minority interests	3,837	—	—	—	**—**
	191,830	166,117	89,157	(20,550)	**(37,817)**

ASSETS AND LIABILITIES

	At 30 June				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
Total assets	672,130	1,330,082	1,542,216	1,453,183	**1,568,363**
Total liabilities	279,268	256,217	413,515	337,457	**514,475**
Shareholders' funds	392,862	1,073,865	1,128,701	1,115,726	**1,053,888**
Attributable to:					
Equity holders of the Company	392,862	1,073,865	1,128,701	1,115,726	**1,053,888**
Minority interests	—	—	—	—	**—**
	392,862	1,073,865	1,128,701	1,115,726	**1,053,888**