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

09/10 Interim Report

CHAIRMAN'S STATEMENT

Dear Shareholders,

During the period under review, the global economy has passed the nadir of the worst recession in decades from the financial tsunami triggered by the collapse of the US subprime home mortgage debt. Led by the US federal government, many countries pumped trillions of cash into their domestic industries to rescue the collapsing economy. As a result, these stimuli did stop the recession and facilitated an overall growth in the economy. The recovering economy then brought back consumer confidence and spending, which drove up the manufacturing industries across the board.

The Group observed the trend and reacted quickly to meet the growing demands during the period under review. Working with its major customers, the Group was able to realign its production resources and turn the operation around in a timely manner. In line with the recovering EMS industry, our revenue has increased more than 24% to HK$1,379 million for the six months that ended 31 December 2009. With effective control of manpower usage and equipment, the Group has been able to achieve a gross profit of HK$88 million and net profit of HK$38 million. (six months ended 31 December 2008: HK$19 million and loss HK$16 million separately)

During the economy downturn, the Group strove to strengthen our client base and product mix. Apart from maintaining partnerships with our major clients including Toshiba, Panasonic and ASRock, we forged closer ties with other clients like Samsung and others which accounted for an increasing portion of our revenue. Looking forward, we are also working closely with Taiwan's leading local firms in co-developing the fastest growing product sector - the Notebook PC. The stronger client base and further diversified product mix plus opportunity to get into the Notebook market have given us a solid foundation to develop our business in the future.

The board of directors did not recommend the payment of an interim dividend due to the modest financial results. Looking ahead, we are aware of the challenges and expect the next six months to be a moderate period as the worldwide economy attempts to regain its composure. Operation costs in the PRC will continue rising, particularly driven by the serious labor shortage across the country. To cope with these challenges, we have started to manufacture PC Motherboards in 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 in the APEC region.

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 relationships 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, 26 March 2010

MANAGEMENT DISCUSSION & ANALYSIS

Financial Review

After a painful downturn in fiscal year 2009, the EMS market will resume growth in fiscal year 2010, as the outsourcing of electronics manufacturing continues its relentless march. Despite two different periods of significant revenue contraction, the global EMS industry closed the decade having posted impressive growth since the turn of the millennium. Even with the mild contraction of 2008 and the train wreck of 2009, the global EMS industry grew by approximately 125% in the decade (according to Riverwood Solutions' Global EMS Index.)

In fiscal year 2009, the Group faced an unprecedented drop in demand due to the economic crisis. A recovery in demand from first quarter of fiscal year 2010 onwards led to a moderately positive operating result in the first half of fiscal year 2010.

For the six months ended 31 December 2009, the Group's unaudited consolidated turnover amounted to approximately HK$1,379 million (2008: HK$1,110 million). The revenue increase of 24% for the first half represents a broad and strong performance, with all of our market segments are increasing sequentially. After a loss-making year, the operating result for the first half of fiscal year 2010 was backed to positive. The Group recorded a profit of approximately HK$38 million for the six months ended 31 December 2009 (2008: loss of HK$16 million). Basic earning per share for the six months ended 31 December 2009 was HK$0.04 (2008: basic loss per share: HK$0.02).

The Group provides primarily two types of service: Pure Assembly and Procurement & Assembly. During the period, revenue from Procurement & Assembly increased by 23 %, mainly attributable to increased in demand of hard disk drive controllers and LCD TV motherboard. The faster-than-expected rebound in the global demand of computer and consumer electronic products caused an increase in revenue for Pure Assembly. While overall gross profit stood at HK$88 million (six months ended 31 December 2008: HK$19 million), it shows a rise of 363% from the same period of last year. The gross profit margin increased from 2% to 6%.

In the first quarter of this financial year, computer related customers in particular cut right back on capital expenditure. Later on in the year, the situation improved somewhat. During the first half year as a whole, the household appliances and electronics markets were generally less affected by the downturn.

The Group was in a healthy financial position with net cash, being total cash less total debt, was positive. Cash and cash equivalents as at 31 December 2009 was HK$134 million (30 June 2009: HK$304 million).

Business Review

During the review period, the Group maintained focus on top-tier clients and high-margin products. HDD controllers, PC motherboards and LCD TV controllers remained the core products of the Group, contributing 93% of the total turnover. New products with high potential of growth, such as LCD TV controller boards also brought in an increasing contribution to the Group's total turnover.

HDD Controllers

HDD controllers sales have continued to expand during the worst phase of the current downturn. This segment continued to grow steadily with revenue up by 15% to HK$ 992 million (six months ended 31 December 2008 HK$860 million). The Group is the sole provider of PCB assembly service in China for Toshiba's 2.5-inch and 1.8-inch HDD controllers. This relationship has provided the Group the leverage to grow with the hard disk drive market driven by fast growing portable devices like i-Pod and other intelligent handheld products. The Group expects these applications to maintain steady growth, so does the demand for the small form factor HDD controllers. With hard disk drives finding wider applications in consumer electronic products, such as set-top box, i-Pod, digital video recorder systems and notebook, demand for hard disk drives continues to increase.

LCD TV Controllers

According to the Austin, Texas based market research firm, the DisplaySearch report, the LCD TV shipment market share kept on increasing to 67% in second quarter of 2009. The continuous growing trend has created vast demand for the worldwide LCD TV supply chain. The Group was able to keep up with the trend and started to provide LCD TV controller boards assembly services during the period under review. The total revenue in this segment reached HK$160 million.

PC Motherboards

The worldwide PC shipment had plunged deeply due to the Financial Tsunami in late 2008, and stayed flat in the first few months in 2009. With the gradual global economy recovery since the third quarter of 2009, the Group also benefits from the increasing PC demand during the period under review. This sector picked up again substantially in the second quarter of this financial year. The total PC Motherboards revenue goes up by 118% to HK$131 million (six months ended 31 December 2008: HK$60 million). As the worldwide economy maintains modest growth, the Group predicts the revenue in this segment to keep up slightly.

Mobile LCD Controllers

In the area of mobile LCD Controller, the revenue dropped to HK$44 million, down 51% from the same period of last year (six months ended 31 December 2008: HK$90 million). Turnover declined sharply due to the discontinuation of activities of a customer in this segment. Orders from this sector was still under pressure, this sector was proved to be less sensitive to economic fluctuations. For the period under review, there was not notable recovery in demand from the mobile sectors. The situation in this sector remained volatile. The replacement rate for handsets was decreasing due to deteriorating economic conditions. New handset demand from the emerging countries was not sufficient to offset this decline.

Others

The Group has actively looked into the fast growing Notebook PC segment, including the newly introduced small form factor Notebook PC sector, also known as the Netbook PC. During the period of review, the total Notebook PC motherboards revenue reached HK$5 million. The Group hopes this segment can gradually grow up as the worldwide growth rate of Notebook PCs far exceeds that of desktop PCs.

Customers realize the advantages of our continuous investment in systems, people and the latest high technology manufacturing equipments. Such continuous improvement allows the Group to manufacture top quality products on time at very competitive prices and is attracting some significant new customers to the business as well as increased orders from existing customers.

Production Facilities

In the first half of fiscal year 2010, the Group did not make major investment in manufacturing equipment as the utilization rate was still below the optimum level as a result of decreased orders from recession. As at 31 December 2009, there were 603 SMT machines with a production capacity of 103 billion chips per year. However, with the worldwide market gradually recover and new customers lining up, the Group is seriously assessing the overall capacity to address the increasing market opportunities.

During the review period, the Group's Vietnam factory has been partially completed and pushed out into production run. The first production item that relocated to the Vietnam factory was the PC Motherboard. Currently the Vietnam factory has installed 34 SMT machines, with a production capacity of 1.5 billion chips per year.

During the period, the Group has been expanding its production base. The Group has an investment of HK$9.6 million as at the date hereof. The overall utilization rate of the Group's production facilities was up 53% from 35%. The designed full utilization rate of the production facilities of the Group is 85%.

Prospects

Many economists believe that the worst recession in decades is over and the global stock markets resume strong rebound as a result. EMS industry is one of the sectors that experienced gradual recovery. During the recession-recovery cycle, many companies that did not have efficient operations, strong financial support or economy scale had folded. The Group, among other stronger EMS companies, expects the EMS industry to maintain moderate growth coping with the recovering global economy.

With the gradual recovery of the global market, more labors are required for production. Many EMS operations in China experience labor shortage, especially before and after the Chinese New Year. The Group expects this situation will improve after mid of March 2010 as the long vacation is over. The Group foresees the business environment to remain tough with minimum wages in the PRC on the verge to jump up again resulting from prolonged labor shortage. In addition, the piling up of Chinese foreign reserves may again lead to possible appreciation of Renminbi.

To cope with these challenges, the Group takes advantages of the latest regional economy group, the APEC (Asia Pacific Economic Cooperation). This organization combined more than 550 million populations and could march into fasted inner APEC trades with reduced duty between boundaries. Thus the Group is planning to expedite its Vietnam factory expansion process to catch the new regional opportunities, as well as to reduce the impact of labor shortage and appreciation of Renminbi in China.

Last year there was a major consolidation within the HDD industry, as Toshiba acquired Fujitsu's HDD operations. As the main supplier of Toshiba HDD controller boards, the Group is in active communications with Toshiba to capture more sales from Toshiba as a result of this acquisition.

In addition to the new opportunities, the Group's three production facilities are now focused exclusively on Japan, Taiwan, Korea and the PRC markets. The plant in Vietnam will support the Taiwan business with medium-sized batches of motherboard produced at competitive prices, while the Suzhou facility will round out the product portfolio with Korea and the PRC market. For the facility in Shenzhen, being the Group's biggest plant in China, it will continue to provide large volume production for the global market.

From financial perspectives, the improvement in sales in the first half of the financial year 2009/10 signals an upwards trend. On the basis of existing orders and information about future requirements, sales in the second half are expected to be relatively robust, although due to seasonal reasons they may be lower than that in the first half. Sales for the entire financial year are expected to increase.

The cost savings from adjusting production capacities were already reflected in the positive results achieved in the first half. They will also contribute to improved results in the second half.

Investments in new machines and new technologies are expected to bring a slight increase in investing activities in the second half of the financial year; these will continue to be financed out of operating cash flow and bank facilities provided by the Group's principal bankers.

In summary, the Group believes the worst recession is over, which has reflected in its 2009/10 interim report. Looking forward, the Group expects the overall EMS industry will maintain moderate growth. Although there has been labor shortage problem in China, which may trigger increasing labor cost, the Group will keep on diversification of its production facilities outside of China in order to secure the Group's competitive edge in the long run.

Liquidity and Financial Resource

The Group had bank balances and cash of approximately HK$134 million as at 31 December 2009. The Group generally finances its operations through its internal resources and bank facilities provided by its principal bankers.

As at 31 December 2009, the Group had net current assets of approximately HK$471 million (30 June 2009: HK$427 million) and a current ratio of 1.8 (30 June 2009: 1.9). The Group's net asset value was HK$1,073 million, slightly increasing from HK$1,054 million at 30 June 2009.

Apart from obligations under finance lease, the Group was debt free as at 31 December 2009. All finance leases were utilized in financing the Group's machinery. The Group's total obligation under finance lease decreased from HK$0.5 million as at 30 June 2009 to HK$0.2 million as at 31 December 2009 which was repayable within one year. Total debt to total assets ratio was 36% (30 June 2009: 33%).

Currently, all of our cost of direct materials and turnover are denominated in US dollars, to which the Hong Kong dollar is pegged. Our labor costs and operation overheads are mainly denominated in RMB. The Group actively monitors the foreign exchange exposure in this respect. The Group has not been exposed nor do we anticipate being exposed to material risks due to changes in exchange rates. As at 31 December 2009, the Group did not have any material contingent liabilities.

Staff

As at 31 December 2009, the Group employed a total of 4,982 staff, of which 4,747 were employed in Mainland China, while 37 were employed in Hong Kong and 198 were employed in Vietnam. The Group has implemented remuneration package, bonus and share option schemes as part of the remuneration policy designed to motivate individual staff by linking part of the staff's compensation with their respective performance. In addition, fringe benefits such as insurance, medical allowance and pensions were provided to ensure the competitiveness of remuneration packages offered by the Group.

Dividend

The Board of Directors did not recommend the payment of an interim dividend (2008: NIL).

Purchase, Sale Or Redemption of Shares

During the six months ended 31 December 2009, there was no purchase, redemption or disposal of the Group's listed securities by the Group or any of its subsidiaries.

Share Options

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

	Date of grant	**Exercisable period**	**Exercise price per share** *HK$*	**Outstanding as at 1.7.2009**	**Outstanding as at 31.12.2009**
Directors	23.4.2007	23.4.2008 to 22.4.2010	0.97	1,674,000	1,674,000
Employees	23.4.2007	23.4.2008 to 22.4.2010	0.97	4,262,000	4,194,000
				5,936,000	5,868,000

Directors' interests in Shares and Underlying Shares

At 31 December 2009, the interests of the Directors, the chief executive 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 positions

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

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

Note:

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

(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

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 31 December 2009.

Substantial Shareholders

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, as at 31 December 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

		Number of issued ordinary shares held			Percentage of the issued	
Name of shareholders	Capacity	Direct interest	Deemed interest	Total interest	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 31 December 2009.

Corporate Governance

The Board confirms that the Group has complied with all material code provisions of the Code on Corporate Government Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") except for the deviations as stated in code provision A.2.1 on Chairman and Chief Executive Officer. Mr. Lam Chi Ho assumes the roles of Chairman and Chief Executive Officer of the Group. Given the current corporate structure, the Board considers that there is no need for separation between the roles of Chairman and Chief Executive Officer. All major decisions are made in consultation with the Board with sufficient independent constituents and hence independent views for protection of minority shareholders' interest, although the roles and responsibilities for 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 (the "Model Code") 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 six months ended 31 December 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 and the internal control and risk management systems of the company. The existing 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 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 period, the audit committee held 2 meetings with respect to discuss 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 company for the six months ended 31 December 2009.

Remuneration Committee

The Board established the remuneration committee comprising a majority of Independent Non-Executive Directors, who meet at least once a year. The existing committee comprises Mr. Tam Wing Kin as the chairman, 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 terms of reference include, inter alia, the determination of remuneration of Executive Directors and senior management and review of the remuneration policy of the Group.

By Order of the Board
Lam Chi Ho
Chairman

Hong Kong, 26 March 2010

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF FITTEC INTERNATIONAL GROUP LIMITED

(incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 14 to 24, which comprises the condensed consolidated statement of financial position of Fittec International Group Limited (the "Company") and its subsidiaries as of 31 December 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
26 March 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

	NOTES	Six months ended 31.12.2009 HK$'000 (unaudited)	Six months ended 31.12.2008 HK$'000 (unaudited)
Revenue	3	**1,379,180**	1,109,900
Cost of sales		**(1,291,045)**	(1,090,736)
Gross profit		**88,135**	19,164
Other income		**4,694**	14,357
Distribution expenses		**(6,716)**	(5,972)
Administrative expenses		**(41,734)**	(43,356)
Finance costs		**(167)**	(162)
Profit (loss) before tax		**44,212**	(15,969)
Income tax expense	4	**(6,228)**	—
Profit (loss) for the period, attributable to owners of the Company	5	**37,984**	(15,969)
Other comprehensive income (expense)			
Exchange differences arising on translation		**451**	(949)
Total comprehensive income (expense), attributable to owners of the Company		**38,435**	(16,918)
Basic and diluted earnings (loss) per share	7	**HK$0.04**	(HK$0.02)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2009

	NOTES	**31.12.2009**	30.6.2009
		HK$'000	HK$'000
		(unaudited)	(audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**609,215**	618,070
Prepaid lease payments	8	**5,199**	22,629
Deposits for acquisition of property, plant and equipment		**4,363**	3,383
		618,777	644,082
CURRENT ASSETS			
Inventories		**316,798**	173,006
Trade and other receivables	9	**595,585**	353,142
Trade receivables factored with recourse		**—**	91,746
Prepaid lease payments		**115**	485
Pledged bank deposits		**2,202**	2,202
Bank balances and cash		**133,589**	303,700
		1,048,289	924,281
CURRENT LIABILITIES			
Trade and other payables	10	**523,832**	356,297
Advance drawn on trade receivables factored with recourse		**—**	91,746
Tax liabilities		**53,398**	49,252
Obligations under finance leases - due within one year	11	**181**	430
		577,411	497,725
NET CURRENT ASSETS		**470,878**	426,556
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,089,655**	1,070,638
NON-CURRENT LIABILITIES			
Obligations under finance leases - due after one year	11	**—**	50
Deferred taxation		**16,700**	16,700
		16,700	16,750
		1,072,955	1,053,888
CAPITAL AND RESERVES			
Share capital	12	**96,839**	96,839
Reserves		**976,116**	957,049
		1,072,955	1,053,888

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

	Attributable to owners of the Company							
	Share capital HK$'000	**Share premium** HK$'000	**Contributed surplus** HK$'000 (note i)	**Special reserve** HK$'000 (note ii)	**Share options reserve** HK$'000	**Exchange reserve** HK$'000	**Accumulated profits** HK$'000	**Total** HK$'000
At 1 July 2008	96,839	450,739	11,478	6,400	2,664	18,898	528,708	1,115,726
Loss for the period	—	—	—	—	—	—	(15,969)	(15,969)
Exchange differences arising on translation	—	—	—	—	—	(949)	—	(949)
Total comprehensive expense for the period	—	—	—	—	—	(949)	(15,969)	(16,918)
Release upon lapse of vested share options	—	—	—	—	(802)	—	802	—
Dividend paid	—	—	—	—	—	—	(29,052)	(29,052)
At 31 December 2008	96,839	450,739	11,478	6,400	1,862	17,949	484,489	1,069,756
At 1 July 2009	96,839	450,739	11,478	6,400	1,796	23,929	462,707	1,053,888
Profit for the period	—	—	—	—	—	—	37,984	37,984
Exchange differences arising on translation	—	—	—	—	—	451	—	451
Total comprehensive income for the period	—	—	—	—	—	451	37,984	38,435
Release upon lapse of vested share options	—	—	—	—	(21)	—	21	—
Dividend paid	—	—	—	—	—	—	(19,368)	(19,368)
At 31 December 2009	96,839	450,739	11,478	6,400	1,775	24,380	481,344	1,072,955

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 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 corporate reorganisation in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in 2005.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

	Six months ended	
	31.12.2009	31.12.2008
	HK$'000	HK$'000
	(unaudited)	(unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(138,585)**	191,978
NET CASH USED IN INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	**(25,770)**	(27,224)
Deposits for acquisition of property, plant and equipment	**(4,363)**	(6,076)
Proceeds from release of prepaid lease payments	**17,899**	—
Interest received	**91**	1,224
Additions to prepaid lease payments	**—**	(5,287)
	(12,143)	(37,363)
CASH USED IN FINANCING ACTIVITIES:		
Dividend paid	**(19,368)**	(29,052)
Repayment of obligations under finance leases	**(299)**	(2,715)
Interest paid	**(167)**	(162)
	(19,834)	(31,929)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(170,562)**	122,686
CASH AND CASH EQUIVALENTS AT 1 JULY	**303,700**	87,633
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**451**	(949)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**133,589**	209,370

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 (HKAS 34), Interim Financial Reporting.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2009.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 July 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 27 (Revised in 2008)	Consolidated and Separate Financial Statements
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 3 (Revised in 2008)	Business Combinations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to HKFRS 2, HKAS 38, paragraph 80 of HKAS 39, HK(IFRIC)-Int 19, and HK(IFRIC)-Int 16

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 *Segment Reporting*, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments and geographical segments by location of customers.

The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3). The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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 (Amendments)	Improvements to HKFRS 2009, other than those effective for annual periods beginning on or after 1 July 2009
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[1]
HKFRS 9	Financial Instruments[5]
HK(IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 January 2010
2 Effective for annual periods beginning on or after 1 February 2010
3 Effective for annual periods beginning on or after 1 July 2010
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 January 2013

The directors of the Company anticipate the application of these new and revised Standards, Amendments or Interpretations will have no material impact on the financial statements.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 July 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments and geographical segments by location of customers. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

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

	Six months ended	
	31.12.2009	31.12.2008
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Revenue		
Pure assembly services	**185,976**	134,783
Procurement and assembly services	**1,189,099**	970,608
Repair and maintenance services	**4,105**	4,509
	1,379,180	1,109,900
Segment results		
- Pure assembly services	**30,192**	5,338
- Procurement and assembly services	**57,381**	12,892
- Repair and maintenance services	**562**	934
	88,135	19,164
Unallocated corporate expenses	**(48,450)**	(49,328)
Unallocated other income	**4,694**	14,357
Finance costs	**(167)**	(162)
Profit (loss) for the period	**44,212**	(15,969)

Segment profit (loss) represents the profits earned by (loss from) each segment without allocation of central administration costs, directors' salaries and finance costs. This is the measure reported to the executive director for the purposes of resource allocation and performance assessment.

4. INCOME TAX EXPENSE

	Six months ended	
	31.12.2009	31.12.2008
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	**6,228**	—

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the assessable profit for the period ended 31 December 2009.

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

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 transfer to the new PRC income tax rate within five years after the effective date of the New CIT Law. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

For those subsidiaries located in the Shenzhen Free Trade Zone, the PRC, until 31 December 2007, the income tax rate was 15%. According to the New CIT Law which was effective on 1 January 2008, the income tax rate is 18% 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. These two Suzhou subsidiaries continue to enjoy the full exemption from PRC Enterprise Income Tax during the period. No provision for PRC Enterprise Income Tax has been made for both periods.

Vietnam

In accordance with the relevant tax rules and regulations in Vietnam, the Group's subsidiary in Vietnam is entitled to full exemption from enterprise income tax for three years starting from the first profit-making year of operation and thereafter, is entitled to a 50% relief from enterprise income tax for the following seven years. As of 31 December 2009, this subsidiary commenced its production but no assessable profit was generated during the period. No provision for Vietnam income tax has been made for both periods.

5. PROFIT (LOSS) FOR THE PERIOD

	Six months ended	
	31.12.2009	31.12.2008
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit (loss) for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	**38,008**	34,573
Release of prepaid lease payments	**31**	179
Net exchange loss	**62**	5,946
and after crediting:		
Gain on disposal of prepaid lease payments	**130**	—
Interest income	**91**	1,224

6. DIVIDEND

	Six months ended	
	31.12.2009	31.12.2008
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Dividend recognised as distributions during the period:		
Final dividend paid for the preceding year ended 30 June 2009 - HK$0.02 (2008: HK$0.03) per share	**19,368**	29,052

The Board of Directors did not recommend the payment of an interim dividend for both periods.

7. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share for the six month periods ended 31 December 2009 and 2008 is based on the profit for the period attributable to owners of the Company of HK$37,984,000 (For the six months ended 31 December 2008: loss of HK$15,969,000) and the number of 968,394,000 ordinary shares in issue during both periods.

The computation of diluted earnings (loss) per share does not take into account the share options of the Company which were outstanding during the periods as the exercise price of the Company's options was higher than the average market price of the shares for both periods.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT/ PREPAID LEASE PAYMENTS

During the six months ended 31 December 2009, the Group acquired property, plant and equipment of approximately HK$25,770,000 (For the six months ended 31 December 2008: approximately HK$27,224,000). During the six months ended 31 December 2009, the Group disposed of certain of its prepaid lease payments at consideration of HK$17,899,000 (For the six months ended 31 December 2008: Nil) and a gain on disposal of prepaid lease payments of HK$130,000 resulted and credited to the condensed consolidated statement of comprehensive income.

9. TRADE AND OTHER RECEIVABLES

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

	31.12.2009	30.6.2009
	HK$'000	HK$'000
	(unaudited)	(audited)
0 - 30 days	**555,189**	254,005
31 - 60 days	**2,277**	27,742
61 - 90 days	**4,375**	33,573
91 - 180 days	**1,066**	6,788
181 - 365 days	**623**	866
Over 1 year	**2,446**	858
	565,976	323,832

10. TRADE AND OTHER PAYABLES

The following is an aged analysis of the trade payables at the end of the reporting period:

	31.12.2009	30.6.2009
	HK$'000	HK$'000
	(unaudited)	(audited)
0 - 30 days	**214,026**	174,294
31 - 60 days	**219,068**	124,315
61 - 90 days	**33,788**	12,305
91 - 180 days	**13,884**	11,260
181 - 365 days	**29**	1,808
Over 1 year	**885**	—
	481,680	323,982

11. OBLIGATIONS UNDER FINANCE LEASES

During the six months ended 31 December 2009, the Group paid finance leases of approximately HK$299,000 (For the six months ended 31 December 2008: approximately HK$2,715,000).

12. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 30 June 2009 and 31 December 2009	3,000,000,000	300,000
Issued and fully paid:		
At 30 June 2009 and 31 December 2009	968,394,000	96,839

13. CAPITAL COMMITMENTS

At 31 December 2009, the Group had capital expenditures of approximately HK$257,000 (At 30 June 2009: approximately HK$5,421,000) contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment.

14. RELATED PARTY DISCLOSURES

The compensation of the key management personnel of the Group for the six months ended 31 December 2009 was approximately HK$3,549,000 (For the six months ended 31 December 2008: approximately HK$4,032,000).