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

2015/16
Interim Report

MANAGEMENT DISCUSSION & ANALYSIS

Financial Review

For the six months ended 31 December 2015 ("the Period"), the Group's unaudited consolidated revenue amounted to approximately HK$245 million (2014: HK$458 million). The revenue decrease of 47% 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 and decrease in global demand of desktop motherboard. The Group recorded net loss of approximately HK$34.2 million for the Period (2014: HK$35.5 million). Basic loss per share for the Period was HK$0.04 (2014: HK$0.04).

The total shipment of HDD controllers dropped from 5.5 million to 2.6 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 Personal Computer ('PCs") were falling 29% from 3.1 to 2.2 million pieces, while notebook motherboard dropped 35.7% from HK$1.4 million to HK$0.9 million as the global demand of notebook decreased.

2015 was another year of bad news for the PC market, with shipment falling significantly compared with 2014. Worldwide PC shipments hit an eight-year low after declining for the fourth consecutive year.

Gartner estimates in its report that global PC shipments slid to HK$288.7 million units, which is a decline of 8% when compared to the preceding year.

The two biggest Taiwanese motherboard manufacturers, Asustek Computer and Gigabyte Technology, have been engaged in a bit of a price war in their native land, trying to maintain shipment levels and market share. Unfortunately, this is cutting into the shipments and market share of some "second-tier" motherboard makers including our customer ASrock.

ASrock have to contend with a drop in demand in Europe and Intel is delaying its shipment of Skylake CPUs to the third quarter.

MANAGEMENT DISCUSSION & ANALYSIS

According to Taiwan-based supply chain makers, there was an estimated 54 million units Do-it-yourself ("DIY") motherboards shipped globally in 2015, decreasing 21.7% on year.

Although global shipments slumped, the China-based manufacturer managed to achieve a shipment growth in 2015 because of its improving technology and tight partnerships with China's channel retailers and Internet cafes.

As Colorful has outperformed other Taiwan-based manufacturers, these manufacturies now treat Colorful as a major competitor, looking to snatch its market share with the Red Flag series products.

Computer motherboard accounted for the 15% decreased in revenue of Pure Assembly.

While the overall gross profit stood at HK$7.7 million (2014: gross loss HK$2.8 million), gross margin improved from negative 0.6% to positive 3.2%. The Group's net loss for the Period fell to HK$34.2 million (2014: HK$35.5 million). The decrease in loss was outweighted by the increase of loss from change in fair value of derivative financial instruments due to the depreciation of RMB. The persistence decrease in the revenue, in the computer motherboard and HDD controller businesses, 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; longer-PC lifecycles and competition from mobile phones and tablets, economic issues like falling commodity prices and weak international currencies as well as social disruptions in Europe, Middle East and Africa ("EMEA") and Asia/Pacific. Changes in the Operating System ("OS") market delayed new system purchases. Lastly, while some very attractive new PCs have been launched, the market is taking some time to respond to new OS and hardware configurations, deciding when to upgrade to these slim, convertible, detachable, and touch variations as compared to more traditional PCs. The improvement of gross margin was mainly due to the shift of labor intensive products from PRC factory to Vietnam factory and the success of cost control and saving strategy.

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 2015 was HK$204 million (30 June 2015: HK$193 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 87% of the total revenue. Other new products such as the controller board of professional quadcopter which is a professional aerial filmmaking platform, mainboard of wearable device and mainboard of scanner are growing consistently.

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HDD Controllers

HDD Information Service, Trendfocus, Inc. published a report, Preliminary 4th quarter 2015 Quarterly Update – January 5, 2016, estimating that 115 million to 116 million units HDDs were shipped in 4th quarter 2015, a decline of 1.8% to 3.0% compared to 3rd quarter 2015 and from 17.3% to 18.3% in comparison with 4th quarter 2014.

There was a low demand for enterprise storage through the 2nd half of the year due to a relatively compact and concentrated OEM customer base, leading to higher susceptibility to variable demand. The resulting volatile demand translacted to lower shipments and higher inventory levels.

The PC market has been exceptionally weak over the last few quarters, owing to the anticipated mid-year release of Windows 10. According to IDC, PC shipments fell by almost 11% year-on-year to 276 million units through 2015. This led to low PC and notebook hard drive sales for hard drive makers through the year. Seagate's PC and notebook HDD shipments combined decreased over 23% on an annual basis to 111.7 million units for the full year. Seagate witnessed a nearly 30% decline in desktop and notebook HDD shipments to 25.3 million units in the 4th quarter. Similarly, rival hard drive manufacturer Western Digital observed a 24% and 21% year-over-year decline in PC HDD shipments to 27.8 million and 114.7 million hard drives for the quarter and the full year, respectively.

Going forward, it is likely that global PC shipments will begin to stabilize from 2016 onwards.

According to Forbes, Toshiba has witnessed continuous shipment declines in recent quarters and particularly in HDDs meant for computer applications. It was mainly due to PC HDD having been hurt by the decline in PC sales in the last few quarters. It appears that a decline or at least stagnant growth for these devices will continue for at least the near future.

Also HDD market is also under pressure to compete with flash-based Solid State Drive ("SSDs") in price and capacity. As a result, personal computer HDD sales may continue to decline in the future, especially with no or limited PC units shipment growth.

One of the customers, Toshiba, used to have some presence in the branded products of HDD market with about a 27% market share till 2014. However in the first three quarters of 2015, Toshiba only had a 14% market share in HDD shipments.

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The revenue from HDD was down by 57% to HK$144 million from last year's HK$334 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 believed that the adoption of SSDs in laptops and desktop computers continues at pace and also continues to replace traditional HDD applications. Despite this shift, it is expected that HDDs will still account for the majority of sales in 2016, as HDDs remain the most economical way to store large data sets.

Demands for archival and long-term storage are being driven by the ever increasing volume of data that home users and enterprises are creating and storing. This is leading to growth in external backup drives, NAS systems (local home storage servers), enterprise storage and cloud storage in general. This trend will increase the availability and accessibility of cloud and networked storage and may limit demand for storage capacity in personal devices.

PCs, Notebooks and Tablet Motherboards

According to Gartner, PC sales in the 4th quarter fell to 75.7 million units, down 8.3% from 4th quarter 2014. Total shipments in 2015 were 288.7 million units, amounted to an 8% decrease from 2014. International Data Corporation ("IDC") reports that total shipments in 4th quarter were 71.9 million, total 2015 sales were less than 300 million units for the first time since 2008, and the decline year-on-year was larger, at 9.8%.

Moreover, with demand from the PC DIY market continuing to decline, global motherboard shipments dropped from 69 million units in 2014 to 54 million units in 2015, while shipments in China also dropped from 28 million units to 26 million.

As a result, the second-tier players, apart from ASrock which was still profitable in 2015, Micro-Star International (MSI), Biostar, Elitegroup Computer Systems (ECS) and China-based Colorful all saw their profits from the motherboard business in 2015 would drop sharply as compared to 2014.

The decline of the PC industry started in 2012, around the time when tablet sales really took off. After a brief respite in 2014, when PC sales were virtually flat thanks to the end of official support for the popular Windows XP and the subsequent upgrade cycle, the market's decline re-accelerated in 2015 despite the release of Windows 10 in July.

In 2015, the market was impacted by weak macroeconomic conditions and currency volatility, which further added to existing issues like longer-PC lifecycles and adoption of mobile phones and tablets to replace PCs. All these led to a delay in upgrades, which in turn impacted most of the Motherboard manufacturers

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In EMEA, units shipments declined in double-digits as vendors remained engaged in clearing out the older inventories of Windows 8. In Asia/Pacific excluding Japan (APeJ), the market posted a year-on-year decline, with shipments affected by weak consumer demand and high inventory levels in the channels, plus currency fluctuations. The market was particularly weak in India, where floods and weak demand during festival season contributed to low sales of PCs in the consumer space. The Japanese market performed better than forecast and posted solid year-over-year growth. However a weaker Yen, high inventory, and lack of Windows 10 marketing continued to constrain PC sales.

The shipment performance was affected by price war that ASRock and MSI each will ship 5 million units, dropping over 20% and 10-15% respectively. ECS and Biostar will ship 2.5 million units each, with the former to phase out DIY motherboard business and the latter to suffer operating loss, according to Taiwan-based supply chain makers.

Although our Taiwanese customer, ASRock is the third largest PC motherboard supplier in the world, ASRock's problems are more immediate, as they also have to contend with a drop in demand in Europe and Intel delaying its Skylake CPUs to the third quarter.

The PC motherboard customer, ASRock shipped 2.2 million own-brand motherboards in 2nd half of 2015, slipping 35% year on year. The revenue contributed by this customer was reduced by 28.6% to HK$65 million from last year's HK$91 million.

Others

During the Period, the Group has been actively consolidating the existing customers and focus on high margin, large volume and good market potential customers. 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 world's biggest consumer drone maker during the period and recorded HK$9.7million revenue. A tech evolution and falling production costs have allowed drones to make the flight off military bases and Hollywood production lots to the hands of ordinary people and government agencies. It has become routine to see these small unmanned aerial vehicles used for amateur photography, rescue efforts, environmental inspection, geographical surveys and more. This means that a huge market for civil use of drones is about to soar.

Moreover, the revenue generated from mainboard of scanner, mainboard of communicate device and wearable device recorded HK$7.2million, HK$3.9million and HK$2.3million respectively for the Period.

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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 2015, it had 40 SMT lines and a production capacity of 54.9 billion chips per year in the PRC.

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 29.1 billion chips per year. As the total costs of the PC motherboard production in PRC 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 PRC to meet the end requirements. That trend will help the Group to push up its overall equipment utilization rate eventually.

Prospect

With world economic growth having a major impact on the electronics industry the indications are that there will be a similar slowdown in the electronics market – growth is likely to be flat for 2016. This results in many other issues within the electronics market.

Although the forecasts and predictions of flat growth for 2016, the situation remains very volatile. Periods of low growth where there is no overriding trend are more difficult to predict. Therefore the outlook for the electronics industry in 2016 could show a small fall or a small rise.

Exchange rate fluctuation have also had a major effect on some economies and as a result these variations have a major effect on the electronic component and electronic industry predictions for 2016. The Euro against the dollar has seen a 26% change since June 2014 and the GBP, Sterling has seen a 12% fall against the US dollar and an increase of 16% against the Euro over the same period.

Despite the fact that low growth is being predicted in the electronics industry for 2016, there are many good signs on the horizon.

The automotive industry is seeing a huge level of growth in the amount of electronic input to vehicles. Although much of the manufacturing of these boards is carried in Asia, it does have an overall positive effect on the industry and support infrastructure and equipment is needed. Increases in this industry provide a global impetus to the industry. The summary for this industry is that it is buoyant but cautious.

MANAGEMENT DISCUSSION & ANALYSIS

Another major factor that will have impact on the outlook of the electronic component supply and the electronics industry is the growing area of the Internet of Things. With estimation of billions of connected devices being in operation in the next few years, this provides a major opportunity for the electronics industry. Much of the production will go to Asia, but there will undoubtedly be a large amount of equipment development and system development in Europe and the United States of America ("USA").

One trend that was mentioned by a number of distributors at the Electronic Components Supply Network ("ecsn") meeting was that of 're-shoring.' In previous years, the manufacture of many products from Europe and the USA had been manufactured offshore in Asia.

With costs in the PRC increasing, and many companies seeing the full cost of off-shore manufacture, the Group believes that, this trend is reducing and many companies are seeking different areas to manufacture offshore, or even bringing manufacture for some products to within the same country.

Within Europe, Eastern Europe is being seen as an increasingly favourable area for manufacture, although for low volumes, much more manufacture is being undertaken within the same country.

As a result of all of these factors, it is anticipated that 2016 will be flat with little growth.

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

The rising wages and land prices over the past five years have frustrated foreign investors looking to cut costs in the PRC, while skittish consumer demand challenges companies trying to sell their products for long-term profit despite a massive Chinese population

Helped by low costs and an eager government, Vietnam is taking over the PRC's role as Asia's hotspot for foreign investment in manufacturing.

While PRC's economy slows and labor becomes more expensive, Vietnam is becoming to go-to place for manufacturing, making cars for Ford and Toyota Motor. Offshore capital is expanding now into high-value, high-tech assembly. Chinese officials, worried about pollution and dependence on foreign capital, are promoting private domestic investment and consumer spending instead. The Vietnamese government welcomes most sectors with open arms and market entry, so licensing and operating have become much simpler than in the PRC.

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There's now significant foreign investment in tech in Vietnam. PC processor icon Intel's has operated a $1 billion test and assembly plant in Ho Chi Minh City since 2010. Vietnam's largest foreign investor, Samsung Electronics, has made an $11 billion investment in production there. Apple contractor Hon Hai Precision makes smartphone parts in Vietnam, as well. The world's second largest TV manufacturer, LG also moved its TV production from Thailand to Vietnam this year for logistical ease and efficiency.

The Group is moving much of its production base to Vietnam because of increasing difficulties in finding cheap labor in the PRC, 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 competitiveness, 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, according to John Roy, an analyst of UBS Investment Bank, the situation in the market of HDDs will not change in 2016 and shipments of hard drives will decline even more significantly than this year.

The Group believes HDD units are likely to decline over 10 per cent in the next twelve months after falling over 6 per cent the last twelve. Demand for data storage is growing but demand for PCs is waning – UBS is modelling PC units to decline 8 per cent in calendar 2015 and 2 per cent in calendar 2016.

According to IDC, HDD units shipments will steadily decline for 2016-2019 period. Over the next three years, HDD suppliers will be challenged to cost-reduce HDDs. Slow HDD areal density (capacity per disk) growth means that a steadily increasing number of components per drive will be needed on average to reach higher capacity points, particularly for the enterprise segment. This dynamic will push the overall blended average HDD average selling price higher each year over the forecast period, a significant shift from long-term historical trend for steadily decreasing blended average selling prices.

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The HDD industry will experience a significant segment shift from 2014 to 2018. More than 40% of HDD industry revenue and 45% of HDD petabyte demand will be derived from the enterprise segment by 2018. In contrast, the PC segment overshadowed all other segments in 2014 as it made up more than 55% of units shipments, and more than 45% of industry petabyte shipments, and revenue. As this segment shift ensues, enterprise customers will increasingly influence HDD product road map and technology development plans. Meanwhile, as HDD technology becomes progressively more complex, enterprise customers will also press for deeper integration of HDD technology at the device level into storage system solutions." – John Rydning, research vice president, Worldwide Hard Disk Drives.

Thanks to fast growing popularity of mobile terminal devices, global demand for HDDs used in personal storage increased from approximately 80 million units in 2014 to nearly 82 million units in 2015, and the Group expected that such demand will further increase to 87 million units in 2016. Regarding the business-use HDDs, demand may remain unchanged in sales volume but is expected to grow annually by 1-3% in sales value, and 15-20% in storage capacity.

The demand for storage capacity continues to grow as does the perceived value of the data stored. This is driving demand for cloud storage operations where economies of scale can help mitigate the costs of storing ever-increasing amounts of data.

While capacity and speed will continue as the important factors, power consumption and reliability will become even more important factors when determining Total Cost of Ownership ("TCO"). Capacity per units space is increasing in importance and high capacity, low endurance SSDs may become the industry's preferred solution.

Apart from cloud archival storage, the storage of video surveillance data is an important growth driver. Applications for video surveillance systems keep expanding into many areas including industrial process monitoring, airports and traffic monitoring and a host of retail situations where customer behavior analysis can help improve overall customer experience.

The Group believes that the three manufactures of HDDs, WDC, Seagate and a customer of the Group, Toshiba, are affected by this trend in about the same proportion.

Year 2015 is a crucial year for the motherboard industry. Global shipments dropped by 8 percent to 289 million in 2015, the lowest it's been since 2007.

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The global PC market remains competitive and the economic environment weakened further with the recent drop in the Chinese stock market. The market predicted that PC replacements should pick up again in 2016, particularly later in the year due to the commercial adoption of Windows 10 is expected to accelerate, and consumer buying should also stabilize by the second half of the year. Most PC users have delayed an upgrade, but can only maintain this for so long before facing security and performance issues. The Group believe that a majority of these users will purchase another PC, motivated by attractive pricing and new model of products.

As for 2016, global motherboard shipments are predicted to drop below 50 million units, while Asustek and Gigabyte will both be able to maintain their shipments at around 17 million units.

PRC-based Onda is planning to quit the motherboard market, while Biostar will turn to focus on industrial PC and medical applications with assistance from Qisda.

Since the Group's current businesses had been unprofitable for five 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.

Liquidity and Financial Resources and Capital Structure

The Group had bank balances and cash of approximately HK$204 million as at 31 December 2015. The Group generally finances its operations through its internal resources and bank facilities provided by its principal bankers.

As at 31 December 2015, the Group had net current assets of approximately HK$127 million (30 June 2015: HK$341 million) and a current ratio of 1.5. (30 June 2015: 7.0). The Group's net asset value as at 31 December 2015 was HK$261 million decreasing from HK$494 million at 30 June 2015. Accordingly, the Group's gearing ratio of total debt to total assets ratio was 48.7% (30 June 2015:10%).

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Currently, most of our cost of direct materials and revenue 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 the Group enters into forward foreign exchange contracts to cover the anticipated foreign currency exposures. As at 31 December 2015, the Group did not have any material contingent liabilities.

Major Acquisition and Disposal of Assets and Merger Issues

The Group had no major acquisition and disposal of assets and merger issues during the Period.

Staffs

As at 31 December 2015, the Group employed a total of 1,996 staffs, of which 701 were employed in Mainland China, while 25 were employed in Hong Kong, 1,270 were employed in Vietnam. Total staffs costs amounted to approximately HK$58 million (six months ended 31 December 2014: approximately HK$77 million). 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

A special dividend of HK$0.198 per ordinary share of the Company for the Period, amounting to approximately HK$191,742,000 has been declared and approved by the shareholders of the company and was paid in January 2016.

The Board of Directors did not recommend the payment of an interim dividend for this Period (2014: NIL).

Purchase, Sale or Redemption of Shares

During the Period, there was no purchase, redemption or disposal of the Group's listed securities by the Company or any of its subsidiaries.

Capital Commitments

The Group did not have any capital commitments as at 31 December 2015.

Events After Reporting Period

Save as disclosed in Note 16 of the Notes to the Condensed Consolidated Financial Report, since 31 December 2015, being the end of the Period under review, no important events has occurred which effecting the Group.

OTHER INFORMATION

Directors' and chief executives' interests in Shares, Underlying Shares and Debentures

As at 31 December 2015, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) (i) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

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 ("Ms. Sun")	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, the spouse of Mr. Lam, is also deemed to be interested in 720,000,000 ordinary shares of the Company.

(ii) All interests stated above represent long positions.

Save as disclosed above, none of the Directors nor chief executives of the Company has registered an interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Model Code.

OTHER INFORMATION

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

So far as the Directors are aware, as at 31 December 2015, the following persons (not being Directors or chief executive of the Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, and/or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long positions

Ordinary shares of HK$0.1 each of the Company

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

OTHER INFORMATION

Save as disclosed above, the Company has not been notified by any persons or corporations, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2015.

Corporate Governance Practices

The Company's corporate governance code are based on the principles of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules. The Company is committed to ensure a quality board and transparency and accountability to shareholders. The CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Lam serves as the chairman and also acts as chief executive officer of the Company, which constitutes a deviation from the code provision A.2.1.

The Board is of the view that vesting both roles in Mr. Lam will allow for more effective planning and execution of business strategies. As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors (the "INEDs") on the Board offering independent advices, the Board believes that there are adequate safeguards in place to ensure sufficient balance of powers within the Board.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code contained in Appendix 10 of 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 Period, all Directors have fully complied with the required standard set out in the Model Code.

Directors' Rights To Acquire Securities Or Debenture

At no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire such rights in the Company or any other body corporate.

OTHER INFORMATION

Directors' Interests In Competing Businesses

During the Period, none of the Directors or the controlling shareholders or substantial shareholders (as defined in the Listing Rules) of the Company or their respective close associates (as defined in the Listing Rules) were considered to have any interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group and/or caused, or was likely to cause any other conflicts of interest with the Group, as required to be disclosed under the Listing Rules.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

Audit Committee

The Company has formed an audit committee (the "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. Mr. Chung Wai Kwok, Jimmy ("Mr. Chung") as the chairman, together with Mr. Sin Man Yin ("Mr. Sin") and Mr. Tam Wing Kin ("Mr. Tam") had ceased to be a member of the Audit Committee upon their resignation with effected from 4 February 2016. Mr. Lei Jun ("Mr. Lei"), Mr. Yung Wing Ki, Samuel ("Mr. Yung") and Mr. Lee Kang Bor, Thomas ("Mr. Lee") have been appointed as member of Audit Committee with effect from 4 February 2016. The existing committee comprises Mr. Lee as the chairman, Mr. Lei and Mr. Yung, all of whom are INEDs. 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 unaudited consolidated financial statements and results of the Company for the Period.

Remuneration Committee

The Board established the remuneration committee (the "Remuneration Committee") who meet at least once a year. Mr. Tam as the chairman, together with Mr. Chung and Ms. Sun Mi Li ("Ms. Sun") had ceased to be a member of the Remuneration Committee of the Company upon their resignation with effected from 4 February 2016. Mr. Yung, Mr. Lei and Mr. Lee have been appointed as member of Remuneration Committee with effect from 4 February 2016. The existing committee comprises Mr. Yung as the chairman, Mr. Lei and Mr. Lee. All Remuneration Committee members are INEDs. 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.

OTHER INFORMATION

Nomination Committee

The Board established the nomination committee (the "Nomination Committee") which meets at least one time per year. Mr. Sin as the chairman, together with Mr. Chung and Mr. Lam Chi Ho ("Mr. Lam") had ceased to be a member of the Nomination Committee upon their resignation with effected from 4 February 2016. Mr. Lei, Ms. Lo Ching ("Ms. Lo") and Mr. Yung have been appointed as member of Nomination Committee of the Company with effect from 4 February 2016. It is chaired by Mr. Lei and comprises two other members, namely, Ms. Lo and Mr. Yung. All Nomination Committee members, with the exception of Ms. Lo, are INEDs. 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 INEDs, 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.

Change Of Directors' And Chief Executive's Information

There was no change of Directors' and chief executive's information since the disclosure made in the Company's 2014/15 annual report dated 30 September 2015 except the following:

(i) Ms. Lo has been appointed as an executive director and the chairman of the Board of the Company with effect from 21 January 2016;

(ii) Ms. Liu Hui has been appointed as an executive director and an authorised representative (the "Authorised Representative") of the Company with effect from 21 January 2016 and 4 February 2016 respectively;

(iii) Mr. Lei has been appointed as an INED with effect from 21 January 2016;

(iv) Mr. Yung has been appointed as an INED with effect from 21 January 2016;

(v) Mr. Lee has been appointed as an INED with effect from 21 January 2016;

(vi) Mr. Lam resigned as an executive Director and the Chief Executive Officer and a member of the Nomination Committee with effect from 4 February 2016;

(vii) Ms. Sun resigned as an executive Director, a member of the Remuneration Committee and an Authorised Representative with effect from 4 February 2016;

(viii) Mr. Tsuji Tadao resigned as an executive Director with effect from 4 February 2016;

OTHER INFORMATION

(ix) Mr. Chung, resigned as an INED, a member and the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee with effect from 4 February 2016;

(x) Mr. Tam resigned as an INED, a member and the chairman of the Remuneration Committee and a member of the Audit Committee with effect from 4 February 2016;

(xi) Mr. Sin resigned as an INED, a member and the chairman of the Nomination Committee and a member of the Audit Committee with effect from 4 February 2016

(xii) Mr. Lee, Mr. Yung and Mr. Lei be appointed as members of the Audit Committee and Mr. Lee also be appointed as the chairman of the Audit Committee with effect from 4 February 2016;

(xiii) Mr. Yung, Mr. Lee and Mr. Lei be appointed as members of the Remuneration Committee and Mr. Yung also be appointed as the chairman of the Remuneration Committee with effect from 4 February 2016; and

(xiv) Mr. Lei, Ms. Lo and Mr. Yung be appointed as members of the Nomination Committee and Mr. Lei also be appointed as the chairman of the Nomination Committee with effect from 4 February 2016.

Approval of the Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 27 February 2016.

By Order of the Board
Fittec International Group Limited
Lo Ching
Chairman and Executive Director

As at the date of this report, the executive Directors are Ms. Lo and Ms. Liu. The INEDs are Mr. Lei, Mr. Yung and Mr. Lee.

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 interim financial information set out on pages 19 to 30, which comprises the condensed consolidated statement of financial position of Fittec International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 31 December 2015 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
27 February 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2015

	Notes	Six months ended 31.12.2015 HK$'000 (unaudited)	31.12.2014 HK$'000 (unaudited)
Revenue	3	**244,523**	457,676
Cost of sales		**(236,771)**	(460,480)
Gross profit (loss)		**7,752**	(2,804)
Other income		**1,610**	3,292
Other gains and losses		**(737)**	583
Change in fair value of derivative financial instruments	8	**(13,996)**	(5,643)
Distribution expenses		**(4,380)**	(4,958)
Administrative expenses		**(24,460)**	(25,903)
Finance costs		**–**	(16)
Loss before tax		**(34,211)**	(35,449)
Income tax expense	4	**–**	–
Loss for the period attributable to owners of the Company	5	**(34,211)**	(35,449)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**(9,530)**	366
Cumulative exchange differences reclassified to profit or loss upon deregistration of a subsidiary		**2,901**	–
Other comprehensive (expense) income for the period		**(6,629)**	366
Total comprehensive expense for the period attributable to the owners of the Company		**(40,840)**	(35,083)
Basic loss per share	7	**HK$(0.04)**	HK$(0.04)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	**31.12.2015 HK$'000 (unaudited)**	30.6.2015 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**130,652**	148,457
Prepaid lease payments		**3,222**	3,358
Deposit paid for acquisition of property, plant and equipment		**–**	715
		133,874	152,530
CURRENT ASSETS			
Inventories		**19,988**	39,204
Trade and other receivables	10	**150,951**	165,608
Prepaid lease payments		**89**	96
Bank balances and cash		**204,281**	192,737
		375,309	397,645
CURRENT LIABILITIES			
Trade and other payables	11	**42,206**	44,681
Dividend payable	6	**191,742**	–
Derivative financial instruments	8	**12,208**	9,885
Tax liabilities		**1,981**	1,981
		248,137	56,547
NET CURRENT ASSETS		**127,172**	341,098
		261,046	493,628
CAPITAL AND RESERVES			
Share capital	12	**96,839**	96,839
Share premium and reserves		**164,207**	396,789
		261,046	493,628

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2015

	Attributable to owners of the Company								
	Share capital	**Share premium**	**Contributed surplus**	**Special reserve**	**Exchange reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total**
	HK$'000	HK$'000	HK$'000 (note i)	HK$'000 (note ii)	HK$'000	HK$'000	HK$'000	HK$'000	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
At 1 July 2015 (audited)	**96,839**	**450,739**	**11,478**	**6,400**	**19,730**	**(91,558)**	**493,628**	**-**	**493,628**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**(34,211)**	**(34,211)**	**-**	**(34,211)**
Exchange differences arising on translation of foreign operations	**-**	**-**	**-**	**-**	**(9,530)**	**-**	**(9,530)**	**-**	**(9,530)**
Cumulative exchange differences reclassified to profit or loss upon deregistration of a subsidiary (note 13)	**-**	**-**	**-**	**-**	**2,901**	**-**	**2,901**	**-**	**2,901**
Total comprehensive expense for the period	**-**	**-**	**-**	**-**	**(6,629)**	**(34,211)**	**(40,840)**	**-**	**(40,840)**
Special dividend declared (note 6)	**-**	**(191,742)**	**-**	**-**	**-**	**-**	**(191,742)**	**-**	**(191,742)**
At 31 December 2015 (unaudited)	**96,839**	**258,997**	**11,478**	**6,400**	**13,101**	**(125,769)**	**261,046**	**-**	**261,046**

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 2015

	Six months ended	
	31.12.2015	31.12.2014
	HK$'000	HK$'000
	(unaudited)	(unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**11,543**	(58,152)
INVESTING ACTIVITIES:		
Proceeds from disposal of property, plant and equipment	**2,363**	2,848
Interest received	**134**	666
Purchase of property, plant and equipment	**(1,243)**	(5,072)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**1,254**	(1,558)
FINANCING ACTIVITIES:		
Repayment of bank borrowings	**–**	(1,269)
Interest paid	**–**	(16)
NET CASH USED IN FINANCING ACTIVITIES	**–**	(1,285)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**12,797**	(60,995)
CASH AND CASH EQUIVALENTS AT 1 JULY	**192,737**	246,956
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(1,253)**	95
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**204,281**	186,056

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

For the six months ended 31 December 2015

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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2015.

New and revised Hong Kong Financial Reporting Standards ("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[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]
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[3]

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 2016, with earlier application permitted.

4 Effective for annual periods beginning on or after a date to be determined.

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

For the six months ended 31 December 2015

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	
	31.12.2015	31.12.2014
	HK$'000	HK$'000
Segment revenue		
Pure assembly services	**90,988**	106,724
Procurement and assembly services	**150,898**	348,179
Repair and maintenance services	**2,637**	2,773
	244,523	457,676
Segment results		
– Pure assembly services	**5,649**	(17,474)
– Procurement and assembly services	**1,444**	13,968
– Repair and maintenance services	**659**	705
	7,752	(2,801)
Unallocated corporate expenses	**(29,577)**	(30,281)
Unallocated other income	**1,610**	3,292
Change in fair value of derivative financial instruments	**(13,996)**	(5,643)
Finance costs	**–**	(16)
Loss before tax	**(34,211)**	(35,449)

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

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

For the six months ended 31 December 2015

4. INCOME TAX EXPENSE

Hong Kong

No provision for Hong Kong Profits Tax has been made as the Group incurred tax loss for both periods.

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 rate for the Group's subsidiaries established in the PRC was 25% for both periods. No provision for PRC Enterprise Income Tax has been made as the Group incurred tax loss for both periods.

Vietnam

In accordance with the relevant tax rules and regulations in Vietnam, Mega Step Electronics (Vietnam) Company Limited, the Company's subsidiary incorporated in Vietnam, is entitled to corporate income tax exemption for three years from its first profit making year and a reduction of 50% for seven years thereafter. This subsidiary has generated assessable profit for both periods ended 31 December 2015 and 2014. However, no provision for Vietnam corporate income tax was made for both periods 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 as the subsidiary incurred loss for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

For the six months ended 31 December 2015

5. LOSS FOR THE PERIOD

	Six months ended	
	31.12.2015	31.12.2014
	HK$'000	HK$'000
Loss for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**12,785**	14,945
Release of prepaid lease payments	**45**	47
Net exchange (gain) loss (included in other gains and losses)	**(1,275)**	294
Gain on disposal of property, plant and equipment (included in other gains and losses)	**(944)**	(713)
Written-down on inventories (included in cost of sales)	**555**	1,036
Interest income	**(134)**	(666)
Loss (gain) on deregistration of a subsidiary (included in other gains and losses) (note 13)	**2,901**	(164)

6. DIVIDEND

A special dividend of HK$0.198 per ordinary share for the six months ended 31 December 2015, amounting to approximately HK$191,742,000 has been declared and approved by the shareholders of the Company.

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

7. BASIC LOSS PER SHARE

The calculation of the basic loss per share for the six months period ended 31 December 2015 is based on the loss for the period attributable to owners of the Company of approximately HK$34,211,000 (six months ended 31 December 2014: approximately HK$35,449,000) 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 2015 and 2014 as there is no potential ordinary shares outstanding during both periods or at the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

For the six months ended 31 December 2015

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 2015, fair value loss of approximately HK$13,996,000 (six months ended 31 December 2014: approximately HK$5,643,000) was recognised directly in profit or loss.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2015, the Group acquired property, plant and equipment of approximately HK$1,958,000 (six months ended 31 December 2014: approximately HK$5,072,000). In addition, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately HK$1,419,000 for proceeds of HK$2,363,000, resulting in a gain on disposal of HK$944,000 during the six months ended 31 December 2015.

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:

	31.12.2015	30.6.2015
	HK$'000	HK$'000
0 – 30 days	**35,360**	36,787
31 – 60 days	**38,799**	43,605
61 – 90 days	**28,934**	31,219
91 – 120 days	**29,458**	33,443
	132,551	145,054

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

For the six months ended 31 December 2015

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:

	31.12.2015	30.6.2015
	HK$'000	HK$'000
0 – 30 days	**19,124**	23,121
31 – 60 days	**2,177**	3,403
61 – 90 days	**1,506**	195
91 – 180 days	**859**	1,542
181 – 365 days	**418**	27
Over 365 days	**316**	–
	24,400	28,288

12. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 July 2014, 31 December 2014, 1 July 2015 and 31 December 2015	3,000,000,000	300,000
Issued and fully paid:		
At 1 July 2014, 31 December 2014, 1 July 2015 and 31 December 2015	968,394,000	96,839

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

For the six months ended 31 December 2015

13. DEREGISTRATION OF A SUBSIDIARY OF THE COMPANY

During the six months ended 31 December 2015, a wholly-owned subsidiary of the Company, Fittec Electronics (Thailand) Co., Ltd. ("Fittec Thailand") was deregistered on 27 November 2015.

The loss of Fittec Thailand at the date of deregistration is as follows:

	HK$'000
Exchange reserve released	(2,901)
Loss on deregistration of a subsidiary	(2,901)

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

14. 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

For the six months ended 31 December 2015

14. 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
	31.12.2015	**30.6.2015**	**hierarchy**	**and key inputs**
	HK$'000	HK$'000		
Financial Assets				
Foreign currency forward contracts (note 8)	12,208	9,885	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.

15. RELATED PARTY DISCLOSURES

The compensation of the Group's key management personnel for the six months ended 31 December 2015 was approximately HK$3,787,000 (Six months ended 31 December 2014: approximately HK$4,001,000).

16. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 24 November 2015, China Base Group Limited entered into a conditional sale and purchase agreement to acquire a total of 720,000,000 ordinary shares of the Company from Fittec Holdings Limited, which represents 74.35% of total issued share capital of the Company. The transaction was completed in January 2016 and the Company's immediate and ultimate holding company was changed from Fittec Holdings Limited to China Base Group Limited.