# 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

# 2009/2010
# Annual Report

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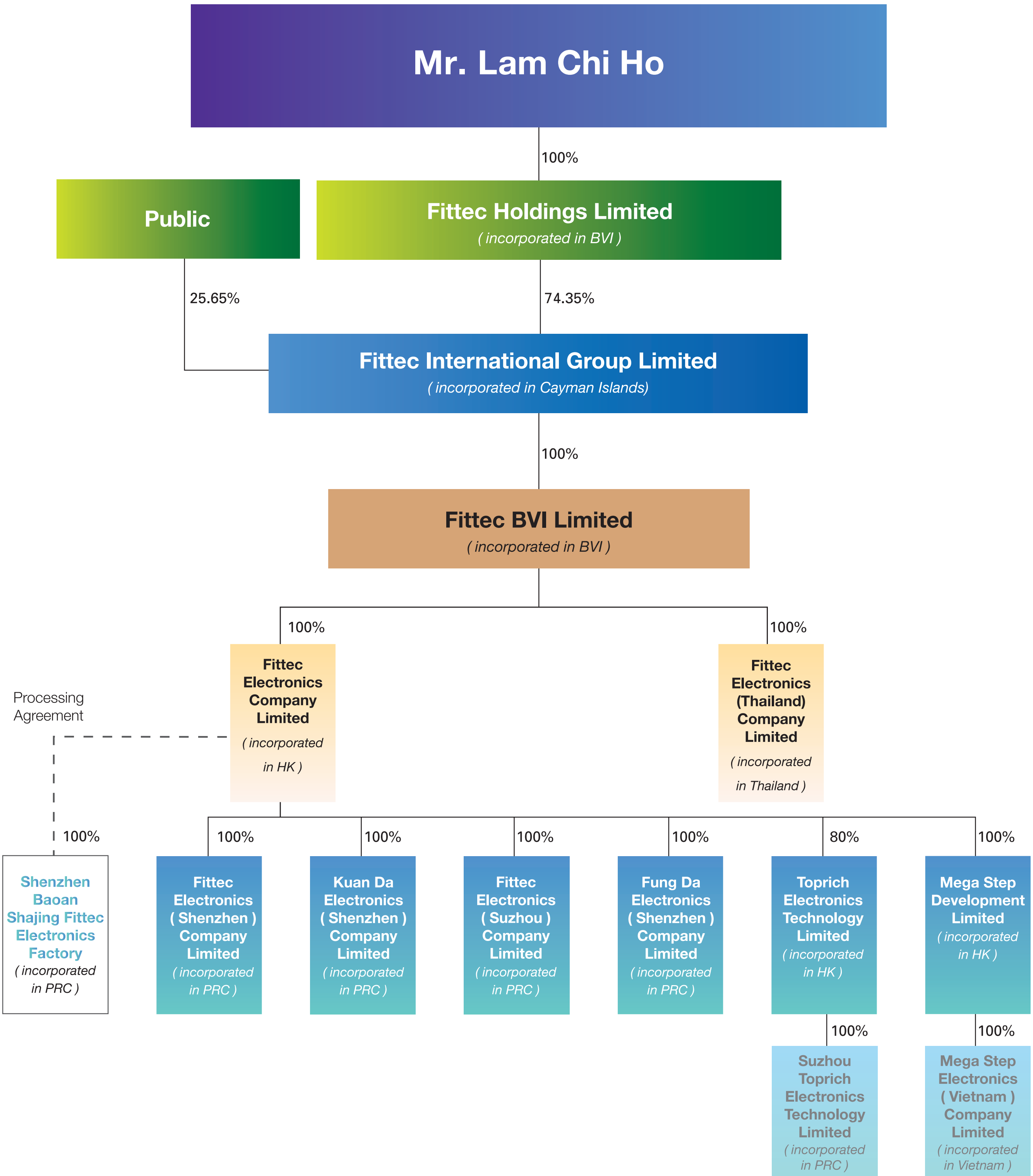
# Corporate Structure

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
Sumitomo Mitsui Banking Corporation
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

## Auditor

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 609
Grand Cayman KY1-1107
Cayman Islands

## Branch Share Registrar in Hong Kong

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

## Website

www.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 |
| "FPC" | flexible printed circuit |
| "GPS" | global positioning system |
| "HDD controller" | hard disk drive controller |
| "LCD" | liquid crystal display, a technology used for portable computer displays and watches, etc |
| "LCD backlight" | a backlight, the form of illumination used in the LCD display |
| "LCD controller" | liquid crystal display controller |
| "ODM" | original design manufacturers |
| "OEM" | original equipment manufacturers |
| "PCBA" | printed circuit board assembly |

# Chairman's Statement

Dear Shareholders,

During the year under review, the global economy has been gradually recovering from the worst recession in decades since the "Great Depression". Led by United States federal government, many countries pumped trillions of cash into their domestic industries to rescue the collapsing economy. The stimuli had improved consumers confidence level, as the global spending was increasing over time, which pumped up the demands of goods and eventually led to steady growing outputs of the worldwide manufacturing companies.

The Group analyzed the global economy recovering trend carefully, and worked with its major customers in advance to catch up the opportunities during the year. The Group's customer demand increased but the availability of components as well as the higher price level limited the deliveries and slowed down the improvement of profitability during the fiscal year. In line with the growing EMS industry, our revenue has jumped for more than 48% to HK$2,679 million for the twelve months that ended 30 June 2010 (twelve months ended 30 June 2009: HK$1,807 million). Improved capacity utilization among other improvements from the operational environment, led to an upturn of gross profit to HK$124 million and net profit to HK$35 million, which is a significant achievement (twelve months ended 30 June 2009: HK$29 million and net loss of HK$38 million respectively).

Although the global economy and overall operating environment were tough, the Group was able to broaden its client base and product mix during the year. Apart from maintaining partnerships with our major clients including Toshiba, Panasonic and ASRock, we have successfully engaged another Korean leading electronics company, in providing PCBA services to its notebook computer motherboards as well as cell phone FPC assemblies. We are very confident that with the expanded customer base, it will enable us to have a more balanced sales and product mix to offset seasonal changes of a single industry.

Taking into consideration of our prospect 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$0.01 per share this year to reward shareholders for their support. Looking ahead, we are aware of the serious challenges from the coming basic salary hike, as well as the loosening up of the China foreign exchange rate control. Besides, the worldwide economy already has shown some signs of slowing down after many countries stimulus actions came to an end. Thus, the Group expects the next fiscal year to be slightly more difficult as a result of the combined impacts. To cope with these challenges, we have started to establish our second offshore factory in Thailand to mitigate the pressure from the growing operation costs in the PRC and to capture new orders from our most important partner, the Toshiba Thailand operations. The establishment of the new factory is expected to be completed in the next fiscal year, which would expand the overall operational competitiveness of the Group after it is fully operational.

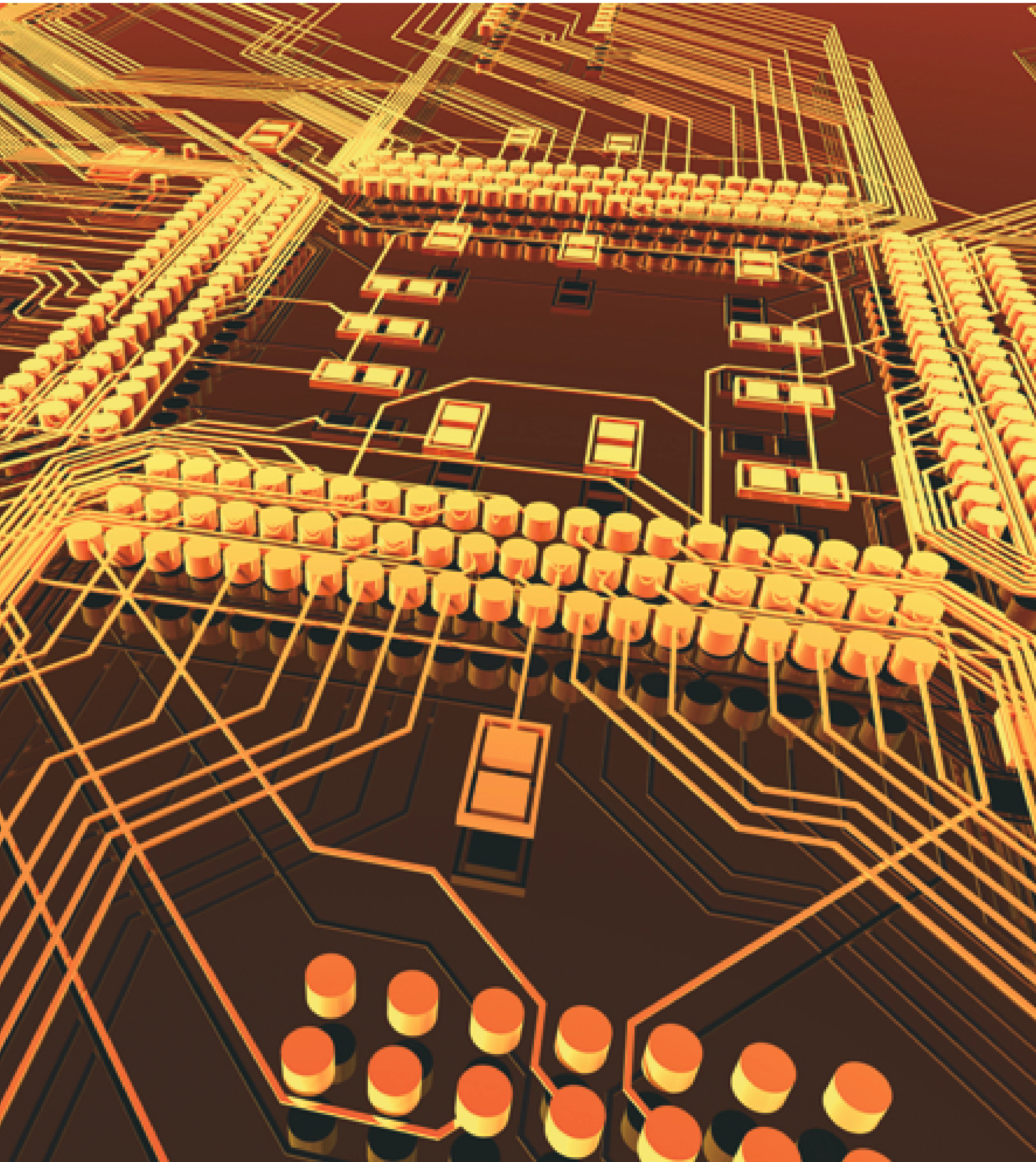
In the mid- to long-term, we remain modest optimistic about our business. More and more Japanese and Korean companies pursued outsourcing rather than internal manufacturing as they could benefit economy of scale from it. We believe that the combination of our engineering services, long-term relationship with top-tier customers, significant scale factories in Asia and operational track record provide us with competitive advantage to meet the demand of Japanese, Korean, Taiwanese and the PRC customers. Based on these foundations, we are able to streamline our customers manufacturing processes and achieve cost saving.

On behalf of the Board, I would like to express my appreciation to the management and staffs 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, 21 October 2010

# INDUSTRY HIGHLIGHT



# Management Discussion and Analysis

## Financial Review

Following the economic tsunami in fiscal year 2009, the EMS market is recovering and showing a growth trend in 2010. As expected, the consumer electronics industry is leading the way in this recovery. Increased demand, along with new and exciting products (iPhone, Android and more), has stimulated the market and left Chinese factories hopping. According to Gartner, Asia Pacific PC shipments will grow 20.3% in 2010. In more mature markets of APAC (Taiwan, South Korea, Australia, New Zealand, Hong Kong and Singapore), the business sector will be the biggest growth area in 2010 due to PC replacements that were held off in the past 18 months. The Group was able to grasp these opportunities to capture more sales. The Group benefited from broad recovery in customer demand across most industrial and geographical segments, and the increased market share of its major customers. For the financial year ended 30 June 2010, the turnover was up 48%, amounting to HK$2,679 million. (for the year ended 30 June 2009: HK$1,807 million). The cost of sales increased at a smaller extent of 44%, these reflected strong performance and better cost control.

In this fiscal year, the Group pursued customer consolidation and product development strategies. With the significant rebound of sales orders, the Group was fully aware that the existing production capacity would not be able to fulfill all the orders. So, the Group chose to focus its effort on major customers with high-margin and high-quality products such as PC motherboards and HDD controllers. This enabled the Group to focus entirely on the growth in major clients, and release the resources to seek new opportunities. It demonstrated that the Group continued to be a robust and reliable partner with its customers. On top of customer consolidation to trim down less profitable customers, the Group also strove to attract new prospective customers. During the fiscal year, the Group successfully secured orders from the largest Korean electronics manufacturer.

In addition, the Group also developed a new product line for Toshiba - LCD TV Controller, which started production early this fiscal year. With these two strategies in place, the Group totally turned around its performance. With a higher capacity utilization rate and tightened cost control, the Group achieved a net profit of HK$35 million for the year ended 30 June 2010 following a loss-making year in 2009 (for the year ended 30 June 2009: net loss of HK$38 million).

## Business Review

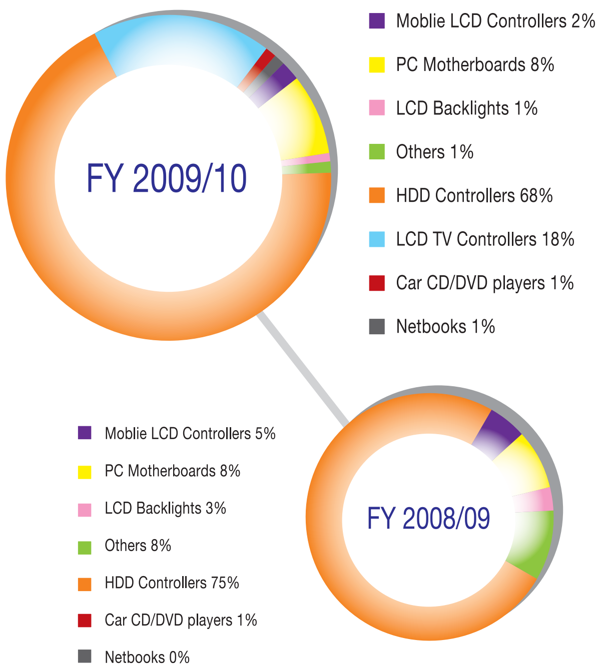
During the fiscal year, the Group maintained focus on top-tier clients and high-margin products. HDD controllers, PC motherboards (include desktop and notebook computers), and LCD TV controllers remained the core products of the Group, contributing 94% of the total turnover. Other products, such as mobile LCD controller boards and car CD/DVD player controller boards, maintained stable revenue contribution to the Group's total turnover this year.

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

| | Revenue | | | |
|---|---|---|---|---|
| | **FY2009/10** | | FY2008/09 | |
| | **Amounts (HKD million)** | **%** | Amounts (HKD million) | % |
| HDD Controllers | **1,824** | **68** | 1,361 | 75 |
| LCD TV Controllers | **486** | **18** | — | — |
| PC Motherboards | **207** | **8** | 145 | 8 |
| Mobile LCD Controllers | **57** | **2** | 98 | 5 |
| Car CD/DVD players | **38** | **1** | 21 | 1 |
| Netbooks | **22** | **1** | 3 | 0 |
| LCD Backlights | **13** | **1** | 54 | 3 |
| Others | **32** | **1** | 125 | 8 |
| | **2,679** | **100** | 1,807 | 100 |

# Management Discussion and Analysis

## Revenue




**HDD Controllers**

HDD controllers are printed circuit boards that control data transmission to and from the disk drive in portable electronic devices like notebook computers, netbook computers, set top boxes, digital video recorders, camcorders and GPS systems. For this fiscal year, with the recovering economy, this sector's revenue increased from HK$1,361 million to HK$1,824 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 leverage of the Group to grow with the hard disk drive market driven by fast growing portable electronic devices such as netbook computers, smart phones 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 like netbook and notebook computers, demand for hard disk drives continues to rise.

During the fiscal year, Toshiba HDD division acquired the Fujitsu HDD business unit, and expanded its HDD system manufacturing facility into original Fujitsu Thailand production base. Credited by the existing long term excellent working relationship with Toshiba, Toshiba has invited the Group to set up a local HDD controller board assembly factory inside its Thailand campus, in order to replace its existing local OEM factory for more reliable services. With the added production expansion in Thailand, the Group expects the HDD controllers revenue will be increasing steadily in the coming years.

**LCD TV Controllers**

LCD TV controllers are printed circuit boards containing circuitry that control the LCD TV screen. According to DisplaySearch, an Austin, Texas based market research firm, the total worldwide TV shipments in 2010 will pass 242 million units, a remarkable 15% increase from an anemic 2% level of growth in 2009. The level of demand for LCD TVs looks strong, total shipments are rising 29% to 188 million units. LCD continues to be the dominant TV technology worldwide, achieving more than 50% shipment share in nearly all regions, with Asia Pacific crossing 50% at the end of 2010. The key demand drivers remain compelling in 2010, including the World Cup, the completion of a digital TV transition in several Western European countries and the continued rollout of several new TV technologies, including LED-backlit LCD TVs, 3D TVs and internet connectivity. The Group was able to grasp these opportunities and developed a new product line starting this fiscal year. The Group 's turnover from this product segment was HK$486 million, which boosted the Group's overall turnover and became the second largest product segment.

### PC Motherboards

PC motherboards are the main printed circuit boards of computers. They contain electronic circuitry required to control operation of all peripheral devices of a computer. According to Gartner, worldwide PC shipments are projected to a total of 367.8 million units in 2010, a 19.2% increase from last year. Consumer demand is likely to remain strong even if the economic recovery stalls because consumers now view PCs as a relative 'necessity' rather than a 'luxury' and will continue to spend on PCs, even at the expense of other consumer electronic devices. Also, Gartner analysts said businesses will find it very difficult to delay PC replacements further as the age of the professional PC installed base is already at an all time high. With these opportunities ahead, the Group was able to react quickly and capture more sales from its customers. The revenue of this segment increased by 43%, from HK$145 million in 2009 to HK$207 million in 2010.

### Mobile LCD Controllers

Mobile LCD controllers are flexible printed circuit boards containing circuitry that controls the LCD screen on mobile phones, GPS systems, mobile gaming devices and digital cameras. According to a US-based market research firm, IXPLORA, the mobile phone market growth was dominated by Smartphone. Despite the growth in the mobile phone market, Nokia's market share declined from 39% in June 2009 to 33% in the first quarter of 2010. As for Sony Ericsson, market share also dropped from 5.4% in the first quarter of 2009 to 3.1% in the same period in 2010 (Gartner research). Since the Group's customers are suppliers of Nokia and Sony Ericsson mobile phones, the drop in market share also affected the Group's turnover in this segment. For the mobile gaming market, iPhone was stealing market share from Sony and Nintendo, as reported by CNET news. As some of the Group's customers are Nintendo manufacturers, the drop in Nintendo's market share affected the Group's turnover from these customers. So, the turnover from this segment dropped from HK$98 million in 2009 to HK$57 million in 2010.

### Others

This sector includes other existing and new products.

During the fiscal year, the Group continued to tighten its relationship with existing customers. The turnover for car CD/DVD players increased from HK$21 million in 2009 to HK$38 million in 2010. Also, the Group actively entered into the Netbook market, resulting in a significant increase in turnover from HK$3 million in 2009 to HK$22 million in 2010.

With the Group's continuous investment in systems, people and the latest high technology manufacturing equipment, the Group was able to respond quickly to the economic bounce back and focus on high-margin product segments. These high-margin products will facilitate the Group to sustain growth and improve profitability.

## Liquidity and Financial Resources

The Group had bank balances and cash of approximately HK$212 million as at 30 June 2010 (for the year ended 30 June 2009: HK$304 million). The Group generally finances its operations through its internal resources and bank facilities provided by its principal bankers. As at 30 June 2010, the Group had net current assets of approximately HK$491 million and a current ratio of 1.84 (for the year ended 30 June 2009: net current assets: HK$427 million; current ratio: 1.86). The Group's net asset value was HK$1,061 million (for the year ended 30 June 2009: HK$1,054 million). 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$0.05 million as at 30 June 2010, all of which are repayable within one year. Total debt to total assets ratio was 37 % (for the year ended 30 June 2009: 33%). Currently, all of our cost of direct materials and turnover are denominated in US dollar, to which the HK dollar is pegged. However, our labour costs and operation overheads are denominated in RMB and VND. The labour costs in China have been increasing and RMB in China continues its appreciation trend. We have been actively monitoring the foreign exchange exposure in this aspect. As at 30 June 2010, the Group did not have any material contingent liabilities.

# Management Discussion and Analysis

## Production Facilities

With the gradually recovering worldwide market, the Group grasped more orders from its existing customers as well as from the new Korean customer. Upon serious assessment of the overall production capacity, the Group started to expand its capacity and invest in manufacturing equipment to address the increasing market opportunities. As at 30 June 2010, it had 102 SMT lines and a production capacity of 103 billion chips per year.

The Vietnam factory was completed and pushed out into pilot production at the end of 2009. Its monthly production output has been increasing steadily over time as its local management team becoming mature. Currently, the Vietnam factory has installed 11 SMT lines, with a production capacity of 9.3 billion chips per year. As the Chinese operational costs keep on increasing, the Group expects to relocate more customer orders to the Vietnam factory, which would then need more machinery to meet the end requirements.

During the fiscal year, the Group's new Thailand factory has been partially completed and expected to be pushed out into production run soon after its completion.

## Prospect

Following the Great Recession last year, the picture for 2010 is showing a growth trend in the first half. While it is generally agreed that most economies will recover, there do not appear to be enough shapes or letters available to describe the possible permutations that recovery may take – will it be a U, a V, a W, or other shapes? And the possibility remains of a double-dip recession, once the stimulus ends. The uncertain economic outlook is likely to keep enterprises focused on cost.

With the gradual recovery of global market, there are alarming symptoms of labor shortage as well as appreciation of Renminbi. This labor shortage problem has been observed by many EMS operations in China since August 2009, and got worse before and after the Chinese New Year holidays of 2010. The Group expects the situation might remains the same as China government keep on developing domestic economies, which would absorb more workers locally inland.

Looking forward, the Group believes the Chinese business environment would become even tougher as the minimum wages in the PRC jump up again, partially resulting from the continuous labor shortage. Shenzhen already announced to increase the minimum wage to RMB1,100 per month, a hefty leap of 22% beginning July 01, 2010. Besides, piling up Chinese foreign reserves could again lead to the possible appreciation of Renminbi, as China government already imposed new approach to loosen up the tight link between Renminbi and US dollars. The combined factors of higher salary multiplied by the RMB appreciation will eventually drive up the overall operational costs at an alarming pace in the coming years.

In conclusion, in order to further drive up the turnover, the Group will continue to pursue customer consolidation strategy while at the same time approaching top-tier potential customers. To tighten the relationship with existing customers, the Group will also continuously explore the possibility of offering a broader product mix. As effective cost control is one of the critical success factors, in order to tightened cost control in response to the PRC higher labor wages and appreciation of Renminbi, the Group will keep on diversifying its production facilities outside of China, which would secure its competitive edge in the long run.

## Staffs

As of June 2010, the Group employed a total of 5,199 staffs, of which 4,725 were employed in Mainland, 435 were employed in Vietnam and 39 were employed in Hong Kong (for the year ended 30 June 2009: Total: 5,428 staffs; Mainland: 5,247 staffs; Vietnam: 144 staffs; Hong Kong: 37 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.

# Management Discussion and Analysis

## 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$0.01 (for the year ended 30 June 2009: HK$0.02) per share payable on 8 December, 2010 to the shareholders of the Company whose names appeared in the register of members on 25 November 2010.

## Closure of Register of Member

Register of members of the Company will be closed from 18 November 2010 to 25 November 2010 (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 17 November 2010, with the Company's Registrars, Computershare Hong Kong Investor Services Limited on 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

## Purchase, Sale or Redemption of Shares

During the year ended 30 June 2010, 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 is 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 2010, 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 two meetings with respect to discussing matters regarding internal controls and financial reporting (including the interim results before proposing them to the Board for approval) with the management and external auditors. The audit committee has reviewed the results announcement of the Group for the year ended 30 June 2010.

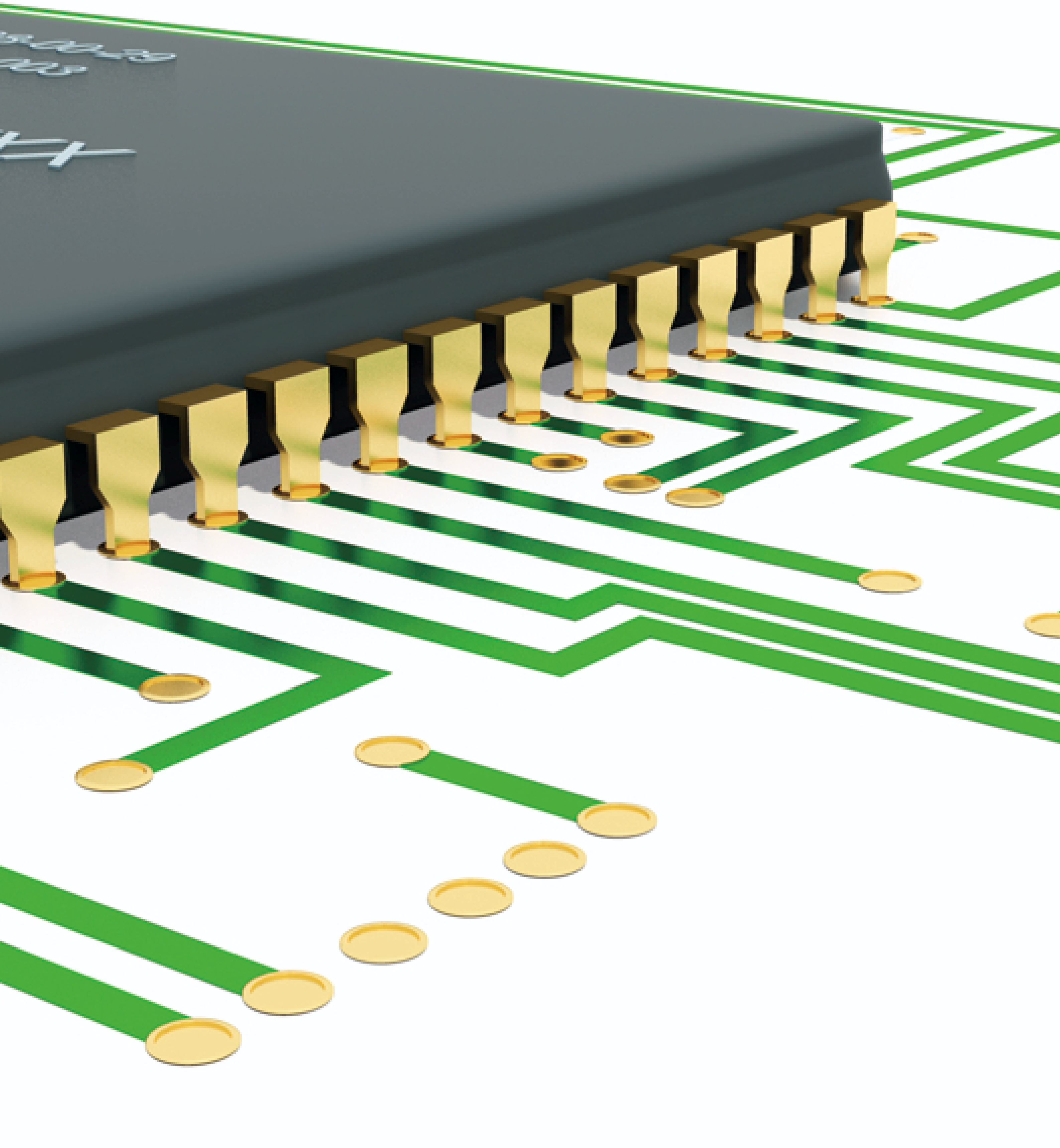
## Remuneration Committee

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 Report

## Corporate Governance Practices

The Group commits to maintain and ensure a high level of corporate governance standards and continuously reviews and improves our corporate governance and internal 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 performed 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 brings 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 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, Jimmy, Mr. Xie Bai Quan, and 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.

# Corporate Governance Report

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

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-Executive Directors to be independent.

During the year ended 30 June 2010, the Directors have made active contribution to the affairs of the Group and four 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 | 4 | 4 |
| Ms. Sun Mi Li | 4 | 4 |
| Mr. Tsuji Tadao | 4 | 3 |
| *Independent Non-Executive Directors* | | |
| Mr. Xie Bai Quan | 4 | 3 |
| Mr. Chung Wai Kwok, Jimmy | 4 | 4 |
| Mr. Tam Wing Kin | 4 | 3 |

## 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.

For the year ended 30 June 2010, the audit committee held two meetings. The 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)* | 2 | 2 |
| Mr. Xie Bai Quan | 2 | 2 |
| Mr. Tam Wing Kin | 2 | 2 |

## Remuneration Committee

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

The principal responsibilities of the remuneration committee include making recommendations to the Board on the Group's policy and structure for all remuneration of Directors and senior management and reviewing 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 for the year ended 30 June 2010. The attendance of each remuneration committee member is set out as follows:–

| | No. of Meetings | |
|---|---|---|
| **Remuneration Committee Members** | **Held** | **Attended** |
| Mr. Tam Wing Kin *(Chairman)* | 3 | 3 |
| Mr. Chung Wai Kowk, Jimmy | 3 | 3 |
| Ms. Sun Mi Li | 3 | 3 |

## Auditor's Remuneration

The Audit Committee of the Group is responsible for considering the appointment of external auditor and reviewing any non-audit functions performed by external auditor. During the year under review, the Group is required to pay an aggregate of approximately HK$2,144,000 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 52, 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 46, 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 was 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 63, is the general manager of the sales and marketing department. Mr. Tsuji was appointed as an Executive Director of our Group on 16 November 2005. He joined our Group as a 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. Chung Wai Kwok, Jimmy (鍾維國), aged 60, 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, Tradelink Electronic Commerce Limited and Fook Woo Group Holidngs Limited, of which are listed on The Stock Exchange of Hong Kong Limited.

Mr. Xie Bai Quan (謝百泉), aged 66, was appointed as an Independent Non-Executive Director of our Group on 16 November 2005. He has over 20 years of experience working in various governmental departments in the 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.

Mr. Tam Wing Kin (譚榮健), aged 45, was appointed as an Independent Non-Executive Director of our Group on 1 January 2009. He is currently the Chief Financial Officer of Unicorn Studios. He is also an Independent Non-Executive Director of China Post E-Commerce (Holdings) Limited. He was a qualified accountant and company secretary of Imagi International Holdings Limited from August 2007 to December 2009. 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) with over 20 years of experience in the accounting field.

# Biographical Details of Directors and Senior Management

## 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 2010.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 34 to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2010 are set out in the consolidated statement of comprehensive income 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$0.01 per share to the shareholders on the register of members on 25 November, 2010, amounting to HK$9,683,940 for the year ended 30 June 2010.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

## SHARE CAPITAL

Details of the Company's share capital are set out in note 28 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 2010 amounted to HK$557,594,000 (2009: HK$558,092,000), which comprises the contributed surplus of HK$514,642,000 (2009: HK$514,642,000) and accumulated profits of HK$42,952,000 (2009: HK$43,450,000).

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

Chung Wai Kwok, Jimmy
Xie Bai Quan
Tam Wing Kin

In accordance with Articles 86 and 87 of the Company's Article of Associations, Sun Mi Li and Xie Bai Quan 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 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 2010, 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

### 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% |

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 2010.

## SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 29 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 1.7.2009 | Lapsed during the year | Outstanding at 30.6.2010 |
|---|---|---|---|---|---|---|
| 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 | (4,262,000) | — |
| | | | | 5,936,000 | (5,936,000) | — |

The closing price of the Company's shares immediately before 23 April 2007, the date the options were granted, 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 2010, 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<br>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 2010.

## 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 29 to the consolidated financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers comprised approximately 96.6% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 86.1% of the Group's total sales for the year.

The aggregate purchases attributable to the Group's five largest suppliers comprised approximately 99.6% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 95.6% 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 2010.

## DONATIONS

During the year, the Group made charitable donations of HK$331,000.

## 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*
21 October 2010

# 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 65, which comprise the consolidated statement of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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.

# Independent Auditor's Report

## 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 2010 and of the Group's profit 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
21 October 2010

# Consolidated Statement of Comprehensive Income

*For the year ended 30 June 2010*

| | NOTES | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|---|
| Revenue | 7 | **2,678,535** | 1,806,571 |
| Cost of sales | | **(2,554,436)** | (1,777,575) |
| Gross profit | | **124,099** | 28,996 |
| Other income | | **13,732** | 22,520 |
| Other gains and losses | 8 | **(2,214)** | (5,934) |
| Distribution costs | | **(9,630)** | (4,945) |
| General and administrative expenses | | **(83,011)** | (78,632) |
| Finance costs | 9 | **(467)** | (179) |
| Profit (loss) before tax | | **42,509** | (38,174) |
| Income tax (expense) credit | 10 | **(7,445)** | 357 |
| Profit (loss) for the year | 11 | **35,064** | (37,817) |
| Other comprehensive (expense) income | | | |
| Exchange difference arising on foreign operations | | **(8,758)** | 5,031 |
| Total comprehensive income (expense) for the year | | **26,306** | (32,786) |
| Profit (loss) for the year attributable to: | | | |
| Owners of the Company | | **36,365** | (37,817) |
| Non-controlling interests | | **(1,301)** | — |
| | | **35,064** | (37,817) |
| Total comprehensive income (expense) for the year attributable to: | | | |
| Owners of the Company | | **27,607** | (32,786) |
| Non-controlling interests | | **(1,301)** | — |
| | | **26,306** | (32,786) |
| Basic and diluted earnings (loss) per share | 15 | **HK$0.04** | (HK$0.04) |

# Consolidated Statement of Financial Position

*At 30 June 2010*

| | NOTES | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 16 | **584,806** | 618,070 |
| Prepaid lease payments | 17 | **4,410** | 22,629 |
| Deposits for acquisition of property, plant and equipment | 18 | **13,972** | 3,383 |
| | | **603,188** | 644,082 |
| **Current assets** | | | |
| Inventories | 19 | **307,545** | 173,006 |
| Trade and other receivables | 20 | **452,870** | 353,142 |
| Trade receivables factored with recourse | 21 | **100,888** | 91,746 |
| Prepaid lease payments | 17 | **106** | 485 |
| Pledged bank deposit | 22 | **—** | 2,202 |
| Bank balances and cash | 23 | **212,218** | 303,700 |
| | | **1,073,627** | 924,281 |
| **Current liabilities** | | | |
| Trade and other payables | 24 | **422,091** | 356,297 |
| Advance drawn on trade receivables factored with recourse | 21 | **100,888** | 91,746 |
| Tax liabilities | | **54,784** | 49,252 |
| Obligations under finance leases – due within one year | 25 | **50** | 430 |
| Unsecured bank borrowings | 26 | **4,700** | — |
| | | **582,513** | 497,725 |
| **Net current assets** | | **491,114** | 426,556 |
| **Total assets less current liabilities** | | **1,094,302** | 1,070,638 |
| **Non-current liabilities** | | | |
| Obligations under finance leases - due after one year | 25 | **—** | 50 |
| Unsecured bank borrowings | 26 | **18,346** | — |
| Deferred taxation | 27 | **15,130** | 16,700 |
| | | **33,476** | 16,750 |
| | | **1,060,826** | 1,053,888 |
| **Capital and reserves** | | | |
| Share capital | 28 | **96,839** | 96,839 |
| Reserves | | **965,288** | 957,049 |
| Equity attributable to owners of the Company | | **1,062,127** | 1,053,888 |
| Non-controlling interests | | **(1,301)** | — |
| **Total equity** | | **1,060,826** | 1,053,888 |

The consolidated financial statements on pages 26 to 65 were approved and authorised for issue by the Board of Directors on 21 October 2010 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 2010*

| | 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$'000 | Total capital and reserves HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Attributable to owners of the Company | | | | | | | | | |
| At 1 July 2008 | 96,839 | 450,739 | 11,478 | 6,400 | 2,664 | 18,898 | 528,708 | 1,115,726 | — | 1,115,726 |
| Loss for the year | — | — | — | — | — | — | (37,817) | (37,817) | — | (37,817) |
| Exchange differences arising on translation of foreign operations recognised directly in equity | — | — | — | — | — | 5,031 | — | 5,031 | — | 5,031 |
| Total comprehensive expense for the year | — | — | — | — | — | 5,031 | (37,817) | (32,786) | — | (32,786) |
| Release upon lapse of vested share options | — | — | — | — | (868) | — | 868 | — | — | — |
| Dividend paid (note 14) | — | — | — | — | — | — | (29,052) | (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 | — | 1,053,888 |
| Profit for the year | — | — | — | — | — | — | 36,365 | 36,365 | (1,301) | 35,064 |
| Exchange differences arising on translation of foreign operations recognised directly in equity | — | — | — | — | — | (3,321) | — | (3,321) | — | (3,321) |
| Exchange differences on long term advances to a foreign operation | — | — | — | — | — | (5,437) | — | (5,437) | — | (5,437) |
| Total comprehensive income for the year | — | — | — | — | — | (8,758) | 36,365 | 27,607 | (1,301) | 26,306 |
| Release upon lapse of vested share options | — | — | — | — | (1,796) | — | 1,796 | — | — | — |
| Dividend paid (note 14) | — | — | — | — | — | — | (19,368) | (19,368) | — | (19,368) |
| At 30 June 2010 | 96,839 | 450,739 | 11,478 | 6,400 | — | 15,171 | 481,500 | 1,062,127 | (1,301) | 1,060,826 |

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 Statement of Cash Flows

*For the year ended 30 June 2010*

| | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Profit (loss) before tax | **42,509** | (38,174) |
| Adjustments for: | | |
| Bad debts written off | **—** | 1,479 |
| Depreciation of property, plant and equipment | **76,666** | 74,009 |
| Finance costs | **467** | 179 |
| Impairment loss recognised on trade receivables | **3,385** | — |
| Interest income | **(188)** | (1,300) |
| (Gain) loss on disposal of property, plant and equipment | **(530)** | 46 |
| Gain on disposal of prepaid lease payments | **(130)** | — |
| Release of prepaid lease payments | **263** | 361 |
| Operating cash flows before movements in working capital | **122,442** | 36,600 |
| (Increase) decrease in inventories | **(134,539)** | 56,225 |
| (Increase) decrease in trade and other receivables | **(101,783)** | 133,460 |
| Increase in trade and other payables | **64,678** | 90,159 |
| Cash (used in) generated from operations | **(49,202)** | 316,444 |
| Hong Kong Profits Tax paid | **(3,483)** | (2,607) |
| NET CASH (USED IN) FROM OPERATING ACTIVITIES | **(52,685)** | 313,837 |
| INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | **(51,444)** | (53,201) |
| Deposits for acquisition of property, plant and equipment | **(13,972)** | (3,383) |
| Proceeds from disposal of prepaid lease payments | **17,899** | — |
| Proceeds from disposal of property, plant and equipment | **2,914** | 57 |
| Decrease (increase) in pledged bank deposit | **2,202** | (2,202) |
| Interest received | **188** | 1,300 |
| Additions to prepaid lease payments | **—** | (5,314) |
| NET CASH USED IN INVESTING ACTIVITIES | **(42,213)** | (62,743) |
| FINANCING ACTIVITIES | | |
| New bank borrowings raised | **23,046** | — |
| Dividends paid | **(19,368)** | (29,052) |
| Repayment of obligations under finance leases | **(430)** | (3,020) |
| Interest paid | **(467)** | (179) |
| NET CASH FROM (USED IN) FINANCING ACTIVITIES | **2,781** | (32,251) |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | **(92,117)** | 218,843 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | **303,700** | 87,633 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | **635** | (2,776) |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash | **212,218** | 303,700 |

# Notes to the Consolidated Financial Statements

*For the year ended 30 June 2010*

## 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 34.

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 new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA").

| | |
|---|---|
| HKAS 1 (Revised 2007) | Presentation of Financial Statements |
| HKAS 23 (Revised 2007) | Borrowing Costs |
| HKAS 27 (Revised) | 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) | 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 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 | Distribution 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 amendments that are effective for annual periods beginning or after 1 July 2009 |

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current and prior accounting periods.

### HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced a number of terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

### HKFRS 3 (Revised) Business Combinations and HKAS 27 (Revised) Consolidated and Separate Financial Statements

The Group applies HKFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 July 2009. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 July 2009.

HKAS 27 (Revised) requires the Group to allocate the total comprehensive income to non-controlling interests even if the non-controlling interests have a deficit balance. The application has resulted in the recognition of a deficit balance of HK$1,301,000 on the consolidated statement of financial position as at the end of the current reporting period.

As there was no transaction during the current year in which HKFRS 3 (Revised) is applicable, the application of HKFRS 3 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised) and the consequential amendments to the other HKFRSs are applicable.

### HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments nor change in measurement of segment results (see note 7).

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

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs 2009[1] |
| HKFRSs (Amendments) | Improvements to HKFRSs 2010[2] |
| HKAS 24 (Revised) | Related Party Disclosures[3] |
| HKAS 32 (Amendment) | Classification of Rights Issues[4] |
| HKFRS 1 (Amendment) | Additional Exemptions for First-time Adopters[5] |
| HKFRS 1 (Amendment) | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[7] |
| HKFRS 2 (Amendment) | Group Cash-settled Share-based Payment Transactions[5] |
| HKFRS 9 | Financial Instruments[6] |
| HK(IFRIC) – Int 14 (Amendment) | Prepayments of a Minimum Funding Requirement[3] |
| HK(IFRIC) – Int 19 | Extinguishing Financial Liabilities with Equity Instruments[7] |

1 Amendments that are effective for annual periods beginning on or after 1 January 2010
2 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 January 2010
6 Effective for annual periods beginning on or after 1 January 2013
7 Effective for annual periods beginning on or after 1 July 2010

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

### HKFRS 8 Operating Segments *(continued)*

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 July 2010, with earlier application permitted. Before the amendments to HKAS 17, the Group is required to classify leasehold land as operating leases and present it as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

## 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 statement of comprehensive income 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Basis of consolidation *(continued)*

Non-controlling interests in the net assets of consolidated subsidiaries, if any, are presented separately from the Group's equity therein. Non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combination and the non-controlling's share of changes in equity since the date of the combination.

***Allocation of total comprehensive income to non-controlling interest***

Prior to 1 July 2009, losses applicable to the non-controlling interests in excess of the non-controlling's interest share in the subsidiary's equity are allocated against the interest of the Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

On or after 1 July 2009, total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

### 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 is 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 on initial recognition.

### 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 profit or loss in the period in which the item is derecognised.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 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 profit or loss 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 statement of financial position 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.

Operating lease payments are recognised as an expense 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.

*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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income in the consolidated financial statements, accumulated in the exchange reserve and will be reclassified from equity to profit or loss on disposal of the foreign operation.

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 end of the reporting period, 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 in other comprehensive income and accumulated in equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Retirement benefit costs

Payments to defined contribution retirement benefit plans, including state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme ("MPF Scheme") are charged as an expense when employees have rendered service entitling them to the contributions.

### Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income 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 end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of 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 the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Inventories

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

### Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position 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 as loans and receivables.

***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, 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 loans and receivables below).

***Impairment of loans and receivables***

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been impacted.

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Financial instruments *(continued)*

### Financial assets *(continued)*

***Impairment of loans and receivables*** *(continued)*

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 120 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 loans and receivables is reduced by the impairment loss directly 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.

### 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.

***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 to the net carrying amount on initial recognition.

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 unsecured bank borrowings 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Financial instruments *(continued)*

### Derecognition

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

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

### Share-based payment transactions

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

At the end of the reporting period, 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 the end of the reporting period, 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 end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

### Impairment loss on trade receivables

The policy for allowance for bad or doubtful debts of the Group is based on the evaluation of collectability of accounts and on management's estimate. In determining whether impairment is required, the Group takes into consideration the likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original interest rate and the carrying value. Where the actual future cash flows are less than expected, a material impairment loss may arise. At 30 June 2010, the carrying amount of trade receivables, net of allowance for doubtful debts of HK$3,385,000 (2009: Nil), was approximately HK$419,250,000 (2009: HK$323,832,000).

### Impairment loss on inventories

Inventories are valued at the lower of actual cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is generally the merchandise's selling price quoted from the market for similar items. The Group reviews its inventories levels in order to identify slow moving and obsolete merchandise. When the Group identifies items of inventories which have a market price that is lower than its carrying amount, the Group estimates the amount of allowance on inventories charged to profit or loss for the year. The carrying amounts of inventories as at 30 June 2010 are approximately HK$307,545,000 (2009: HK$173,006,000) respectively.

## 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 owners 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 owners 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 repayment of existing debt.

## 6. FINANCIAL INSTRUMENTS

### a. Categories of financial instruments

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Financial assets** | | |
| Loan and receivables (including cash and cash equivalents) | **739,399** | 730,177 |
| **Financial liabilities** | | |
| Amortised cost | **522,825** | 416,668 |

### 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 unsecured bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk, and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Market risk**

***Currency risk***

The Group's exposure to currency risk mainly arises from fluctuation of foreign currencies against the functional currency of the relevant Group entities, including 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 unsecured bank borrowings) at the reporting date are as follows:

| | **Assets** | | **Liabilities** | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Hong Kong dollars | **132,920** | 17,454 | **48,483** | 7,332 |
| United States dollars | **25,451** | 17,472 | **138** | — |
| Japanese Yen | **6,337** | 27,923 | **3,914** | 33,856 |
| Renminbi | **5,364** | 36,753 | **12,070** | 4,891 |

## 6. FINANCIAL INSTRUMENTS *(continued)*

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

**Market risk** *(continued)*

***Currency risk*** *(continued)*

The following table details the Group's sensitivity to a 5% (2009: 5%) increase or decrease in the value of the functional currency against the relevant foreign currencies. 5% (2009: 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% (2009: 5%) change in foreign currency rates.

| | **Japanese Yen Impact** | | **Renminbi Impact** | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| 5% increase in the value of the functional currency | | | | |
| (Decrease) increase in post-tax profit for the year | **(111)** | — | **308** | — |
| (Decrease) increase in post-tax loss for the year | **—** | (272) | **—** | 1,462 |
| 5% decrease in the value of the functional currency | | | | |
| Increase (decrease) in post-tax profit for the year | **111** | — | **(308)** | — |
| Increase (decrease) in post-tax loss for the year | **—** | 272 | **—** | (1,462) |

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

## 6. FINANCIAL INSTRUMENTS *(continued)*

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

**Market risk** *(continued)*

***Interest rate risk***

The Group is exposed to both fair value and cash flow interest rate risks in relation to its finance lease obligations which carry fixed interest rate and its unsecured bank borrowings which carry 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 outstanding amount of finance lease obligations with fixed interest rate was not material, 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 an 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 unsecured bank borrowings) at the end of the reporting period. The analysis is prepared assuming the amount outstanding at the end of the reporting period was outstanding for the whole year. 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 profit for the year ended 30 June 2010 would decrease/increase by HK$398,000 (2009: post-tax loss would increase/decrease by HK$825,000).

## 6. FINANCIAL INSTRUMENTS *(continued)*

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

**Credit risk**

As at 30 June 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has a significant concentration of credit risk on two customers which accounted for approximately 95% of its total trade receivables at 30 June 2010 (79% at 30 June 2009). An analysis of the amounts due from these two customers at the end of the reporting period is as follows:

| | **% of total trade receivables** | |
|---|---|---|
| | **At 30.6.2010** | At 30.6.2009 |
| Company A | **83** | 64 |
| Company B | **12** | 15 |

In order to minimise the credit risk, management of the Group has delegated a team of staff members responsible for determination of credit limits, credit approvals and other monitoring procedures for all its customers and in particular, its 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 the end of each reporting period 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. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate at the end of the reporting period.

*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$'000 | Carrying amount at 30 June 2010 HK$'000 |
|---|---|---|---|---|---|---|---|
| **2010** | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | |
| Trade and other payables | — | 181,178 | 201,746 | 15,967 | — | 398,891 | 398,891 |
| Advance drawn on trade receivables factored with recourse | 1.48% | 1,177 | 73,049 | 27,330 | — | 101,556 | 100,888 |
| Obligations under finance leases – fixed rate | 4.75% | 17 | 25 | 9 | — | 51 | 50 |
| Unsecured bank borrowings – floating rate | 2.41% | 436 | 871 | 3,948 | 18,999 | 24,254 | 23,046 |
| | | 182,808 | 275,691 | 47,254 | 18,999 | 524,752 | 522,875 |

| | 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 |

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

## 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.

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:

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Sales of goods | **2,351,964** | 1,519,075 |
| Rendering of services | **326,571** | 287,496 |
| | **2,678,535** | 1,806,571 |

### 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. The chief operating decision maker is the Company's executive directors. 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. 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 directors to allocate resources and to assess the performance.

## 7. REVENUE AND SEGMENT INFORMATION *(continued)*

### Segment information *(continued)*

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| **Results** | | |
| **Segment revenue** | | |
| Pure assembly services | **318,423** | 278,981 |
| Procurement and assembly services | **2,351,964** | 1,519,075 |
| Repair and maintenance services | **8,148** | 8,515 |
| | **2,678,535** | 1,806,571 |
| **Segment results** | | |
| – Pure assembly services | **34,470** | 13,944 |
| – Procurement and assembly services | **85,632** | 11,903 |
| – Repair and maintenance services | **612** | 1,670 |
| | **120,714** | 27,517 |
| Unallocated corporate expenses | **(92,641)** | (88,032) |
| Unallocated other income | **14,903** | 22,520 |
| Finance costs | **(467)** | (179) |
| Profit (loss) before tax | **42,509** | (38,174) |

Segment profit represents the profit earned by each segment without allocation of other income, other gains and losses, distribution costs, general and administrative expenses (other than impairment loss recognised on trade receivables) and finance costs. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

### 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:

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Japan | **2,413,144** | 1,578,020 |
| Taiwan | **176,293** | 129,658 |
| PRC | **63,928** | 91,841 |
| Others | **25,170** | 7,052 |
| | **2,678,535** | 1,806,571 |

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

## 7. REVENUE AND SEGMENT INFORMATION *(continued)*

### Geographical segments *(continued)*

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

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| PRC | **472,394** | 527,492 |
| Hong Kong | **24,682** | 28,375 |
| Vietnam | **92,272** | 88,215 |
| Thailand | **13,840** | — |
| | **603,188** | 644,082 |

**Information about major customers**

Revenue from a major customer of HK$2,307,531,000 (2009: HK$1,378,845,000) contributing over 10% of the total sales of the Group are derived from the procurement and assembly services segment.

## 8. OTHER GAINS AND LOSSES

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Gain (loss) on disposal of property, plant and equipment | **530** | (46) |
| Gain on disposal of prepaid lease payments | **130** | — |
| Net exchange gain (loss) | **511** | (4,409) |
| Impairment loss recognised on trade receivables | **(3,385)** | — |
| Bad debts written off | **—** | (1,479) |
| | **(2,214)** | (5,934) |

## 9. FINANCE COSTS

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interest on borrowings wholly repayable within five years | | |
| – bank borrowings | **446** | 115 |
| – finance leases | **21** | 64 |
| | **467** | 179 |

## 10. INCOME TAX EXPENSE (CREDIT)

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| The charge (credit) comprises: | | |
| Current tax: | | |
| Hong Kong Profits Tax | **9,015** | 1,443 |
| Deferred taxation (note 27) | **(1,570)** | (1,800) |
| | **7,445** | (357) |

### 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 50% relief from Hong Kong Profits Tax.

### PRC

Under the Enterprise Income Tax Law of the People's Republic of China (the "EIT Law"), which was effective from 1 January 2008, the PRC income tax for both domestic and foreign investment enterprises was unified at 25% effective from 1 January 2008. Under the transitional provision granted by relevant tax authorities, certain of the Group's PRC subsidiaries that were subject to a PRC income tax rate lower than 25% continued to enjoy the lower PRC income tax rate and gradually increased to the new PRC income tax rate within five years after the effective date of the EIT Law.

For those subsidiaries located in the Shenzhen Free Trade Zone, the PRC, according to the EIT Law and the relevant circular which was effective on 1 January 2008, the income tax rate was 18% with effect from 1 January 2008 and gradually increased to 20%, 22%, 24% and 25% with effect 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 these two Suzhou subsidiaries had incurred losses for the years ended 30 June 2009 and 2010, no provision for PRC Enterprise Income Tax has been made for both years.

## 10. INCOME TAX EXPENSE (CREDIT) *(continued)*

### 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. This subsidiary is entitled to a corporate income tax exemption for three years from the first profit making year and a reduction of 50% for seven years thereafter. As of 30 June 2010, this subsidiary had not yet generated any assessable profit. Accordingly, no provision for Vietnam corporate income tax has been made.

### Thailand

In accordance with the relevant rules and regulations in Thailand, a tax exemption privilege is given to the Group's subsidiary newly set up by the Board of Investments in Thailand in 2010. This subsidiary will enjoy income tax exemption for a period of eight years from the date it first generates income. As of 30 June 2010, this subsidiary had not yet generated any assessable profit. No provision for Thailand income tax has been made for the current year.

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

| | **2010**<br>**HK$'000** | 2009<br>HK$'000 |
|---|---|---|
| Profit (loss) before tax | **42,509** | (38,174) |
| Tax at the applicable income tax rate of 16.5% | **7,014** | (6,299) |
| Tax effect of expenses not deductible for tax purposes | **2,747** | 1,414 |
| Tax effect of income not taxable for tax purposes | **(26)** | (1,572) |
| Hong Kong tax relief | **(9,015)** | (1,443) |
| Tax effect of tax losses not recognised | **6,725** | 7,543 |
| Taxation charge (credit) for the year | **7,445** | (357) |

## 11. PROFIT (LOSS) FOR THE YEAR

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Profit (loss) for the year has been arrived at after charging (crediting): | | |
| Directors' emoluments (note 12) | **7,670** | 7,403 |
| Other staff costs | **162,603** | 153,436 |
| Retirement benefits scheme contributions (excluding contributions in respect of Directors) | **5,950** | 5,395 |
| Total staff costs | **176,223** | 166,234 |
| Auditor's remuneration | **1,480** | 1,390 |
| Depreciation of property, plant and equipment | **76,666** | 74,009 |
| Release of prepaid lease payments | **263** | 361 |
| Cost of inventories recognised as an expense | **2,200,528** | 1,503,339 |
| Interest income | **(188)** | (1,300) |
| Rework charges to customers (included in other income) | **(6,972)** | (21,134) |
| Sales of tools (included in other income) | **(6,572)** | — |

## 12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the six Directors (2009: seven Directors) were as follows:

| | Lam Chi Ho HK$'000 | Sun Mi Li HK$'000 | Tsuji Tadao HK$'000 | Christopher Roger Moss, OBE HK$'000 (note i) | Xie Bai Quan HK$'000 | Chung Wai Kwok, Jimmy HK$'000 | Tam Wing Kin HK$'000 (note ii) | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| 2010 | | | | | | | | |
| Fees | — | — | 958 | — | 150 | 300 | 120 | 1,528 |
| Other emoluments: | | | | | | | | |
| Salaries and other benefits | 3,182 | 2,653 | 283 | — | — | — | — | 6,118 |
| Retirement benefits scheme contributions | 12 | 12 | — | — | — | — | — | 24 |
| Total emoluments | 3,194 | 2,665 | 1,241 | — | 150 | 300 | 120 | 7,670 |
| 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 |

No Directors waived any emoluments for the years ended 30 June 2010 and 2009.

notes:

i. Resigned on 1 January 2009.

ii. Appointed on 1 January 2009.

## 13. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group included three Directors (2009: three Directors), details of which are set out above. The emoluments of the remaining two individuals (2009: two individuals) were as follows:

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Basic salaries and allowances | **1,220** | 1,213 |
| Bonus | **116** | — |
| Retirement benefits scheme contributions | **24** | 24 |
| | **1,360** | 1,237 |

Their emoluments were within the following band:

| | **2010** | 2009 |
|---|---|---|
| | **No. of employees** | No. of employees |
| Nil to HK$1,000,000 | **2** | 2 |

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.

## 14. DIVIDEND PAID

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Dividend recognised as distribution during the year: | | |
| Final dividend paid for 2009 – HK$0.02 (2009: final dividend for 2008 – HK$0.03) per share | **19,368** | 29,052 |

A final dividend for the financial year ended 30 June 2010 of HK$0.01 (2009: HK$0.02) per share, amounting to HK$9,683,940, has been proposed and is subject to approval by the shareholders in the forthcoming annual general meeting.

## 15. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share for the year ended 30 June 2010 is based on the profit attributable to owners of the Company of HK$36,365,000 (2009: loss of HK$37,817,000) and the number of 968,394,000 (2009: 968,394,000) shares in issue.

The computation of diluted loss per share had not assumed the exercise of the Company's options because the exercise price of those options was higher than the average market price of the shares.

## 16. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land and buildings HK$'000 | Furniture and fixtures HK$'000 | Leasehold improvements HK$'000 | Motor vehicles HK$'000 | Office equipment HK$'000 | Plant and machinery HK$'000 | Construction in progress HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| COST | | | | | | | | |
| At 1 July 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 |
| Exchange realignment | (2,007) | (14) | — | (75) | (43) | (4,899) | (2,204) | (9,242) |
| Additions | 11,548 | 1,487 | 1,863 | 492 | 6,876 | 31,969 | 592 | 54,827 |
| Transferred from CIP | 31,595 | — | 20,597 | — | 325 | 875 | (53,392) | — |
| Disposals | — | — | — | — | (728) | (30,630) | — | (31,358) |
| At 30 June 2010 | **43,706** | **21,204** | **184,407** | **12,985** | **81,855** | **652,813** | **267** | **997,237** |
| ACCUMULATED DEPRECIATION | | | | | | | | |
| At 1 July 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 |
| Exchange realignment | (48) | (1) | — | (7) | (4) | (141) | — | (201) |
| Provided for the year | 1,090 | 2,911 | 14,754 | 2,011 | 9,969 | 45,931 | — | 76,666 |
| Eliminated on disposals | — | — | — | — | (491) | (28,483) | — | (28,974) |
| At 30 June 2010 | **1,354** | **13,660** | **38,017** | **7,910** | **51,885** | **299,605** | **—** | **412,431** |
| CARRYING AMOUNT | | | | | | | | |
| At 30 June 2010 | **42,352** | **7,544** | **146,390** | **5,075** | **29,970** | **353,208** | **267** | **584,806** |
| At 30 June 2009 | 2,258 | 8,981 | 138,684 | 6,662 | 33,014 | 373,200 | 55,271 | 618,070 |

The leasehold land and buildings are 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.

## 16. 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:

| | |
|---|---|
| Leasehold 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 2010 included an amount of HK$130,000 (2009: HK$957,000) in respect of assets held under finance leases.

## 17. PREPAID LEASE PAYMENTS

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| The Group's prepaid lease payments comprise leasehold lands held under medium leases: | | |
| The PRC | **—** | 17,800 |
| Vietnam | **4,516** | 5,314 |
| | **4,516** | 23,114 |
| Analysed for reporting purposes as: | | |
| Current assets | **106** | 485 |
| Non-current assets | **4,410** | 22,629 |
| | **4,516** | 23,114 |

## 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 and Thailand which have not yet delivered to the Group at the end of the respective reporting periods. The amounts outstanding are shown as capital commitments in note 31.

## 19. INVENTORIES

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Raw materials | **205,922** | 99,769 |
| Work in progress | **29,761** | 9,827 |
| Finished goods | **71,862** | 63,410 |
| | **307,545** | 173,006 |

## 20. TRADE AND OTHER RECEIVABLES

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Trade receivables | **422,635** | 323,832 |
| Less: allowance for doubtful debts | **(3,385)** | — |
| | **419,250** | 323,832 |
| Prepayments | **11,010** | 4,622 |
| Deposits and other receivables | **22,610** | 24,688 |
| Trade and other receivables | **452,870** | 353,142 |

The Group allows credit periods ranging from 30 to 120 days to its trade customers. The following is an aged analysis of the Group's trade receivables, net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| 0-30 days | **72,914** | 254,005 |
| 31-60 days | **225,700** | 27,742 |
| 61-90 days | **90,953** | 33,573 |
| 91-120 days | **26,374** | 6,675 |
| 121-180 days | **215** | 113 |
| 181-365 days | **3,094** | 866 |
| Over 365 days | **—** | 858 |
| Trade receivables | **419,250** | 323,832 |

## 20. TRADE AND OTHER RECEIVABLES *(continued)*

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

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Hong Kong dollars | **4,771** | 12,489 |
| United States dollars | **1,751** | 1,865 |
| Japanese Yen | **18** | 21,286 |
| Renminbi | **1,976** | 22,065 |
| | **8,516** | 57,705 |

Before accepting any new customers, the Group uses an internal credit assessment process to assess the potential customers' credit quality and defines credit limits by customers. Limits attributed to customers are reviewed regularly. 98.4% (2009: 99.4%) of the trade receivables that were neither past due nor impaired at 30 June 2010 have good repayment history in previous years.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$3,309,000 (2009: HK$1,837,000) which were past due at 30 June 2010 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 120 days (2009: 170 days).

Ageing of trade receivables which were past due but not impaired

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 121 - 180 days | **215** | 113 |
| 181 - 365 days | **3,094** | 866 |
| Over 365 days | **—** | 858 |
| | **3,309** | 1,837 |

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.

## 20. TRADE AND OTHER RECEIVABLES *(continued)*

**Movement in the allowance for doubtful debts**

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Balance at beginning of the year | **—** | — |
| Impairment loss recognised on trade receivables | **3,385** | — |
| Balance at end of the year | **3,385** | — |

The directors of the Company considered that it is not probable to recover the trade receivables of HK$3,385,000 (2009:Nil) which were past due and an impairment loss is recognised to profit or loss for the year ended 30 June 2010.

## 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 120 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% (2009: 1.125%) per annum over London Interbank Offered Rates.

## 22. PLEDGED BANK DEPOSIT

At 30 June 2009, this represented a deposit pledged to a bank to secure general banking facilities granted to a subsidiary of the Group and the deposit carried fixed interest rate at 0.1% per annum. The pledge was released during the year ended 30 June 2010.

## 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 0.10% to 0.98% (2009: 0.36% to 4.18%) per annum.

At the end of the reporting period, the Group's bank balances and cash that were denominated in currencies other than the functional currency of the relevant entities, are set out below:

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Hong Kong dollars | **128,149** | 4,965 |
| United States dollars | **23,700** | 15,607 |
| Japanese Yen | **6,319** | 6,637 |
| Renminbi | **3,388** | 14,688 |
| | **161,556** | 41,897 |

## 24. TRADE AND OTHER PAYABLES

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Trade payables | **398,414** | 323,982 |
| Payables for acquisition of property, plant and equipment | **373** | 378 |
| Accruals and other payables | **23,304** | 31,937 |
| | **422,091** | 356,297 |

The credit period for purchase of goods ranging from 30-90 days. The aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period are as follows:

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| 0-30 days | **180,853** | 174,294 |
| 31-60 days | **161,323** | 124,315 |
| 61-90 days | **40,423** | 12,305 |
| 91-180 days | **13,949** | 11,260 |
| 181-365 days | **1,866** | 1,808 |
| | **398,414** | 323,982 |

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

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Hong Kong dollars | **25,437** | 7,332 |
| United States dollars | **138** | — |
| Japanese Yen | **3,914** | 33,856 |
| Renminbi | **12,070** | 4,891 |
| | **41,559** | 46,079 |

## 25. OBLIGATIONS UNDER FINANCE LEASES

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Amount payable under finance leases | | | | |
| – within one year | **51** | 451 | **50** | 430 |
| – in more than one year but not more than two years | **—** | 51 | **—** | 50 |
| | **51** | 502 | **50** | 480 |
| Less: Future finance charges | **(1)** | (22) | | |
| Present value of lease obligations | **50** | 480 | | |
| Less: Amount due within one year shown under current liabilities | | | **(50)** | (430) |
| Amount due after one year | | | **—** | 50 |

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 2010, the average effective borrowing rate was 3% (2009: 3.95%) per annum. Interest rates underlying the obligations under finance leases were fixed at a flat rate of 4.75% (2009: 4%) 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. UNSECURED BANK BORROWINGS

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Bank loans | **23,046** | — |
| The bank borrowings are repayable as follows: | | |
| On demand or within one year | **4,700** | — |
| In more than one year but not more than two years | **9,579** | — |
| In more than two years but not more than three years | **8,767** | — |
| | **23,046** | — |
| Less: Amount due within one year shown under current liabilities | **(4,700)** | — |
| Amount due after one year | **18,346** | — |

The Group's variable-rate bank borrowings are carried interest rate at Hong Kong Interbank Offered Rate plus 2% per annum and the effective interest rate is 2.5% per annum (2009: Nil).

At the end of the reporting period, the Group's unsecured bank borrowings that were denominated in currency other than the functional currency of the relevant entities are set out below:

| | **HK$'000** |
|---|---|
| As at 30 June 2010 | **23,046** |
| As at 30 June 2009 | — |

## 27. 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 2008 | 18,500 |
| Credited to profit or loss | (1,800) |
| At 30 June 2009 | 16,700 |
| Credited to profit or loss | (1,570) |
| At 30 June 2010 | **15,130** |

At the end of the reporting period, the Group had unutilised tax losses of HK$190,624,000 (2009: HK$149,865,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

## 28. SHARE CAPITAL

| | **Number of shares** | **Amounts** |
|---|---|---|
| | | HK$'000 |
| Ordinary shares of HK$0.1 each | | |
| Authorised: | | |
| At 1 July 2008, 30 June 2009 and 2010 | 3,000,000,000 | 300,000 |
| Issued and fully paid: | | |
| At 1 July 2008, 30 June 2009 and 2010 | 968,394,000 | 96,839 |

## 29. 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 shares.

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 1.7.2008 | Lapsed during the year | Outstanding as at 30.6.2009 | Lapsed during the year | Outstanding as at 30.6.2010 |
|---|---|---|---|---|---|---|---|---|---|
| Directors | 23.4.2007 | 23.4.2008 | 23.4.2008 to 22.4.2010 | 0.97 | 4,174,000 | (2,500,000) | 1,674,000 | (1,674,000) | — |
| Employees | 23.4.2007 | 23.4.2008 | 23.4.2008 to 22.4.2010 | 0.97 | 4,626,000 | (364,000) | 4,262,000 | (4,262,000) | — |
| | | | | | 8,800,000 | (2,864,000) | 5,936,000 | (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.

During the year ended 30 June 2010, 5,936,000 share options were lapsed and no share options were exercised and cancelled during the year.

## 30. OPERATING LEASE COMMITMENTS

During the year, the Group made minimum lease payments of HK$16,269,000(2009: HK$21,401,000) 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 end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within one year | **16,850** | 10,007 |
| In the second to fifth year inclusive | **25,008** | 18,753 |
| Over five years | **6,513** | 12,671 |
| | **48,371** | 41,431 |

## 31. CAPITAL COMMITMENTS

| | **2010** | 2009 |
|---|---|---|
| | **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 | **7,563** | 5,421 |

## 32. 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.

## 32. RETIREMENT BENEFITS PLANS *(continued)*

### (iii) Plans for Vietnam employees

The employees employed in the Vietnam are members of the state-managed retirement benefits schemes operated by the Vietnam government. The Vietnam subsidiary is required to contribute a certain percentage of their payroll to the retiremenet 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$5,974,000 (2009: HK$5,419,000) charged to consolidated statement of comprehensive income represents contributions paid or payable to the above schemes by the Group for the year.

## 33. RELATED PARTY DISCLOSURES

### Compensation of key management personnel

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Short-term employee benefits | **7,646** | 7,379 |
| Post-employment benefits | **24** | 24 |
| | **7,670** | 7,403 |

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.

## 34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries as at 30 June 2010 and 30 June 2009 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 |

## 34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(continued)*

| Name of subsidiaries | Place of establishment/ incorporation | Issued and fully paid share capital/ registered capital | Attributable equity interest held by the Company Directly | Attributable equity interest held by the Company Indirectly | Principal activities |
|---|---|---|---|---|---|
| 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 |
| 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$4,000,000 | — | 100% | Manufacturing of PCB, electronics components and related parts |
| Fittec Electronics (Thailand) Co., Ltd.# | Thailand | Paid up capital Thai Baht 65,200,000 | — | 100% | Not yet commenced production |

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

\# This subsidiary was newly incorporated in 2010.

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 | | | | |
|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | **2010** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | **HK$'000** |
| Revenue | 1,797,041 | 1,991,834 | 2,456,380 | 1,806,571 | **2,678,535** |
| Profit (loss) before tax | 180,397 | 99,062 | (12,972) | (38,174) | **42,509** |
| Income tax (expense) credit | (14,280) | (9,905) | (7,578) | 357 | **(7,445)** |
| Profit (loss) for the year | 166,117 | 89,157 | (20,550) | (37,817) | **35,064** |
| Attributable to: | | | | | |
| Owners of the Company | 166,117 | 89,157 | (20,550) | (37,817) | **36,365** |
| Non-controlling interests | — | — | — | — | **(1,301)** |
| | 166,117 | 89,157 | (20,550) | (37,817) | **35,064** |

## ASSETS AND LIABILITIES

| | At 30 June | | | | |
|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | **2010** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | **HK$'000** |
| Total assets | 1,330,082 | 1,542,216 | 1,453,183 | 1,568,363 | **1,676,815** |
| Total liabilities | 256,217 | 413,515 | 337,457 | 514,475 | **615,989** |
| Shareholders' funds | 1,073,865 | 1,128,701 | 1,115,726 | 1,053,888 | **1,060,826** |
| Attributable to: | | | | | |
| Owners of the Company | 1,073,865 | 1,128,701 | 1,115,726 | 1,053,888 | **1,062,127** |
| Non-controlling interests | — | — | — | — | **(1,301)** |
| | 1,073,865 | 1,128,701 | 1,115,726 | 1,053,888 | **1,060,826** |