FITTEC

FITTEC INTERNATIONAL GROUP LIMITED
奕達國際集團有限公司

(incorporated in the Cayman Islands with limited liability)

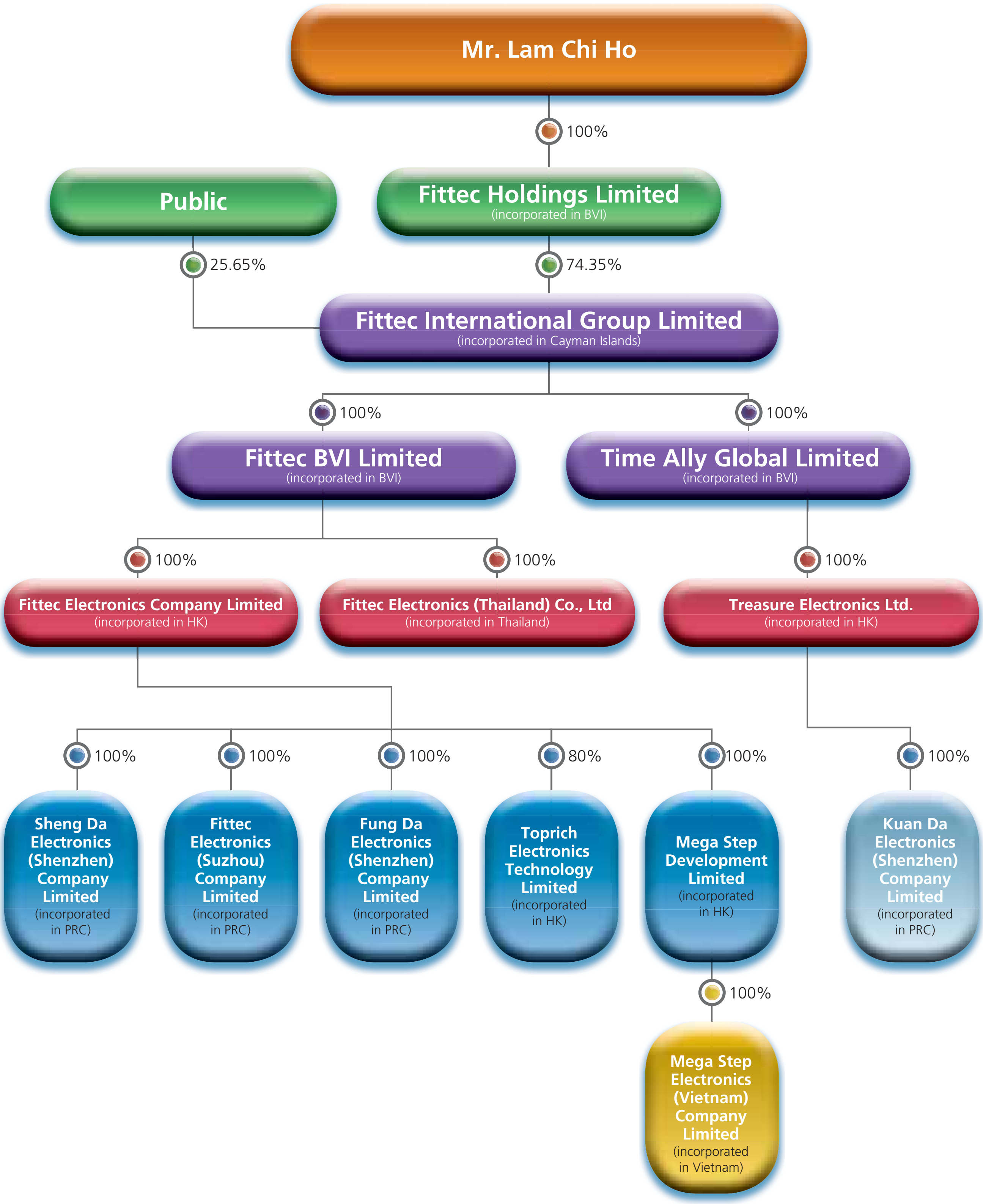
Stock Code: 2662

2013/14
ANNUAL REPORT

Contents

Corporate Structure

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



Corporate Information

Board of Directors

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

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

Company Secretary

Mr. Cheung Yiu Leung

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited
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 9, 9th Floor
Yuen Long Trading Centre
33 Wang Yip Street West
Yuen Long
New Territories
Hong Kong

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Principal Share Registrar

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
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 period under review, the overall global economy shows mixed signs with which sent unclear signal of recovery. The final adjusted data showed the U.S. economy contracted negative 2.1%, which was significantly more than previously estimated in the first quarter of 2014. After an abysmal first quarter, the U.S. economy picked up steam in the second quarter with estimated GDP grew of 4%, coming in much stronger than expected. However, the improving US economy would trigger faster tapering pace of the existing Quantitative Easing program (QE 3) from the US Federal Reserves, and cast the biggest uncertainty to the global economy development.

The EURO-zone's feeble recovery since the spring of 2013 came to a halt in the second quarter of 2014, when GDP stagnated. There were some bright spots. Spanish growth quickened from 0.4% in the first three months of the year to 0.6%. And both Dutch and Portuguese GDP, which had contracted in the first quarter, rebounded, with growth of 0.5% and 0.6% respectively. But the EURO area was held back by poor performances in its three biggest economies. GDP fell in Germany, the biggest, and Italy, the third largest, by 0.2%; France, the second largest economy, stagnated.

Japan's economy suffered its worst contraction since 2011 in the second quarter of 2014 as consumer spending on big items slumped in the wake of a sales tax rise. Gross domestic product shrank by an annualized 6.8% in the three months ended June, Japan's Cabinet Office said August, 2014. Japan's economy last suffered a hit of this magnitude after the 2011 tsunami and nuclear disaster. The performance is the second half of a boom and bust cycle resulting from the sales tax hike that drastically changed consumer spending patterns.

A rebound in second-quarter growth is stabilizing China's economy for now but causing some economists to question whether the government's reliance on piecemeal stimulus measures is delaying needed reforms and piling up more bad debts. However, economists said the momentum from recent targeted pro-growth policies is expected to peter out toward the end of 2014, leaving China to confront anew a dilemma it faced just a few months back: How much of an economic slowdown is it willing to tolerate next year?

All those mixed signals from the US, Europe, Japan and China make consumes all over the world to be more cautious in consumers' spending, which drive down unit prices of all consumer electronics products inevitably. A survey result published by the IPC – Association Connecting Electronics Industries, in January 2014, indicated the electronics manufacturing services (EMS) and original design manufacturers (ODM) markets worldwide declined approximately 4.9% in 2013 as a result.

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 an offshore production bases in Vietnam to diversify our sole focus in China. The Vietnam operation is running smoothly during the period under review, until the Anti-China riots burst in Vietnam unexpectedly on 13th of May, 2014. Before the incident in Vietnam, The Group was able to turn around the overall operational result from the steady increasing profitable Vietnamese operation.

The riot had hit our Vietnam factory hard. Serious properties damages were made from the breaking, arson and looting of the riot mobs, including the factory buildings, production facilities and equipment, as well as stocks. Fortunately all of our management teams, both expatriates and local, and employees were escaped in time safely without injury. Thus we were able to start to clean up the messes and rebuild the factory within a month from the date of riot. The factory operations have returned to normal at the end of September. However, since we have relocated more production capacities from China to Vietnam, the incident caused major impact to our production capabilities. To fulfill our delivery obligations and retain relationships with our customers, The Group had immediately expanded its Chinese manufacturing capacities, both from in-house and outside sub-contract factory. As a result, The Group has earned the trust from the customer, and maintains the sole OEM relationship after the incident, which enables the Group to regain normal stable operation in the long run.

With soften global economy and temporary suspending of the Vietnam factory, our revenue has declined almost 7.4% to 1,082 million for the year ended 30, June, 2014 (year ended 30 June 2013: HK$1,169 million).

Under capacity utilization together with unflavored labor wage and incident in Vietnam, led to a downturn of gross profit to a negative HK$27 million and net loss HK$277 million, (year ended 30 June 2013: HK$10 million and HK$40 million separately).

The board of directors did not recommend the payment of an interim dividend. Looking ahead, we are aware of the serious challenges from the continuously basic salary hike in China, as well as the uncertain global economy outlook. On the other hand, the Group is actively targeting the steady TV Set Top Box (STB) business, and could bring in new business partner in the coming months. This positive development will help to push up the utilization rate eventually.

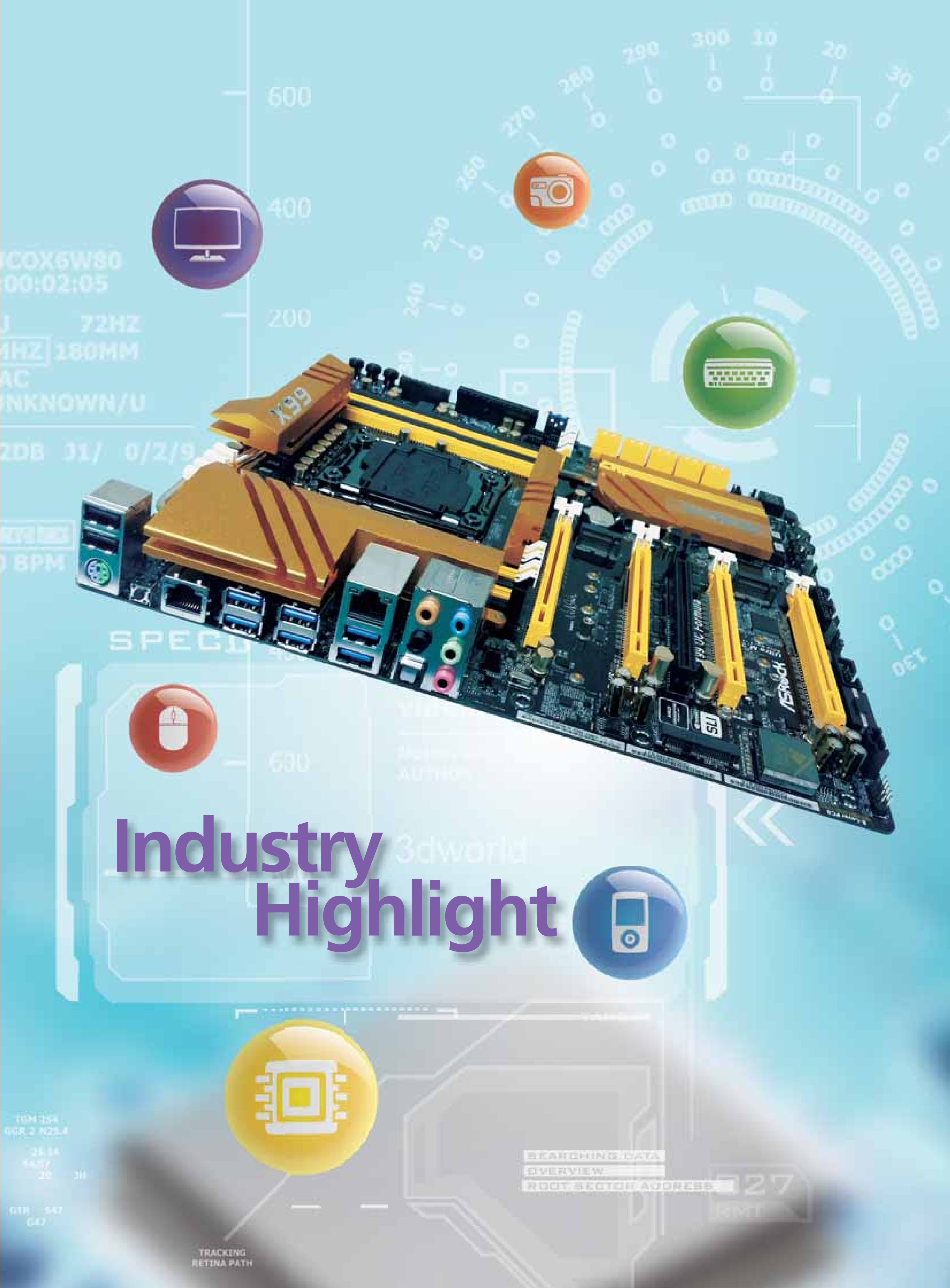
In the mid- to long-term, we remain conservative about our business. The tapering and eventually suspending of the QE3 would not slow down the pace of the US economy, but also tighten the liquidity to the rest of the world, especially the emerging markets. That will eventually drive down the demands of all consumer goods, and the overall utilization rate of aggregate factories' capacities. More severe price erosion among manufacturers would occur 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.

Since the Group current business had been unprofitable for four consecutive years and unstable political and social environment of Vietnam, the boards are looking to diversify the business and will consider any investment opportunities including but not limited to business of similar nature and technological know-hows, which will enable the Group to generate profit and shareholder's value in the future. The Board will also review the current unfavorable business environment and future profitability of Group's current business and may consider disposing any business with declining operating results.

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, 30 September 2014



Industry Highlight

Management Discussion and Analysis

Financial Review

The global economy experiences a gradual acceleration, led by stronger growth in mature economies as fiscal headwinds become smaller (except for Japan) and household "deleveraging" — the slow, painful process of families pay down their debts and rebuilding their savings are progressing especially in the U.S.. However, high unemployment is still a challenge in many mature economies. Growth in emerging economies, by contrast, has decelerated and many countries are facing structural challenges. The need to correct external and internal imbalances, combined with the prospect of tighter monetary policy conditions in mature economies, is contributing to increased volatility of capital flows into these economies. Volatile funding conditions in international markets are often affecting lending conditions in emerging markets.

The financial year 2013/14 followed a similar path to that of 2012/13; the Electronic manufacturing services ("EMS") industry continues to face a period of uncertainty with limited visibility. Original Equipment Manufacturer ("OEMs") are therefore reassessing their manufacturing strategies, which encourages some to increase their level of outsourcing or even exit manufacturing entirely. The uncertainty regarding the extent and timing of the global economic recovery still affects the industry. For 2014, total European revenues for the EMS market are forecasted to show a modest decline. Western Europe is forecasted to grow 0.8%, which is not offset by the 1.4% decline in Central Eastern Europe ("CEE").

Although at a reduced level of production, major EMS providers retain a regional manufacturing presence in Western Europe; the majority of European manufacturing is now located in CEE. As global EMS companies often acquired these facilities through acquisition of major European OEMs, they offer the same capabilities as regional players but can rely on global resources to support growth. Thus, further consolidation is likely during 2014.

For the fiscal year ended 30 June 2014, the Group recorded revenue of HK$1,082 million (for the year ended 30 June 2013: HK$1,169 million). The turnover slipped from last years is due to the decrease of the hard disk drive "HDD" orders which include a large amount of Procurement income, termination of notebook motherboard order from a Korean customer and decrease in global demand of desktop motherboard.

The Global HDD fell 7% to 444.4 million units. The rise of smartphones and tablets has dented the once-powerful appeal of computers, impacting HDD volume. The losses are especially apparent in the so-called client PC market – the consumer side of the PC business.

Worldwide PC shipments totaled 73.4 million units in the first quarter of 2014, a decline of 4.4% year on year, according to the International Data Corporation (IDC) Worldwide Quarterly PC Tracker. Shipments are still in decline and with continuing weakness in consumer and emerging market segments.

Worldwide PC shipments have now declined for eight consecutive quarters as a result of shifting technology usage and competition (notably with smartphones and tablets) as well as economic pressures (including high unemployment, slow growth & investment, tight credit, and currency fluctuations etc.) related to the Great Recession, sovereign debt crises, and their related impact on international trade. The decline of PC shipment also affects the HDD markets. Therefore, the decreased demand of PC indirectly affects our HDD orders.

The Group recorded a net loss of HK$277 million for the year (for the year ended 30 June 2013; net loss of HK$40 million). The increase in loss was primarily due to (A) decrease in the turnover and gross profit margin in the computer motherboard and hard disk drive controller business, which is mainly attributable to (i) weakening global demand of computer motherboard and hard disk drive which are the key products of the Group; (ii) the increase in the cost of raw materials and labour in China; (iii) the continual slow growth of the global economy and the economic downturn of the United States of America, the European countries and Japan which prolonged the refresh cycles for PCs; (B) the impairment loss for the property, plant and equipment in relation to the Vietnam Factory suffered by the riot in May 2014; and (C) a once-off other income of HK$37 million received in 2012/13 from the settlement of the final installment of insurance as a result of the damages incurred from the Thailand flooding.

The Vietnam Factory was torched and looted by rioters on 13 May 2014 and the Vietnam Factory had since been suspended from operation. The factory will fully resume operation on 1 October 2014. The Group maintains insurance coverage that provides property coverage in the event of losses arising from riot. 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 be ultimately received 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 2014, the Group had received the advance of compensation amount HK$254,800 from insurance company.

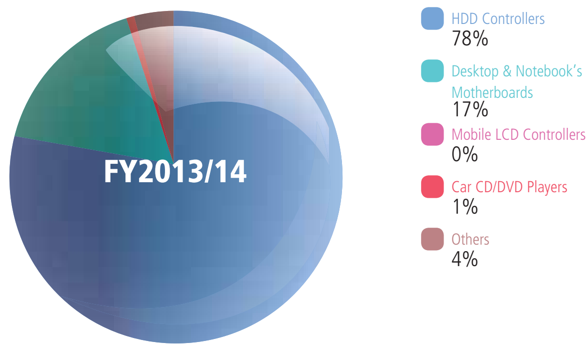
Despite these difficulties, the Group was in a healthy financial position with net cash, being total cash less total debt, was positive. Cash and Cash equivalents as at 30 June 2014 was HK$247 million (30 June 2013: HK$279 million).

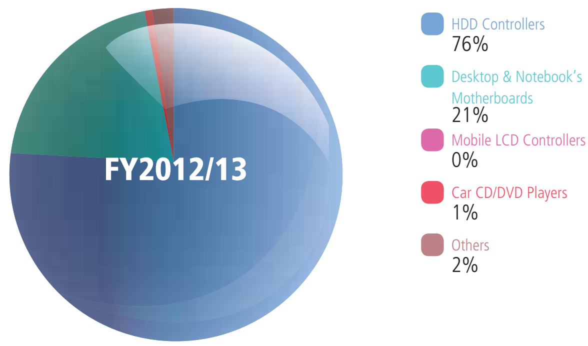
Business Review

During the review period, the Group maintained focus on top-tier clients and products with high growing potential. HDD controllers and PC motherboards (include desktop, Tablet PC and notebook PC) remained the core products of the Group, contributing 95% of the total turnover. Other products, such as car CD and DVD player controller boards remained quite stable during the period.

Apple Inc. announced its tablets, the iPad in 2010 and iPad Mini in late 2012 and quickly grabbed a dominating share of the small form factor portable devices. Samsung and many other vendors had follow suit quickly and introduced various tablets to the Global market, which erode the PC share, both the desktop and notebook PC sectors, rapidly. This market development eventually led to the contracting of all PC supply chains, from the PC Motherboard to Notebook HDD controllers from 2011. According to Gartner, one of the leading markets researching firm report in July 2014, the global PC market (desktop, notebook and premium ultra-mobile) declined 9.5% in 2013. Look forward, the traditional PC market (desktop and notebook) will follow the same downward trend and is on pace to contract 6.7% in 2014 and 5.3% in 2015. However, the declining of the PC market is more on Notebook PC sector. The traditional desktop PC sector is having much less contracting rate than the Notebook PC.

Revenue





	Revenue			
	FY2013/14		FY2012/13	
	Amounts (HKD million)	**%**	Amounts (HKD million)	%
HOD Controllers	**842**	**78**	891	76
Desktop & Notebooks Motherboards	**185**	**17**	245	21
Mobile LCD Controllers	**–**	**–**	1	–
Car CD/DVD players	**9**	**1**	8	1
Others	**46**	**4**	24	2
	1,082	**100**	1,169	100

HDD Controllers

Combined the global of shipments last year for the HDD, optical disk drives (ODD) and solid-state drives (SSD) making up the computer storage market amounted to 755.0 million units, down from 794.0 million in 2012. While SSD shipments were up an outsize 82% to 57.0 million units, both the HDD and ODD segments proved to be a drag. The HDD segment fell 7% to 444.4 million units, and the ODD sector did worse with a 12% decline to 253.5 million units.

Notebook PC sales disappointed, as ultrabooks failed to revitalize interest in notebook PCs. HDD Sales was impacted by soft PC Sales. The rise of smartphones and tablets has dented the once-powerful appeal of computers, impacting HDD volume. The losses are especially apparent in the so-called client PC market – the consumer side of the PC business.

This segment showed steadily decline resulting from the reducing global Notebook PC shipment volumes. Thus the revenue was down by 5.5% to HK$842 million from last year's HK$891 million. The Group is the major provider of PCB assembly service in China for Toshiba's 2.5-inch and 1.8-inch HDD controller.

The Group believes that the prospects are more promising on the enterprise PC end with businesses starting to undertake a corporate refresh of their computers as the global economy picks up, which should improve the decline of the consumer HDD segment.

HDD technologies are also in transition from the current Perpendicular Magnetic Recording method to next-generation mechanisms. The Group also expects new opportunities to emerge for the HDD industry to meet growing demand for storage in the private and public cloud. More storage will be needed as consumers increase their use of audios, videos, photos and social media.

Desktop & Notebooks Motherboards

After eight quarters of declining shipments, worldwide PC shipments experienced flat growth in the second quarter of 2014, according to preliminary results by Gartner, Inc. Worldwide PC shipments totaled 75.8 million units in the second quarter of 2014, a 0.1% increase from the second quarter of 2013.

In the global PC DIY market, brand motherboard shipments were around 75 million units in 2013, down from 80 million in 2012 and are expected to drop another 5–10% in 2014. Shipments in China were 30 million units and the volume is expected to drop by only less than 5% in 2014, with demand mainly coming from China's tier-4 to -6 cities.

Actually, the end of XP support by Microsoft on April 8 has played a role in the easing decline of PC shipments. All regions indicated a positive effect since the end of XP support stimulated the PC refresh of XP systems. Among key countries, Japan was greatly affected by the end of XP support, registering a 35% year-over-year increase in PC shipments. The growth was also boosted by sales tax change. We expect the impact of XP migration worldwide to continue throughout 2014.

While the PC market remains weak, it is showing signs of improvement compared to last year. The PC professional market generally improved in regions such as Europe, the Middle East and Africa. The U.S. saw the gradual recovery of PC spending as the impact of tablets faded.

The PC market continued to be tough for many vendors. Economies of scale matter tremendously in this high-volume, low-profit market, which is forcing some vendors, such as Sony, out of the market.

Our PC Motherboard Customer was able to keep up and even increase steadily its market share in the declining desktop PC sector, and enabled us to maintain quite stable PC Motherboards shipment in 2013. However, the riot in Vietnam in May 2014 forced our Vietnamese operation suspended temporarily, and impacted our shipment amounts inevitably. The total revenue of the desktop PC motherboard sector has reached HK$178 million, compared to last year's revenue of HK$202 million.

According to MIC (Market Intelligence & Consulting Institute), a Taipei-based ICT industry research institute, Notebook PC market will continue to be eaten away by tablets, falling 5.8% year-on-year in shipment volume to around 162 million units in 2014.

Samsung raised its investment in northern Bac Ninh Province by two-thirds, to US$2.5 billion, according to a report by the Vietnam News Service. It is also building a US$2 billion-plus factory in Thai Nguyen Province near Hanoi to make mobile phones cameras and note books – the first of two plants that will eventually make up a US$3.2 billion manufacturing complex. Samsung is moving much of its manufacturing base in China to Vietnam. Samsung plans to increase in-house notebook production mainly at a factory newly established in Vietnam, a large number of model shifting from our Suzhou plant to its Vietnam plant. This decision combined with the decreasing demand of notebooks that seriously affect our notebook motherboard and tablet motherboard orders from Samsung. The Group recorded a decrease in turnover of notebook segment from HK$43 million to HK$7 million.

Others

The Group maintains long time relationship with one of the leading in-car CD and DVD player system providers. We provide the controlled board to the customer, then assembly into CD/DVD players and send to car marker for final assembly. This is a special market. That requires extremely high quality and durability production process, and associated higher than average profit margins. The Group is the main supplier of the customers due to past excellent performances, and expects this market could maintain its current level of volume in the coming years.

Liquidity and Financial Resources

The Group had bank balances and cash of approximately HK$247 million as at 30 June 2014 (As at 30 June 2013: HK$279 million). The Group generally finances its operations through its internal resources and bank facilities provided by its principal bankers. As at 30 June 2014, the Group had net current assets of approximately HK$381 million and a current ratio of 4.02 (As at 30 June 2013: net current assets: HK$438 million; current ratio: 4.2). The Group's net asset value was HK$573 million (As at 30 June 2013: HK$841 million). Total debt to total assets ratio was 18% (As at 30 June 2013: 14%). 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 and VND. 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 2014, the Group did not have any material contingent liabilities.

Production Facilities

During the review period, the Group continued to relocate some equipment from both its Shenzhen and Suzhou factories to its Vietnam factory. Thus the overall equipment utilization rate was still below the optimum level as some production works had been relocated to its offshore factories and setting up process. The temporary suspension of the Vietnam factory from the riot had driven down the utilization rate further. However, the Group expects the overall equipment utilization rate will increase steadily over time as its Vietnam operation is resuming to normal. As of 30 June 2014, it had 45 SMT lines and a production capacity of 66.9 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 is becoming mature. Currently the Vietnam factory has installed 16 SMT lines, with a production capacity of 24.1 billion chips per year. As the total costs of the PC motherboard production in China keep on increasing, the Group expects the customer will arrange more production capacities into the Vietnam factory, and would need to relocate more machinery from China to meet the end requirements. That trend will help the Group to push up its overall equipment utilization rate eventually.

Prospect

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

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

Shenzhen already announced to increase the minimum wage to RMB1,808 per month, a hefty leap of almost 13% from beginning of 2014, while many other provinces in China made similar announcement one by one. Look forward, the Group believes the Chinese business environment would become even tougher as the minimum wages in the PRC would climb up continuously, partially resulting from the sustaining labor shortage, and partially as the government's intention to offset the raising domestic CPI.

Furthermore, piling up Chinese foreign reserves could again lead to the steadily appreciation of the Renminbi, as China government had already imposed new approach to loosen up RMB tight link with the US dollars. The government had induced the short term RMB depreciation since end of 2013, but already bounced back quickly. The combined factors of higher salary multiple by the RMB appreciation will eventually drive up the overall operational costs much higher at an alarming pace in the coming years in China.

The Group predicts the worldwide PC motherboard growth projections for 2014 were lowered by just over 2%. Emerging markets used to be a core driver of the PC market, as rising penetration among large populations boosted overall growth. But concerns about the impact of slower economic growth, the culmination of some large projects and conservative expectations for factors like touch capability, migration off of Windows XP, as well as continued pressure from tablets and smartphones have further depressed expectations going forward. FY2014/15 will remain a challenging year for PC vendors in Asia as a cautious economic outlook means consumers will prioritize device purchases. At the same time, tectonic changes in politics will affect commercial spending in some of the major countries.

The Group believes that Near-line HDD storage products should help continue the growth of these storage devices to provide the on-line "cloud storage" of vast libraries of personal and corporate content. On-line enterprise Near Line storage will drive continued growth of HDDs as services to support smart mobile devices, such as smart phones and tablets continue to develop. At the same time more stability in the personal computer market combined with some continued growth in external storage devices and some consumer electronics applications.

Since the Group's current businesses had been unprofitable for four consecutive years and unstable political and social environment in Vietnam, the Board will consider any investment opportunities, including but not limited to businesses of similar nature and technological know-hows, which will enable the Group to generate profit and shareholders' value in the future. The Board will also review the future profitability of the Group's current businesses and may consider disposing any businesses with declining operating results.

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

Staffs

As of June 2014, the Group employed a total of 3,296 staffs, of which 2,104 were employed in China, 1,163 were employed in Vietnam, 27 were employed in Hong Kong and 2 were employed in Thailand (for the year ended 30 June 2013: Total: 3,624 staffs; China: 2,371 staffs; Vietnam: 1,220 staffs; Hong Kong: 31 staffs; Thailand: 2 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 2014 (for the year ended 30 June 2013: NIL).

Purchase, Sale or Redemption of Shares

During the year ended 30 June 2014, 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 2014, 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 reviews 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 2014.

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 to 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 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, base on appropriate experience, personal skills and time commitments, 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") asset 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 21 to 22.

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 2014, the Director shave 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	4

Every newly appointed Director shall receive a comprehensive, formal and tailored induction on the first occasion of his appointment. All Directors shall be updated and briefed on continuing professional development as is necessary to ensure that they have a proper understanding of the operations and the business of the Company and that they are fully aware of their responsibilities under the applicable laws and regulations. The Board has a procedure for Directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Company's expenses to enable and facilitate the Directors to make well considered decisions. Appropriate insurance coverage for Directors' and officers' liability has been arranged against possibility of legal action to be taken against the Directors and the management.

According to A.6.5 of the Code, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

A briefing session was organised for the Directors for the year under review to update the Directors on the new amendments to the Code and associated Listing Rules.

During the period from 1 July 2013 to 30 June 2014, the Directors also participated in the following trainings:

Name of Directors	Attending or Participating in the briefing session/ seminars/ programmes relevant to the business/ directors' duties
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	✔

The Directors confirmed that they have complied with A.6.5 of the Code effective on 1 April 2012 on Directors' training.

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 2014, 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	1
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 two meetings for the year ended 30 June 2014. 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 2014. 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$1,734,300 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.

Company Secretary

According to Rule 3.29 of the Listing Rules, the Company Secretary of the Company has taken not less than 15 hours of relevant professional training for the financial year ended 30 June 2014.

Shareholders' Rights

To safeguard shareholders' interest and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, pursuant to the Company's Articles of Association, shareholder(s) holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings may request the Company to convene an extraordinary general meeting by sending a written requisition to the Board or the Company Secretary. The objects of the meeting must be stated in the written requisition.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board.

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the Company and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.fittec.com.hk) immediately after the relevant general meetings.

Constitutional Documents

During the year under review, the Company has not made any changes to its Articles of Association. An up to date version of the Articles of Association is available on the Company's website and The Stock Exchange of Hong Kong Limited's website. Shareholders may refer to the Company's Articles of Association for further details of their rights.

Communication with Shareholders

The Board endeavours to maintain an on-going dialogue with shareholders. All directors are encouraged to attend the general meetings to have personal communication with shareholders. In annual general meeting, Chairman of the Board and the chairman of each committee are required to attend and answer questions from shareholders in respect of the matters that they are responsible and accountable for. The external auditor is also required to be present to assist the directors in addressing any relevant queries by shareholders. The Company has also set up an investor relations website for communicate with shareholders and public.

The Company's annual general meeting ("AGM") and extraordinary general meeting ("EGM") provide good opportunities for shareholders to air their views and ask directors and management questions regarding the Company. All shareholders of the Company receive the annual report, circulars and notices of AGM and EGM and other corporate communications in a form chosen by each shareholder of the Company. The notices are also published on the Company's website at www.fittec.com.hk. Separate resolutions are required at general meetings on each distinct issue. A shareholder is permitted to appoint any number of proxies to attend and vote in his stead.

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 56, 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 26 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 50, 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 19 years. Ms. Sun is the spouse of Mr. Lam Chi Ho.

Mr. Tsuji Tadao (辻忠雄), aged 67, 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 positioning 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 up on his successful completion of the course of Internal Auditors for ISO9000 series in 1995.

Independent Non-Executive Directors

Mr. Chung Wai Kwok, Jimmy (鍾維國), aged 64, 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 and Tradelink Electronic Commerce 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 70, 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 49, 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 2014.

Principal Activities

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 32 to the consolidated financial statements.

Results

The results of the Group for the year ended 30 June 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 29.

The directors do not recommend the payment of a dividend.

Property, Plant and Equipment

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

Share Capital

Details of the Company's share capital are set out in note 25 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 2014 amounted to approximately HK$543,494,000 (2013: HK$544,694,000), which comprises the contributed surplus of approximately HK$514,645,000 (2013: HK$514,645,000) and accumulated profits of approximately HK$28,849,000 (2013: HK$30,049,000).

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. Lam Chi Ho and Mr. Chung Wai Kwok, Jimmy 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 2013 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 2014, 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 2014.

Share Options

Particulars of the Company's share option scheme are set out in note 26 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 2014, 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			Percentage of the issued share capital of the Company	Notes
		Direct interest	Deemed interest	Total interest		
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 2014.

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 Group'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 26 to the consolidated financial statements.

Major Customers and Suppliers

The aggregate sales attributable to the Group's five largest customers comprised approximately 98.7% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 77.8% of the Group's total sales for the year.

The aggregate purchases attributable to the Group's five largest suppliers comprised approximately 97.7% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 92.6% of the Group's total purchases for the year.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 30 June 2014.

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
30 September 2014

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 73, which comprise the consolidated statement of financial position as at 30 June 2014, and the consolidated statement of profit or loss and other 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 2014, 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
30 September 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2014

	NOTES	2014 HK$'000	2013 HK$'000
Revenue	7	**1,081,782**	1,168,662
Cost of sales		**(1,109,125)**	(1,158,361)
Gross (loss) profit		**(27,343)**	10,301
Other income		**6,520**	50,587
Other gains and losses	8	**(81,781)**	(1,250)
Change in fair value of derivative financial instruments	22	**(13,414)**	(258)
Distribution costs		**(10,692)**	(10,562)
General and administrative expenses		**(61,488)**	(74,794)
Impairment loss recognised in respect of property, plant and equipment	16	**(77,120)**	(23,112)
Finance costs	9	**(162)**	(357)
Loss before tax		**(265,480)**	(49,445)
Income tax credit	10	**629**	1,898
Loss for the year	11	**(264,851)**	(47,547)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(4,514)**	7,732
Exchange differences on long-term advances to a foreign operation		**–**	(210)
Cumulative exchange differences reclassified to profit or loss upon deregistration of subsidiaries		**(7,250)**	–
		(11,764)	7,522
Total comprehensive expense for the year		**(276,615)**	(40,025)
Loss for the year attributable to:			
Owners of the Company		**(264,851)**	(47,545)
Non-controlling interests		**–**	(2)
		(264,851)	(47,547)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(276,615)**	(39,788)
Non-controlling interests		**–**	(237)
		(276,615)	(40,025)
Basic loss per share	15	**(HK$0.27)**	(HK$0.05)

Consolidated Statement of Financial Position

At 30 June 2014

	NOTES	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	16	**189,090**	398,904
Prepaid lease payments	17	**3,538**	3,714
		192,628	402,618
Current assets			
Inventories	18	**58,888**	77,213
Trade and other receivables	19	**200,781**	219,092
Prepaid lease payments	17	**96**	96
Bank balances and cash	20	**246,956**	278,564
		506,721	574,965
Current liabilities			
Trade and other payables	21	**102,636**	105,429
Derivative financial instruments	22	**19,856**	3,684
Tax liabilities		**1,981**	18,624
Unsecured bank borrowings	23	**1,696**	8,783
		126,169	136,520
Net current assets		**380,552**	438,445
		573,180	841,063
Capital and reserves			
Share capital	25	**96,839**	96,839
Share premium and reserves		**476,177**	752,792
Equity attributable to owners of the Company		**573,016**	849,631
Non-controlling interests		**164**	(8,568)
		573,180	841,063

The consolidated financial statements on pages 29 to 73 were approved and authorised for issue by the Board of Directors on 30 September 2014 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 2014

	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$'000	Accumulated profits (losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2012	96,839	450,739	11,478	6,400	25,295	298,668	889,419	(8,331)	881,088
Loss for the year	–	–	–	–	–	(47,545)	(47,545)	(2)	(47,547)
Exchange differences arising on translation of foreign operations	–	–	–	–	7,967	–	7,967	(235)	7,732
Exchange differences on long-term advances to a foreign operation	–	–	–	–	(210)	–	(210)	–	(210)
Total comprehensive income (expense) for the year	–	–	–	–	7,757	(47,545)	(39,788)	(237)	(40,025)
At 30 June 2013	96,839	450,739	11,478	6,400	33,052	251,123	849,631	(8,568)	841,063
Loss for the year	–	–	–	–	–	(264,851)	(264,851)	–	(264,851)
Exchange differences arising on translation of foreign operations	–	–	–	–	(4,514)	–	(4,514)	–	(4,514)
Exchange differences reclassified to profit or loss upon deregistration of subsidiaries (note 27)	–	–	–	–	(7,250)	–	(7,250)	–	(7,250)
Total comprehensive expense for the year	–	–	–	–	(11,764)	(264,851)	(276,615)	–	(276,615)
Release upon deregistration of subsidiaries (note 27)	–	–	–	–	–	–	–	8,732	8,732
At 30 June 2014	96,839	450,739	11,478	6,400	21,288	(13,728)	573,016	164	573,180

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 2014

	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(265,480)**	(49,445)
Adjustments for:		
Depreciation of property, plant and equipment	**50,670**	65,366
Finance costs	**162**	357
Write-down of inventories	**989**	1,437
Impairment loss recognised in respect of property, plant and equipment	**77,120**	23,112
Insurance compensation income	**(255)**	(37,017)
Interest income	**(2,441)**	(2,357)
Loss on disposals of property, plant and equipment	**36,017**	427
Loss on write-off of property, plant and equipment	**45,505**	–
Loss on deregistration of subsidiaries	**1,482**	–
Release of prepaid lease payments	**96**	96
Change in fair value of derivative financial instruments	**13,414**	258
Operating cash flows before movements in working capital	**(42,721)**	2,234
Decrease (increase) in inventories	**16,824**	(1,969)
Decrease in trade and other receivables	**18,042**	41,752
Decrease in trade and other payables	**(2,595)**	(23,889)
Change in derivative financial instruments	**2,758**	2,315
Cash (used in) generated from operations	**(7,692)**	20,443
Income tax (paid) refund	**(16,014)**	836
Purchase of tax reserve certificates	**–**	(15,000)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(23,706)**	6,279
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(5,099)**	(8,921)
Proceeds from disposals of property, plant and equipment	**3,210**	365
Interest received	**2,441**	2,357
Insurance compensation received	**255**	37,017
Withdrawal of fixed bank deposits	**–**	15,854
NET CASH FROM INVESTING ACTIVITIES	**807**	46,672
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(7,087)**	(4,819)
Interest paid	**(162)**	(357)
Repayment of obligations under finance leases	**–**	(11,321)
NET CASH USED IN FINANCING ACTIVITIES	**(7,249)**	(16,497)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(30,148)**	36,454
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**278,564**	240,307
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(1,460)**	1,803
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**246,956**	278,564

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

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, a director and the Chief Executive of the Company. 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 note 32.

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")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – Int 20	Stripping costs in the Production Phase of a Surface Mine

Except as described below, 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.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

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

HKFRS 13 Fair Value Measurement (Continued)

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the standard in comparative information provided for periods before the initial application of the standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for 2013 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

New or revised HKFRSs issued but not yet effective

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

Amendments to HKFRS 10, HKFRS 12 and HKFRS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
HKFRS 15	Revenue from Contracts with Customers[7]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[6]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[6]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[6]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[6]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.
6 Effective for annual periods beginning on or after 1 January 2016.
7 Effective for annual periods beginning on or after 1 January 2017.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques uses when the recoverable amount of an asset was determined based on its fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13.

The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014, with earlier application permitted. The directors of the Company anticipate that the application of these amendments to HKAS 36 will result in more extensive disclosure in the Group's consolidated financial statements.

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

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with the 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 and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

3. Significant Accounting Policies (Continued)

Basis of consolidation (Continued)

The Group reassesses whether or not its controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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.

Specifically, revenue from sales of goods in the ordinary course of business is recognised when the respective goods have been completed and delivered to the buyers, at which time all of the following criteria are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

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 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 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.

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

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.

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.

3. Significant Accounting Policies (Continued)

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 on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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).

Borrowing costs

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 before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. Significant Accounting Policies (Continued)

Taxation (Continued)

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.

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 are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity respectively, in which case, the current and deferred tax are 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.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

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.

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
- it is a part of a portfolio of identified 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 profit or loss and other 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 and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss of financial assets below).

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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.

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.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Debt 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.

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 expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. Significant Accounting Policies (Continued)

Impairment of assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets with definite useful lives 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. During the current and prior periods, the recoverable amount of the property, plant and equipment was determined by reference to the assets' fair value less cost to sell which is determined by reference to valuations of their market values or value in use. During the year ended 30 June 2014, impairment losses of approximately HK$77,120,000 (2013: HK$23,112,000) were recognised in profit or loss. Details are set out in note 16.

4. Key Sources of Estimation Uncertainty (Continued)

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 2014, the carrying amount of trade receivables, net of allowance for doubtful debts of approximately HK$304,000 (2013: HK$3,117,000), was approximately HK$173,954,000 (2013: HK$195,441,000).

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 approximately HK$989,000 (2013: HK$1,437,000), was approximately HK$58,888,000 (2013: HK$77,213,000).

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 disclosed in note 23, 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

	2014 HK$'000	2013 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**427,283**	480,058
Financial liabilities		
Amortised cost	**83,772**	90,773
Fair value through profit or loss		
Derivative financial instruments	**19,856**	3,684

b. Financial risk management objectives and policies

The Group's major financial instruments include derivative financial instruments, trade and other receivables, bank balances and cash, trade and other payables 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 ("JPY"), Vietnam Dong ("VND"), Thai Baht ("THB") 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 2014 to 2016. Details of the outstanding forward foreign exchange contracts are listed in note 22.

6. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

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	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
HKD	**3,995**	5,359	**3,078**	15,243
USD	**26,050**	9,573	**–**	–
JPY	**2,769**	3,638	**43**	52
RMB	**23,692**	18,236	**326**	2,326

The following table details the Group's sensitivity to a 5% (2013: 5%) increase or decrease in the value of the functional currencies against the relevant foreign currencies. 5% (2013: 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 of the Company 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% (2013: 5%) change in foreign currency rates.

	USD Impact		JPY Impact		RMB Impact	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
5% appreciation of the functional currency						
Increase in post-tax loss for the year	**(1,088)**	(441)	**(114)**	(165)	**(976)**	(731)
5% depreciation of the functional currency						
Decrease in post-tax loss for the year	**1,088**	441	**114**	165	**976**	731

The Group is also exposed to currency risk concerning the long-term inter-company amounts due from 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% (2013: 5%) against the VND, other comprehensive income of the Group will decrease by approximately HK$388,000 (2013: HK$865,000) 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% (2013: 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:

	2014 HK$'000	2013 HK$'000
USD strengthens against RMB by 5%		
Increase in post-tax loss for the year	**28,798**	1,424
USD weakens against RMB by 5%		
Decrease in post-tax loss for the year	**(28,798)**	(1,424)

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 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 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 of the Company 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 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 (2013: 50 basis points increase or 5 basis points decrease) for bank balances and deposits, and 50 basis points increase or decrease for unsecured bank borrowings, are used and represent management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/5 basis points lower (2013: 50 basis points higher/5 basis points lower) for bank balances and deposits, and all other variables were held constant, the Group's post tax loss for the year would decrease by approximately HK$549,000/increase by approximately HK$55,000 (2013: post tax loss for the year would decrease by approximately HK$633,000/increase by HK$63,000).

If interest rate had been 50 basis points higher/lower for unsecured bank borrowings, and all other variables were held constant, the Group's post-tax loss for the year would increase/decrease by approximately HK$8,000 (2013: HK$40,000).

6. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk

As at 30 June 2014, 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 2014 (96% at 30 June 2013). 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 30.6.2014	At 30.6.2013
Customer A	**73**	71
Customer B	**23**	25

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.

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.

6. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative financial instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

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$'000	Carrying amount at 30 June 2014 HK$'000
2014							
Non-derivative financial liabilities							
Trade and other payables	–	82,076	–	–	–	82,076	82,076
Unsecured bank borrowings							
– floating rate	2.80%	1,696	–	–	–	1,696	1,696
		83,772	–	–	–	83,772	83,772
Derivative – net settlement							
Forward foreign exchange contracts	–	931	1,863	8,382	8,680	19,856	19,856

	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$'000	Carrying amount at 30 June 2013 HK$'000
2013							
Non-derivative financial liabilities							
Trade and other payables	–	81,990	–	–	–	81,990	81,990
Unsecured bank borrowings							
– floating rate	2.53%	8,783	–	–	–	8,783	8,783
		90,773	–	–	–	90,773	90,773
Derivative – net settlement							
Forward foreign exchange contracts	–	155	309	1,393	1,827	3,684	3,684

6. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

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 2014, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$1,696,000 (2013: HK$8,783,000). Taking into account the Group's financial position, the directors of the Company 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
2014							
Unsecured bank borrowings							
– floating rate*	**2.80%**	**214**	**429**	**1,071**	**–**	**1,714**	**1,696**
2013							
Unsecured bank borrowings							
– floating rate*	2.53%	423	845	3,784	3,938	8,990	8,783

* 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.

c. Fair value measurement of financial instruments

Some of the Group's financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation technique(s) and inputs used), as well as the level of fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from autoed prices (unadjusted) in active market for identical assets and 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); and

6. Financial Instruments (Continued)

c. Fair value measurement of financial instruments (Continued)

- 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).

Financial liabilities	Fair value as at 30.6.2014 HK$'000	Fair value hierarchy	Valuation techniques and key inputs
Foreign currency forward contacts (note 22)	**19,856**	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no transfers into and out of Level 2 in the current and prior years.

Except the above financial liabilities that are measured at fair value on a recurring basis, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values at the end of the reporting period.

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:

	2014 HK$'000	2013 HK$'000
Sales of goods	**872,416**	890,546
Rendering of services	**209,366**	278,116
	1,081,782	1,168,662

7. Revenue and Segment Information (Continued)

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.

	2014	2013
	HK$'000	HK$'000
Results		
Segment revenue		
Pure assembly services	**203,737**	271,625
Procurement and assembly services	**872,416**	890,546
Repair and maintenance services	**5,629**	6,491
	1,081,782	1,168,662
Segment results		
– Pure assembly services (Note 1)	**(191,536)**	(44,662)
– Procurement and assembly services (Note 2)	**4,546**	26,156
– Repair and maintenance services (Note 2)	**1,005**	773
	(185,985)	(17,733)
Unallocated corporate expenses	**(72,181)**	(80,862)
Other income	**6,520**	50,587
Unallocated other losses	**(258)**	(822)
Change in fair value of derivative financial instruments	**(13,414)**	(258)
Finance costs	**(162)**	(357)
Loss before tax	**(265,480)**	(49,445)

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.

Notes:

1. The segment result of the pure assembly services segment for the year ended 30 June 2014 included the impairment loss recognised on property, plant and equipment of HK$77,120,000 (2013: HK$23,112,000), the loss on disposal of property, plant and equipment of HK$35,728,000 (2013: loss of HK$90,000), the loss on write-off of property, plant and equipment of HK$45,505,000 (2013: nil) and the write-down of certain categories of inventories of nil (2013: HK$571,000) for the year ended 30 June 2014.

2. The segment result of the procurement and assembly services segment for the year ended 30 June 2014 included the write-down of certain categories of inventory of HK$989,000 (2013: HK$866,000). The segment result of the repair and maintenance services segment for the year ended 30 June 2014 included the loss on disposal of property, plant and equipment of HK$289,000 (2013: HK$337,000).

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), change in fair value of derivative financial instruments, 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:

	2014 HK$'000	2013 HK$'000
HDD Controllers	**841,904**	890,546
Desktop and notebook PC Motherboards	**184,942**	245,414
Others	**54,936**	32,702
	1,081,782	1,168,662

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:

	2014 HK$'000	2013 HK$'000
Japan	**877,630**	896,421
Taiwan	**178,258**	202,987
PRC	**25,894**	69,254
	1,081,782	1,168,662

7. Revenue and Segment Information (Continued)

Geographical segments (Continued)

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

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

	2014 HK$'000	2013 HK$'000
PRC	**140,440**	295,344
Hong Kong	**10,236**	10,982
Vietnam	**41,952**	96,106
Thailand	**–**	186
	192,628	402,618

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 2014 HK$'000	 2013 HK$'000
Customer A[1]	**841,904**	890,546
Customer B[2]	**178,258**	202,072

[1] Revenue derived from the procurement and assembly services segment was approximately HK$841,904,000 (2013: HK$848,664,000) and the pure assembly services segment was nil (2013: HK$41,882,000) respectively.

[2] Revenue derived from the pure assembly services segment was approximately HK$172,629,000 (2013: HK$195,581,000) and the repair and maintenance services segment was approximately HK$5,629,000 (2013: HK$6,491,000) respectively.

8. OTHER GAINS AND LOSSES

	2014 HK$'000	2013 HK$'000
Loss on disposals of property, plant and equipment	**(36,017)**	(427)
Loss on write-off of property, plant and equipment	**(45,505)**	–
Net foreign exchange gain (loss)	**1,127**	(823)
Loss on deregistration of subsidiaries (note 27)	**(1,482)**	–
Others	**96**	–
	(81,781)	(1,250)

9. Finance Costs

	2014 HK$'000	2013 HK$'000
Interest on borrowings wholly repayable within five years		
– bank borrowings	**162**	285
– finance leases	**–**	72
	162	357

10. Income Tax Credit

	2014 HK$'000	2013 HK$'000
The income tax credit comprises:		
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax	**2,038**	8
(Over)underprovision in prior years:		
Hong Kong Profits Tax	**(2,667)**	7,344
	(629)	7,352
Deferred taxation (note 24)	**–**	(9,250)
	(629)	(1,898)

Hong Kong

No provision for Hong Kong Profits Tax has been made as the Group had estimated assessable loss arising in Hong Kong for both years ended 30 June 2014 and 2013. For the year ended 30 June 2013, in the opinion of the directors of the Company, 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, was entitled to 50% relief from Hong Kong Profits Tax. With the change of the business operations of Fittec Electronics, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit of Fittec Electronics for the year ended 30 June 2014.

Fittec Electronics had tax dispute with the IRD in Hong Kong regarding taxability of its certain profits. In the opinion of the directors of the Company, certain profits generated by the subsidiary did not conduct any sales or manufacturing activities in Hong Kong and no Hong Kong Profits Tax should be payable by that subsidiary. Fittec Electronics lodged objections with the IRD and the IRD agreed to holdover the tax claimed. During the year ended 30 June 2013, the tax dispute with the IRD was finalised. According to the settlement proposal with IRD, the profits derived from the products manufactured by Kuan Da Electronics (Shenzhen) Company Limited and Fittec Electronics (Suzhou) Company Limited were subject to Hong Kong Profits Tax. Additional tax provision amounting to HK$7,344,000 was recognised in profit or loss for the year ended 30 June 2013.

10. Income Tax Credit (Continued)

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. For those subsidiaries located in the Shenzhen Free Trade Zone, the PRC, according to the EIT Law and the relevant circular, the income tax rate was 25% for both years ended 30 June 2014 and 2013.

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 and STETL had incurred losses for the both years ended 30 June 2014 and 2013, 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 ("MSEVCL"), 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 generated assessable profit for the year ended 30 June 2013 and incurred losses for the year ended 30 June 2014. However, no provision for Vietnam corporate income tax was made for the year ended 30 June 2013 as it enjoys corporate income tax exemption.

Thailand

In accordance with the relevant rules and regulations in Thailand, Fittec Electronics (Thailand) Company Limited, 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 incurred losses for the year ended 30 June 2014 and generated income for the year ended 30 June 2013 due to the insurance compensation received. However, no provision for Thailand income tax has been made for the year ended 30 June 2013 as it enjoys income tax exemption.

10. Income Tax Credit (Continued)

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

	2014 HK$'000	2013 HK$'000
Loss before tax	**(265,480)**	(49,445)
Tax at the Hong Kong Profit Tax rate of 16.5%	**(43,804)**	(8,158)
Tax effect of expenses not deductible for tax purposes	**41,699**	8,639
Tax effect of income not taxable for tax purposes	**(3,548)**	(428)
Tax effect of tax losses not recognised	**11,813**	6,178
Recognition of assessed losses not previously recognised	**–**	(1,847)
(Over)underprovision in prior years	**(2,667)**	7,344
Effect of different tax rate of group entities operating in jurisdictions other than Hong Kong	**(7,883)**	(1,053)
Effect of tax exemptions granted	**–**	(12,573)
Tax effect of deductible temporary differences not recognised	**3,761**	–
Income tax credit for the year	**(629)**	(1,898)

Details of the deferred taxation are set out in note 24.

11. Loss for the Year

	2014 HK$'000	2013 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Directors' emoluments (note 12)	**7,437**	7,437
Other staff costs	**158,194**	175,336
Retirement benefit scheme contributions (excluding contributions in respect of directors of the Company)	**9,611**	6,187
Total staff costs	**175,242**	188,960
Auditor's remuneration	**1,475**	1,380
Depreciation of property, plant and equipment	**50,670**	65,366
Release of prepaid lease payments	**96**	96
Cost of inventories recognised as an expense (including write-down of inventories of approximately HK$989,000 (2013: HK$1,437,000))	**945,872**	872,933
Interest income	**(2,441)**	(2,357)
Rework charges to customers (included in other income)	**(3,014)**	(1,840)
Insurance compensation received (included in other income)	**(255)**	(37,017)

12. Directors' and Chief Executive's 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
2014							
Fees	**–**	**–**	**926**	**150**	**300**	**120**	**1,496**
Other emoluments:							
Salaries and other benefits	**3,075**	**2,564**	**272**	**–**	**–**	**–**	**5,911**
Retirement benefit scheme contributions	**15**	**15**	**–**	**–**	**–**	**–**	**30**
Total emoluments	**3,090**	**2,579**	**1,198**	**150**	**300**	**120**	**7,437**
2013							
Fees	–	–	926	150	300	120	1,496
Other emoluments:							
Salaries and other benefits	3,075	2,564	272	–	–	–	5,911
Retirement benefit scheme contributions	15	15	–	–	–	–	30
Total emoluments	3,090	2,579	1,198	150	300	120	7,437

Mr. Lam Chi Ho is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

Neither the chief executive nor any of the directors waived any emoluments for the year ended 30 June 2014 (2013: nil).

13. Employees' Emoluments

The five highest paid individuals of the Group included three (2013: three) directors and the chief executive, details of which are set out above. The emoluments of the remaining two (2013: two) individuals were as follows:

	2014 **HK$'000**	2013 HK$'000
Basic salaries and allowances	**1,306**	1,306
Bonus	**9**	41
Retirement benefit scheme contributions	**31**	30
	1,346	1,377

Their emoluments were within the following band:

	2014 **No. of** **employees**	2013 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 and the chief executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. Dividend

No dividend was proposed during 2014 and 2013, nor has any dividend been proposed since the end of the reporting period.

15. Basic Loss Per Share

The calculation of the basic loss per share for the year ended 30 June 2014 is based on the loss attributable to owners of the Company of approximately HK$264,851,000 (2013: HK$47,545,000) and the number of 968,394,000 (2013: 968,394,000) shares in issue.

Diluted loss per share is not presented for the years ended 30 June 2014 and 2013 as there is no potential ordinary shares outstanding during the year or at the end of the reporting period.

16. Property, Plant and Equipment

	Leasehold land and buildings HK$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Total HK$'000
COST							
At 1 July 2012	43,662	21,701	193,377	12,979	90,370	633,805	995,894
Exchange realignment	(110)	405	3,796	194	935	7,586	12,806
Additions	727	23	288	5,749	1,706	428	8,921
Disposals	–	(400)	(203)	(1,223)	(376)	(7,306)	(9,508)
At 30 June 2013	44,279	21,729	197,258	17,699	92,635	634,513	1,008,113
Exchange realignment	(859)	(118)	(1,037)	(91)	(299)	(4,069)	(6,473)
Additions	1,665	12	547	452	1,451	972	5,099
Disposals	–	(1,536)	(71,083)	(327)	(1,942)	(32,047)	(106,935)
Write-off	(6,350)	(11,079)	(32,658)	(436)	(981)	(46,457)	(97,961)
At 30 June 2014	**38,735**	**9,008**	**93,027**	**17,297**	**90,864**	**552,912**	**801,843**
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 July 2012	3,151	18,102	81,575	10,335	68,825	340,047	522,035
Exchange realignment	(7)	389	2,290	132	707	3,901	7,412
Provided for the year	994	574	10,514	1,456	6,834	44,994	65,366
Eliminated on disposals	–	(360)	(151)	(1,160)	(339)	(6,706)	(8,716)
Impairment loss recognised in profit or loss	–	–	–	–	–	23,112	23,112
At 30 June 2013	4,138	18,705	94,228	10,763	76,027	405,348	609,209
Exchange realignment	(367)	(111)	(592)	(55)	(231)	(2,726)	(4,082)
Provided for the year	1,082	171	8,996	1,706	4,264	34,451	50,670
Eliminated on disposals	–	(1,303)	(39,018)	(169)	(1,934)	(25,284)	(67,708)
Eliminated on write-off	(1,625)	(9,458)	(9,956)	(367)	(830)	(30,220)	(52,456)
Impairment loss recognised in profit or loss	1,162	–	–	–	–	75,958	77,120
At 30 June 2014	**4,390**	**8,004**	**53,658**	**11,878**	**77,296**	**457,527**	**612,753**
CARRYING AMOUNT							
At 30 June 2014	**34,345**	**1,004**	**39,369**	**5,419**	**13,568**	**95,385**	**189,090**
At 30 June 2013	40,141	3,024	103,030	6,936	16,608	229,165	398,904

16. Property, Plant and Equipment (Continued)

The leasehold land and buildings with carrying amount of HK$2,000,000 in Hong Kong (2013: HK$2,051,000) and buildings with a carrying amount of HK$32,345,000 in Vietnam (2013: HK$38,090,000) are held under medium-term leases. In the opinion of the directors of the Company, allocation between the land and building elements of the property in Hong Kong could not be made reliably.

The above items of property, plant and equipment 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	7.5% to 20%

In light of the changes in technologies and market conditions, management critically reviewed the Group's plant and machinery and determined that a number of those assets were impaired due to segment loss was noted for the pure assembly services. Accordingly, impairment loss of HK$77,120,000 (2013: HK$23,112,000) have been recognised in respect of certain plant and machinery, which are used in the pure assembly service segment. The recoverable amounts of these plant and machinery, whose value in use amounts are determined to be insignificant, have been determined as the assets' fair value less cost to sell by reference to valuations of their market values which are higher than the value in use amounts. These valuations are performed by independent qualified professional valuers from Malcolm Associates Appraisal Limited, who are members of the Institute of Valuers and not connected with the Group.

As set out in the Company's announcement dated 14 May 2014, anti-China protests and riots took place at Vietnam have caused damage to the property, plant and equipment of MSEVCL. The Group has suspended all of its production at the Group's facility in Vietnam since 14 May 2014. The facility's property, plant and equipment, which are mainly plant and machinery were damaged during the riots. 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 plant and machinery of approximately HK$16,144,000 was considered as written off. As at the date of these reports, the Group have resumed the production at Vietnam. Furthermore, due to the change of business operations of Fittec Electronics, the carrying amount of the leasehold improvements of HK$22,702,000 was considered as written off.

Management also assessed the potential for impairment of the Group's remaining property, plant and equipment and is satisfied that no objective evidence of impairment loss existed for these assets.

17. Prepaid Lease Payments

	2014 HK$'000	2013 HK$'000
The Group's prepaid lease payments comprise leasehold land held under medium-term lease in Vietnam	**3,634**	3,810
Analysed for reporting purposes as:		
Current assets	**96**	96
Non-current assets	**3,538**	3,714
	3,634	3,810

18. Inventories

	2014 HK$'000	2013 HK$'000
Raw materials	**15,012**	35,968
Work in progress	**12,785**	11,500
Finished goods	**31,091**	29,745
	58,888	77,213

19. Trade and Other Receivables

	2014 HK$'000	2013 HK$'000
Trade receivables	**174,258**	198,558
Less: allowance for doubtful debts	**(304)**	(3,117)
	173,954	195,441
Prepayments	**12,828**	8,109
Deposits and other receivables	**13,999**	15,542
Trade and other receivables	**200,781**	219,092

19. Trade and Other Receivables (Continued)

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 which approximated the respective revenue recognition dates:

	2014 HK$'000	2013 HK$'000
0–30 days	**79,473**	85,207
31–60 days	**74,334**	93,340
61–90 days	**19,748**	16,639
91–120 days	**238**	136
121–180 days	**–**	–
181–365 days	**115**	–
Over 365 days	**46**	119
Trade receivables	**173,954**	195,441

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:

	2014 HK$'000	2013 HK$'000
HKD	**30**	56
USD	**11,523**	537
	11,553	593

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. 99.7% (2013: 98.3%) of the trade receivables that were neither past due nor impaired at 30 June 2014 have good repayment history.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$161,000 (2013: HK$119,000) 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.

19. Trade and Other Receivables (Continued)

Ageing of trade receivables which were past due but not impaired

	2014 HK$'000	2013 HK$'000
181–365 days	115	–
Over 365 days	46	119
	161	119

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

	2014 HK$'000	2013 HK$'000
At beginning of the year	3,117	3,117
Amounts written off as uncollectible	(2,813)	–
At end of the year	304	3,117

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of trade receivable from the date credit was initially granted up to the end of the reporting period.

20. Bank Balances and Cash

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 3% (2013: 0.01% to 3%) per annum.

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

	2014 HK$'000	2013 HK$'000
HKD	3,965	5,303
USD	14,527	9,036
JPY	2,769	3,638
RMB	23,692	18,251
	44,953	36,228

21. Trade and Other Payables

	2014 HK$'000	2013 HK$'000
Trade payables	**81,453**	81,201
Accruals and other payables	**21,183**	24,228
	102,636	105,429

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:

	2014 HK$'000	2013 HK$'000
0–30 days	**71,103**	74,343
31–60 days	**3,115**	2,482
61–90 days	**1,704**	1,980
91–180 days	**5,504**	1,495
181–365 days	**27**	21
Over 365 days	**–**	880
	81,453	81,201

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:

	2014 HK$'000	2013 HK$'000
HKD	**1,382**	6,460
JPY	**43**	52
RMB	**326**	2,326
	1,751	8,838

22. 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 net with the counterparties.

During the year ended 30 June 2014, fair value losses of approximately HK$13,414,000 (2013: HK$258,000) was recognised directly in profit or loss.

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

At 30 June 2014

Buy	Sell	Notional amount US$	Maturity date	Contracted exchange rate (per US$1)
RMB	**USD**	**1,000,000**	**2 December 2015 (note (i))**	**RMB6.1600**
RMB	**USD**	**2,000,000**	**17 March 2016 (note (i))**	**RMB6.1200**
RMB	**USD**	**1,000,000/1,500,000**	**4 May 2016 (note (i))**	**RMB6.1000/RMB6.0500**

At 30 June 2013

Buy	Sell	Notional amount US$	Maturity date	Contracted exchange rate (per US$1)
RMB	USD	500,000/1,000,000	31 May 2015 (note (ii))	RMB6.4000
RMB	USD	1,500,000	30 April 2015 (note (ii))	RMB6.3240
RMB	USD	1,000,000	31 July 2015 (note (ii))	RMB6.2600
RMB	USD	1,000,000	30 June 2015 (note (ii))	RMB6.2500

Note:

(i) 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.

(ii) The contract was automatically terminated during the year ended 30 June 2014 due to the knock-out features.

23. Unsecured Bank Borrowings

	2014 HK$'000	2013 HK$'000
Bank borrowings	**1,696**	8,783
Carrying amount of bank borrowings that contain a repayable on demand clause:		
– scheduled for repayment within one year	**1,696**	4,887
– scheduled for repayment after one year but not more than two years	**–**	3,896
Amounts shown under current liabilities	**1,696**	8,783

The Group's variable-rate bank borrowings carry interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 2% to 2.5% (2013: HIBOR plus 2% to 2.5%) per annum. The effective interest rate for the year is 2.80% (2013: 2.53%) per annum.

The bank borrowings are repayable by monthly instalments up to February 2015. 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:

	2014 HK$'000	2013 HK$'000
HKD	**1,696**	8,783

24. Deferred Taxation

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

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 July 2012	10,350	(1,100)	9,250
Credited to profit or loss	(6,103)	(3,147)	(9,250)
At 30 June 2013	4,247	(4,247)	–
(Credited) charged to profit or loss	(4,247)	4,247	–
At 30 June 2014	–	–	–

At the end of the reporting period, the Group had unused tax losses of approximately HK$413,153,000 (2013: HK$341,559,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$25,739,000 of such losses as at 30 June 2013. No deferred tax asset has been recognised in respect of the remaining approximately HK$413,153,000 (2013: HK$315,820,000) due to the unpredictability of future profit streams.

At the end of the reporting period, the Group has deductible temporary differences of HK$22,796,000 (2013: nil) in respect of accelerated tax depreciation. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

25. Share Capital

	Number of shares	Amounts HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 July 2012, 30 June 2013 and 30 June 2014	3,000,000,000	300,000
Issued and fully paid:		
At 1 July 2012, 30 June 2013 and 30 June 2014	968,394,000	96,839

26. 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 of the Company 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 granted during both years ended 30 June 2014 and 2013 nor outstanding at the end of the reporting period.

27. Deregistration of Subsidiaries of the Company

Two subsidiaries of the Company, Fittec Electronics (Shenzhen) Company Limited ("Fittec Shenzhen") and STETL were deregistered on 12 November 2013 and 26 November 2013, respectively.

The net loss of Fittec Shenzhen and STETL at the date of deregistration are as follows:

	HK$'000
Cumulative exchange differences reclassified from equity to profit or loss	(7,250)
Non-controlling interests	8,732
Loss on deregistration of subsidiaries	1,482

28. Operating Lease Commitments

During the year, the Group made minimum lease payments of approximately HK$13,051,000 (2013: HK$15,160,000) 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 (2013: 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:

	2014 HK$'000	2013 HK$'000
Within one year	**11,314**	13,309
In the second to fifth year inclusive	**10,801**	24,421
	22,115	37,730

29. 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 approximately HK$9,641,000 (2013: HK$6,217,000) charged to profit or loss represents contributions paid or payable to the above schemes by the Group for the year.

30. Related Party Disclosures

Compensation of key management personnel

	2014 HK$'000	2013 HK$'000
Short-term employee benefits	**7,407**	7,407
Post-employment benefits	**30**	30
	7,437	7,437

The remuneration of directors of the Company, 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.

31. Information about the Statement of Financial Position of the Company

	Notes	2014 HK$'000	2013 HK$'000
Assets			
Investment in unlisted subsidiaries		**518,630**	518,242
Amounts due from subsidiaries	a	**572,421**	568,193
Other receivables		**130**	133
Bank balances and cash		**556**	5,981
		1,091,737	1,092,549
Liabilities			
Amount due to a subsidiary	a	**388**	–
Other payables		**277**	277
		665	277
		1,091,072	1,092,272
Capital and reserves			
Share capital		**96,839**	96,839
Share premium		**450,739**	450,739
Contribution surplus		**514,645**	514,645
Accumulated profits	b	**28,849**	30,049
		1,091,072	1,092,272

31. Information about the Statement of Financial Position of the Company (Continued)

Notes:

a. The amounts are unsecured, interest-free and repayable on demand.

b. Movement of accumulated profits is shown as follows:

	Accumulated profits HK$'000
At 1 July 2012	31,272
Loss for the year	(1,223)
At 30 June 2013	30,049
Loss for the year	(1,200)
At 30 June 2014	28,849

32. Particulars of Subsidiaries of the Company

Particulars of the Company's subsidiaries as at 30 June 2014 and 30 June 2013 are as follows:

Name of subsidiaries	Place of establishment/ incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company				Principal activities
			Directly		Indirectly		
			2014	2013	**2014**	2013	
Fittec (BVI) Limited	British Virgin Islands	Ordinary US$1.00	**100%**	100%	**–**	–	Investment holding
Time Ally Global Limited	British Virgin Islands	Ordinary US$50,000	**100%**	–	**–**	–	Investment holding
Fittec Electronics Company Limited	Hong Kong	Ordinary HK$10,000,000	**–**	–	**100%**	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$8,188,159	**–**	–	**100%**	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$400,000	**–**	–	**–**	100%	Provision of repair and maintenance services

32. Particulars of Subsidiaries of the Company (Continued)

Name of subsidiaries	Place of establishment/ incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company				Principal activities
			Directly		Indirectly		
			2014	2013	2014	2013	
Fittec Electronics (Suzhou) Co., Ltd. * 泛達電子(蘇州)有限公司	PRC	Paid up capital US$23,421,610	–	–	100%	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%	100%	Provision of repair and maintenance services
Toprich Electronics Technology Limited 騰達電子科技有限公司	Hong Kong	Ordinary HK$100	–	–	80%	80%	Investment holding
Treasure Electronics Limited 寶加電子有限公司	Hong Kong	Ordinary HK$10,000	–	–	100%	–	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
Sheng Da Electronics (Shenzhen) Company Limited* 陞達電子(深圳)有限公司	PRC	Paid up capital US$6,393,000	–	–	100%	100%	Manufacturing of PCB, electronics components and related parts
Mega Step Development Limited 佰達發展有限公司	Hong Kong	Ordinary HK$1	–	–	100%	100%	Investment holding
Mega Step Electronics (Vietnam) Co., Ltd.	Vietnam	Paid up capital US$4,000,000	–	–	100%	100%	Manufacturing of PCB, electronics components and related parts
Fittec Electronics (Thailand) Co., Ltd.	Thailand	Paid up capital Thai Baht 96,900,000	–	–	100%	100%	Inactive

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

\# These subsidiaries were deregistered in November 2013 (note 27).

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				
	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	**2014** **HK$'000**
Revenue	2,678,535	1,813,879	1,528,994	1,168,662	**1,081,782**
Profit (loss) before tax	42,509	(76,346)	(108,439)	(49,445)	**(265,480)**
Income tax (expense) credit	(7,445)	1,328	3,549	1,898	**629**
Profit (loss) for the year	35,064	(75,018)	(104,890)	(47,547)	**(264,851)**
Attributable to:					
Owners of the Company	36,365	(68,815)	(104,333)	(47,545)	**(264,851)**
Non-controlling interests	(1,301)	(6,203)	(557)	(2)	**–**
	35,064	(75,018)	(104,890)	(47,547)	**(264,851)**

Assets and Liabilities

	At 30 June				
	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	**2014** **HK$'000**
Total assets	1,676,815	1,323,103	1,085,148	977,583	**699,349**
Total liabilities	615,989	341,142	204,060	136,520	**126,169**
Shareholders' funds	1,060,826	981,961	881,088	841,063	**573,180**
Attributable to:					
Owners of the Company	1,062,127	989,597	889,419	849,631	**573,016**
Non-controlling interests	(1,301)	(7,636)	(8,331)	(8,568)	**164**
	1,060,826	981,961	881,088	841,063	**573,180**