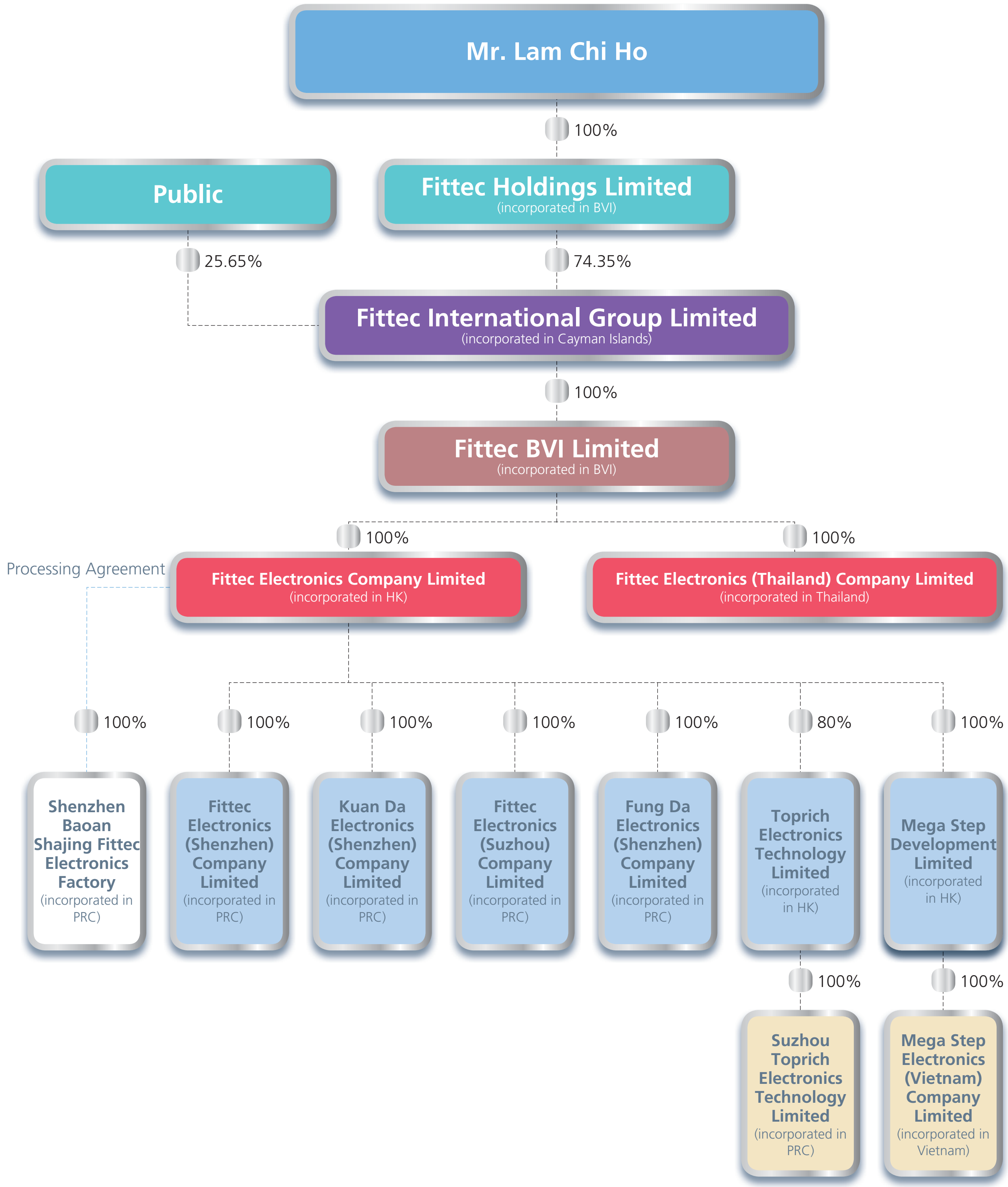
FITTEC INTERNATIONAL GROUP LIMITED
奕達國際集團有限公司
(incorporated in the Cayman Islands with limited liability)
Stock Code: 2662

ANNUAL REPORT 2011/12

Contents

Corporate Structure

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



Corporate Information

Board of Directors

Executive Directors:
Mr. Lam Chi Ho (Chairman)
Ms. Sun Mi Li
Mr. Tsuji Tadao

Independent Non-Executive Directors:
Mr. Chung Wai Kwok, Jimmy
Mr. Xie Bai Quan
Mr. Tam Wing Kin

Company Secretary

Mr. Cheung Yiu Leung

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited
China Construction Bank
The Bank of Tokyo-Mitsubishi UFJ, Limited
Standard Chartered Bank (Hong Kong) 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
"PC Motherboards"	Desktop Motherboards, Motherboards for Notebooks/Netbooks

Chairman's Statement

Dear Shareholders,

During the year under review, the economic developments have been volatile, punctuated by natural disasters, large swings in investor sentiment, and periods of relative calm and improving prospects. Output in the second half of 2011, was particularly weak, buffeted by flooding in Thailand, the delayed impact of earlier policy tightening and a resurgence of financial market and investor jitters. Most recently, market tensions have jumped up again, sparked by fiscal slippage, banking downgrades, and political uncertainty in the Europe. The renewed market nervousness has caused the price of risk to spike upwards globally. In the Euro Area, measures of financial market tension, such as Credit Default Swap (CDS) rates, have risen to levels close to their peaks in the fall of 2011. In other high-income countries, CDS rates have risen somewhat less sharply. Among most developing countries, CDS rates are currently about 65 to 73 percent of peak levels, and between 77 and 90 percent for countries in the Europe & Central Asia region.

The resurgence of industrial activity was strongest among developing countries. It partly reflected steady growth in China, but also a return to expanding output among many of the larger middle-income countries that had seen activity stagnate or decline in the second half of 2011 and a bounce back in activity levels in Thailand following last year's flooding. Data through April are available for only a few countries, and show mixed trends. Growth in China has softened, while in Brazil the contraction shows signs of ending.

Once the strongest developing country, the China market starts to slow down its growing trend as its GDP growth rate felt to below 8% for the first time in more than a decade. The slowing down of China economy serves as the most alarming signal of the world economy, and pushed down global commodities price significantly. Euro area unemployment rate went up from 10% as of July 2011 to 11.1% as of May 2012. US GDP rose 1.9% in the first quarter of 2012, which was down from the 4th quarter, 2011 of 3%. With all these unfavorable statistic data, many speculators believe the US Federal Reserves issued the third "Quantitative Easing" or QE3 in September to stimulate the slowing down economy before the 2012 year end President Election. Nonetheless, The QE3 is expected to increase liquidity in the US markets. It can, however, aggravate the inflation rate further, especially in the emerging countries like India which already in deep trouble.

The Euro crisis is now in its 3rd year. The combination of a public debt, an economic crisis, and a banking crisis impedes quick solutions and brings politicians and economists into unchartered territory. The glimmer of hope that the Eurozone's crisis reached a positive turning point in the first quarter turned out to be all-too-faint as the region's economic woes returned with full force in Q2. In fact, the crisis is probably more severe and deeper than ever, and it is threatening the viability of the Eurozone in its current form.

Following a trade-induced slowdown in late 2011, public reconstruction spending in response to the Great East Japan Earthquake will help boost growth to around 2% in 2012. As reconstruction outlays wane, the expansion will be supported through 2013 by a pick-up in exports. Deflation is likely to diminish, although the unemployment rate will remain above its pre-2008 crisis level. Regarding the ongoing impacts from Thailand's devastating flood, 78% of Japanese companies have been affected indirectly due to business disruption of their trade partners and raw materials suppliers.

The Thailand flooding represents the second major natural disaster to affect Japan in 2011, after the March earthquake. Thailand plays a key role in the manufacturing operations of Japanese companies, with an estimated 1,800 Japanese manufacturers operating in that country and 450 Japanese businesses located in severe flood-hit industrial parks.

The catastrophic flooding in Thailand is affecting the production of several key products, electronic parts and subsystems – most notably hard disk drives, automobiles, car components, cameras, analog and discrete semiconductors. The disruption to the electronics parts supply is having an indirect impact in turn on the production of other devices and systems, including notebook PCs, dynamic random access memory (DRAM), cameras and set-top boxes. Beyond Thailand itself, the worst-impacted country is Japan, which maintains extensive manufacturing operations in areas affected by the disaster.

Over 30 percent of HDD production in the fourth quarter this year will be lost because of the disaster. It caused a significant shortage of HDDs. Insufficient HDD supply and high price then pushed down the supply of desktop and notebook PC markets. In the automotive sector, eight original equipment manufacturers (OEM) that build cars in central Thailand have halted all output. The loss of critical automotive electronic component and parts supply from Thailand also has impacted Japan's car output.

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. Shenzhen announced to raise its labors minimum wage around 14% in the beginning of 2012, with many other provinces/regions followed suite later. In the meantime, 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%, and keeps on climbing slowly over time. However, the steady arising base salary and appreciation of its currency in the past decade, together with the continuous soften worldwide economy, eventually lead to the slowing down of China GDP growth.

For fear of hard landing of its local economy, China government started to impose strict control over its domestic housing market since 2011 with mixture of government control acts and tightened bank loans. The severe control actions did contain the raising real estate prices, but it did also drive down the demands for construction materials, includes steel, cement, furniture, etc., which again push down the overall domestic products. Thus the only steady growing developing country starts to slow down, and impact the worldwide demands for commodity markets.

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, its Thailand factory was hit by the flooding in the mid of October, 2011 and was forced to cease its operation as the Thailand's only customer, the Toshiba, decided to sold its Thailand HDD operation to the Western Digital after the flooding. With the soften global economy and closure of the Thailand factory, our revenue has declined almost 15.7% to HK$1,529 million for the twelve months that ended 30, June, 2012 (twelve months ended 30 June 2011: HK$1,814 million).

Under capacity utilization together with unflavored labor wages and currency exchange rate, as well as the closing of the operation in Thailand, led to an downturn of gross profit to HK$31 million and net profit to negative HK$101 million, (twelve months ended 30 June 2011: HK$40 million and negative HK$69 million separately), including one time impairment loss recognized HK$64 million in respect of Thailand property, plant and equipment.

The board of directors did not recommend the payment of an final 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. On the other hand, the Group is actively targeting the rapid growing smartphone business, and could bring in new business partner in the coming months. This positive development will help to push up the utilization rate eventually.

Besides, the Group is continuously improving the efficiency and controlling 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.

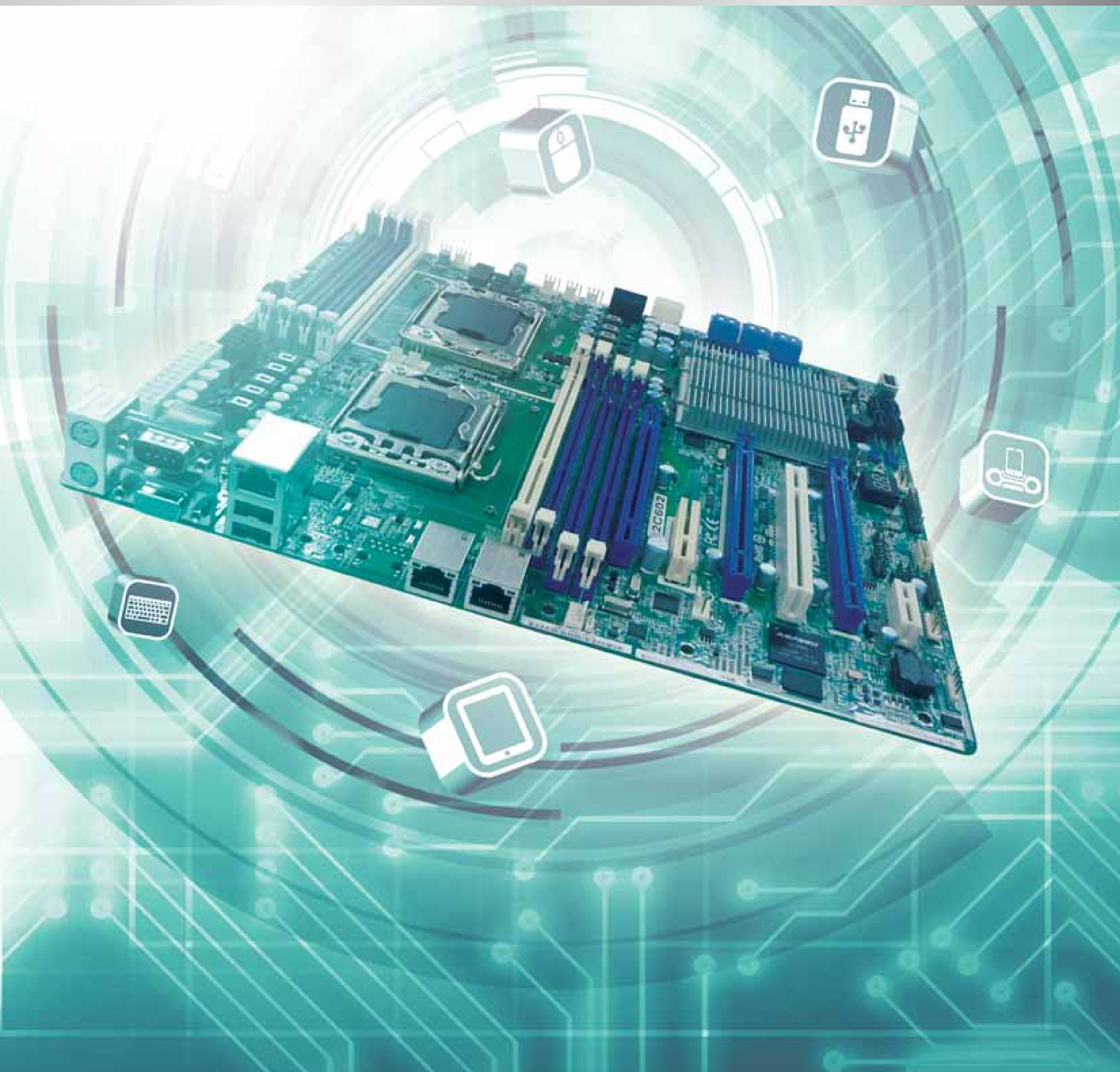
In the mid- to long-term, we remain modest conservative about our business. The Group believes the Europe economy will take at least few more years to recovery from its prime. Slowing down China GDP growth rate indicates less domestic consumptions, and therefore less demands across the board. That will eventually drive down the overall utilization rate of aggregate factories' capacities, and induce more severe price erosion while trying to compete for fewer orders. Thus the Group is implementing permanent cost control actions, to make sure the Group can conserve enough resources to sustain normal operation until the recession is over, and regain growth.

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

Philip Lam
Chairman

Hong Kong, 25 September, 2012

Industry Highlight



Management Discussion and Analysis

Financial Review

The global electronics manufacturing service (EMS) industry is expected to decline slightly in 2012, as continuing economic uncertainty in Europe and the United States constricts growth. Both the electronic manufacturing services (EMS) and original development manufacturing (ODM) segments of the industry are expected not to perform well for this year. For rigid PCBs and flexible circuits combined, industry shipments in July 2012 decreased 2.6 percent from July 2011. Year to date, combined industry shipments were down 5.2 percent.

The critical factor affecting the EMS business in fiscal year 2011/12 is the sovereign debt crisis in Europe, Europe remains a principal market for products built all over the world.

If Europe goes into recession because of its financial problems, and the recession then spreads to the United States which already staggered by high unemployment and assorted economic travails, there will be very little that the global EMS industry can do, other than hope that the pipeline of new business remains strong and that the price increases enacted this past year serve as a buffer to prop up margins somewhat.

For the fiscal year ended 30 June 2012, the Group recorded revenue of HK$1,529 million (for the year ended 30 June 2011: HK$1,814 million). The turnover slipped from last year as customers cut down orders amid tough economic conditions, especially the declined of liquid crystal display ("LCD") TV order from a Japanese customer and impact of flood in Thailand.

Korean LCD TV brand solidified its leadership of LCD TV market, as its share of unit shipments reached a record high and further extended its market share lead over Japanese brand. The Group was providing both assembly and procurement services to a Japan customer for its LCD TV products. Procurement income is generated when the Group helps the customers to purchase materials to be used in production. In such case, this greatly reduced the procurement income, which explained the significant drop in revenue in fiscal year 2012.

Thailand accounts for around 40-45 percent of the worldwide Hard Disk Drive ("HDD") production, and nearly half of that was impacted by the flooding. Our Thailand factory were ceased its operation since the flood. The HDD shortage also affect the desktop PC, mininotebooks and notebook markets. Therefore, the flood indirectly affected our motherboard orders.

The Group recorded a net loss of HK$101 million for the year (for the year ended 30 June 2011: net loss of HK$69 million). The drop in net profit was the combined effect of both internal and external factors. For internal factors, they include the loss arising misappropriation of fund of approximately HK$14.7 million of two subsidiaries and one-off impairment loss from flood in Thailand of approximately HK$64 million and the disruption of production in Thailand. For external factors, they are the temporary shortage of raw materials and decrease in orders placed by customers as a result of Flood in Thailand, the continuously rising wages in China, the shortage of labor in Southern region of China, and the appreciation of RMB.

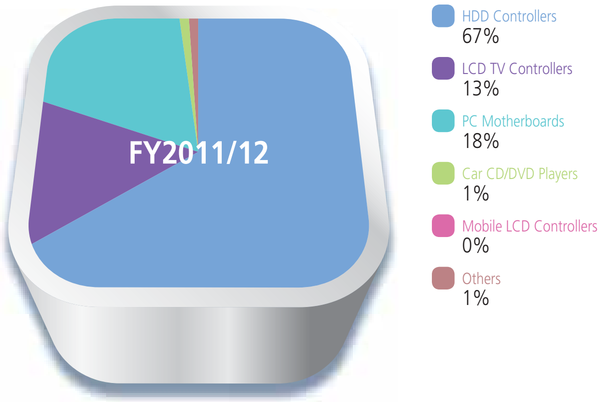
The 2011 severe flooding in Thailand resulted in the suspension of production in our Thailand manufacturing facilities. The Group maintains insurance coverage that provides property coverage in the event of losses arising from flooding. The claim process is in its early stages and we are unable to predict how much of our losses will be covered by insurance. The Group also cannot estimate the timing of the proceeds that will ultimately receive under the insurance policies, and there may be a substantial delay between our incurrence of losses and our recovery under our insurance policies. As at 30 June 2012, the Group had received the first partial compensation proceeds amount HK$22.9 million from insurance company.

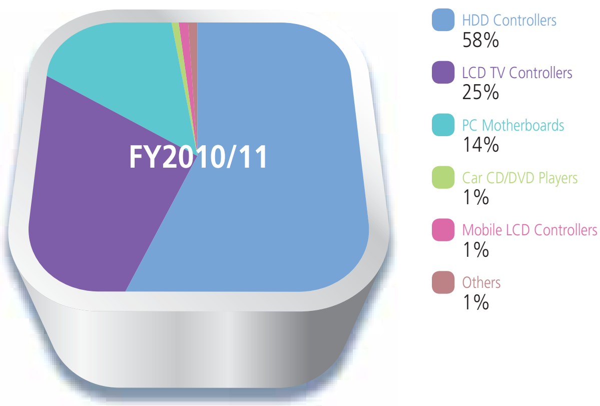
Business Review

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 remained the core products of the Group, contributing 97.9% 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 on 11 March 2011. And the flooding hit Thailand in the October of 2011 did make the situation even worse, as Thailand serves a major role in Japan's most important car and IT/CE industries' supply chain over the past few decades. As a result, the Group's Thailand HDD controller production factory had ceased production since Toshiba decided to divest its Thailand HDD operation, and sold its properties to the Western Digital.

	Revenue			
	FY2011/12		FY2010/11	
	Amounts (HKD million)	**%**	Amounts (HKD million)	%
HDD Controllers	**1,021**	**67**	1,045	58
LCD TV Controllers	**202**	**13**	456	25
PC Motherboards	**275**	**18**	254	14
Car CD/DVD players	**11**	**1**	23	1
Mobile LCD Controllers	**5**	**–**	20	1
Others	**15**	**1**	16	1
	1,529	**100**	1,814	100

Revenue





HDD Controllers

This segment showed major decline since last October's Thailand flooding that caused the Group's Thailand operation to be suspended. The revenue was down by 2.3% to HK$1,021 million from last year's HK$1,045 million. The worst hit HDD manufacturers are Western Digital and Toshiba, which account for 25 percent of global production. The Group provides the back up solution to customer at once. Toshiba shift part of orders from our Thailand factory to our Shenzhen factory after the flood.

The Group is the major provider of PCB assembly service in China for Toshiba's 2.5-inch and 1.8-inch HDD controllers for more than nine years. This relationship has provided the Group the leverage to grow with the small form factor hard disk drive market driven by continued need for an increase in HDD storage capacity, bolstered by the rise of cloud storage and heaps of social media and corporate information that needs to be stored, not to mention growing media storage needs for video, audio and other types of files.

With the two mega-mergers between Seagate/Samsung and Western Digital/Hitachi GST, the two top suppliers held 85 percent of HDD market share in the first quarter of 2012. 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.

PC Motherboards

This year the PC motherboard industry reverses its trend of declining shipments year-on-year, to post a slight 0.2% growth. This upturn in fortunes was expected and came largely as the result of the improving global economy, but two major events, the recall of Intel's B2 stepping version of its new 6-series chipsets in the early part of the year, and the major flooding in Thailand which disrupted a significant proportion of the global's hard disk drive manufacturing facilities in the second half, both impacted demand for PCs through the year, which is why total shipments for the year, 102.2 million units, were only slightly above the previous year's total of 101.99 million units.

In a recent market study done by the US based marketing research firm, the Gartner Group in July, 2012, indicated that in the second quarter of 2012, the PC market suffered through its seventh consecutive quarter of flat to single-digit growth. Uncertainties in the economy in various regions, as well as consumer's low interest in PC purchases, were some of the key influencers of slow PC shipment growth. Consumers are less interested in spending on PCs as there are other technology products and services, such as the latest smartphones and media tablets such as iPad that they are purchasing. This is more of a trend in the mature market as PCs are highly saturated in these markets.

Digitimes reported that our customer ASRock is now the 3rd largest channel motherboard manufacturer, having set target shipments of 10 million motherboards for 2012. Though ASRock missed its goal of shipping 9 million motherboards in 2011 by 13.3% (7.8 million units shipped), the company is nipping at the heels of market leaders Asustek Computer and Gigabyte Technology.

Samsung sold 13.1 million notebooks in 2011, accounting for 6.1% of the global market share and ranked the seventh largest vendor worldwide, according to the sources citing IDC's latest figures.

PC sales, spurred by sales of Ultrabooks, Intel's Ivy Bridge processors and the impending release of Microsoft Windows 8 operating system.

Thanks to these, The Group recorded turnover of this segment grew from HK$254 million in 2011 to HK$275 million in 2012.

LCD TV

In the latest forecast update, total global TV shipments are forecast to fall 1.4% in 2012 to 245 million units, while LCD TV is expected to increase by 5% – compared to 7% growth in 2011 – reaching 216 million units. The decline in overall TV market demand and the slower growth in LCD TV shipments can be attributed to the slower rate of price erosion and cautious spending by consumers in Europe and Asia. The growth is also slower this year as the transition to digital broadcasting, which accelerated purchases in major markets over the past few years, has largely been completed.

Samsung and LG are No. 1 and No. 2 worldwide in the final quarter of last year, total with 39.7 percent of the market, according to NPD DisplaySearch. Samsung and LG were the only two companies to turn a profit from their LCD TV businesses with rivals Sony, Toshiba and Sharp all taking losses on their LCD TV divisions. Overall LCD shipments were down year-over-year, dropping from HK$44.6 million in Q1 2011 to HK$44.4 million in Q1 2012.

The strong yen, the March 2011 earthquake and tsunami, and the Thai floods have made it impossible for the Japanese to compete against their more nimble rivals from South Korea. The Japanese are fighting and losing a two-front battle against not just the Koreans but also the Chinese. And as newer, lesser-known competitors from China become stronger, the Japanese are going to feel the squeeze.

The competition in this market is keen. The Group's Japanese customers ceased to outsource in order to fill their excess capacity. Under such circumstances, the Group's turnover of this segment dropped from HK$456 million for year ended 30 June 2011 to HK$202 million for year ended 30 June 2012.

Others: Mobile LCD controllers

Mobile LCD controllers are flexible printed circuit boards containing circuitry that controls the LCD screen on mobile phones, GPS systems and digital cameras. The sector is relative mature with steady dropping unit price. 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 mobile LCD customers of the Group. The combined challenges resulted in a notable decrease in revenue from the segment to HK$5 million, against HK$20 million in the previous year.

Liquidity and Financial Resources

The Group had bank balances and cash of approximately HK$240 million as at 30 June 2012 (As at 30 June 2011: HK$246 million). The Group generally finances its operations through its internal resources and bank facilities provided by its principal bankers. As at 30 June 2012, the Group had net current assets of approximately HK$420 million and a current ratio of 3.23 (As at 30 June 2011: net current assets: HK$400 million; current ratio: 2.26). The Group's net asset value was HK$881 million (As at 30 June 2011: HK$982 million). All finance leases were utilized in financing the Group's machinery. The Group's total obligation under finance lease decreased from HK$15.6 million as at 30 June 2011 to HK$11.3 million as at 30 June 2012, in which approximately HK$4.4 million repayable within one year, HK$6.9 million repayable from two to four years. Total debt to total assets ratio was 19% (As at 30 June 2011: 26%). Currently, all of our cost of direct materials and our turnover are denominated in US dollars, to which the Hong Kong dollar is pegged. However, our labor costs and operation overheads are denominated in RMB, VND and THB. The labor 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 respect. As at 30 June 2012, the Group did not have any material contingent liabilities.

Production Facilities

During the review period of FY2011/12, the Group did not made substantial equipment investment. 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. However, the Group expects the overall equipment utilization rate will increase steadily over time as PC motherboards production volumes are increasing, as well as potential new business lines are expecting to bring into the Group. As of 30 June 2012, it had 52 SMT lines and a production capacity of 80.4 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 16 SMT lines, with a production capacity of 24.3 billion chips per year. As the total PC motherboard volumes 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.

Prospect

Global total contract manufacturing revenue this year is expected to decline to US$357 billion, down by slightly less than 1 percent from US$360 billion in 2011. This compares to 4.7 percent growth in 2011.

The EMS industry is prepared to face a challenging year. The good news for some EMS providers is that while overall industry will decline, there will still be growth opportunities in certain customer segments, which are just starting to outsource or will outsource more business to EMS providers. The Group is finding niches in the industry and tries to develop specialty talents within those niches. And also try to find customer relationship that will provide them a profitable long-term business.

Cost continues to remain the prime focus for EMS in China, for example, material prices have risen, labor wages have increased 20.0 percent in the Pearl River Delta, and supply chain costs are also going up. Over the past five years, employment costs in South China have risen by about 187.0 percent. Shenzhen increased the minimum wage to RMB1,500 per month from February 2012, a hefty leap of almost 15%, while Jiangsu province also increased the minimum wage 20% to RMB1,370 from June 2012. Looking forward, the Group believes the Chinese business environment would become even tougher as the minimum wages would climb up continuously, partially resulting from the sustaining labor shortage, and partially as the government's intention to offset the raising domestic CPI.

At the same time, EMS in China also faced the threats from labor shortage problem. Especially after the Chinese New Year indicates EMS companies' operation will be under capacity in the cycle, and requires overtimes works to pick up for the shortage, which will incur unfavorable high labor costs that erodes operational profitability. In order to maintain competitive, the Group will shift more labor intensive orders to Group's factory in Vietnam which is one of growing popularity of cost competitive countries. The Group expected to benefit from skilled labor pool and the labor wages in Vietnam is raising slower compared to China.

Although the challenges for the EMS in China, China is still the first choice for most of the international OEMs. China has already become the largest domestic sales and production market in the world and the manufacturing technology has reached the medium level. The high domestic demand and fast development of economy are expected to support increasing revenue trend for EMS industry in China. China's high GDP growth is likely to lift the purchasing power of Chinese consumers, as well as upgrade China's consumption structure. The Group believed that driven by the boom demand for tablets, desktop computer, notebook and smart phones in China, the OEMs will have reasonable growth rate that may increase the outsourcing to EMS providers.

Hard disk drive market will be driven by growing media storage needs for video, audio and other types of files. The application of Thunderbolt, Intel's Ivy Bridge processors and the release of Microsoft Windows 8 operating system would stimulate replacement demand for motherboard and notebook.

In summary, the Group believes the outlook for the global economy in FY2012/13 is clear, but it isn't pretty: recession in Europe, anaemic growth at best in the United States, and a sharp slowdown in China and in most emerging-market economies. The Eurozone recession is certain. While its depth and length cannot be predicted, a continued credit crunch, sovereign-debt problems, lack of competitiveness, and fiscal austerity imply a serious downturn. It will reduce the consumer purchasing demand. Looking forward, the Group expects that the global EMS industry is very tough in FY2012/13. With profitability remaining a challenge this year, outsourced manufacturers are also facing rising labor costs, shortage of labor, appreciation of renminbi and a pressing need for stronger revenues. Oversees the trend, the Group will keep on diversification of its production facilities outside of China, as well as improve its production efficiency by developing semi-automatic equipment, which would enable its competitive edge in the long run and expand our customer base.

Staffs

As of June 2012, the Group employed a total of 4,174 staffs, of which 2,959 were employed in China, 1,185 were employed in Vietnam, 28 were employed in Hong Kong and 2 were employed in Thailand (for the year ended 30 June 2011: Total: 5,226 staffs; China: 4,010 staffs; Vietnam: 977 staffs; Hong Kong: 42 staffs; Thailand: 197 staffs). The Group has implemented remuneration package, bonus and share option scheme which were part of the remuneration policy designed to motivate individual staff by linking part of the staff's compensation with their respective performance. In addition, fringe benefits such as insurance, medical allowance and pensions were provided to ensure the competitiveness of remuneration packages offered by the Group.

Dividend

The Board of Directors did not recommend the payment of final dividend for the year ended 30 June 2012 (for the year ended 30 June 2011: NIL).

Purchase, Sale or Redemption of Shares

During the year ended 30 June 2012, 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 Corporate Governance Code and Corporate Governance Report (the "CG Code") (previous know as Code on Corporate Governance Practices ("Former CG Code")) 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 2012, 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 2012.

Remuneration Committee

The Board established the remuneration committee comprising a majority of Independent Non-Executive Directors, which meets at least one time 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.

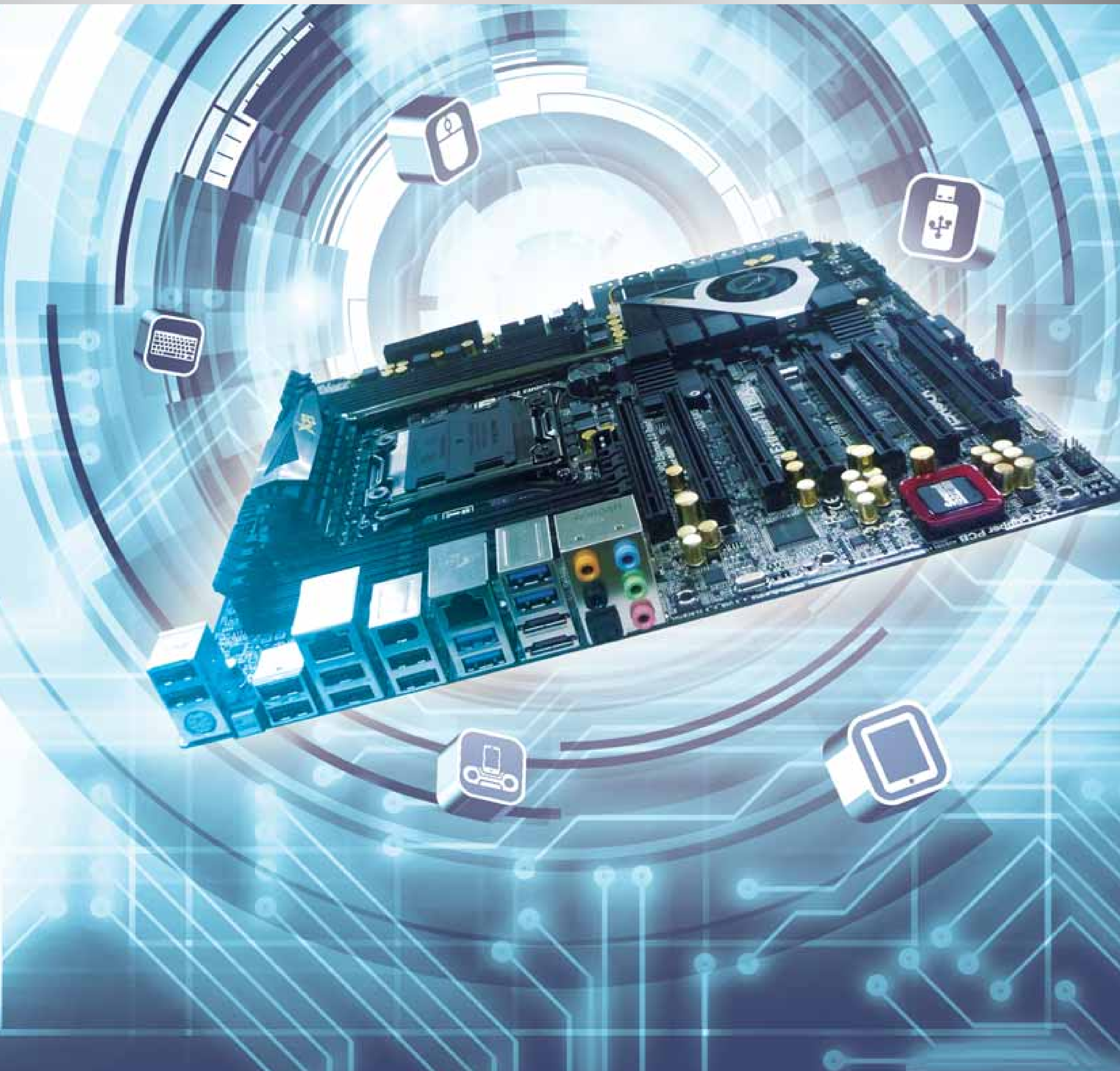
Nomination Committee

The Board established the nomination committee comprising a majority of Independent Non-Executive Directors, which meets at least one time per year. It is chaired by Mr. Xie Bai Quan and comprises two other members, namely, Mr. Chung Wai Kwok, Jimmy and Mr. Lam Chi Ho. All nomination committee members, with the exception of Mr. Lam Chi Ho, are Independent Non-Executive Directors. The duties of the nomination committee are review the structure, size and composition of the Board, to identify individuals suitably qualified to become Board members, to assess the independence of independent non-executive directors, to select or make recommendations to the Board on the appointment or re-appointment of directors and succession planning for Directors, in particular the Chairmen and CEO.

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 Corporate Governance Code and Corporate Governance Report (the "CG Code") previously known as Code on Corporate Governance Practices (Former "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 is a great benefit to the Group. Therefore, the Board is of the view that there is adequate impartiality and safeguards in place.

Appointment and Re-election of Directors

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

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

In 30 March 2012 the Board established nomination committee for the selection and recommendation of candidates for directorships of the Company. The nomination committee shall, based on appropriate experience, personal skills and time commitment, among other, identify and recommend the proposed candidate to the Board for approval.

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.

Biographical details of the Directors are set out in the section of "Biographical Details of Directors and Senior Management" on pages 20 to 21.

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 2012, 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:

Directors	No. of Meetings 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 2012, the audit committee held two meetings. Attendance records of each audit committee member are set out as follows:

Audit Committee Members	No. of Meetings 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 as the Chairman, 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 2012. The attendance records of each remuneration committee member are set out as follows:

Remuneration Committee Members	No. of Meetings Held	Attended
Mr. Tam Wing Kin *(Chairman)*	2	2
Mr. Chung Wai Kwok, Jimmy	2	2
Ms. Sun Mi Li	2	2

Nomination Committee

The Board established the nomination committee on 30 March 2012 with written terms of reference based as suggested under the New CG code. The nomination committee now comprises two Independent Non-Executive Directors, namely, Mr. Chung Wai Kwok, Jimmy and Mr. Xie Bai Quan as the Chairman, and one Executive Director, namely, Mr. Lam Chi Ho.

The Board is satisfied that these Directors possess relevant qualifications and management expertise to enable them to discharge fully the duties of the nomination committee.

The nomination committee held one meeting for the year ended 30 June 2012. The attendance records of each nomination committee member are set out as follows:

Nomination Committee Members	No. of Meetings Held	Attended
Mr. Xie Bai Quan *(Chairman)*	1	1
Mr. Chung Wai Kwok, Jimmy	1	1
Mr. Lam Chi Ho	1	1

Auditor's Remuneration

The Audit Committee of the Group is responsible for considering the appointment of external auditors and reviewing any non-audit functions performed by external auditors. During the year under review, the Group is required to pay an aggregate of approximately HK$1,979,000 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 54, 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 48, 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 65, 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 marketing 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 62, 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 (ACCA) 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 (ACCA). He is also currently an Independent Non-Executive Director of Lee Kee Holdings Limited, Tradelink Electronic Commerce Limited and Fook Woo Group Holdings Limited, all of which are listed on The Stock Exchange of Hong Kong Limited; and China World Trade Center Company Limited, listed on the Shanghai Stock Exchange.

Mr. Xie Bai Quan (謝百泉), aged 68, 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 47, 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.

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 2012.

Principal Activities

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 35 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 30 June 2012 are set out in the consolidated statement of comprehensive income on page 29.

No interim dividend was paid to the shareholders during the year. The directors do not recommend the payment of a final dividend.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group during the year are set out in note 17 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 2012 amounted to approximately HK$545,915,000 (2011: HK$547,069,000), which comprises the contributed surplus of approximately HK$514,642,000 (2011: HK$514,642,000) and accumulated profits of approximately HK$31,273,000 (2011: HK$32,427,000).

Under the Companies Law (2001 Second 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, Mr. Tsuji Tadao and Mr. Tam Wing Kin will retire by rotation, and being eligible, offer themselves for re-election as Directors at the forth coming annual general meeting.

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers all the Independent Non-Executive Directors are 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 2010 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 2012, the interests of the directors, the chief executives and their associates in the shares, 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.

Other than as disclosed above, none of the directors, the chief executive and 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 2012.

Share Options

Particulars of the Company's share option scheme are set out in note 29 to the consolidated financial statements.

No share options are outstanding in the current and prior years.

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 subsidiaries or fellow 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 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

As at 30 June 2012, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short position in the issued share capital of the Company.

Long positions

Ordinary shares of HK$0.1 each of the Company

Name of shareholders	Capacity	Number of issued ordinary shares held Direct interest	Deemed interest	Total interest	Percentage of the issued share capital of the Company	Notes
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 2012.

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 97.9% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 79.9% of the Group's total sales for the year.

The aggregate purchases attributable to the Group's five largest suppliers comprised approximately 98.7% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 95.4% 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 2012.

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
25 September 2012

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 29 to 75, which comprise the consolidated statement of financial position as at 30 June 2012, 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 information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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, 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. 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 about 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 of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 September 2012

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	NOTES	2012 HK$'000	2011 HK$'000
Revenue	7	**1,528,994**	1,813,879
Cost of sales		**(1,497,676)**	(1,774,350)
Gross profit		**31,318**	39,529
Other income		**27,839**	7,586
Other gains and losses	8	**2,269**	(10,037)
Change in fair value of derivative financial instruments	24	**910**	–
Distribution costs		**(13,095)**	(11,537)
General and administrative expenses		**(77,925)**	(88,263)
Loss arising from misappropriation of funds	9	**(14,717)**	–
Impairment loss recognised in respect of property, plant and equipment	17	**(64,253)**	(12,545)
Finance costs	10	**(785)**	(1,079)
Loss before tax		**(108,439)**	(76,346)
Income tax credit	11	**3,549**	1,328
Loss for the year	12	**(104,890)**	(75,018)
Other comprehensive income			
Exchange difference arising on translating foreign operations		**5,124**	7,094
Exchange differences on long-term advances to a foreign operation		**(1,107)**	(1,257)
		4,017	5,837
Total comprehensive expense for the year		**(100,873)**	(69,181)
Loss for the year attributable to:			
Owners of the Company		**(104,333)**	(68,815)
Non-controlling interests		**(557)**	(6,203)
		(104,890)	(75,018)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(100,178)**	(62,846)
Non-controlling interests		**(695)**	(6,335)
		(100,873)	(69,181)
Basic loss per share	16	**(HK$0.11)**	(HK$0.07)

Consolidated Statement of Financial Position

At 30 June 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	17	**473,859**	601,243
Prepaid lease payments	18	**3,820**	3,906
Deposits for acquisition of property, plant and equipment	19	**–**	962
		477,679	606,111
Current assets			
Inventories	20	**76,572**	138,509
Trade and other receivables	21	**260,340**	325,495
Prepaid lease payments	18	**96**	96
Tax recoverable		**14,300**	–
Fixed bank deposits	22	**15,854**	–
Restricted bank deposit	22	**–**	7,196
Bank balances and cash	22	**240,307**	245,696
		607,469	716,992
Current liabilities			
Trade and other payables	23	**129,024**	247,893
Derivative financial instruments	24	**1,111**	–
Tax liabilities		**39,752**	46,428
Obligations under finance leases – due within one year	25	**4,443**	4,347
Unsecured bank borrowings	26	**13,602**	18,355
		187,932	317,023
Net current assets		**419,537**	399,969
Total assets less current liabilities		**897,216**	1,006,080
Non-current liabilities			
Obligations under finance leases – due after one year	25	**6,878**	11,319
Deferred taxation	27	**9,250**	12,800
		16,128	24,119
		881,088	981,961
Capital and reserves			
Share capital	28	**96,839**	96,839
Share premium and reserves		**792,580**	892,758
Equity attributable to owners of the Company		**889,419**	989,597
Non-controlling interests		**(8,331)**	(7,636)
		881,088	981,961

The consolidated financial statements on pages 29 to 75 were approved and authorised for issue by the Board of Directors on 25 September 2012 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 2012

	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	96,839	450,739	11,478	6,400	15,171	481,500	1,062,127	(1,301)	1,060,826
Loss for the year	–	–	–	–	–	(68,815)	(68,815)	(6,203)	(75,018)
Exchange differences arising on translation of foreign operations	–	–	–	–	7,226	–	7,226	(132)	7,094
Exchange differences on long-term advances to a foreign operation	–	–	–	–	(1,257)	–	(1,257)	–	(1,257)
Total comprehensive income (expense) for the year	–	–	–	–	5,969	(68,815)	(62,846)	(6,335)	(69,181)
Dividend paid (note 15)	–	–	–	–	–	(9,684)	(9,684)	–	(9,684)
At 30 June 2011	96,839	450,739	11,478	6,400	21,140	403,001	989,597	(7,636)	981,961
Loss for the year	–	–	–	–	–	(104,333)	(104,333)	(557)	(104,890)
Exchange differences arising on translation of foreign operations	–	–	–	–	5,262	–	5,262	(138)	5,124
Exchange differences on long-term advances to a foreign operation	–	–	–	–	(1,107)	–	(1,107)	–	(1,107)
Total comprehensive income (expense) for the year	–	–	–	–	4,155	(104,333)	(100,178)	(695)	(100,873)
At 30 June 2012	96,839	450,739	11,478	6,400	25,295	298,668	889,419	(8,331)	881,088

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 by the Company 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 2012

	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(108,439)**	(76,346)
Adjustments for:		
Depreciation of property, plant and equipment	**75,508**	83,917
Finance costs	**785**	1,079
Impairment loss recognised on other receivables	**2,132**	1,735
Write-down of inventories	**1,049**	5,282
Impairment loss recognised in respect of property, plant and equipment	**64,253**	12,545
Reversal of impairment loss recognised on trade receivables	**–**	(268)
Interest income	**(1,432)**	(932)
(Gain) loss on disposals of property, plant and equipment	**(2,202)**	9,652
Release of prepaid lease payments	**96**	102
Change in fair value of derivative financial instruments	**(910)**	–
Operating cash flows before movements in working capital	**30,840**	36,766
Decrease in inventories	**60,998**	164,236
Decrease in trade and other receivables	**63,203**	126,644
Decrease in trade and other payables	**(119,132)**	(174,478)
Change in derivative financial instruments	**2,021**	–
Cash generated from operations	**37,930**	153,168
Income tax paid	**(6,677)**	(9,358)
Purchase of tax reserve certificate	**(14,300)**	–
NET CASH FROM OPERATING ACTIVITIES	**16,953**	143,810
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(18,488)**	(94,654)
Placement of fixed bank deposits	**(15,854)**	–
Proceeds from disposals of property, plant and equipment	**12,481**	5,913
Withdrawal (placement) of restricted bank deposit	**7,196**	(7,196)
Interest received	**1,432**	932
NET CASH USED IN INVESTING ACTIVITIES	**(13,233)**	(95,005)
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(4,753)**	(4,691)
Repayment of obligations under finance leases	**(4,345)**	(2,178)
Interest paid	**(785)**	(1,079)
Dividends paid	**–**	(9,684)
NET CASH USED IN FINANCING ACTIVITIES	**(9,883)**	(17,632)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(6,163)**	31,173
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**245,696**	212,218
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**774**	2,305
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**240,307**	245,696

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

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 35.

The consolidated financial statements are presented in Hong Kong dollars ("HKD"), while the functional currency of the Company is United States dollars ("USD"). 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 Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following revised standard and amendments ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Amendments to HKAS 1, HKAS 34, HKFRS 7 and HK(IFRIC) – Int 13 as part of Improvements to HKFRSs issued in 2010
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
HKAS 24 (Revised 2009)	Related Party Disclosures
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

HKFRSs issued but not yet effective

The Group has not early applied the following HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements 2009-2011 Cycle[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[5]
HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

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

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods.

The directors of the Company anticipate that the application of other HKFRSs will have no material impact on the results and the financial positions of the Group.

3. Significant Accounting Policies

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

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 (effective from 1 July 2009 onwards).

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

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 recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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.

3. Significant Accounting Policies (Continued)

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance lease), held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Property, plant and equipment in the course of construction for production, supply or administrative purpose are carried at cost, less any recognised impairment loss. Construction in progress is classified into the appropriate categories 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 disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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 obligations under finance leases.

Operating lease payments are recognised as an expense on a straight line basis over the lease terms, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. Significant Accounting Policies (Continued)

Leasing (Continued)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease terms on a straight line basis. When the lease payments cannot be allocated reliably between land and the building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

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 the respective 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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 the foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity 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 operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period. Income and expenses items 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 under the heading of exchange reserve (attributable to non-controlling interests as appropriate).

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 recognised 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 deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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.

3. Significant Accounting Policies (Continued)

Taxation (Continued)

Deferred tax assets and 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 and assets 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.

Current and 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 respectively, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted-average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in 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 (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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.

Interest income is recognised on an effective interest basis for debt instruments.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets at FVTPL of the Group comprise derivative financial instruments classified as held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "change in fair value on derivative financial instruments" line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in note 6c.

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, fixed bank deposits, restricted bank deposit and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as 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 financial assets (Continued)

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, 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.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

The Group's financial liabilities including trade and other payables and unsecured bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are classified as financial assets or liabilities held for trading and are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group recognises financial liabilities when, and only when, the Group's obligations are 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.

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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

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 immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make 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 on property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The review comprises a comparison of the carrying amount and recoverable amount of the property, plant and equipment and hence involves consideration of value in use. During the year ended 30 June 2012, impairment losses of approximately HK$64,253,000 (2011: HK$12,545,000) were recognised in the consolidated statement of comprehensive income.

Estimated 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 2012, the carrying amount of trade receivables, net of allowance for doubtful debts of HK$3,117,000 (2011: HK$3,117,000), was approximately HK$244,192,000 (2011: HK$298,260,000).

4. Key Sources of Estimation Uncertainty (Continued)

Write-down of inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined by 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 would not be used for future production or have market prices lower than their carrying amounts, the Group estimates an amount of write-down on inventories charged to profit or loss for the year. Where the actual future cash flows are less than expected, a material write-down may arise. At the end of the reporting period, the carrying amount of inventories, net of write-down of inventories amounted to HK$1,049,000 (2011: HK$5,282,000), was approximately HK$76,572,000 (2011: HK$138,509,000).

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 shareholders 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 net debts, which include unsecured bank borrowings and obligations under finance leases disclosed in notes 26 and 25, respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, share premium and various reserves.

The directors of the Company review the capital structure on regular basis. 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

	2012 **HK$'000**	2011 HK$'000
Financial assets		
Loan and receivables (including cash and cash equivalents)	**500,753**	552,649
Financial liabilities		
Amortised cost	**120,198**	239,670
Fair value through profit or loss		
Derivative financial instruments	**1,111**	–

6. Financial Instruments (Continued)

b. Financial risk management objectives and policies

The Group's major financial instruments include derivative financial instruments, trade and other receivables, fixed bank deposits, restricted bank deposit, bank balances and cash, trade and other payables, obligations under finance leases 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 HKD, USD, Japanese Yen, Vietnam Dong and Renminbi ("RMB").

During both years, the Group entered into forward foreign exchange contracts to cover the anticipated foreign currency exposures. These contracts were arranged mainly to hedge the currency fluctuation of RMB against USD of a group entity operated in the People's Republic of China (the "PRC"). These contracts were arranged with maturities spread over the months from 2012 to 2014. Details of the outstanding forward foreign exchange contracts are listed in note 24.

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 end of the reporting period are as follows:

	Assets		**Liabilities**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
HKD	**71,979**	23,093	**23,920**	39,680
USD	**2,544**	10,127	**–**	–
Japanese Yen	**5,231**	344	**56**	9,493
RMB	**21,458**	4,231	**2,204**	4,988

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% (2011: 5%) increase or decrease in the value of the functional currencies against the relevant foreign currencies. 5% (2011: 5%) is the sensitivity rate used 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 USD and HKD for entities with HKD and USD as functional currencies, respectively, as the directors consider that the Group's exposure to USD and HKD is insignificant on the ground that HKD is pegged to USD. The sensitivity analysis adjusts their translation at the year end for a 5% (2011: 5%) change in foreign currency rates.

	Japanese Yen Impact		**RMB Impact**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
5% appreciation of the functional currency				
(Increase) decrease in post-tax loss for the year	**(238)**	420	**(883)**	35
5% depreciation of the functional currency				
Decrease (increase) in post-tax loss for the year	**238**	(420)	**883**	(35)

The Group is also exposed to currency risk concerning the long-term inter-company amounts due from/to a group entity operated in the Vietnam, which are denominated in currencies other than the functional currency of the relevant group entities. When USD strengthens 5% (2011: 5%) against the Vietnam Dong, equity of the Group will increase by HK$5,547,000 (2011: HK$3,120,000) and vice versa.

6. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

For the forward foreign exchange contracts, the sensitivity analysis has been estimated based on the contracts outstanding at the end of respective reporting periods. If the relevant market forward exchange rate of USD against RMB changes by 5% (2011: 5%), the potential effect on post-tax loss for the year, as a result of the changes in the market ask foreign currency forward exchange rate of USD against RMB is as follows:

	2012 HK$'000	2011 HK$'000
USD strengthens against RMB by 5%		
Increase in post-tax loss for the year	**625**	5,532
USD weakens against RMB by 5%		
Decrease in post-tax loss for the year	**(625)**	(5,532)

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.

Interest rate risk

The Group is exposed to cash flow interest rate risks in relation to its finance lease obligations and unsecured bank borrowings which carry variable interest rate in current year. 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.

The Group's exposure to fair value interest rate risk in relation to fixed bank deposits carried at fixed interest rate was insignificant in current year.

The Group's exposure to fair value interest rate risk in relation to restricted bank deposit carried at fixed interest rate was insignificant in prior year.

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.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank balances, obligations under finance leases 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. 50 basis points increase or 5 basis points decrease (2011: 50 basis points increase or 5 basis points decrease) for bank balances and deposits, and 50 basis points increase or decrease for obligations under finance leases and unsecured bank borrowings, are used and represent management's assessment of the reasonably possible change in interest rates.

6. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk (Continued)

Sensitivity analysis (Continued)

If interest rates had been 50 basis points higher/5 basis points lower (2011: 50 basis points higher/5 basis points lower) for bank balances, and all other variables were held constant, the Group's post tax loss for the year would decrease by HK$754,000/increase by HK$75,000 (2011: post-tax loss for the year decrease by HK$790,000/increase by HK$79,000).

If interest rate had been 50 basis points higher/lower for obligations under finance leases and unsecured bank borrowings, and all other variables were held constant, the Group's post-tax loss for the year would increase/decrease by HK$114,000 (2011: post-tax loss for the year increase/decrease by HK$156,000).

Credit risk

As at 30 June 2012, 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 significant concentration of credit risk as receivable from two customers accounted for approximately 96% of its total trade receivables at 30 June 2012 (89% at 30 June 2011). 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 30.6.2012	At 30.6.2011
Customer A	**76**	67
Customer B	**20**	22

In order to minimise the credit risk, management of the Group has delegated a team 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. Customer A and Customer 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 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 of the Company 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 the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensure compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its 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.

Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

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.

No liquidity analysis for the Group's derivative financial liabilities is presented as at 30 June 2011 as the cash flows on derivative instruments with net-settled basis is insignificant.

Liquidity and interest risk tables

	Weighted average effective interest rate	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$'000	Carrying amount at 30 June 2012 HK$'000
2012							
Non-derivative financial liabilities							
Trade and other payables	–	106,596	–	–	–	106,596	106,596
Obligations under finance leases							
– floating rate	2.25%	388	776	3,493	7,004	11,661	11,321
Unsecured bank borrowings							
– floating rate	2.51%	13,602	–	–	–	13,602	13,602
		120,586	776	3,493	7,004	131,859	131,519
Derivative financial liabilities, settled net Forward foreign exchange contracts	–	23	47	209	832	1,111	1,111

6. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

	Weighted average effective interest rate	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$'000	Carrying amount at 30 June 2011 HK$'000
2011							
Non-derivative financial liabilities							
Trade and other payables	–	221,315	–	–	–	221,315	221,315
Obligations under finance leases							
– floating rate	2.20%	387	775	3,487	11,643	16,292	15,666
Unsecured bank borrowings							
– floating rate	2.43%	18,355	–	–	–	18,355	18,355
		240,057	775	3,487	11,643	255,962	255,336

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 30 June 2012 and 30 June 2011, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$13,602,000 and HK$18,355,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid and presented as below in accordance with the scheduled repayment dates set out in the loan agreements.

	Weighted average effective interest rate	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$'000	Carrying amount HK$'000
2012							
Unsecured bank borrowings							
– floating rate*	**2.51%**	**428**	**854**	**3,825**	**8,991**	**14,098**	**13,602**
2011							
Unsecured bank borrowings							
– floating rate*	2.43%	431	861	3,856	14,071	19,219	18,355

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

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

6. Financial Instruments (Continued)

c. Fair value

The fair values of financial assets and financial liabilities are determined as follows.

- the fair values of the forward foreign exchange contracts have been arrived at using the forward rates of similar instruments as at the end of each reporting period; and

- the fair values of other financial assets and financial liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Management of the Company considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognized in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
2012				
Financial assets				
Derivative financial instruments	**–**	**–**	**–**	**–**
Financial liabilities				
Derivative financial instruments	**–**	**1,111**	**–**	**1,111**
2011				
Financial assets				
Derivative financial instruments	–	–	–	–
Financial liabilities				
Derivative financial instruments	–	–	–	–

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

	2012 HK$'000	2011 HK$'000
Sales of goods	**1,207,822**	1,479,857
Rendering of services	**321,172**	334,022
	1,528,994	1,813,879

Segment information

The Group has adopted HKFRS 8 *Operating Segments*, which 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.

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.

	2012 HK$'000	2011 HK$'000
Results		
Segment revenue		
Pure assembly services	**308,964**	324,573
Procurement and assembly services	**1,207,822**	1,479,857
Repair and maintenance services	**12,208**	9,449
	1,528,994	1,813,879
Segment results		
– Pure assembly services (Note)	**(61,835)**	(20,117)
– Procurement and assembly services	**25,814**	34,415
– Repair and maintenance services	**2,107**	1,299
	(33,914)	15,597
Unallocated corporate expenses	**(89,971)**	(99,800)
Unallocated other income	**27,839**	7,586
Unallocated other gains and losses	**2,199**	1,350
Change in fair value of derivative financial instruments	**910**	–
Loss arising from misappropriation of funds	**(14,717)**	–
Finance costs	**(785)**	(1,079)
Loss before tax	**(108,439)**	(76,346)

7. Revenue and Segment Information (Continued)

Segment information (Continued)

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 year ended 30 June 2012 included the impairment loss recognised on property, plant and equipment of HK$64,253,000 (2011: HK$12,545,000), the gain on disposal of property, plant and equipment of HK$2,202,000 (2011: loss of HK$9,652,000), the write-down of certain categories of inventory of HK$1,049,000 (2011: HK$5,282,000) and the impairment loss recognised on other receivables of HK$2,132,000 (2011: HK$1,735,000).

Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of other income, other gains and losses (excluding the items described in the above note), distribution costs, general and administrative expenses and finance costs. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group's revenue from its major products and services:

	2012 HK$'000	2011 HK$'000
HDD Controllers	**1,020,793**	1,044,584
LCD TV Controllers	**201,681**	455,858
PC Motherboards	**275,070**	253,918
Others	**31,450**	59,519
	1,528,994	1,813,879

Geographical segments

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

	2012 HK$'000	2011 HK$'000
Japan	**1,235,271**	1,527,063
Taiwan	**227,116**	198,552
PRC	**66,607**	88,264
	1,528,994	1,813,879

Analysis of segment assets and liabilities has not been presented as it is not regularly reviewed by the chief 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:

	2012 HK$'000	2011 HK$'000
PRC	**367,056**	440,116
Hong Kong	**6,828**	10,113
Vietnam	**103,535**	96,261
Thailand	**260**	59,621
	477,679	606,111

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	Year ended 2012 HK$'000	2011 HK$'000
Customer A[1]	**1,221,635**	1,500,441
Customer B[2]	**202,028**	191,774

1 Revenue derived from the procurement and assembly services segment was HK$1,207,822,000 (2011: HK$1,479,818,000) and the pure assembly services segment was HK$13,813,000 (2011: HK$20,623,000) respectively.

2 Revenue derived from the pure assembly services segment was HK$189,820,000 (2011: HK$182,325,000) and the repair and maintenance services segment was HK$12,208,000 (2011: HK$9,449,000) respectively.

8. Other Gains and Losses

	2012 HK$'000	2011 HK$'000
Gain (loss) on disposals of property, plant and equipment	**2,202**	(9,652)
Net foreign exchange gain	**2,199**	1,082
Impairment loss recognised on other receivables	**(2,132)**	(1,735)
Reversal of impairment loss recognised on trade receivables	**–**	268
	2,269	(10,037)

9. 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 the Company's subsidiaries established in the PRC, had embezzled some of subsidiaries funds ("Misappropriation of Funds").

The Company has carried out an internal investigation to enquire into the incident and quantify the financial impact on those subsidiaries 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 RMB12,068,000 (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 subsidiaries during the year ended 30 June 2012 to reflect the loss arising from the Misappropriation of Funds and recognised as a loss directly in profit or loss.

The matter was reported to the PRC police and both the finance manager and senior cashier have been arrested for criminal investigation. On 2 August 2012, the PRC count issued a final verdict, which stated the finance manager was found liable to repay the financial damage of RMB12,068,000 (approximately HK$14,717,000) to Company's subsidiaries. The Company has not yet commenced to take civil proceeding to sue the finance manager related to the financial damage of the Company's subsidiaries. Up to the date of these consolidated financial statements and to the best of the knowledge of the management of subsidiaries and directors of the Company, the recoverability of this amount from finance manager is still remote.

10. Finance Costs

	2012 **HK$'000**	2011 HK$'000
Interest on borrowings wholly repayable within five years		
– bank borrowings	**476**	898
– finance leases	**309**	181
	785	1,079

11. Income Tax Credit

	2012 HK$'000	2011 HK$'000
The credit comprises:		
Current tax:		
Hong Kong Profits Tax	**–**	290
PRC Enterprise Income Tax	**1**	692
Underprovision in prior years:		
PRC Enterprise Income Tax	**–**	20
	1	1,002
Deferred taxation (note 27)	**(3,550)**	(2,330)
	(3,549)	(1,328)

Hong Kong

No provision for Hong Kong Profits Tax has been made as the Group had assessable loss arising in Hong Kong for the year ended 30 June 2012. Hong Kong Profits Tax is calculated at 16.5% of the assessable profit for the year ended 30 June 2011. In the opinion of the directors, based on the Departmental Interpretation Practice Note No. 21 issued by the Inland Revenue Department of Hong Kong (the "IRD"), Fittec Electronics Company Limited ("Fittec Electronics"), a subsidiary of the Company, is entitled to 50% relief from Hong Kong Profits Tax.

One of the subsidiaries in Hong Kong has tax dispute with the IRD regarding taxability of its certain profits. In the opinion of the directors of the Company, certain profits generated by 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 is required. During the year, the subsidiary lodged objections with the IRD and the IRD agreed to holdover the tax claimed on the basis that the tax reserve certificates in the amount of HK$14,300,000 were purchased by the subsidiary.

PRC

Under the Enterprise Income Tax Law of the PRC (the "EIT Law"), which was effective from 1 January 2008, the PRC income tax rate for both domestic and foreign investment enterprises was unified at 25% effective from 1 January 2008. Under the transitional provision granted by the relevant tax authorities, certain of the Company'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 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.

11. Income Tax Credit (Continued)

PRC (Continued)

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 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 FESCL had incurred losses for the both years ended 30 June 2012 and 2011 and STETL enjoys full exemption from the PRC Enterprise Income Tax for the year ended 30 June 2012 and it had incurred losses for the year ended 30 June 2011, no provision for PRC Enterprise Income Tax on FESCL and STETL was made for both years.

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 a 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 year ended 30 June 2012 and incurred losses for the year ended 30 June 2011. However, no provision for Vietnam corporate income tax was made for the year ended 30 June 2012 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. This subsidiary has incurred losses for the year ended 30 June 2012 and generated assessable income for the year ended 30 June 2011. However, no provision for Thailand income tax has been made for the year ended 30 June 2011 as it enjoys income tax exemption.

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

	2012 HK$'000	2011 HK$'000
Loss before tax	**(108,439)**	(76,346)
Tax at the Hong Kong Profit Tax rate of 16.5%	**(17,893)**	(12,597)
Tax effect of expenses not deductible for tax purposes	**14,245**	6,610
Tax effect of income not taxable for tax purposes	**(928)**	(300)
Tax effect of tax losses not recognised	**9,632**	5,644
Utilisation of tax losses previously not recognised	**–**	(797)
Underprovision in prior years	**–**	20
Effect of different tax rate of group entities operating in jurisdictions other than Hong Kong	**(2,238)**	452
Effect of tax exemptions granted	**(6,367)**	(360)
Taxation credit for the year	**(3,549)**	(1,328)

Details of the deferred taxation are set out in note 27.

12. Loss for the Year

	2012 HK$'000	2011 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Directors' emoluments (note 13)	**7,482**	7,890
Other staff costs	**187,373**	184,670
Retirement benefit scheme contributions (excluding contributions in respect of Directors)	**8,285**	6,505
Total staff costs	**203,140**	199,065
Auditor's remuneration	**1,380**	1,440
Depreciation of property, plant and equipment	**75,508**	83,917
Release of prepaid lease payments	**96**	102
Cost of inventories recognised as an expense (including write-down of inventories of HK$1,049,000 (2011: HK$5,282,000))	**1,383,981**	1,450,725
Interest income	**(1,432)**	(932)
Rework charges to customers (included in other income)	**(2,769)**	(4,660)
Sales of tools (included in other income)	**(172)**	(7)
Insurance compensation received (included in other income) (note 17)	**(22,929)**	–

13. Directors' Emoluments

The emoluments paid or payable to each of the six directors were as follows:

	Lam Chi Ho HK$'000	Sun Mi Li HK$'000	Tsuji Tadao HK$'000	Xie Bai Quan HK$'000	Chung Wai Kwok, Jimmy HK$'000	Tam Wing Kin HK$'000	Total HK$'000
2012							
Fees	**–**	**–**	**926**	**150**	**300**	**120**	**1,496**
Other emoluments:							
Salaries and other benefits	**3,075**	**2,564**	**323**	**–**	**–**	**–**	**5,962**
Discretionary bonus	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Retirement benefit scheme contributions	**12**	**12**	**–**	**–**	**–**	**–**	**24**
Total emoluments	**3,087**	**2,576**	**1,249**	**150**	**300**	**120**	**7,482**
2011							
Fees	–	–	910	150	300	120	1,480
Other emoluments:							
Salaries and other benefits	3,026	2,524	324	–	–	–	5,874
Discretionary bonus	230	192	90	–	–	–	512
Retirement benefit scheme contributions	12	12	–	–	–	–	24
Total emoluments	3,268	2,728	1,324	150	300	120	7,890

No directors waived any emoluments for the year ended 30 June 2012 (2011: nil).

14. Employees' Emoluments

The five highest paid individuals of the Group included three directors (2011: three directors), details of which are set out above. The emoluments of the remaining two individuals (2011: two individuals) were as follows:

	2012 HK$'000	2011 HK$'000
Basic salaries and allowances	**1,283**	1,244
Bonus	**27**	114
Retirement benefit scheme contributions	**24**	24
	1,334	1,382

14. Employees' Emoluments (Continued)

Their emoluments were within the following band:

	2012 No. of employees	2011 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.

15. Dividend Paid

	2012 HK$'000	2011 HK$'000
Dividend recognised as distribution during the year:		
Final dividend paid for 2011 – Nil (2011: final dividend for 2010 – HK$0.01) per share	**–**	9,684

No dividend was proposed during 2012, nor has any dividend been proposed since the end of the reporting period (2011: HK$0.01 per share).

16. Basic Loss Per Share

The calculation of the basic loss per share for the year ended 30 June 2012 is based on the loss attributable to owners of the Company of HK$104,333,000 (2011: HK$68,815,000) and the number of 968,394,000 (2011: 968,394,000) shares in issue.

Diluted loss per share is not presented for the years ended 30 June 2012 and 2011 as there is no potential ordinary shares outstanding during the year or at the end of the reporting period.

17. 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 2010	43,706	21,204	184,407	12,985	81,855	652,813	267	997,237
Exchange realignment	(4,080)	497	4,509	245	1,037	5,168	4	7,380
Additions	3,860	454	12,464	1,229	9,745	97,607	99	125,458
Transfer	–	–	370	–	–	–	(370)	–
Disposals	–	–	–	(863)	(104)	(19,089)	–	(20,056)
At 30 June 2011	43,486	22,155	201,750	13,596	92,533	736,499	–	1,110,019
Exchange realignment	110	293	2,397	138	451	5,028	–	8,417
Additions	66	127	546	–	1,000	17,711	–	19,450
Disposals	–	(874)	(11,316)	(755)	(3,614)	(125,433)	–	(141,992)
At 30 June 2012	**43,662**	**21,701**	**193,377**	**12,979**	**90,370**	**633,805**	**–**	**995,894**
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 July 2010	1,354	13,660	38,017	7,910	51,885	299,605	–	412,431
Exchange realignment	(156)	351	1,533	115	644	1,887	–	4,374
Provided for the year	979	2,090	17,853	1,966	10,014	51,015	–	83,917
Eliminated on disposals	–	–	–	(756)	(78)	(3,657)	–	(4,491)
Impairment loss recognised in profit or loss	–	303	10,509	–	460	1,273	–	12,545
At 30 June 2011	2,177	16,404	67,912	9,235	62,925	350,123	–	508,776
Exchange realignment	7	239	1,788	73	423	2,681	–	5,211
Provided for the year	967	1,946	13,199	1,540	8,544	49,312	–	75,508
Eliminated on disposals	–	(848)	(11,168)	(513)	(3,470)	(115,714)	–	(131,713)
Impairment loss recognised in profit or loss	–	361	9,844	–	403	53,645	–	64,253
At 30 June 2012	**3,151**	**18,102**	**81,575**	**10,335**	**68,825**	**340,047**	**–**	**522,035**
CARRYING AMOUNT								
At 30 June 2012	**40,511**	**3,599**	**111,802**	**2,644**	**21,545**	**293,758**	**–**	**473,859**
At 30 June 2011	41,309	5,751	133,838	4,361	29,608	386,376	–	601,243

17. Property, Plant and Equipment (Continued)

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

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 of 43 years to 50 years
Furniture and fixtures	20%
Leasehold improvements	10%
Motor vehicles	20%
Office equipment	20%
Plant and machinery	Shorter of 7.5% to 20% or lease terms of the relevant finance leases

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 other than the disposal values. The carrying amount of the affected property, plant and equipment of approximately HK$68,685,000 was considered to be impaired and subsequently disposed for aggregate consideration of approximately HK$4,432,000. Accordingly, impairment loss of approximately HK$64,253,000 was recognised in respect of these property, plant and equipment in the current year.

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 these consolidated financial statements were authorised for issuance, the claim evaluation process is still ongoing, however; the Group received compensation of approximately HK$22,929,000 during the year ended 30 June 2012 which was recognised in the profit or loss (see Note 12).

In light of the changes in technologies and market conditions, management critically reviewed the Group's production capacity and inventory mix during the year ended 30 June 2011 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. Accordingly, the carrying amount of these property, plant and equipment have fully impaired and impairment losses of approximately HK$12,545,000 and HK$5,282,000 were recognised against property, plant and equipment and inventory, respectively, in the profit or loss for the year ended 30 June 2011.

Management also assessed the potential for impairment of the Group's remaining property, plant and equipment and satisfied that there are no further impairment.

No carrying amount of plant and machinery at 30 June 2012 (2011: HK$15,587,000) is in respect of assets held under finance leases. The assets held under finance leases were disposed of during the year and the lessor acknowledged such disposal.

18. Prepaid Lease Payments

	2012 HK$'000	2011 HK$'000
The Group's prepaid lease payments comprise leasehold land held under medium-term lease in Vietnam	**3,916**	4,002
Analysed for reporting purposes as:		
Current assets	**96**	96
Non-current assets	**3,820**	3,906
	3,916	4,002

19. Deposits for Acquisition of Property, Plant and Equipment

The deposits were made in connection with the acquisition of property, plant and equipment which were delivered to the Group during the year ended 30 June 2012.

20. Inventories

	2012 HK$'000	2011 HK$'000
Raw materials	**30,677**	92,697
Work in progress	**18,389**	15,456
Finished goods	**27,506**	30,356
	76,572	138,509

21. Trade and Other Receivables

	2012 HK$'000	2011 HK$'000
Trade receivables	**247,309**	301,377
Less: allowance for doubtful debts	**(3,117)**	(3,117)
	244,192	298,260
Prepayments	**6,084**	6,837
Deposits and other receivables	**10,064**	20,398
Trade and other receivables	**260,340**	325,495

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:

	2012 HK$'000	2011 HK$'000
0 – 30 days	**110,217**	110,328
31 – 60 days	**113,516**	121,115
61 – 90 days	**18,943**	44,019
91 – 120 days	**640**	17,144
121 – 180 days	**–**	4,445
181 – 365 days	**653**	964
Over 365 days	**223**	245
Trade receivables	**244,192**	298,260

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:

	2012 HK$'000	2011 HK$'000
HKD	**437**	56
USD	**1,024**	5,479
RMB	**–**	1,766
	1,461	7,301

21. Trade and Other Receivables (Continued)

Before accepting any new customers, the Group uses an internal credit assessment process to assess the potential customers' credit quality and defines credit limits by customers. Limits attributed to customers are reviewed regularly. 98.4% (2011: 97.1%) of the trade receivables that were neither past due nor impaired at 30 June 2012 have good repayment history.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$876,000 (2011: HK$5,654,000) which were past due at the end of the reporting period but for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Ageing of trade receivables which were past due but not impaired

	2012 **HK$'000**	2011 HK$'000
121 – 180 days	**–**	4,445
181 – 365 days	**653**	964
Over 365 days	**223**	245
	876	5,654

The above trade debtors are related to customers that have good repayment history. Management believes that no allowances for impairment loss 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 to be fully recoverable.

Movement in the allowance for doubtful debts

	2012 **HK$'000**	2011 HK$'000
Balance at beginning of the year	**3,117**	3,385
Impairment loss reversed	**–**	(268)
Balance at end of the year	**3,117**	3,117

22. Bank Balances and Cash/Restricted Bank Deposit/Fixed Bank Deposits

Bank balances and cash comprise cash held by the Group and short-term bank deposits 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 0.01% to 2.28% (2011: 0.01% to 0.95%) per annum.

Restricted bank deposit as at 30 June 2011 represented deposit placed in a financial institution for entering into forward foreign exchange contracts with the relevant financial institution. The restricted deposit carried fixed interest rate of 3.1% per annum.

Fixed bank deposits carry fixed interest rate ranged from 2.5% to 3% per annum and will be matured within one year from the end of the reporting period.

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:

	2012 **HK$'000**	2011 HK$'000
HKD	**71,542**	23,038
USD	**1,520**	4,648
Japanese Yen	**5,231**	344
RMB	**21,458**	2,465
	99,751	30,495

23. Trade and Other Payables

	2012 **HK$'000**	2011 HK$'000
Trade payables	**95,340**	219,274
Accruals and other payables	**33,684**	28,619
	129,024	247,893

23. Trade and Other Payables (Continued)

The credit periods 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 is as follows:

	2012 HK$'000	2011 HK$'000
0 – 30 days	**83,767**	92,592
31 – 60 days	**3,307**	82,458
61 – 90 days	**3,002**	23,828
91 – 180 days	**4,173**	13,767
181 – 365 days	**185**	6,629
Over 365 days	**906**	–
	95,340	219,274

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:

	2012 HK$'000	2011 HK$'000
HKD	**10,318**	21,325
Japanese Yen	**56**	9,493
RMB	**2,204**	4,988
	12,578	35,806

24. Derivative Financial Instruments

The Group enters into forward foreign exchange contracts to cover 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. All contracts are settled in net with the counterparties.

The Directors of the Company consider that the fair value of the forward foreign exchange contracts as at 30 June 2011 was insignificant.

During the year ended 30 June 2012, fair value change of approximately HK$910,000 (2011: nil) was recognised directly in profit or loss.

24. Derivative Financial Instruments (Continued)

The details of outstanding forward foreign exchange contracts to which the Group is committed are as follows:

At 30 June 2012

Buy	Sell	Notional amount US$	Maturity date	Contracted exchange rate (per US$1)
RMB/HKD	**USD**	**1,000,000**	**19 August 2013 (note (i))**	**RMB6.4600/HKD7.8500**
RMB	**USD**	**500,000/1,000,000**	**28 February 2014 (note (ii))**	**RMB6.4800**
RMB	**USD**	**500,000/1,000,000**	**17 March 2014 (note (ii))**	**RMB6.4850**
RMB	**USD**	**500,000/1,000,000**	**12 May 2014 (note (ii))**	**RMB6.4400**
RMB	**USD**	**250,000/500,000**	**3 June 2014 (note (ii))**	**RMB6.4500/RMB6.7000**

Notes:

(i) The contract requires the Group to sell USD and to buy RMB/HKD monthly which the currency to be purchased is determined by the counterparty at contracted exchange rate and contains knock-out features that will automatically terminate the contracts in certain conditions.

(ii) The contract requires the Group to sell USD and to buy RMB monthly at contracted exchange rate and contains knock-out features that will automatically terminate the contracts in certain conditions. The notional amount to be settled is determined under certain conditions set out in the contract.

At 30 June 2011

Buy	Sell	Notional amount US$	Maturity date	Contracted exchange rate (per US$1)
RMB	USD	2,000,000	20 October 2011	RMB6.3991
RMB	USD	2,000,000	18 November 2011	RMB6.3854
RMB	USD	2,000,000	19 December 2011	RMB6.3715
RMB	USD	2,000,000	20 January 2012	RMB6.3572
RMB	USD	2,000,000	21 February 2012	RMB6.3441
RMB	USD	2,000,000	19 March 2012	RMB6.3334
RMB	USD	1,500,000	19 April 2012	RMB6.3205
RMB	USD	2,000,000	11 May 2012	RMB6.3076

25. Obligations under Finance Leases

	Minimum lease payments 2012 HK$'000	Minimum lease payments 2011 HK$'000	Present value of minimum lease payments 2012 HK$'000	Present value of minimum lease payments 2011 HK$'000
Amount payable under finance leases				
– within one year	**4,657**	4,649	**4,443**	4,347
– in more than one year but not more than two years	**4,657**	4,649	**4,546**	4,445
– in more than two years but not more than five years	**2,347**	6,994	**2,332**	6,874
	11,661	16,292	**11,321**	15,666
Less: Future finance charges	**(340)**	(626)		
Present value of lease obligations	**11,321**	15,666		
Less: Amount due within one year shown under current liabilities			**(4,443)**	(4,347)
Amount due after one year			**6,878**	11,319

The Group leased certain of its plant and machinery under finance leases. The lease term is four years for both years. For the year ended 30 June 2012, interest rates underlying all obligations under finance leases are variable at Hong Kong Interbank Offered Rate ("HIBOR") plus 2% (2011: HIBOR plus 2%) per annum.

As at 30 June 2011, the Group's obligations under finance leases are secured by the lessor's title over the leased assets.

26. Unsecured Bank Borrowings

	2012 HK$'000	2011 HK$'000
Bank borrowings	**13,602**	18,355
Carrying amount of bank borrowings that contain a repayable on demand clause:		
– scheduled for repayment within one year	**4,819**	4,757
– scheduled for repayment after one year but not more than two years	**4,887**	4,819
– scheduled for repayment after two years but not more than five years	**3,896**	8,779
Amounts shown under current liabilities	**13,602**	18,355

The Group's variable-rate bank borrowings carry interest at HIBOR plus 2% – 2.5% (2011: HIBOR plus 2% – 2.5%) per annum. The effective interest rate for the year is 2.5% (2011: 2.4%) per annum.

The bank borrowings are repayable by monthly instalments up to February and May 2015 respectively. The amounts due are based on scheduled repayment dates set out in the loan agreements.

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 were as set out below:

	2012 HK$'000	2011 HK$'000
HKD	**13,602**	18,355

27. Deferred Taxation

The followings are the deferred tax liability recognised and movements thereon during the current and prior reporting years:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 July 2010	15,130	–	15,130
Credited to profit or loss	(2,330)	–	(2,330)
At 30 June 2011	12,800	–	12,800
Credited to profit or loss	(2,450)	(1,100)	(3,550)
At 30 June 2012	**10,350**	**(1,100)**	**9,250**

At the end of the reporting period, the Group had unused tax losses of HK$284,918,000 (2011: HK$220,002,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$6,540,000 (2011: nil) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$278,378,000 (2011: HK$220,002,000) due to the unpredictability of future profit streams.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the subsidiaries established in the PRC from 1 January 2008 onwards. As at 30 June 2011, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of a PRC subsidiary amounting to HK$2,766,000 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. There was no temporary differences attributable to accumulated profits of this subsidiary as at 30 June 2012.

At 30 June 2011, the aggregate amount of temporary differences associated with undistributed earnings of a subsidiary operated in Thailand for which deferred tax liabilities have not been recognised was HK$2,006,000. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. There was no temporary differences associated with undistributed earnings of that subsidiary as at 30 June 2012.

28. Share Capital

	Number of shares	Amounts HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 July 2010, 30 June 2011 and 30 June 2012	3,000,000,000	300,000
Issued and fully paid:		
At 1 July 2010, 30 June 2011 and 30 June 2012	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 at 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.

No share options were issued during both years ended 30 June 2012 and 2011 nor outstanding at the end of the reporting period.

30. Operating Lease Commitments

During the year, the Group made minimum lease payments of HK$19,134,000 (2011: HK$18,524,000) 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 five years (2011: one to five 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:

	2012 HK$'000	2011 HK$'000
Within one year	**13,666**	17,044
In the second to fifth year inclusive	**35,377**	10,716
Over five years	**–**	1,750
	49,043	29,510

31. Capital Commitments

	2012 HK$'000	2011 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**–**	1,098

32. Retirement Benefit Plans

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

(i) Plans for Hong Kong employees

The Group participates in 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 benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

(iii) Plans for Vietnam employees

The employees employed in Vietnam are members of the state-managed retirement benefit schemes operated by the Vietnam government. The subsidiary incorporated in Vietnam is required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The total cost of HK$8,309,000 (2011: HK$6,529,000) charged to consolidated statement of comprehensive income represents contributions paid or payable to the above schemes by the Group for the year.

33. Major Non-Cash Transactions

During the year ended 30 June 2011, the Group entered into finance lease arrangements in respect of plant and machinery with a total capital value at the inception of the leases of approximately HK$17,794,000.

34. Related Party Disclosures

Compensation of key management personnel

	2012 **HK$'000**	2011 HK$'000
Short-term employee benefits	**7,458**	7,354
Discretionary bonus	**–**	512
Post-employment benefits	**24**	24
	7,482	7,890

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

35. Particulars of Subsidiaries of the Company

Particulars of the Company's subsidiaries as at 30 June 2012 and 30 June 2011 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 Directly	Attributable equity interest held by the Company Indirectly	Principal activities
Fittec (BVI) Limited	British Virgin Islands	Ordinary US$1.00	100%	–	Investment holding
Fittec Electronics Company Limited	Hong Kong	Ordinary HK$10,000,000	–	100%	Investment holding and manufacturing and sales of printed circuit board ("PCB") assembly
Kuan Da Electronics (Shenzhen) Co., Ltd.* 寬達電子(深圳)有限公司	PRC	Paid up capital US$7,776,139	–	100%	Manufacturing of PCB, electronics components and related parts
Fittec Electronics (Shenzhen) Co., Ltd.* 奕達電子(深圳)有限公司	PRC	Paid up capital US$242,565	–	100%	Provision of repair and maintenance services
Fittec Electronics (Suzhou) Co., Ltd.* 泛達電子(蘇州)有限公司	PRC	Paid up capital US$23,421,610	–	100%	Manufacturing of PCB, electronics components and related parts
Fung Da Electronics (Shenzhen) Co., Ltd.* 豐達維修電子(深圳)有限公司	PRC	Paid up capital RMB1,000,000	–	100%	Provision of repair and maintenance services
Toprich Electronics Technology Limited 騰達電子科技有限公司	Hong Kong	Paid up capital HK$100	–	80%	Investment holding
Suzhou Toprich Electronics Technology Limited* 蘇州鵬達科技有限公司	PRC	Paid up capital US$3,316,522	–	80%	Inactive
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 96,900,000	–	100%	Inactive (note)

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

Note: The principal activity of the subsidiary was manufacturing of PCB, electronics components and related parts, and the subsidiary became inactive after flooding in Thailand in October 2011.

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				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	2,456,380	1,806,571	2,678,535	1,813,879	**1,528,994**
(Loss) profit before tax	(12,972)	(38,174)	42,509	(76,346)	**(108,439)**
Income tax (expense) credit	(7,578)	357	(7,445)	1,328	**3,549**
(Loss) profit for the year	(20,550)	(37,817)	35,064	(75,018)	**(104,890)**
Attributable to:					
Owners of the Company	(20,550)	(37,817)	36,365	(68,815)	**(104,333)**
Non-controlling interests	–	–	(1,301)	(6,203)	**(557)**
	(20,550)	(37,817)	35,064	(75,018)	**(104,890)**

Assets and Liabilities

	At 30 June				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	1,453,183	1,568,363	1,676,815	1,323,103	**1,085,148**
Total liabilities	337,457	514,475	615,989	341,142	**204,060**
Shareholders' funds	1,115,726	1,053,888	1,060,826	981,961	**881,088**
Attributable to:					
Owners of the Company	1,115,726	1,053,888	1,062,127	989,597	**889,419**
Non-controlling interests	–	–	(1,301)	(7,636)	**(8,331)**
	1,115,726	1,053,888	1,060,826	981,961	**881,088**