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

2011/12

Interim Report

CHAIRMAN'S STATEMENT

Dear Shareholders,

During the period under review, the overall global economy still went up and down with many uncertainties. United States unemployment rate went down from 9.1% as of July 2011 to 8.5% end of 2011. However, the US GDP rose 2.8% in the fourth quarter of 2011, which was slightly below the originally estimated reading of 3.1%. For 2011 as a whole, the US GDP grew by 1.7%, down from 3.0% in 2010. Thus many speculators believe the US Federal Reserves would issue the Third Quantitative Easing "QE3" later this year to stimulate the slowing down economy. Nonetheless, the QE3 is expected to increase liquidity in the markets. It can, hence, aggravate the inflation rate further, especially in the emerging countries like India. Furthermore, one of the leading rating agencies in the world, the S&P decision on August 5, 2011 to downgrade the credit rating of the U.S. government to AA+ from AAA - stripping the U.S. of the highest rating for the first time in 70 years reflected the major concerns of the global investors toward US economy future development.

Europe situation is in even worse condition, trapping in the deepen debt crisis. EU offered Ireland Financial Assistant from November 2010, with total of up to Euro 85B in three years horizon to rescue the failing Ireland economy. Greece is in even tougher situation now. Other EU countries, led by German and France, request Greece to give up its budget control rights to an EU appointed commissioner, in exchange for more financial supports from private banks and EU/IMF funding. Other PIIGS countries, the Portugal, Italy, Ireland, Greece and Spain, would suffer much bigger troubles soon. On May 10, 2010, European leaders approved a 750 billion euro stabilization package to support these nations. However, many analysts believe the funding required to rescue those weaker PIIGS nations would much exceed the amount, and even might crash the whole Euro zone as the worse scenario.

As the 3rd largest global economical entity, Japan got hit hard from the March 11, 2011 major earthquake and associated Tsunami afterward in its North-east regions. As a result, those factories stopped production and would take months to fully recovery to its normal level before the earthquake. Flooding in Thailand in the mid of October 2011, brought the last hit into the Japan economy, as Thailand serves a major role in Japan's most important car and IT/CE industries' supply chain. Unfortunately, some of those Japanese factories provide key vital parts in the global raw materials supply chains, thus the incident in Japan and Thailand not only impacted local economy, but also disturbed the global markets. For example, factories in Thailand produced 40% of the global Hard Disk Drives (HDD). With most of the HDD related factories production were suspended from the worst flooding in more than 50 years, there was an immediate shortage in the global HDD supply, and pushing up the retail prices more than double in the worldwide markets. Insufficient HDD supply and high price then pushed down the supply of desktop and notebook PC markets. Eventually all upstream components demands of the desktop and notebook PC, from motherboards to keyboards to panels to chassis, etc., would be reduced.

All those mixed signals from the US, Europe and Japan make consumes all over the world to be more conservative and shop for budgetary goods, which drive down unit prices of all consumer electronics products inevitably.

On the other hand, as the only large country with both high GDP and CPI growth over years, China Government had announced strategy to increase labors minimum wages steadily to offset the impact on the record high CPI rising trend. As a result, Shenzhen announced to raise its labors minimum wage around 14% in the beginning of 2012, with many other provinces/regions would follow suite soon. In the mean time, China currency, the RMB, also keeps on slow but steady appreciation trend. During the period under review, the RMB had appreciated a total of 2.7%, and keeps on climbing slowly over time. In addition, China Government also offers lots of incentives to stimulate the local economies in its Western inland provinces recently, trying to balance its skewed economical developments between the China Eastern and Western regions. As a result, more and more small to large enterprises were born in the past few years in the inland provinces. Those local firms then can lure some residents to stay and work at local companies, which mean fewer work forces available to the south regions, where most Electronics Manufacturing Service ("EMS") firms are located.

The Group analyzed the global economy recovering trend and China domestic development carefully, and made proper strategic moves accordingly. Ever since the 2008 financial tsunami, the Group has started to set up two offshore production bases in Vietnam and Thailand to diversify our sole focus in China. The Vietnam operation is running smoothly during the period under review. However, the Thailand factory was hit by the flooding in the mid of October, 2011 and the operation was still suspended. With the soften global economy and suspension of the Thailand factory, our revenue has declined almost 33% to HK$807 million for the six months that ended 31 December 2011 (six months ended 31 December 2010: HK$1,213 million). One of the major factors of the reducing revenue is that the Toshiba changed some of its operation model from full turn key (materials purchasing plus manufacturing) to pure assembly. Thus the total sales revenue from Toshiba was lower significantly from the reduced materials purchasing process.

Under capacity utilization together with unflavored labor wage and currency exchange rate, as well as the temporarily closing of the operation in Thailand, led to an downturn of gross profit to HK$39 million and net loss to HK$94 million (six months ended 31 December 2010: HK$43 million and negative HK$27 millions separately).

The board of directors did not recommend the payment of an interim dividend. Looking ahead, we are aware of the serious challenges from the continuously basic salary hike in China, as well as the dooming global economy outlook. The Group expects the next fiscal year to be improved after Thailand factory resumes normal operation. Besides, the gradually resuming Thailand HDD production will also loosen up the global HDD shortage eventually, and bring the worldwide desktop and notebook PC industries back to normal stage. This positive development will then enable the most important customers of the Group to regain normal business and push up the utilization rate eventually.

Besides, the Group is taking aggressive actions to control its expenses in China factory, to offset the increasing operational expenses. Those actions include taking more strict headcounts control, squeezing manufacturing and office spaces, as well as investments in the semi-automatic production and testing equipment. The Group firmly believes that the manufacturing efficiencies and effectiveness will be drastically improved after those actions are taken in the coming year.

In the mid- to-long-term, we remain modest optimistic about our business. After the massive earthquake in Japan and flooding in Thailand in 2011, more and more Japanese firms need to outsource offshore EMS providers for cutting costs and shortening re-production lead time in order to enhance their competitiveness. Because we enjoy long-term relationship with top-tier Japanese customers, and because we are capable of meeting stringent requirements and locally delivering high-quality products from one of our four factories, we are poised to capture more opportunities ahead.

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

Philip Lam
Chairman

Hong Kong, 27 February, 2012

MANAGEMENT DISCUSSION & ANALYSIS

Financial Review

For the six months ended 31 December 2011, the Group's unaudited consolidated turnover amounted to approximately HK$807 million (2010: HK$1,213 million). The revenue decrease of 33% in the first half of fiscal year 2012 is due to the Japan Tsunami and Thailand flood. The Group recorded a loss of approximately HK$94 million for the six months ended 31 December 2011 (2010: HK$27 million). Basic loss per share for the six months ended 31 December 2011 was HK$0.10 (2010: basic loss per share: HK$0.03).

The Group provides primarily two types of service: Pure Assembly and Procurement & Assembly. During the period, revenue from Procurement & Assembly decreased by 42.7%, mainly due to part of HDD controller order shift from this segment to Pure Assembly segment and decreased in demand of HDD controllers. The results of the hard disk shortage and subsequent price rise will also hit demand of PC. Tablet PCs continue to be the engine of growth for the mobile PC industry. It caused a countervail the demand of motherboard, which accounted for the 29% slightly increased in revenue of Pure Assembly.

While the overall gross profit stood at HK$39 million (six months ended 31 December 2010: HK$43 million), gross margin increased from 3.6% to 4.9%. This was partly caused by changed of mix of services to customer. During the period, a customer partly shifts its order from Procurement and Assembly segment to Pure Assembly service segment. The gross profit margin for procurement and assembly is generally substantially less than that for pure assembly service.

The order of motherboard and HDD in second quarter of the fiscal year 2012 was serious decreased due to the subsequent effect of Japan Earthquake in March and Thailand flood in October. Thailand plant was suspended and other plants were under utilized, the Group thus incurred a higher average cost of production. The shortage of labor in southern and eastern parts of China, the increase in minimum wages and continuous appreciation of RMB further boosted the production cost.

The subsidiary in Thailand was hit very hard by flood, as the manufacturing plants are located in the affected region in Thailand, all of which are under approximately 1.8 meter of water. The insurance claims process is still on-going, this resulted in a one-off impairment loss of HK$68.7 million.

Despite these difficulties, the Group was in a healthy financial position with net cash, being total cash less total debt, was positive. Cash and Cash equivalents as at 31 December 2011 was HK$158 million (30 June 2011: HK$253 million).

Business Review

During the review period, the Group maintained focus on top-tier clients and products with high growing potential. HDD controllers, PC motherboards (include desktop, Tablet PC and notebook PC), and LCD TV controllers remained the core products of the Group, contributing 98% of the total turnover. Other products, such as car CD and DVD player controller boards were suffering drastic volume drops resulting from the major earthquake that hit Japan and flooding in Thailand in 2011, while Japanese automobile industry lost more than one third of its global production capacity. The situation will be gradually backed to normal in the coming year.

HDD Controllers

This segment showed major decline as Toshiba changed some of its business model from full turnkey to partly OEM. Thus the revenue was down by 34% to HK$456 million from last year's HK$687 million, resulting from less materials procurement services to Toshiba, as well the suspending of Thailand factory which was hit by the flooding. The Group is the sole provider of PCB assembly service in China for Toshiba's 2.5-inch and 1.8-inch HDD controllers, as well as major supplier of its Thailand factory. This relationship has provided the Group the leverage to grow with the small form factor hard disk drive market driven by fast growing portable devices and other intelligent handheld products. The Group expects these applications will maintain steady growth, so does the demand for the small form factor HDD controllers.

There are two major consolidations of the global HDD industry in the first half of the 2011, while Western Digital acquired the Hitachi Global Storage Technologies and the Seagate acquired the Samsung HDD Division. These two acquisitions consolidated the global HDD industry down from 5 vendors to 3 vendors. As the only one existing Japanese HDD vendor after the consolidation, Toshiba believes it would be the sole choice of the leading Japanese IT/CE vendors for new portable products design-ins, and should push up the volume gradually in the coming months. As a matter of fact, the Group saw production units steadily growing up in both its China and Thailand factories ever since, until the flooding hit the Toshiba HDD factory in Thailand. The Group believes the overall HDD business from Toshiba would be return to normal gradually from 2Q of 2012.

PCs, Notebooks and Tablet Motherboards

According to preliminary results by Gartner, Inc., after two quarters of positive growth, worldwide PC shipments reached 92.2 million units in the fourth quarter of 2011, a 1.4 percent decline from the fourth quarter of 2010; these figures were in line with Gartner's earlier forecast of a 1 percent decline for the fourth quarter of 2011.

The low consumer demand of PC impacted the holiday PC shipments. While economic uncertainty in Western Europe had an effect on consumer PC shipments, expectations of a healthier economic outlook in North America could not stimulate consumer PC demand in that region. The growth in emerging markets could not compensate for the weaknesses in mature markets, with overall growth still negative.

Hard-disk drive shortages caused by the October 2011 floods in Thailand had a limited impact on fourth-quarter PC shipments and prices. These shortages will temporarily lower PC shipment growth in fourth quarter 2011 and first quarter of 2012.

Sales growth from this segment slowed down by the shortage of HDD in the second quarter. iPad has cannibalized the existing PC and notebook market and consumer mobile PCs are no longer driving growth, because of sharply declining consumer interest in mini-notebooks. The PC has become a complementary device for heavier computing tasks, while the iPad and tablets in general seem to be slowly dominating consumers daily lives. iPad and tablets cannot completely replacing PCs or laptops. The weakening demand of PC motherboard and Notebook due to competition with iPad and Tablets.

With the impacts from Thailand flooding and low consumer demand, the total revenue of this sector has reached HK$170 million, compared to last year's revenue HK$119 million.

"The industry still needs to work through some key hurdles in 2012, including recovery of HDD supply, the launch of Windows 8, and successful evolution of PC design to become still more mobile", Loren Loverde, IDC vice president, says. He's optimistic long-term. "Despite the challenges, the industry appears to be on the right path, and will be poised for substantial double-digit growth after working through these issues in 2012".

LCD TV Controllers

Global Consumer demand for LCD and LED TVs has been softer than expected in 2011. Nevertheless, inventory pressure plagued the industry through much of early 2011 and led to a sharp reduction in shipments. The result is that global TV unit shipments are expected to rise only 0.1% in 2011. According to the latest forecast released in the NPD DisplaySearch Advanced Quarterly Global TV Shipment and Forecast Report, growth is expected to improve in 2012, rising 2% to 254 million units. "Global economic conditions have improved in 2011, but more slowly than expected, and consumers in mature TV markets like Europe face continuing uncertainty, which is leading to very cautious spending patterns," noted Paul Gagnon, Director of North America TV Research for NPD DisplaySearch.

The demand of LCD and LED TV were affected by the stagnant global economy in 2011, LED TV's total shipment in 2011 fell short of expectations. Demand in regions like North America and Europe has fallen short of expectations as persistent economic problems have made consumers cautious in their spending and highly value-seeking.

As for the TV brand vendors, South Korean makers aim to increase LED TV's penetration rate to 70%-80% in 2012. On the other hand, due to the decreasing domestic demand, Japanese TV brand vendors are not as aggressive as their South Korean counterparts in regard to LED penetration. The Group provided procurement and assembly service of Toshiba's LCD and LED TV controller board for their North America and Europe market during the period under review. The total revenue decreased 56% to HK$165 million (six months ended 31 December 2010: HK$371 million).

Mobile LCD Controllers

As for today's Smartphone leaders, it really is an iPhone vs. Android world out there, since former mobile leader Nokia was slow to react to the iPhone and smartphone's coming, and steadily lost ground in the high-end Smartphone market.

Feature phone suppliers like Nokia is still holding onto significant market share. However, it is facing threats from low-cost Android phones, thanks to the latter's pricing versatility. Besides, the emerging China clone cell phone market started to occupy the global low end market and drove down the market share of Nokia, which were the main feature phone mobile LCD customers of the Group. Hence, the Group is affected by this trend. The combined challenges resulted in a notable decrease in revenue of 82% to HK$2.8 million from this segment (six months ended 31 December 2010: HK$15 million).

Others

During the period, the Group has been actively consolidating the existing customers and focus on high margin, large volume and good market potential customers. So, the amounts in this segment are reduced.

Apart from customer consolidation strategy, the Group also actively looked into the fast growing and high potential segments such as Tablet PC and iPhone and iPad related accessories product such as charger. The Group foresees these new products will gradually grow up in the near future.

Production Facilities

During the review period, the Group had made substantial equipment investment in it's newly setup Thailand factory. In the mean time, the Group also relocated some equipment from both its Shenzhen and Suzhou factories to its Vietnam factory. Thus the overall equipment utilization rate was still below the optimum level as some production works had been relocated to its offshore factories and setting up process. The temporary suspension of the Thailand factory also drives down the utilization rate further. However, the Group expects the overall equipment utilization rate will increase steadily over time as more HDD and PC motherboards production volumes are bringing into the Group from the recovering of the Thailand flooding. As of 31 December 2011, it had 57 SMT lines and a production capacity of 87.1 billion chips per year in China.

The Vietnam factory has been completed and started to increase production volumes steadily from the beginning of 2010, as its local management team becoming mature. Currently the Vietnam factory has installed 15 SMT lines, with a production capacity of 20.9 billion chips per year. As the total costs of the PC motherboard production in China keep on increasing, the Group expects the customer will arrange more production capacities into the Vietnam factory, and would need to relocate more machinery from China to meet the end requirements. That trend will help the Group to push up its overall equipment utilization rate eventually.

During the review period, the Group's new Thailand factory has been completed and started operation smoothly. Since this factory is located in the same campus, Toshiba has been gradually allocated increasing HDD controllers assembly jobs. Looking forward, the Group believes its Thailand operation will keep on growing in the coming years with the convenient location and good production quality. As of 31 December 2011, it had 5 SMT lines and a production capacity of 13 billion chips per year in Thailand, before the flooding hit.

Prospect

Many economists believe that the worst recession in decades is still in effect and far from fully recover. As a result, EMS industry is one of the sectors that experienced the unstable ups and downs demands over month. During the recession-recovery cycle, many companies that did not have efficient operations, strong financial support and economy scale had folded. The Group, among other stronger EMS companies, expects the EMS industry to be suffering from short term decline, but would sustain moderate growth coping with the recovering global economy.

However, continuous fast growing China domestic economy keeps on casting potential cloud into the EMS industry. There are three major factors that would require more attention in China: labor shortage, minimum wage increase as well as the foreign currency exchange rate appreciation. This labor shortage problem had been observed by many EMS operations in China every year, especially before and after the Chinese New Year holidays. The Group expects the situation would get worse as China government has been keeping on developing inland domestic economies, and would absorb more workers locally in its Western regions. The Group hopes the offshore productions would be one of the measures that could offset the labor shortage issue.

Shenzhen already announced to increase the minimum wage to RMB1, 500 per month, a hefty leap of almost 14% from beginning of February 1, 2012, while Jiangsu province is expected to make similar announcement soon. Look forward, the Group believes the Chinese business environment would become even tougher as the minimum wages in the PRC would climb up continuously, partially resulting from the sustaining labor shortage, and partially as the government's intention to offset the raising domestic CPI.

Furthermore, piling up Chinese foreign reserves could again lead to the steadily appreciation of the RMB, as China government already imposed new approach to loosen up RMB tight link with the US dollars. The combined factors of higher salary multiple by the RMB appreciation will eventually drive up the overall operational costs much higher at an alarming pace in the coming years in China.

In summary, the Group believes the worst recession is improving, but far from over, which has reflected in its performance. The flooding in Thailand imposed even server short term impacts to its Thailand operation. Look forward, the Group expects the overall EMS industry will maintain moderate grow rate together with the recovering global economy. However, the drastic increasing labor cost and steadily currency appreciation in China would bring in more serious impact to the overall EMS daily operation. Oversees the trend, the Group will keep on diversification of its production facilities outside of China, as well as to improve its production efficiency by developing semi-automatic equipment, which would enable its competitive edge in the long run.

Liquidity and Financial Resource

The Group had bank balances and cash of approximately HK$158 million as at 31 December 2011. The Group generally finances its operations through its internal resources and bank facilities provided by its principal bankers.

As at 31 December 2011, the Group had net current assets of approximately HK$403 million (30 June 2011: HK$400 million) and a current ratio of 2.4 (30 June 2011: 2.3). The Group's net asset value was HK$892 million, slightly decreasing from HK$982 million at 30 June 2011.

All finance leases and unsecured bank loan were utilized in financing the Group's machineries and daily operation. The Group's total obligations under finance leases decreased from HK$15.7 million as at 30 June 2011 to HK$13.5 million as at 31 December 2011. The unsecured bank borrowings increased from HK$18.4 million as at 30 June 2011 to HK$35.4 million as at 31 December 2011. Total debt to total assets ratio was 25% (30 June 2011: 26%).

Currently, all of our cost of direct materials and turnover are denominated in US dollar, to which the HK dollar is pegged. Our labor costs and operation overheads are mainly denominated in RMB, VND and THB. The Group has been actively monitoring the foreign exchange exposure in this respect. The Group has not been exposed nor do we anticipate being exposed to material risks due to changes in exchange rates. As at 31 December 2011, the Group did not have any material contingent liabilities.

Staffs

As at 31 December 2011, the Group employed a total of 3,553 staffs, of which 2,522 were employed in Mainland China, while 42 were employed in Hong Kong, 963 were employed in Vietnam and 26 were employed in Thailand. The Group has implemented remuneration package, bonus and share option schemes as part of the remuneration policy designed to motivate individual staff by linking part of the staff's compensation with their respective performance. In addition, fringe benefits such as insurance, medical allowance and pensions were provided to ensure the competitiveness of remuneration packages offered by the Group.

Dividend

The Board of Directors did not recommend the payment of an interim dividend (six months ended 31 December 2010: NIL).

Purchase, Sale Or Redemption of Shares

During the six months ended 31 December 2011, there was no purchase, redemption or disposal of the Group's listed securities by the Group or any of its subsidiaries.

Directors' interests in Shares and Underlying Shares

At 31 December 2011, the interests of the Directors, the chief executive and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions

Ordinary shares of HK$0.1 each of the Company

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

Note:

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

Save as disclosed above, none of the Directors, neither the chief executive nor their associates had any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations as at 31 December 2011.

Substantial Shareholders

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO show that, as at 31 December 2011, the following shareholders had notified the Company of their relevant interests and short position in the issued share capital of the Company.

Long positions

Ordinary shares of HK$0.1 each of the Company

		Number of issued ordinary shares held				
Name of shareholders	**Capacity**	**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 31 December 2011.

Corporate Governance

The Board confirms that the Group has complied with all material code provisions of the Code on Corporate Government Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") except for the deviations as stated in code provision A.2.1 on Chairman and Chief Executive Officer. Mr. Lam Chi Ho assumes the roles of Chairman and Chief Executive Officer of the Group. Given the current corporate structure, the Board considers that there is no need for separation between the roles of Chairman and Chief Executive Officer. All major decisions are made in consultation with the Board with sufficient independent constituents and hence independent views for protection of minority shareholders' interest, although the roles and responsibilities for Chairman and Chief Executive Officer are vested in one person. Therefore, the Board is of the view that there 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 (the "Model Code") contained in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the six months ended 31 December 2011, all Directors have fully complied with the required standard set out in the Model Code.

Audit Committee

The Company has formed an audit committee to assist the Board in providing an independent review of the effectiveness of the financial reporting process and the internal control and risk management systems of the company. The existing committee comprises Mr. Chung Wai Kwok, Jimmy as the chairman, Mr. Xie Bai Quan and Mr. Tam Wing Kin, all of whom are Independent Non-Executive Directors. The audit committee is provided with sufficient resources to discharge its duties and meets regularly with the management and external auditors and review their reports. During the period, the audit committee held 2 meetings with respect to discuss matters regarding internal controls and financial reporting (including the interim results before proposing them to the Board for approval) with the management and external auditors. The audit committee has reviewed the results announcement of the company for the six months ended 31 December 2011.

Remuneration Committee

The Board established the remuneration committee comprising a majority of Independent Non-Executive Directors, who meet at least once a year. The existing committee comprises Mr. Tam Wing Kin as the chairman, Mr. Chung Wai Kwok, Jimmy and Ms. Sun Mi Li. All remuneration committee members, with the exception of Ms. Sun Mi Li, are Independent Non-Executive Directors. The principal duties of the remuneration committee as set out in its terms of reference include, inter alia, the determination of remuneration of Executive Directors and senior management and review of the remuneration policy of the Group.

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.

By Order of the Board
Lam Chi Ho
Chairman

Hong Kong, 27 February 2012

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF FITTEC INTERNATIONAL GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 15 to 28, which comprises the condensed consolidated statement of financial position of Fittec International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 31 December 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
27 February 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	NOTES	Six months ended 31.12.2011 HK$'000 (unaudited)	31.12.2010 HK$'000 (unaudited)
Revenue	3	**807,045**	1,212,553
Cost of sales	4	**(767,670)**	(1,169,451)
Gross profit		**39,375**	43,102
Other income		**2,092**	4,908
Other gains and losses		**585**	(1,949)
Gain on settlement of derivative financial instruments	9	**42**	—
Distribution expenses		**(6,629)**	(6,946)
Administrative expenses		**(44,821)**	(46,461)
Loss arising from misappropriation of funds	10	**(14,717)**	—
Impairment loss recognised in respect of property, plant and equipment	11	**(68,685)**	(25,414)
Finance costs		**(438)**	(653)
Loss before tax		**(93,196)**	(33,413)
Income tax expense	5	**(565)**	(584)
Loss for the period	6	**(93,761)**	(33,997)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**2,249**	1,028
Exchange differences on long-term advances to a foreign operation		**1,764**	4,530
		4,013	5,558
Total comprehensive expense for the period		**(89,748)**	(28,439)
Loss for the period attributable to:			
Owners of the Company		**(93,761)**	(27,112)
Non-controlling interests		**—**	(6,885)
		(93,761)	(33,997)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(89,748)**	(21,554)
Non-controlling interests		**—**	(6,885)
		(89,748)	(28,439)
Basic loss per share	8	**HK$(0.10)**	HK$(0.03)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2011

	NOTES	31.12.2011 HK$'000 (unaudited)	30.6.2011 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**507,622**	601,243
Prepaid lease payments		**3,868**	3,906
Deposits for acquisition of property, plant and equipment		**—**	962
		511,490	606,111
CURRENT ASSETS			
Inventories		**133,532**	138,509
Trade and other receivables	12	**390,760**	325,495
Prepaid lease payments		**96**	96
Restricted bank deposit	13	**4,518**	7,196
Bank balances and cash		**153,579**	245,696
		682,485	716,992
CURRENT LIABILITIES			
Trade and other payables	14	**199,706**	247,893
Tax liabilities		**40,317**	46,428
Obligations under finance leases - due within one year		**4,393**	4,347
Unsecured bank borrowings	15	**35,436**	18,355
		279,852	317,023
NET CURRENT ASSETS		**402,633**	399,969
TOTAL ASSETS LESS CURRENT LIABILITIES		**914,123**	1,006,080
NON-CURRENT LIABILITIES			
Obligations under finance leases - due after one year		**9,110**	11,319
Deferred taxation		**12,800**	12,800
		21,910	24,119
		892,213	981,961
CAPITAL AND RESERVES			
Share capital	16	**96,839**	96,839
Reserves		**803,010**	892,758
Equity attributable to owners of the Company		**899,849**	989,597
Non-controlling interests		**(7,636)**	(7,636)
Total equity		**892,213**	981,961

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (note i)	Special reserve HK$'000 (note ii)	Exchange reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2010 (audited)	96,839	450,739	11,478	6,400	15,171	481,500	1,062,127	(1,301)	1,060,826
Loss for the period	–	–	–	–	–	(27,112)	(27,112)	(6,885)	(33,997)
Exchange differences arising on translation of foreign operations	–	–	–	–	1,028	–	1,028	–	1,028
Exchange differences on long-term advances to a foreign operation	–	–	–	–	4,530	–	4,530	–	4,530
Total comprehensive income (expense) for the period	–	–	–	–	5,558	(27,112)	(21,554)	(6,885)	(28,439)
Dividend paid (note 7)	–	–	–	–	–	(9,684)	(9,684)	–	(9,684)
At 31 December 2010 (unaudited)	96,839	450,739	11,478	6,400	20,729	444,704	1,030,889	(8,186)	1,022,703
At 1 July 2011 (audited)	96,839	450,739	11,478	6,400	21,140	403,001	989,597	(7,636)	981,961
Loss for the period	–	–	–	–	–	(93,761)	(93,761)	–	(93,761)
Exchange differences arising on translation of foreign operations	–	–	–	–	2,249	–	2,249	–	2,249
Exchange differences on long-term advances to a foreign operation	–	–	–	–	1,764	–	1,764	–	1,764
Total comprehensive income (expense) for the period	–	–	–	–	4,013	(93,761)	(89,748)	–	(89,748)
At 31 December 2011 (unaudited)	96,839	450,739	11,478	6,400	25,153	309,240	899,849	(7,636)	892,213

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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	Six months ended	
	31.12.2011	31.12.2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(99,002)**	3,967
NET CASH USED IN INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	**(15,760)**	(54,519)
Withdrawal of restricted bank deposit	**2,678**	—
Interest received	**685**	727
Deposits for acquisition of property, plant and equipment	**—**	(24,613)
Proceeds from disposal of property, plant and equipment	**—**	70
	(12,397)	(78,335)
NET CASH FROM (USED IN) FINANCING ACTIVITIES:		
New bank borrowings raised	**19,450**	—
Repayment of bank borrowings	**(2,369)**	(2,337)
Repayment of obligations under finance leases	**(2,163)**	(50)
Interest paid	**(438)**	(653)
Dividend paid	**—**	(9,684)
	14,480	(12,724)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(96,919)**	(87,092)
CASH AND CASH EQUIVALENTS AT 1 JULY	**245,696**	212,218
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**4,802**	3,163
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**153,579**	128,289

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements for the six months period ended 31 December 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2011 except as stated below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1 July 2011.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised 2009)	Related Party Disclosures
Amendments to HKFRS 7	Disclosures - Transfers of Financial Assets
Amendments to HK(IFRIC) - Int 14	Prepayments of a Minimum Funding Requirement

The adoption of the new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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

Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities[1]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 12	Deferred Tax - Recovery of Underlying Assets[3]
HKAS 19 (Revised 2011)	Employee Benefits[1]
HKAS 27 (Revised 2011)	Separate Financial Statements[1]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2015.
3 Effective for annual periods beginning on or after 1 January 2012.
4 Effective for annual periods beginning on or after 1 July 2012.
5 Effective for annual periods beginning on or after 1 January 2014.

The director of the Company does not expect that the application of the new and revised HKFRSs will have material impact on the financial statements.

3. SEGMENT INFORMATION

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 is reported to the executive directors for the purpose of resources allocation and performance assessment.

	Six months ended	
	31.12.2011	31.12.2010
	HK$'000	HK$'000
Segment revenue		
Pure assembly services	**194,185**	150,569
Procurement and assembly services	**606,269**	1,057,233
Repair and maintenance services	**6,591**	4,751
	807,045	1,212,553
Segment results		
- Pure assembly services (note)	**(45,434)**	(17,902)
- Procurement and assembly services	**14,586**	32,831
- Repair and maintenance services	**1,539**	886
	(29,309)	15,815
Unallocated corporate expenses	**(51,515)**	(53,579)
Unallocated other income	**2,741**	5,004
Gain on settlement of derivative financial instruments	**42**	—
Loss arising from misappropriation of funds	**(14,717)**	—
Finance costs	**(438)**	(653)
Loss before tax	**(93,196)**	(33,413)

The segment revenues are all from external customers and there are no inter-segment sales for both periods.

note: The segment result of the pure assembly services segment for the six months period ended 31 December 2011 included the impairment loss recognised on property, plant and equipment of HK$68,685,000. For the six months period ended 31 December 2010, the segment result of the pure assembly services segment included the impairment loss recognised on property, plant and equipment of HK$25,414,000, the impairment loss of HK$5,282,000 against certain categories of inventory and the impairment loss recognised on trade and other receivables of HK$1,873,000.

3. SEGMENT INFORMATION *(continued)*

Segment (loss) profit represents the (loss from) profits earned by each segment without allocation of other income, other gains and losses (excluding impairment loss recognised on trade and other receivables), gain on settlement of derivative financial instruments, distribution expenses, administrative expenses, loss arising from misappropriation of funds and finance costs. This is the measure reported to the executive directors for the purposes of resources allocation and performance assessment.

4. COST OF SALES

No impairment loss against inventories is included in cost of sales for the six months period ended 31 December 2011 (Six months ended 31 December 2010: HK$5,282,000).

5. INCOME TAX EXPENSE

	Six months ended	
	31.12.2011	31.12.2010
	HK$'000	HK$'000
Current tax:		
Hong Kong Profits Tax	**565**	584

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the assessable profit for both periods ended 31 December 2010 and 2011. In the opinion of the directors of the Company, based on the Departmental Interpretation Practice Notes No. 21 issued by the Inland Revenue Department of Hong Kong (the "IRD"), a subsidiary of the Company is entitled to 50% relief from Hong Kong Profits Tax.

One of the subsidiaries in Hong Kong is negotiating with the IRD regarding taxability of the profits in prior years. In the opinion of the directors of the Company, the subsidiary involved did not conduct any sales or manufacturing activities in Hong Kong and no Hong Kong Profits Tax should be payable by the subsidiary. Accordingly, the directors of the Company believe that no additional tax provision in respect of prior years is required.

5. INCOME TAX EXPENSE *(continued)*

The People's Republic of China (the "PRC")

Under the Enterprise Income Tax Law of the PRC (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% have continued to enjoy the lower PRC income tax rate and this will gradually increase 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, Fittec Electronics (Suzhou) Company Limited ("FESCL") and Suzhou Toprich Electronics Technology Limited ("STETL"), are entitled to full exemption from the 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 the PRC Enterprise Income Tax for the following three years. As FESCL had incurred losses for both periods ended 31 December 2010 and 2011 and STETL enjoys full exemption from the PRC Enterprise Income Tax for the period ended 31 December 2011 and it had incurred losses for the period ended 31 December 2010, no provision for PRC Enterprise Income Tax was made for both periods.

Vietnam

In accordance with the relevant tax rules and regulations in Vietnam, Mega Step Electronics (Vietnam) Company Limited, the Company's subsidiary incorporated in Vietnam is entitled to corporate income tax exemption for three years from its first profit making year and a reduction of 50% for seven years thereafter. This subsidiary has generated assessable profit for the period ended 31 December 2011 (Six months ended 31 December 2010: Nil). However, no provision for Vietnam corporate income tax was made for the period ended 31 December 2011 as it enjoys corporate income tax exemption.

Thailand

In accordance with the relevant rules and regulations in Thailand, Fittec Electronics (Thailand) Company Limited ("FETCL"), the Company's subsidiary incorporated in Thailand is entitled to income tax exemption for a period of eight years from the date it first generates income. During both periods ended 31 December 2010 and 2011, this subsidiary had not yet generated any assessable income. Accordingly, no provision for Thailand income tax was made for both periods.

6. LOSS FOR THE PERIOD

	Six months ended	
	31.12.2011	31.12.2010
	HK$'000	HK$'000
Loss for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**40,795**	40,643
Release of prepaid lease payments	**48**	52
Net exchange (gain) loss	**(649)**	108
Loss on disposal of property, plant and equipment	**64**	63
Impairment loss recognised on trade and other receivables (included in other gains and losses)	**—**	1,873
Reversal of impairment loss on trade receivables	**—**	(96)
Interest income	**(685)**	(727)

7. DIVIDEND

	Six months ended	
	31.12.2011	31.12.2010
	HK$'000	HK$'000
Dividend recognised as distributions during the period:		
Final dividend paid in respect of the preceding year - Nil (2010: HK$0.01) per share	**—**	9,684

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

8. BASIC LOSS PER SHARE

The calculation of the basic loss per share for the six months period ended 31 December 2011 is based on the loss for the period attributable to owners of the Company of HK$93,761,000 (Six months ended 31 December 2010: HK$27,112,000) and the number of 968,394,000 ordinary shares in issue during both periods.

9. GAIN ON SETTLEMENT OF DERIVATIVE FINANCIAL INSTRUMENTS

The Group entered into forward foreign exchange contracts to minimise the anticipated foreign currency exposures. The Group is a party to a number of forward foreign exchange contracts in the management of its exchange rate exposures. These contracts require gross settlement with separate cash inflows and outflows.

For the six months period ended 31 December 2011, the Group did not enter into new forward foreign exchange contracts, and a gain on settlement of approximately HK$42,000 (Six months ended 31 December 2010: Nil) was recognised directly in profit or loss.

10. LOSS ARISING FROM MISAPPROPRIATION OF FUNDS

As set out in the Company's announcement dated 17 November 2011, a finance manager and a senior cashier of Kuan Da Electronics (Shenzhen) Company Limited ("Kuan Da"), one of the Company's subsidiaries established in the PRC, had embezzled some of Kuan Da's funds ("Misappropriation of Funds"). The matter was reported to the PRC police and both the finance manager and senior cashier have been arrested for criminal investigation. Up to the date of these condensed consolidated financial statements and to the best of the knowledge of the management of Kuan Da and directors of the Company, the criminal investigation is still on-going and no trial has taken place.

The Company has carried out an internal investigation to enquire into the incident and quantify the financial impact on Kuan Da in relation to the Misappropriation of Funds. The internal investigation report concluded that the financial impact in relation to the Misappropriation of Funds was estimated as approximately Renminbi ("RMB") 12,068,000 (approximately HK$14,717,000) and that the embezzlements occurred from July to November 2011 and accordingly, there is no financial impact for the year ended 30 June 2011 or prior periods.

The bank balances and cash have been adjusted downwards by approximately RMB12,068,000 in the books of Kuan Da during the six months ended 31 December 2011 to reflect the loss arising from the Misappropriation of Funds and recognised as a loss directly in profit or loss.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2011, the Group acquired property, plant and equipment of approximately HK$16,722,000 (Six months ended 31 December 2010: approximately HK$62,823,000).

As set out in the Company's announcement dated 20 October 2011, the flooding in Thailand have caused damage to the property, plant and equipment of FETCL. The Group has suspended all of its production at the Group's facility in Thailand since 18 October 2011. The facility's property, plant and equipment were significantly damaged by the flooding and as a result, the facility was not able to resume production. The directors of the Company consider that the damaged assets have no further value in use and no resale value. Accordingly, the entire carrying amount of the affected property, plant and equipment of approximately HK$68,685,000 was considered to be impaired and impairment loss was recognised in respect of these property, plant and equipment in the current period.

The Group has purchased an insurance policy that insures all of the affected assets of FETCL against physical damage caused by the flood. The Group has submitted an insurance claim and is in the process of negotiation with the insurer for the compensation amount. Up to the date of these condensed consolidated financial statements, the insurance claim is still ongoing, and no insurance recovery has been recognised in the profit or loss for the six months ended 31 December 2011.

During the period ended 31 December 2010, management critically reviewed the Group's production capacity and inventory mix and concluded that (i) certain production facilities in a PRC plant had become excessive and obsolete and (ii) certain categories of raw material inventory would no longer be used for future production. The carrying amount of property, plant and equipment was reduced to their recoverable amount based on the fair value less cost to sell and inventories were reduced to their estimated realisable value. Accordingly, impairment losses of approximately HK$25,414,000 and HK$5,282,000 (note 4) were recognised against property, plant and equipment and inventories, respectively.

12. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers credit periods ranging from 30 to 120 days. 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:

	31.12.2011	30.6.2011
	HK$'000	HK$'000
0 - 30 days	**138,270**	110,328
31 - 60 days	**133,757**	121,115
61 - 90 days	**67,053**	44,019
91 - 120 days	**28,932**	17,144
121 - 180 days	**1,131**	4,445
181 - 365 days	**67**	964
Over 365 days	**233**	245
	369,443	298,260

13. RESTRICTED BANK DEPOSIT

The amount represents deposit placed in a financial institution for entering into forward foreign exchange contracts with the relevant financial institution. The restricted bank deposit carried interest rate of 3.1% (30 June 2011: 3.1%) per annum.

14. TRADE AND OTHER PAYABLES

The credit period for purchase of goods ranging from 30 to 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:

	31.12.2011	30.6.2011
	HK$'000	HK$'000
0 - 30 days	**111,644**	92,592
31 - 60 days	**26,137**	82,458
61 - 90 days	**18,924**	23,828
91 - 180 days	**3,331**	13,767
181 - 365 days	**5,468**	6,629
Over 365 days	**551**	—
	166,055	219,274

15. UNSECURED BANK BORROWINGS

	31.12.2011	30.6.2011
	HK$'000	HK$'000
Bank loans	**15,986**	18,355
Export loans	**19,450**	—
	35,436	18,355

The Group's variable-rate bank borrowings carry interest at Hong Kong Interbank Offered Rate plus 2% per annum. The effective interest rate for the period ended 31 December 2011 is 2.2% (30 June 2011: 2.5%) per annum. The bank borrowings are repayable by monthly instalments up to 2015.

The Group's export loans borrowed from a bank carry interest at Singapore Interbank Offered Rate plus 2% per annum. The effective interest rate for the period ended 31 December 2011 is 2.3% (30 June 2011: Nil) per annum. The export loans were subsequently fully settled in January 2012.

16. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 30 June 2011 and 31 December 2011	3,000,000,000	300,000
Issued and fully paid:		
At 30 June 2011 and 31 December 2011	968,394,000	96,839

17. MAJOR NON-CASH TRANSACTION

During the six months ended 31 December 2011, the Group had not entered into any finance lease arrangements in respect of assets (Six months ended 31 December 2010: HK$8,304,000).

18. CAPITAL COMMITMENTS

At 31 December 2011, the Group had no capital expenditures (30 June 2011: approximately HK$1,098,000) contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment.

19. RELATED PARTY DISCLOSURES

The compensation of the Group's key management personnel for the six months ended 31 December 2011 was approximately HK$3,707,000 (Six months ended 31 December 2010: approximately HK$3,608,000).