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

2014/15
Interim Report

CHAIRMAN'S STATEMENT

Dear Shareholders,

During the period under review, the overall global economy is still struggling to gain momentum as many high-income countries continue to grapple with legacies of the global financial crisis and emerging economies are less dynamic than in the past. The Growth was lower than expected, continuing a pattern of disappointing outturns over the past several years. It only increased from 2.5% to 2.6%.

The labor markets heal and monetary policy of United States and the United Kingdom remains extremely accommodative. The recovery has been sputtering in Europe. Japan as legacies of the financial crisis linger, intertwined with structural bottlenecks. China is undergoing a carefully managed slowdown. The disappointing growth in developing countries indicated weak external demand, but also domestic policy tightening, political uncertainties and supply-side constraints.

There are several major forces to drive the global outlook such as soft commodity prices; persistently low interest rates but increasingly divergent monetary policies across major economies; and weak world trade. In particular, the sharp decline in oil prices since mid-2014 will support global activity and help offset some of the headwinds to growth in oil-importing developing economies. However, it will dampen growth prospects for oil-exporting countries, with significant regional repercussions.

Under this global environment, the household consumers become more conservative on electronics product. The rich world's declining contribution to tech revenues is because there is nothing new for people in Western Europe, North America, and Asia's developed markets to buy. Electronic makers are waiting for the next wave of innovation to help lift it growth again. So, as Western markets and the richer cities of the developing world come to be saturated, electronic device makers will increasingly have to rely on cheaper products sold in volume. So, most electronics manufacturer reduce the price in order to boost the demand.

The motherboard market has already whittled itself down to just a handful of key players. That's made the landscape hyper-competitive, and with new chipsets and processors prompting upgrades and new builds, motherboard makers are reportedly reducing prices.

Motherboard makers reduced the prices of their 9 Series motherboards and even their 8 Series motherboards as each one looks to retain or gain a competitive advantage over the others.

CHAIRMAN'S STATEMENT (CONTINUED)

This is in contrast to what motherboard makers had hoped and expected with the 9 Series release, which is that it would bump up the average selling price of their product lineup.

The fierce price competition between Asustek Computer and Gigabyte Technology expanded to Europe as demand in China is falling short of expectations and is putting strong pressure on an our customer which has a large proportion of their shipments coming from Europe. With overall motherboard demand dropping and Asustek and Gigabyte still expected to ship over 20 million units in 2014, small players, which are not able to survive the price war, are expected to be eliminated from the market reports Digitimes.

As well known fact that China is pushing for pay increases and to accelerate the nation's shift away from polluting and capital-intensive manufacturing to a more services-driven economy. In minimum-wage increases so far announced for 2014, workers in Shenzhen in Guangdong province get a 13 percent boost and the gain for those in Yangzhou, Jiangsu province, is 15.6 percent. It seems that the trend of shifting low-end manufacturing bases to Southeast Asian countries will only accelerate. The strengthening currency and tougher controls on pollution are also contributing to factories exiting for nations such as Vietnam, and Bangladesh, Cambodia.

Rising wages have pushed companies such as our customer Samsung to seek lower labor costs in countries such as Vietnam. The minimum monthly wage in Shenzhen, will rise from RMB1,808 to RMB2,030 in March 2015, the Group will speed up plans to reduce its scale in China. According to the central government's five-year plan from 2011-2015, minimum wages should increase by 13 percent a year. The Group had an offshore production bases in Vietnam to diversify our sole focus in China. Thus, in order to maintain competitive, the Group will shift more labor intensive order to the Group's factory in Vietnam which is one of growing popularity of cost competitive countries.

For the six months ended 31 December 2014, the Group's unaudited consolidated turnover amounted to approximately HK$458 million (2013: HK$557 million). The revenue declined of 17.8% is due to the decrease the hard disk drive ("HDD") orders which include a large amount of Procurement income, ceased the orders of notebook motherboard from a Korean customer and decrease in global demand of desktop motherboard.

CHAIRMAN'S STATEMENT (CONTINUED)

Due to the low capacity utilization rate, the increase in the cost of raw materials and labour in China; the continual slow growth of the global economy and the economic downturn of the European countries and Japan which prolonged the refresh cycles for PCs as well as the weaker-than expected demand of PC in China, the Group recorded a gross loss HK$2.8 million (2013: HK$12.4 million), and net loss HK$35.5 million (2013: HK$147.5 million).

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 potential products, and could bring in new order in the coming months. This positive development will help to push up the utilization rate eventually.

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, 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, 26 February 2015

MANAGEMENT DISCUSSION & ANALYSIS

Financial Review

For the six months ended 31 December 2014, the Group's unaudited consolidated turnover amounted to approximately HK$458 million (2013: HK$557 million). The revenue decrease of 17.8% in the first half of fiscal year 2015 is due to the decrease the hard disk drive ("HDD") orders which include a large amount of Procurement income, ceased the orders of notebook motherboard from a Korean customer and decrease in global demand of desktop motherboard. The Group recorded net loss of approximately HK$35.5 million for the six months ended 31 December 2014 (2013: HK$147.5 million). Basic loss per share for the six months ended 31 December 2014 was HK$0.04 (2013: HK$0.15).

The Group provides primarily two types of service: Pure Assembly and Procurement & Assembly. During the period, revenue from Procurement & Assembly decreased by 20.6%, mainly due to decrease the order of a hard disk drives customer.

Solid Stated Disk ("SSD") is a flash memory based device, which is increasingly gaining popularity in embedded systems and laptops due to its low energy consumption and durability. The declining price of SSD, resulting in higher adoption of the drives by ultrabooks and ultrathin PCs. IHS suppli estimates SSD shipments to grow 50% in 2014 and reach 190 million units by 2017, which is close to half the size of the HDD market of 397 million.

The total shipment of HDD controllers dropped from 6.7 million to 5.5 million pieces this period from last year. The Group has been providing both assembly services and procurement services to this Japanese customer for its HDD products. Procurement income is generated when the Group helps the customers to purchase materials to use in production.

Shipments for desktop PCs were falling 13.9% from 3.6 to 3.1 million pieces, while notebook motherboard dropped 74% from HK$5.3 million to HK$1.4 million as a client shifting the orders from our Suzhou plant to its Vietnam plant.

Worldwide motherboard shipments are expected to drop around 10% year on year in 2014 because of weaker-than-expected demand in China. To maintain their shipments and profits, ASUSTek and Gigabyte have been offering price cuts in Europe and China to stimulate demand. Facing the top-2 vendors' keen competition, our customer, ASRock has seen their shipments to China decrease dramatically in 2014, while China-based vendors are struggling to survive in motherboard market. Market believe that third-tier players may be eliminated from the market in 2015. Both accounted for the 7.4% decreased in revenue of Pure Assembly.

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

While the overall gross loss stood at HK$2.8 million (2013: gross loss HK$12.4 million), gross margin decreased from negative 2.2% to negative 0.6%. The Group's net loss for the six months ended 31 December 2014 fell to HK$35.5 million (2013: HK$147.5 million). This was primarily due to one off written off of leasehold improvement of HK$32 million that certain plants no longer rented in 2013 and; impairment losses for the revaluation of machines approximately HK$71 million in 2013. The persistence decrease in the turnover and gross profit margin in the computer motherboard and HDD controller business, which is believed to be mainly attributable to weakening global demand of computer motherboard and HDD which are the key products of the Group; the increase in the cost of raw materials and labour in China; the continual slow growth of the global economy and the economic downturn of the European countries and Japan which prolonged the refresh cycles for PCs; the weaker-than-expected demand of PC in China.

Despite these difficulties, the Group was in a healthy financial position with net cash, being total cash less total debt, was positive. Cash and Cash equivalents as at 31 December 2014 was HK$186 million (30 June 2014: HK$247 million).

Business Review

During the review period, the Group maintained continuous focus on top-tier clients and products. HDD controllers and PC motherboards (include desktop, Tablet PC and notebook PC) remained the major products of the Group, contributing 99% of the total turnover. Other products, such as car CD and DVD player controller boards were very stable since the Group maintains long time relationship with one of the leading in-car CD and DVD player system providers.

HDD Controllers

After three consecutive years of declining HDD shipments, the industry shipped 2.2% more hard drives in 2014 than prior year. Since 2011, initially as a result of the massive flooding in Thailand that wiped out considerable HDD and HDD component manufacturing capacity, and later due to a shift from laptop to tablet computers, HDD shipments were lower year over year until 2013. The year over year decline was 4% in 2011, 7.6% in 2012, and 4.3% in 2013. In 2014, due to the growth of HDDs in cloud and other enterprise applications and especially the stabilization of the laptop market, total HDD shipments increased to about 564 million units. According to Coughlin Associate's newsletter on Digital Storage Technology Trends, in 2014, Western Digital has about a 44% market share, followed by Seagate at 40% and Toshiba at 16%.

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

Total HDD shipments have been declining year over year since 2010, but HDD shipments look like they could be slightly higher for 2014 than 2013, driven to a large extent, by a recovery of laptop computer shipments. The first half of 2014 had 276 million HDDs shipped. Seagate and Western Digital projecting 130-138 million drive shipping in the third calendar quarter of 2014. Since the second half of the year is often the stronger period for HDD demand, these estimates may be conservative and it is possible that total shipments will meet or exceed the 577 million HDD shipped in 2013.

Global shipment of HDD slightly higher for 2014 than 2013, and our customer, Toshiba still maintain the third largest global HDD supplier, but loss part of its market share to the top 2 HDD vendor during the period. The revenue was down by 18.5% to HK$334 million from last year's HK$410 million. The Group is the major provider of PCB assembly service in China for Toshiba's 2.5-inch and 1.8-inch HDD controllers.

The Group expected that the increasing popularity of cloud storage and continue to demand for disk space in order to hold storage-intensive media like videos, music and other forms of social media content will stimulate the demand of HDDs. Moreover, HDDs will continue to be part of storage solutions even if Ultrabooks that make use of an SSD component.

The Group believed that the major drivers of HDD storage are cloud storage branded products and consumer electronics. If computer sales stabilize, which appears likely, HDDs for computers may also stabilize, resulting in HDD growth starting at least by 2015. A good part of expected total stored capacity growth of at least 30% yearly will likely be storage on HDDs and with data center storage efficiency improvements approaching saturation, total HDD demand should increase assuming that these products can remain competitive on a $/TB basis. HDDs will remain the final destination for the majority of digital content that need to be filed away.

PCs, Notebooks and Tablet Motherboards

Throughout 2014 the motherboard market was dominated by four major brands. They were ASUSTek, Gigabyte, ASRock and Micro-Star International ("MSI") respectively. These four vendors ship over half of the world's motherboard product to consumers, with ASUS and Gigabyte both pulling in over 20 million motherboard shipments each this year alone. According to reports from Digitimes, some of the big brands are planning to shy away from price wars in 2015 and focus more on profitability for 2015.

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

"ASUSTek's annual motherboard shipments are expected to return back to 22 million units in 2014, but the increased volume will come mainly from its competitors, especially second-tier players such as MSI, ASRock and Elitegroup Computer Systems ("ECS"), not growth in the overall motherboard market," Digitimes reported.

ASRock has been impacted the most from the price competition in terms of both shipments and profitability. Facing fierce competition from the top-two players, ASUSTek Computer and Gigabyte Technology, other motherboard players such as ASRock, ECS and MSI have all been adjusting their business strategies, looking to maintain their profits.

Our Taiwanese customer, ASRock is the third largest PC motherboard supplier in the world. ASRock shipped 6.2 million motherboards in 2014, far below its expectation at the beginning of the year and down from 7.6 million units in 2013.

ASRock's motherboard shipment performance in 2014 was affected by price war in Europe and China and the Vietnam's anti-China protests. The Group is the sole provider of PCB assembly service in China and Vietnam for its motherboard, the Group suffers from its shipment drops in China and Europe.

Our PC motherboard customer, ASRock shipped 6.2 million own-brand motherboards in 2014, slipping 18.4% year on year. The revenue contributed by this customer was reduced by 6.6% to HK$91 million from last year's HK$97.5 million.

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 notebooks – 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. The notebook production is shifting from our Suzhou plant to its Vietnam plant. This decision combined with decreasing demand of notebooks that seriously affects our notebook motherboard and tablet motherboard orders from Samsung. During the period, the Group no longer had revenue generated from Samsung notebook motherboard. (Six months ended 31 December 2013: HK$10 million).

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

Others

During the period, the Group has been actively consolidating the existing customers and focus on high margin, large volume and good market potential customers. Apart from customer consolidation strategy, the Group also actively looked into the fast growing and high potential segment. The Group also started provides controller board assembly service to a Taiwan Set Top Box provider during the period and recorded HK$13.8 million turnover.

Production Facilities

During the review period, the Group has relocated some equipment from both its Shenzhen and Suzhou factories to its Vietnam factory. Thus the overall equipment utilization rate was still below the optimum level as some production works relocated to its offshore factories were in the setting up process. As of 31 December 2014, it had 46 SMT lines and a production capacity of 65.35 billion chips per year in China.

The Vietnam factory has completed the restructuring process of production lines and started to further increase production volumes and capabilities since the late 2012. Currently the Vietnam factory has installed 15 SMT lines, with a production capacity of 27.4 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

Barring major geopolitical upheaval, global economic growth in 2015 will hold at a rate of 3.4%. Most people believe that the United States will continue to grow, but the expansionary phase will show signs of maturing, causing a moderation in profitability, joined by a variety of cost pressures. The Group agreed that China will continue its "soft fall", as government stimuli will have less effect and monetary policy will become tighter. On the other hand, European economies have more scope to recover, but there are dark clouds – from slowing exports to emerging markets, especially hurting Germany's growth engine, and a dysfunctional policy environment to tackle deflationary pressures. Other major emerging markets such as Vietnam, Thailand and Philippines etc. will continue to grow, but growth will vary, depending on the pace of reforms. New geographies for growth, such as Africa and parts of Asia, offer opportunities to build sustainable growth models, but they also bring challenges on economic, legal, and institutional fronts. Downsides to the global outlook relate to intensifying political and economic risks; upsides relate to the ability of policy and business to invest in people, raise productivity, and rebuild trust and confidence.

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

The worldwide electronics manufacturing services ("EMS") market is a determining force in production of electronics products and now accounts for almost 40% of all assembly. While the rate of growth for outsourcing is slowing, it still represents the most desired manufacturing model for the assembly of electronics products available to original equipment manufacturer ("OEM") companies.

In future five years, the mobile phone market will embody the hugest growth potentials in the original design manufacturer ("ODM") and EMS industry. The success of Xiaomi that focuses on marketing hype and brand promotion while entirely outsources manufacturing to its contract vendors propels EMS and ODM services. The Group expected that Xiaomi's remarkable achievement will cause other mobile phone companies to follow suit, which opens a wide space for EMS and ODM vendors. Samsung and LG may commission EMS and ODM vendors to conduct manufacturing partly. The EMS and ODM market size of communication terminals is expected to jump from US$30.8 billion in 2013 to US$35.2 billion in 2017.

In the global EMS and ODM industry, there are about 300-350 companies with high industrial concentration. However, the top eight enterprises occupy about 81% market share and seize large customers. Accordingly, it is difficult for medium-sized enterprises to growth.

These are a few of the trends IDC has identified that will drive manufacturing through 2018. IDC Manufacturing Insights sees a number of important industry drivers that will shape the manufacturing industry for the next few years, including complex value chains, support for continuing emerging market growth, customer centricity, ubiquitous connectivity, and data-driven insights; these drivers reflect the ten decision imperatives for 2015 and beyond.

In the past five years the EMS production situation in China has evolved considerably. China is the world's largest manufacturing power. Its output of televisions, smartphones, steel pipes and other things you can drop on your foot surpassed America's in 2010. China now accounts for a fifth of global manufacturing. Its factories have made so much, so cheaply that they have curbed inflation in many of its trading partners. But the era of cheap China may be drawing to a close.

Costs are soaring, starting in the coastal provinces where factories have historically clustered. Increases in land prices, environmental and safety regulations and taxes all play a part. The biggest factor, though, is labour.

Some EMS manufacturing moving from China to countries with lower wages such as India, Bangladesh, and Vietnam. The trend of companies shifting to Vietnam from China will likely accelerate for at least two to three years, largely because of China's higher labor costs.

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

The minimum monthly wage in Shenzhen, will rise from RMB1,808 to RMB2,030 in March 2015, the Group will speed up plans to reduce its scale in China.

Another bigger challenge is the demographic change under way in China. The cohort of young workers entering the workforce is declining every year.

Guangdong, China's most industrialised and wealthiest province, this migration of low-paying jobs from the province is precisely what provincial leaders have been pushing for over the past couple of years. The province lowered its growth rate target to 8% annually for the current five-year plan that runs from 2011-2015. The local government target to polluting industries to move out of the province in favour of more technology-intensive industries.

The Group is moving much of its production base to Vietnam because of increasing difficulties in finding cheap labor in China, which is pricing itself out of low-cost electronics assembly. Vietnam offers tax exemption for three years from its profit making year and a reduction of 50% for seven years thereafter – the Group will pay 11% corporate income tax (50% of 22%) versus a standard rate of 25%, and a young and increasingly well-educated workforce. Thus, in order to maintain competitive, the Group will shift more labor intensive order to the Group's factory in Vietnam which is one of growing popularity of cost competitive countries.

Regarding the HDD, looking to the future, the growth of content needing to be stored in digital libraries is increasing by perhaps 40% annually while the storage capacity of HDDs may only be growing at about 15% annually. Thus there is demand for more storage capacity in the market and this should drive additional unit demand for HDDs in the next few years. Tom Coughlin, the president of Coughlin Associate, and a storage analyst and consultant, believed HDD unit shipment growth over the next few years to meet the needs of content creators, with shipments of about 721 million units by 2019. Over the same period, total annual HDD shipments will grow from about 540 Exabytes to close to 2,000 Exabytes (2 Zetabytes).

Although flash memory is making inroads on high performance HDD shipments, the recovery in the laptop market and growing needs for massive storage libraries in the cloud and for many emerging enterprise applications will drive HDD shipment and revenue growth for several years to come, assuming continual increases in HDD storage capacities..

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

The Group expected that our customer Toshiba's flash and hard drive production gives them a real advantage over larger HDD manufacturers who source their NAND from outside suppliers. Toshiba is the only HDD manufacturer with the advantage of an in-house NAND supply, while others scramble for NAND supplier agreements. As the shift continues, this additional path for growth could allow Toshiba to broaden their penetration into the datacenter. Pairing all of these advantages with a clear strategy moving forward is the key, and Toshiba recently announced the goal of expanding their HDD market share to 20% and SSDs up to 30% by 2016.

Year 2015 is a crucial year for the motherboard industry. With Intel's Broadwell processors no longer seeing a launch on the desktop, any current projects need to be scrapped for it and all the focus must be on Skylake, due to launch some four months from now in 2H 2015. AMD has new products popping out early next year with the Carrizo APU family, but the volume from those products won't be extremely high. With Intel as the driver for the industry, every motherboard vendor has to wait for Intel's products to launch before they can scale up their operations.

Digitimes also notes that small China-based vendors like Colorful, Jetway and Topstar may see their markets shrink or disappear altogether as they struggle to fill in the gap as everyone waits for Skylake. Some consolidation may occur in the next few months and that will be a sad thing to watch.

The Group predicts the worldwide PC motherboard shipments will slightly decrease due to shrinking motherboard demand on increasing competition from tablets and smartphones. Our customer, ASRock is expected to ship 6.6 to 7 million motherboards in 2015.

Since the Group's current businesses had been unprofitable for four consecutive years, 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 expects the overall EMS industry will maintain moderate grow rate together with the global economy growth. However, the drastic increasing labor cost and shortage of labor supply in China would bring in more serious impact to the overall EMS daily operation. Oversees the trend, the Group will keep on scale down its production facilities in China, as well as to improve its production efficiency by developing semi-automatic equipment, which would enable its competitive edge in the long run.

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

Liquidity and Financial Resource

The Group had bank balances and cash of approximately HK$186 million as at 31 December 2014. The Group generally finances its operations through its internal resources and bank facilities provided by its principal bankers.

As at 31 December 2014, the Group had net current assets of approximately HK$357 million (30 June 2014: HK$381 million) and a current ratio of 3.6 (30 June 2014: 4.0). The Group's net asset value was HK$538 million, decreasing from HK$573 million at 30 June 2014.

All unsecured bank loan were utilized in financing the Group's machineries and daily operation. As at 31 December 2014, the unsecured bank loan decreased from HK$1.7 million as at 30 June 2014 to HK$0.4 million as at 31 December 2014. Total debt to total assets ratio was 20% (30 June 2014: 18%).

Currently, all of our cost of direct materials and turnover are denominated in US dollar, to which the HK dollar is pegged. Our labor costs and operation overheads are mainly denominated in RMB and VND. The Group has been actively monitoring the foreign exchange exposure in this respect. The Group has not been exposed nor do we anticipate being exposed to material risks due to changes in exchange rates. As at 31 December 2014, the Group did not have any material contingent liabilities.

Staffs

As at 31 December 2014, the Group employed a total of 2,769 staffs, of which 1,401 were employed in Mainland China, while 28 were employed in Hong Kong, 1,340 were employed in Vietnam. The Group has implemented remuneration package, bonus and share option schemes as part of the remuneration policy designed to motivate individual staff by linking part of the staff's compensation with their respective performance. In addition, fringe benefits such as insurance, medical allowance and pensions were provided to ensure the competitiveness of remuneration packages offered by the Group.

Dividend

The Board of Directors did not recommend the payment of an interim dividend for this period (2013: NIL).

Purchase, Sale or Redemption of Shares

During the six months ended 31 December 2014, there was no purchase, redemption or disposal of the Group's listed securities by the Group or any of its subsidiaries.

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

Directors' interests in Shares and Underlying Shares

At 31 December 2014, the interests of the Directors, the chief executive and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions

Ordinary shares of HK$0.1 each of the Company

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

Note:

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

Save as disclosed above, none of the Directors, neither the chief executive nor their associates had any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations as at 31 December 2014.

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

Substantial Shareholders

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, as at 31 December 2014, the following shareholders had notified the Company of their relevant interests and short position in the issued share capital of the Company.

Long positions

Ordinary shares of HK$0.1 each of the Company

		Number of issued ordinary shares held			Percentage of the issued	
Name of shareholders	Capacity	Direct interest	Deemed interest	Total interest	Share capital of the Company	Note
Fittec Holdings	Beneficial owner	720,000,000	–	720,000,000	74.35%	a
Mr. Lam	Interest of a controlled corporation	–	720,000,000 (through 100% corporate interest in Fittec Holdings)	720,000,000	74.35%	a
Ms. Sun Mi Li	Family interest	–	720,000,000 (through 100% family interest in Fittec Holdings)	720,000,000	74.35%	b

Notes:

(a) These shares are owned by Fittec Holdings, the issued share capital of which is wholly owned by Mr. Lam.

(b) Ms. Sun Mi Li is the wife of Mr. Lam. Her shareholding in the above table is the family interest of Mr. Lam.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2014.

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

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 period. 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 deviations as stated in code provision A.2.1 on Chairman and Chief Executive Officer. Mr. Lam Chi Ho assumes the roles of Chairman and Chief Executive Officer of the Group. Given the current corporate structure, the Board considers that there is no need for separation between the roles of Chairman and Chief Executive Officer. All major decisions are made in consultation with the Board with sufficient independent constituents and hence independent views for protection of minority shareholders' interest, although the roles and responsibilities for Chairman and Chief Executive Officer are vested in one person. Therefore, the Board is of the view that there is adequate impartiality and safeguards in place.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the six months ended 31 December 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 and the internal control and risk management systems of the company. The existing committee comprises Mr. Chung Wai Kwok, Jimmy as the chairman, Mr. Sin Man Yin and Mr. Tam Wing Kin, all of whom are Independent Non-Executive Directors. The audit committee is provided with sufficient resources to discharge its duties and meets regularly with the management and external auditors and review their reports. During the period, the audit committee held 2 meetings with respect to discuss matters regarding internal controls and financial reporting (including the interim results before proposing them to the Board for approval) with the management and external auditors. The audit committee has reviewed the results announcement of the company for the six months ended 31 December 2014.

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

Remuneration Committee

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

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. Sin Man Yin 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.

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

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. Chung Wai Kwok, Jimmy, Mr. Tam Wing Kin and Mr. Sin Man Yin

By Order of the Board
Lam Chi Ho
Chairman

Hong Kong, 26 February 2015

REPORT ON REVIEW OF CONDENSED CONSOLIDATION FINANCIAL STATEMENTS

Deloitte.
德勤

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

Introduction

We have reviewed the condensed consolidated financial statements of Fittec International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 18 to 32, which comprises the condensed consolidated statement of financial position as of 31 December 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
26 February 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2014

	Notes	Six months ended 31.12.2014 HK$'000 (unaudited)	31.12.2013 HK$'000 (unaudited)
Revenue	3	**457,676**	557,271
Cost of sales		**(460,480)**	(569,673)
Gross loss		**(2,804)**	(12,402)
Other income		**3,292**	3,687
Other gains and losses		**583**	(35,133)
Change in fair value of derivative financial instruments	8	**(5,643)**	6,989
Distribution expenses		**(4,958)**	(5,815)
Administrative expenses		**(25,903)**	(33,649)
Impairment loss recognised in respect of property, plant and equipment	9	**–**	(71,085)
Finance costs		**(16)**	(97)
Loss before tax		**(35,449)**	(147,505)
Income tax expense	4	**–**	–
Loss for the period attributable to owners of the Company	5	**(35,449)**	(147,505)
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**366**	1,580
Exchange differences on long-term advances to a foreign operation		**–**	(339)
Reclassified to profit or loss upon deregistration of subsidiaries		**–**	(7,250)
Other comprehensive income (expense) for the period		**366**	(6,009)
Total comprehensive expense for the period attributable to the owners of the Company		**(35,083)**	(153,514)
Basic loss per share	7	**HK$(0.04)**	HK$(0.15)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	31.12.2014 HK$'000 (unaudited)	30.6.2014 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**177,335**	189,090
Prepaid lease payments		**3,512**	3,538
		180,847	192,628
CURRENT ASSETS			
Inventories		**70,414**	58,888
Trade and other receivables	10	**235,761**	200,781
Prepaid lease payments		**94**	96
Bank balances and cash		**186,056**	246,956
		492,325	506,721
CURRENT LIABILITIES			
Trade and other payables	11	**107,240**	102,636
Derivative financial instruments	8	**25,591**	19,856
Tax liabilities		**1,981**	1,981
Unsecured bank borrowings	12	**427**	1,696
		135,239	126,169
NET CURRENT ASSETS		**357,086**	380,552
		537,933	573,180
CAPITAL AND RESERVES			
Share capital	13	**96,839**	96,839
Share premium and reserves		**441,094**	476,177
Equity attributable to owners of the Company		**537,933**	573,016
Non-controlling interests		**–**	164
		537,933	573,180

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 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 2013 (audited)	96,839	450,739	11,478	6,400	33,052	251,123	849,631	(8,568)	841,063
Loss for the period	–	–	–	–	–	(147,505)	(147,505)	–	(147,505)
Exchange differences arising on translation of foreign operations	–	–	–	–	1,580	–	1,580	–	1,580
Exchange differences on long-term advances to a foreign operation	–	–	–	–	(339)	–	(339)	–	(339)
Reclassified to profit or loss upon deregistration of subsidiaries	–	–	–	–	(7,250)	–	(7,250)	–	(7,250)
Total comprehensive expense for the period	–	–	–	–	(6,009)	(147,505)	(153,514)	–	(153,514)
Release upon deregistration of subsidiaries	–	–	–	–	–	–	–	8,732	8,732
At 31 December 2013 (unaudited)	96,839	450,739	11,478	6,400	27,043	103,618	696,117	164	696,281

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 31 December 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 2014 (audited)	96,839	450,739	11,478	6,400	21,288	(13,728)	573,016	164	573,180
Loss for the period	–	–	–	–	–	(35,449)	(35,449)	–	(35,449)
Exchange differences arising on translation of foreign operations	–	–	–	–	366	–	366	–	366
Total comprehensive expense for the period	–	–	–	–	366	(35,449)	(35,083)	–	(35,083)
Release upon deregistration of subsidiaries	–	–	–	–	–	–	–	(164)	(164)
At 31 December 2014 (unaudited)	96,839	450,739	11,478	6,400	21,654	(49,177)	537,933	–	537,933

Notes:

(i) The contributed surplus represents the difference between the fair value of the underlying assets of a subsidiary acquired and the nominal value of the shares issued in exchange in December 2004.

(ii) The special reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the share capital of the subsidiaries acquired pursuant to a group reorganisation in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in 2005.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2014

	Six months ended	
	31.12.2014 HK$'000 (unaudited)	31.12.2013 HK$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(58,152)**	(18,012)
INVESTING ACTIVITIES:		
Proceeds from disposal of property, plant and equipment	**2,848**	1,535
Interest received	**666**	1,370
Purchase of property, plant and equipment	**(5,072)**	(2,123)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(1,558)**	782
FINANCING ACTIVITIES:		
Repayment of bank borrowings	**(1,269)**	(2,435)
Interest paid	**(16)**	(97)
NET CASH USED IN FINANCING ACTIVITIES	**(1,285)**	(2,532)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(60,995)**	(19,762)
CASH AND CASH EQUIVALENTS AT 1 JULY	**246,956**	278,564
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**95**	(463)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**186,056**	258,339

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

For the six months ended 31 December 2014

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2014.

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKFRS 27	Investment Entities
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation Hedge Accounting
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle
HK(IFRIC) – Int 21	Levies

The application of the above new Interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2014

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

New and 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:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[4]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

The directors of the Company do not expect that the application of the above new and revised HKFRSs will have material impact on the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2014

3. SEGMENT INFORMATION

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

	Six months ended	
	31.12.2014	31.12.2013
	HK$'000	HK$'000
Segment revenue		
Pure assembly services	**106,724**	115,206
Procurement and assembly services	**348,179**	438,665
Repair and maintenance services	**2,773**	3,400
	457,676	557,271
Segment results		
– Pure assembly services (note)	**(17,474)**	(89,980)
– Procurement and assembly services	**13,968**	5,286
– Repair and maintenance services	**705**	1,207
	(2,801)	(83,487)
Unallocated corporate expenses	**(30,281)**	(74,597)
Unallocated other income	**3,292**	3,687
Change in fair value of derivative financial instruments	**(5,643)**	6,989
Finance costs	**(16)**	(97)
Loss before tax	**(35,449)**	(147,505)

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

Note: The segment result of the pure assembly services segment for the six month period ended 31 December 2013 included the impairment loss recognised on property, plant and equipment of approximately HK$71,085,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2014

3. SEGMENT INFORMATION (Continued)

Segment loss represents the loss from each segment without allocation of other income, other gains and losses, change in fair value of derivative financial instruments, distribution expenses, administrative expenses and finance costs. This is the measure reported to the executive directors for the purposes of resources allocation and performance assessment.

4. INCOME TAX EXPENSE

Hong Kong

No provision of Hong Kong Profits Tax has been made as the Group incurred tax loss for both periods. For the period ended 31 December 2013, in the opinion of the directors of the Company, based on the Departmental Interpretation Practice Notes No. 21 issued by the Inland Revenue Department of Hong Kong (the "IRD"), 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 period ended 31 December 2014.

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

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

For those subsidiaries located in the Shenzhen Free Trade Zone, the PRC, according to the EIT Law and the relevant circular which was effective on 1 January 2008, the income tax rate was 18% with effect from 1 January 2008 and gradually increased to 20%, 22%, 24% and 25% with effect from 1 January 2009, 2010, 2011 and 2012 respectively.

Pursuant to the relevant laws and regulations in the PRC, Fittec Electronics (Suzhou) Company Limited ("FESCL"), the Company's subsidiary located in Suzhou, is entitled to full exemption from the PRC Enterprise Income Tax for two years commencing from their respective first profit-making year of operation and thereafter, are entitled to a 50% relief from the PRC Enterprise Income Tax for the following three years. As FESCL incurred loss for the period ended 31 December 2014 and 2013 and had generated profit for the first time during the period ended 31 December 2012 which the subsidiary still enjoy full exemption from the PRC Enterprise Income Tax, no provision for PRC Enterprise Income Tax on FESCL was made for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2014

4. INCOME TAX EXPENSE (Continued)

Vietnam

In accordance with the relevant tax rules and regulations in Vietnam, Mega Step Electronics (Vietnam) Company Limited, the Company's subsidiary incorporated in Vietnam, is entitled to corporate income tax exemption for three years from its first profit making year and a reduction of 50% for seven years thereafter. This subsidiary has generated assessable profit for both periods ended 31 December 2014 and 2013. However, no provision for Vietnam corporate income tax was made for the period ended 31 December 2014 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. No provision for Thailand income tax has been made for both periods as the subsidiary incurred loss for both periods.

5. LOSS FOR THE PERIOD

	Six months ended	
	31.12.2014	31.12.2013
	HK$'000	HK$'000
Loss for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**14,945**	32,413
Release of prepaid lease payments	**47**	47
Net exchange loss (gain)	**294**	(226)
(Gain) loss on disposal of property, plant and equipment	**(713)**	33,877
Written-down on inventories (included in cost of sales)	**1,036**	45
Interest income	**(666)**	(1,370)
(Gain) loss on deregistration of subsidiaries (note 14)	**(164)**	1,482

6. DIVIDEND

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2014

7. BASIC LOSS PER SHARE

The calculation of the basic loss per share for the six months period ended 31 December 2014 is based on the loss for the period attributable to owners of the Company of approximately HK$35,449,000 (six months ended 31 December 2013: approximately HK$147,505,000) and the number of 968,394,000 ordinary shares in issue during both periods.

Diluted loss per share is not presented for the period ended 31 December 2014 and 2013 as there is no potential ordinary shares outstanding during the period or at the end of the reporting period.

8. CHANGE IN FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into forward foreign exchange contracts to cover the anticipated foreign currency exposures. The Group is a party to number of forward foreign exchange contracts in the management of its exchange rate exposures. All contracts are settled in net with the counterparties.

For the six months period ended 31 December 2014, fair value loss of approximately HK$5,643,000 (six months ended 31 December 2013: gain of approximately HK$6,989,000) was recognised directly in profit or loss.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2014, the Group acquired property, plant and equipment of approximately HK$5,072,000 (six months ended 31 December 2013: approximately HK$2,123,000).

As at 31 December 2013, 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$71,085,000 has 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 costs 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.

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..

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2014

10. TRADE AND OTHER RECEIVABLES

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

	31.12.2014 HK$'000	30.6.2014 HK$'000
0–30 days	**79,626**	79,473
31–60 days	**71,476**	74,334
61–90 days	**67,029**	19,748
91–120 days	**454**	238
121–180 days	**5**	–
181–365 days	**–**	115
Over 365 days	**216**	46
	218,806	173,954

11. TRADE AND OTHER PAYABLES

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

	31.12.2014 HK$'000	30.6.2014 HK$'000
0–30 days	**68,467**	71,103
31–60 days	**15,843**	3,115
61–90 days	**1,643**	1,704
91–180 days	**983**	5,504
181–365 days	**64**	27
Over 365 days	**111**	–
	87,111	81,453

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2014

12. UNSECURED BANK BORROWINGS

The Group's variable-rate bank borrowings carry interest at Hong Kong Interbank Offered Rate plus 2.5% per annum. The effective interest rate for the period ended 31 December 2014 is 2.7% (six months ended 31 December 2013: 2.4%) 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.

13. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 30 June 2014 and 31 December 2014	3,000,000,000	300,000
Issued and fully paid:		
At 30 June 2014 and 31 December 2014	968,394,000	96,839

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2014

14. DEREGISTRATION OF SUBSIDIARIES OF THE COMPANY

During the six months period ended 31 December 2014, a subsidiary of the Company, Toprich Electronics Technology Limited ("Toprich") was deregistered on 28 November 2014.

The gain at the date of deregistration of Toprich is as follows:

	HK$'000
Non-controlling interests	164
Gain on deregistration of subsidiaries	164

During the six months period ended 31 December 2013, two subsidiaries of the Company, Fittec Electronics (Shenzhen) Company Limited ("Fittec Shenzhen") and Suzhou Toprich Electronic Technology Limited ("Suzhou Toprich") was deregistered on 12 November 2013 and 26 November 2013, respectively.

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

	HK$'000
Exchange reserve released	(7,250)
Non-controlling interests	8,732
Loss on deregistration of subsidiaries	1,482

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial instrument 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 instrument are determined (in particular, the valuation techniques and inputs used), as well as the level of the 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 is observable.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2014

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

- 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

- 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).

	Fair value as		Fair value	Valuation techniques
	31.12.2014	30.6.2014	hierarchy	and key inputs
	HK$'000	HK$'000		
Financial Assets				
Foreign currency forward contracts (note 8)	25,591	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.

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in these condensed consolidated financial statements approximate their fair values.

16. RELATED PARTY DISCLOSURES

The compensation of the Group's key management personnel for the six months ended 31 December 2014 was approximately HK$4,001,000 (six months ended 31 December 2013: approximately HK$3,719,000).