



DATRONIX HOLDINGS LIMITED  
連達科技控股有限公司\*



INNOVATION BY DESIGN



\* For identification purposes only

Annual Report 2004

# CONTENTS II

Corporate Information	2
Financial Highlights	3
Chairman’s Statement	4
Management Discussion & Analysis	5
Directors and Senior Management	7
Report of the Directors	9
Auditors’ Report	16
Consolidated Income Statement	18
Consolidated Balance Sheet	19
Balance Sheet	20
Statements of Changes in Equity	21
Consolidated Cash Flow Statement	23
Notes to the Financial Statements	25
Financial Summary	51
Notice of Annual General Meeting	52

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

SIU Paul Y.

alias Siu Paul Yin Tong (*Chairman*)

SHUI Wai Mei (*Vice Chairman*)

SHEUNG Shing Fai

#### Non-executive Director

SIU Nina Margaret

#### Independent Non-executive Directors

CHUNG Pui Lam

LAM Tak Shing

CHAN Fai Yue, Leo

### AUDIT COMMITTEE

CHUNG Pui Lam

LAM Tak Shing

CHAN Fai Yue, Leo

### QUALIFIED ACCOUNTANT

LUK Yuen King

### COMPANY SECRETARY

LEUNG Sau Fong

### AUTHORISED REPRESENTATIVES

SIU Paul Y.

SHEUNG Shing Fai

### AUDITORS

CCIF CPA Limited

37/F Hennessy Centre

500 Hennessy Road

Causeway Bay

Hong Kong

### REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

19th Floor

North Point Industrial Building

499 King's Road

North Point

Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM08

Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited

Shops 1712-1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Hong Kong

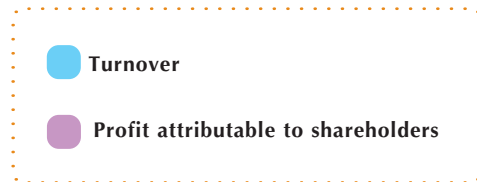
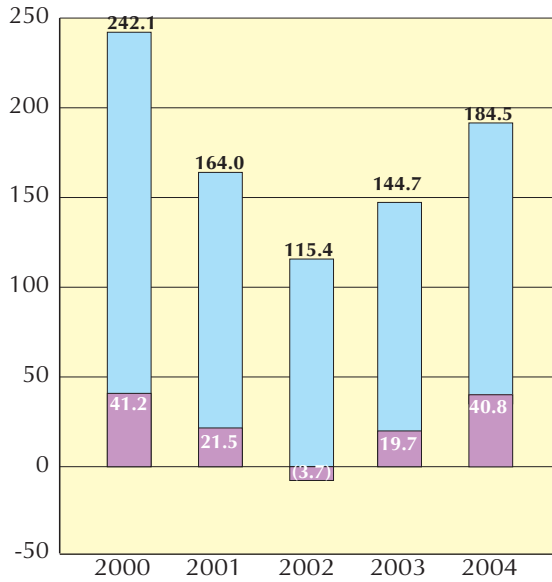
### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

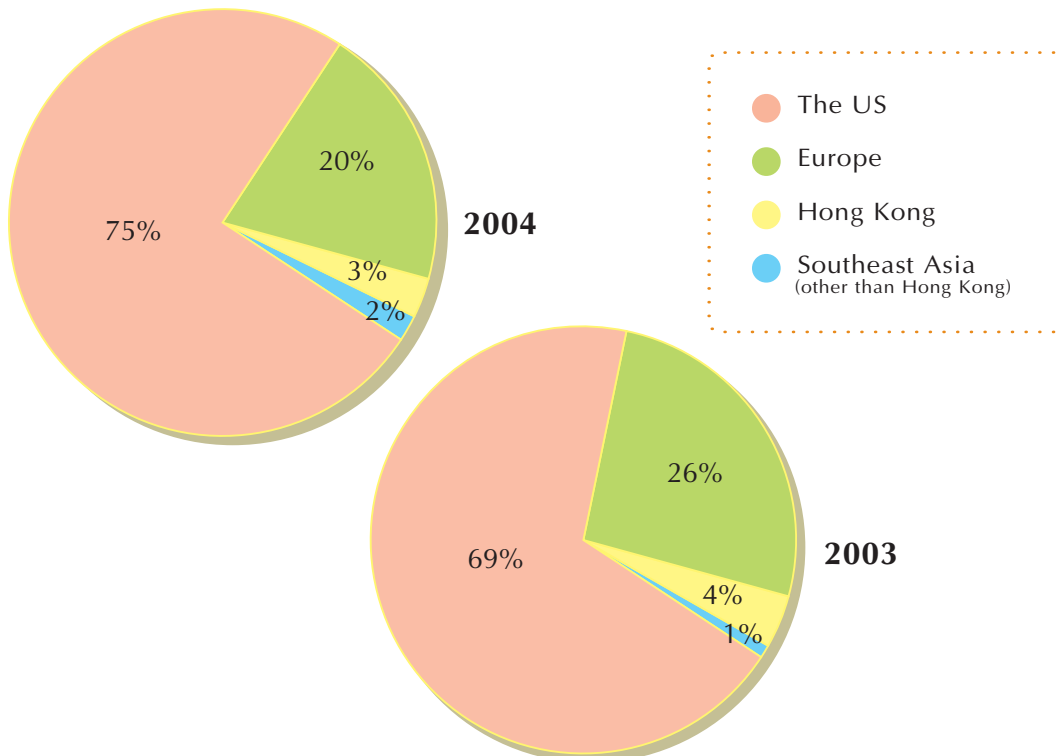
Bank of Communications

## Turnover / Profit attributable to shareholders

HK\$'million



## Geographical destination of products



### BUSINESS REVIEW

Overall, 2004 was a successful year for the Group as our operating profit had improved throughout the year. The Group showed significant profit increase in 2004. The Directors believe that it is reflecting the continued success of the Group's efforts to design for a new variety of customized magnetic components and its manufacturing efficiency.

For the year ended 31 December 2004, the Group's turnover was approximately HK\$184 million which represented an increase of approximately 28% over year 2003. The Group has also reported a net profit attributable to shareholders of approximately HK\$40.8 million or HK12.8 cents per share as compared to approximately HK6.1 cents per share with turnover of HK\$145 million for year 2003.

The Group continues to believe that there will be a strong growth in its legacy customized military, aerospace applications, high reliability magnetic, aerospace components and power conversion markets. The Group remains cautiously optimistic about revenue growth and earnings of year 2005. The Group recognizes and anticipates that the electronics industry will continue to be competitive. In order to compete and expand business growth, it is increasingly necessary for higher productivity and efficiency in production and overheads cost reduction.

It is the Group's strategy and efforts to increase its market share and strengthen its market position through direct sales and sales representative forces. The Directors believe that its coordinated sales effort provides a high level of market penetration and efficient coverage of its customers on a cost effective basis. The Group will continue to invest in personnel, new technologies, and automatic equipment to improve operational efficiency and performance.

The Group remained in its good cash position and strong balance sheet. The Directors believe that its aggressive cost-cutdown activities, high productivity and efficiency have positioned us very well in the future. The Directors believe that its cost structure will allow the Group to produce strong operating margin and create a more valuable enterprise for our shareholders.

The forward-looking focus continues to characterize the Group as a vibrant and agile company. Each year, there are new markets and technologies to enter into, greater technical challenges to meet and more opportunities at which to excel.

### ACKNOWLEDGEMENT

I hereby express my gratitude to all directors, executive teams, staff members and employees for all their contributions and hard work.

**Siu Paul Y.**  
*Chairman*

Hong Kong, 22 April 2005

## FINANCIAL REVIEW

The Group's turnover and operating profit recorded growth for the second consecutive year. For the year ended 31 December 2004, the Group's turnover was approximately HK\$184 million, which represented an increase of approximately 28% as compared to HK\$145 million of last year. The Group reported a profit attributable to shareholders and profit per share of approximately HK\$40.8 million and HK12.8 cents respectively as compared to a corresponding profit of HK\$19.7 million and HK6.1 cents respectively of last year. Gross profit margin rose to approximately 44% in 2004 as compared to 41% in 2003. The significant improvement in operating performance was largely due to the growth in turnover, increase in operational efficiency and the results of cost reduction efforts.

The increase in turnover was mainly due to higher demand in its military, aerospace, high reliability, telecommunications and power conversion markets, especially in the military and aerospace market which generated a higher profit margin. Sales to the military and aerospace market alone increased by over HK\$17 million (from HK\$21.7 million in 2003 to HK\$39 million in 2004), thus bringing a significant contribution to the improvement in the Group's gross profit margin and operating profits.

The overall business environment of electronics industry has improved with the recovery of the world economy, which experienced high growth in 2004, spurred by the growth in the US economy. The US and Europe markets remained the Group's major markets which accounted for over 90% of the Group's turnover.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2004, the Group had a total shareholders' equity of approximately HK\$209 million (2003: HK\$177 million), and cash and cash equivalents of approximately HK\$84 million (2003: HK\$59 million), which were predominately denominated in US and Hong Kong dollars.

For the year ended 31 December 2004, the Group had not arranged for any banking facilities and other resources for financing. With the above cash on hand, the Group has adequate resources to meet its working capital needs in the near future.

The Group has strong financial position. There were no debt and no bank loan for the year ended 31 December 2004.

The Group had limited exposure to foreign exchange fluctuations as most of its accounts receipts and payments are in US dollars.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2004, the Group employed approximately 1,180 personnel around the world, with approximately 100 in Hong Kong, 1,060 in the PRC and 20 overseas. The Group has a staff education sponsorship program and also provides training courses to staff on operational system, product and technology development, and product safety.

The remuneration policy for the Group's employees is reviewed by management on a regular basis. Competitive remuneration packages will be offered to employees based on business performance, market practices and the performance of individual employees. The Group has adopted a provident fund scheme for its employees.

## CONTINGENT LIABILITIES

The Group did not have any material contingent liability as at 31 December 2004 (2003: HK\$Nil).

## CAPITAL COMMITMENTS

The Group did not have any material capital commitment as at 31 December 2004 (2003: HK\$Nil).

## PROSPECTS

The prospects for global electronics business are cautiously optimistic and the Group will continue to build on its competitive advantage to sustain growth in the coming years.

## UPDATED INFORMATION ON PUBLIC SHAREHOLDING AND THE ONBOARD LITIGATION

Trading in the shares of the Company has been suspended since 15 August 2002 due to the public float issue of the Company and the litigation of the Company's substantial shareholder, Onboard Technology Limited. Details of which have been published by the Company's announcement dated 22 April 2005.

### EXECUTIVE DIRECTORS

*Mr. Siu Paul Y. alias, Siu Paul Yin Tong*, aged 64, the Chairman and Chief Executive Officer of the Group, is the founder of the Group. He is responsible for the Group's overall business strategy and formulation of corporate plan. Mr. Siu holds a master's degree of science in engineering and a bachelor degree of science from the University of California, Los Angeles in the US. He has about 30 years of experience in sales and manufacturing of magnetic components as well as the sales of other electronic components for telecommunication and data processing systems and other electronic systems.

*Ms. Shui Wai Mei*, aged 59, is the Vice Chairman of the Group responsible for the Group's general administration. She has more than 20 years of experience in business development. Ms. Shui joined the Group in 1975 and is the spouse of Mr. Siu Paul Y..

*Mr. Sheung Shing Fai*, aged 56, is the General Manager of the Group. He is responsible for the Group's business and technology development. Mr. Sheung holds a bachelor degree of science in electronic engineering from the National Taiwan University in Taiwan. He has more than 20 years of experience in sales and manufacturing of magnetic components and other electronic components for telecommunication and data processing systems and other electronic systems. Mr. Sheung joined the Group in 1988.

### NON-EXECUTIVE DIRECTOR

*Ms. Siu Nina Margaret*, aged 28, is a non-executive director of the Company. She holds a bachelor degree of arts with major in business economics from the University of California, Los Angeles in the US. Ms. Siu is the daughter of Mr. Siu Paul Y. and was appointed as a non-executive director in May 2000.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

*Mr. Chung Pui Lam*, OBE, JP, aged 64, was appointed as an independent non-executive director of the Company in March 2001. He is a practising solicitor in Hong Kong. Mr. Chung is serving on several advisory committees of the government of the HKSAR.

*Mr. Lam Tak Shing*, aged 44, was appointed as an independent non-executive director of the Company in September 2002. Mr. Lam holds a bachelor's degree and a master's degree in business administration. Mr. Lam has over 22 years' experience in accounting and finance field with wide exposure in different nature of business. Mr. Lam is an independent non-executive director of Poly (Hong Kong) Investments Limited and SMI Corporation Limited.

*Mr. Chan Fai Yue, Leo*, aged 64, was appointed as an independent non-executive director of the Company in September 2004. Mr. Chan is a member of The Hong Kong Institute of Directors. Mr. Chan has over 20 years of experience in Hong Kong stock market and manufacturing industry. He was exposed to the trading and finance field during his early years in Japan. He is a director of a paint manufacturing company in Bangkok, Thailand. Mr. Chan is currently an independent non-executive director of Golden Resources Development International Limited and GR Investment International Limited, both are companies listed on The Stock Exchange of Hong Kong Limited.



### SENIOR MANAGEMENT

*Mr. Ho Hing Cheong*, aged 35, is the head of quality control and assurance department of the Group. He is responsible for the quality control and assurance functions of the Group's production facilities in Hong Kong and the PRC. Mr. Ho holds a master's degree of arts and a bachelor degree of arts from Peterhouse College, the University of Cambridge in the United Kingdom. Mr. Ho joined the Group in 1996.

*Mr. Wong Ning*, aged 55, is the Deputy General Manager of the Group responsible for the management of the Group's operations in Shunde, the PRC. Mr. Wong has over 20 years of experience in the management and administration in manufacturing industry. He joined the Group in 1990.

*Mr. Randall Eller*, aged 47, is the Sales Director of Datatronic Distribution, Inc. responsible for the sales and marketing of the Group's products in North America. Mr. Eller has more than 15 years of experience in sales and marketing of magnetic and electronic components. He joined the Group in 1989.

*Mr. Alain Lotode*, aged 56, is the Sales Manager of Datamax S.A.R.L. responsible for the sales and marketing of the Group's products in Europe. Mr. Lotode has over 20 years of experience in the electronics industry. He joined the Group in 1996.

*Ms. Luk Yuen King*, aged 37, is the Financial Manager of the Group. She is responsible for all finance and accounting functions of the Group. Ms. Luk holds an MBA from the Hong Kong University of Science and Technology and a bachelor degree in accountancy with First Class Honours. In addition, she is a fellow of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. She has over 10 years experience in financial management, corporate projects, auditing and accounting. Ms. Luk joined the Group in 2002. Prior to joining the Group, Ms. Luk was the Group Finance Manager of a Hong Kong listed company.

*Mr. Tam Chun Cheung*, aged 56, is the manager of the production department of the Group responsible for the management of the Group's manufacturing operations in Hong Kong and the PRC. Mr. Tam holds a bachelor degree of science in engineering from the National Taiwan University in Taiwan. He has over 15 years of experience in the semi-conductor industry. Mr. Tam joined the Group in 1994.

The directors present herewith their annual report and the audited financial statements of Datronix Holdings Limited (“the Company”) and its subsidiaries (together with the Company, “the Group”) for the year ended 31 December 2004.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Group’s subsidiaries are set out in note 13 to the financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group’s sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group’s total	
	Sales	Purchases
The largest customer	21%	
Five largest customers in aggregate	61%	
The largest supplier		8%
Five largest suppliers in aggregate		31%

Except that the largest customer, Datatronics Romoland, Inc., is a related company in which the Company’s director, Mr. Siu Paul Y., holds approximately 96.5% of its issued share capital directly, none of the directors, their associates or any shareholders of the Company (which to the knowledge of the directors owns more than 5% of the Company’s share capital) had an interest in the major customers and suppliers noted above.

## SEGMENT INFORMATION

Details of segment information are set out in note 4 to the financial statements.

## FINANCIAL STATEMENTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated income statement on page 18.

The state of affairs of the Group and the Company as at 31 December 2004 are set out in the consolidated balance sheet on page 19 and the balance sheet on page 20, respectively.

The directors recommend the payment of a final dividend of HK\$0.022 (2003: HK\$0.012) per share, totalling HK\$7,040,000 (2003: HK\$3,840,000) for the year ended 31 December 2004.

### FINANCIAL SUMMARY

A summary of the results of the Group for each of the five years ended 31 December 2004 and of the assets and liabilities as at 31 December 2000, 2001, 2002, 2003 and 2004 is set out on page 51.

### PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 12 to the financial statements.

### SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2004 are set out in note 13 to the financial statements.

### SHARE CAPITAL AND SHARE OPTION SCHEME

Movements in share capital of the Company during the year are set out in note 19 to the financial statements. There was no change in share capital during the year. During the year, the Company did not grant any share options. Details of the share option scheme of the Company are set out in 2001 annual report.

### RESERVES

Movements in reserves of the Group and the Company during the year are set out in the statements of changes in equity on pages 21 to 22.

## DIRECTORS

The directors who held office during the year and up to the date of this report were:

### Executive directors

Mr. Siu Paul Y. alias Siu Paul Yin Tong, *Chairman*

Ms. Shui Wai Mei, *Vice Chairman*

Mr. Sheung Shing Fai

### Non-executive director

Ms. Siu Nina Margaret

### Independent non-executive directors

Mr. Chung Pui Lam

Mr. Lam Tak Shing

Mr. Chan Fai Yue, Leo (appointed on 17 September 2004)

In accordance with Bye-laws 86(2) and 87(1) of the Company's Articles of Association, Ms. Shui Wai Mei and Mr. Chan Fai Yue, Leo will retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Each of the executive directors has entered into a service contract with the Company for an initial fixed term of three years commencing from 22 June 2001. Such contract will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Save as aforesaid, none of the directors has an unexpired service contract with the Company which is not terminable by the Company within one year without payment of compensation other than statutory compensation.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 21 to the financial statements, no other contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries or its parent enterprise was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' INTERESTS IN SHARES

As at 31 December 2004, the directors had the following interests in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept by the Company pursuant to Section 352 of the SFO:

### a) The Company

	Ordinary shares of HK\$0.1 each			Total
	Personal interests	Family interests	Corporate interests	
Mr. Siu Paul Y.	–	–	240,000,000	240,000,000
			(Note 1)	

### b) Associated corporation

	Name of corporation	Non-voting deferred shares of HK\$1 each			Total
		Personal interests	Family interests	Corporate interests	
Mr. Siu Paul Y.	Datatronic Limited	1	–	199,999	200,000
				(Note 2)	

Notes:

- These shares are held by Onboard Technology Limited, a company incorporated in the British Virgin Islands, and in which Mr. Siu Paul Y. and Ms. Shui Wai Mei beneficially own 90% and 10% of its issued share capital respectively, representing 75% of the issued share capital of the Company.
- These shares are held by Data Express Limited, a company incorporated in the Republic of Liberia, whose entire issued share capital is beneficially owned by Mr. Siu Paul Y..

Save as disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any director or chief executives of the Company or their respective associates in the shares and underlying shares of the Company or its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code of Securities Transactions by Directors of Listed Companies or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the directors and chief executives (including their spouses and children under the age of 18), had, as at 31 December 2004, any interest in, or had been granted any right to subscribe for the securities and options of the Company and its associated corporations within the meaning of the SFO, or had exercised any such rights.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As far as is known to any director or chief executives of the Company, as at 31 December 2004, shareholders (other than the directors or chief executives of the Company) interested in 5% or more in the shares or underlying shares of the Company as recorded in the register kept by the Company under Section 336 of the SFO were as follows:

## LONG POSITIONS IN THE SHARES OF THE COMPANY

Shareholders	Capacity	No. of shares held	% of issued share capital of the Company
Fortune Treasure Worldwide Limited	Beneficial owner	21,784,000	6.80
Lee Pei Jin	Beneficial owner	18,974,000	5.92

Save as disclosed above, as at 31 December 2004, the Company has not been notified by any persons (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 which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws and the laws in Bermuda.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year.

### CONNECTED TRANSACTIONS

The related party transactions disclosed in note 21 to the financial statements constituted connected transactions under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Listing Rules”).

Datatronic Limited (“DL”), a wholly owned subsidiary of the Company, and Datatronics Romoland, Inc. (“DRI”) entered into a 2nd Master Supply Agreement on 7 April 2004 (“the 2nd Master Supply Agreement”) in respect of supply of magnetics to DRI by DL.

The 2nd Master Supply Agreement is for a fixed term of three years from 1 January 2004 until terminated by either party giving to the other party not less than three months’ written notice. Pursuant to the 2nd Master Supply Agreement, the selling prices of the magnetics are to be agreed between DL and DRI. DL will determine the price of the magnetics required by DRI according to its pricing policy of obtaining a reasonable profit margin for its sales in accordance with the prevailing market conditions, on normal commercial terms and on an arm’s length basis. DL has been granted a first refusal right by DRI to the effect that, unless DL declines the order, DRI undertakes not to source magnetics from any third-party supplier provided that the terms of purchase offered to the third-party supplier are not more favourable than those to DL. The total purchases made by DRI during the year ended 31 December 2004 was approximately HK\$38,985,000 (2003: HK\$21,679,000).

The directors, including the independent non-executive directors, of the Company have reviewed the connected transactions and have confirmed that the connected transactions were entered into:

- (i) in the ordinary and usual course of business;
- (ii) on terms no less favourable than those available to independent third parties; and
- (iii) on terms that are fair and reasonable and in the interests of the shareholders as a whole.

### AUDIT COMMITTEE

In accordance with the requirements of the Listing Rules, the Group established an audit committee comprising three independent non-executive directors of the Company. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2004.

### CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in the Listing Rules throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Articles of Association.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of such directors are independent.

### AUDITORS

Arthur Andersen & Co was appointed as auditors of the Company on 6 June 2001. Arthur Andersen & Co resigned as auditors of the Company and its subsidiaries on their own accord with effect from 14 August 2002. Charles Chan, Ip & Fung CPA Limited has been appointed to fill the casual vacancy in the office of auditors with effect from 24 January 2003.

The financial statements have been audited by CCIF CPA Limited (formerly known as Charles Chan, Ip & Fung CPA Limited). A resolution for their re-appointment as the Company's auditors for the ensuing year is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board

**Siu Paul Y.**  
*Chairman*

Hong Kong, 22 April 2005





**CCIF**

**CCIF CPA LIMITED**

37/F Hennessy Centre  
500 Hennessy Road  
Causeway Bay Hong Kong  
General: +852 2894 6888  
Facsimile: +852 2895 3752  
E-mail: info@ccifcpa.com.hk  
www.ccifcpa.com.hk

**TO THE SHAREHOLDERS OF  
DATRONIX HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 18 to 50 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

## **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## **BASIS OF OPINION**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

## OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**CCIF CPA Limited**

*Certified Public Accountants*

Hong Kong

22 April 2005

**Chan Wai Dune, Charles**

Practising Certificate Number P00712

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2004

	Note	2004 HK\$'000	2003 HK\$'000
<b>TURNOVER</b>	3	184,490	144,654
<b>COST OF SALES</b>		(103,624)	(85,487)
<b>GROSS PROFIT</b>		80,866	59,167
<b>OTHER REVENUE</b>	3	4,923	3,195
<b>DISTRIBUTION AND SELLING EXPENSES</b>		(14,409)	(14,026)
<b>ADMINISTRATIVE EXPENSES</b>		(26,247)	(24,068)
<b>PROFIT BEFORE TAXATION</b>	5	45,133	24,268
<b>TAXATION</b>	6	(4,311)	(4,617)
<b>PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b>	7	40,822	19,651
<b>DIVIDENDS</b>	8	14,080	10,240
<b>EARNINGS PER SHARE</b>	9		
– Basic		12.76 cents	6.14 cents
– Diluted		N/A	N/A

The notes on pages 25 to 50 form an integral part of these financial statements.

# CONSOLIDATED BALANCE SHEET

At 31 December 2004

	Note	2004 HK\$'000	2003 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	11	–	1,014
Property, plant and equipment	12	56,373	46,327
		56,373	47,341
<b>Current assets</b>			
Inventories	14	54,947	53,470
Amount due from ultimate parent enterprise	15	9	4
Tax reserve certificates		13,624	13,624
Prepayments, deposits and other receivables		5,845	3,500
Trade receivables	16	26,865	30,208
Cash and bank balances		84,299	58,684
		185,589	159,490
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	17	7,787	8,268
Other payables and accruals		3,673	4,585
Taxation payable	6	18,601	14,381
		30,061	27,234
<b>Net current assets</b>		155,528	132,256
<b>Total assets less current liabilities</b>		211,901	179,597
<b>Non-current liabilities</b>			
Deferred taxation	18	3,163	2,686
<b>NET ASSETS</b>		208,738	176,911
<b>CAPITAL AND RESERVES</b>			
Issued capital	19	32,000	32,000
Reserves		176,738	144,911
		208,738	176,911

Approved and authorised for issue by the board of directors on 22 April 2005.

On behalf of the board

**Siu Paul Y.**  
Chairman

**Shui Wai Mei**  
Vice Chairman

The notes on pages 25 to 50 form an integral part of these financial statements.

# BALANCE SHEET

At 31 December 2004

	Note	2004 HK\$'000	2003 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Interests in subsidiaries	13	126,430	138,855
<b>Current assets</b>			
Prepayments, deposits and other receivables		79	78
Bank balances		336	141
		415	219
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables and accruals		62	98
<b>Net current assets</b>		353	121
<b>NET ASSETS</b>		126,783	138,976
<b>CAPITAL AND RESERVES</b>			
Issued capital	19	32,000	32,000
Reserves		94,783	106,976
		126,783	138,976

Approved and authorised for issue by the board of directors on 22 April 2005.

On behalf of the board

**Siu Paul Y.**  
*Chairman*

**Shui Wai Mei**  
*Vice Chairman*

The notes on pages 25 to 50 form an integral part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2004

## Group

	Issued capital HK\$'000	Share premium HK\$'000	Capital reserve (a) HK\$'000	Property revaluation reserve HK\$'000	Cumulative translation adjustments HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1/1/2003	32,000	57,099	(23,724)	10,775	(1,126)	101,379	176,403
Deficit on revaluation of land and buildings	-	-	-	(1)	-	-	(1)
Dividends paid	-	-	-	-	-	(19,200)	(19,200)
Translation adjustments	-	-	-	-	58	-	58
Net profit for the year	-	-	-	-	-	19,651	19,651
At 31/12/2003 and 1/1/2004	32,000	57,099	(23,724)	10,774	(1,068)	101,830	176,911
Surplus on revaluation of land and buildings, net of deferred tax	-	-	-	1,850	-	-	1,850
Dividends paid	-	-	-	-	-	(10,880)	(10,880)
Translation adjustments	-	-	-	-	35	-	35
Net profit for the year	-	-	-	-	-	40,822	40,822
At 31/12/2004	32,000	57,099	(23,724)	12,624	(1,033)	131,772	208,738

## STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2004

### Company

	Issued capital HK\$'000	Share premium HK\$'000	Contributed surplus (b) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1/1/2003	32,000	57,099	89,606	(19,571)	159,134
Dividends paid	–	–	–	(19,200)	(19,200)
Net loss for the year	–	–	–	(958)	(958)
At 31/12/2003 and 1/1/2004	32,000	57,099	89,606	(39,729)	138,976
Dividends paid	–	–	–	(10,880)	(10,880)
Net loss for the year	–	–	–	(1,313)	(1,313)
At 31/12/2004	32,000	57,099	89,606	(51,922)	126,783

### Notes:

- (a) Capital reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital and share premium of subsidiaries acquired through exchanges of shares pursuant to the Reorganisation.
- (b) Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the Reorganisation.

Under the Companies Act 1981 of Bermuda (as amended), retained profits and contributed surplus are distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of retained profits and contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

The Company's reserves as at 31 December 2004 available for distribution to shareholders are approximately HK\$37,684,000 (2003: HK\$49,877,000).

The notes on pages 25 to 50 form an integral part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2004

	2004 HK\$'000	2003 HK\$'000
<b>PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION</b>	45,133	24,268
<b>ADJUSTMENTS FOR:</b>		
Interest income	(743)	(465)
Bad debt recovered	(15)	(276)
Depreciation	3,763	3,381
Bad debt written off	–	304
Loss on disposals of property, plant and equipment	371	35
Deficit on revaluation of land and buildings	–	1,105
Amortisation of goodwill	1,011	1,013
Provision for obsolete and slow-moving inventories	1,254	1,143
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	50,774	30,508
(Increase)/decrease in inventories	(2,731)	242
Decrease in amount due from a related company	–	7
Decrease in amount due from a director	–	65
Increase in amount due from ultimate parent enterprise	(5)	(4)
Increase in prepayments, deposits and other receivables	(2,345)	(32)
Decrease/(increase) in trade receivables	3,358	(12,181)
(Decrease)/increase in trade payables	(481)	503
Decrease in other payables and accruals	(912)	(2,006)
<b>CASH GENERATED FROM OPERATIONS</b>	47,658	17,102
Purchase of Hong Kong tax reserve certificates	–	(2,186)
Hong Kong profits tax paid	(160)	(276)
Overseas tax refunded/(paid)	69	(383)
<b>NET CASH INFLOW FROM OPERATIONS</b>	47,567	14,257
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposals of property, plant and equipment	3	–
Acquisition of property, plant and equipment	(11,784)	(1,887)
Interest received	743	465
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	(11,038)	(1,422)
<b>NET CASH INFLOW BEFORE FINANCING</b>	36,529	12,835



## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2004

	2004 HK\$'000	2003 HK\$'000
<b>NET CASH INFLOW BEFORE FINANCING</b>	36,529	12,835
<b>CASH FLOWS FROM FINANCING</b>		
Dividends paid	(10,880)	(19,200)
<b>NET CASH USED IN FINANCING</b>	(10,880)	(19,200)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	25,649	(6,365)
<b>EFFECT OF CUMULATIVE TRANSLATION ADJUSTMENTS</b>	(34)	3
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	58,684	65,046
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	84,299	58,684
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	84,299	58,684

The notes on pages 25 to 50 form an integral part of these financial statements.

## 1. BASIS OF PREPARATION

### (a) GENERAL

Datronix Holdings Limited (the “Company”) was incorporated in Bermuda on 15 February 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Its shares have been listed on The Stock Exchange of Hong Kong Limited since 22 June 2001.

### (b) PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacturing of electronic components in the People’s Republic of China (the “PRC”) and trading of electronic components to customers in the United States of America (the “US”), Europe, Hong Kong and other countries.

### (c) BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group’s share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated income statement. Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

## 2. PRINCIPAL ACCOUNTING POLICIES

### (a) STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment.

### (b) REVENUE RECOGNITION

- (i) Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.
- (ii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (c) GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary of the date of acquisition.

Goodwill on acquisitions occurring on or after 1 January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life.

Goodwill on acquisitions that occurred prior to 1 January 2001 was eliminated against reserves. Any impairment arising on such goodwill is accounted for in the income statement.

### (d) RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred, except where the product or process is clearly defined and the costs attributable to the product or process can be separately identified and measured reliably; is technically feasible; the Group intends to produce and market, or use, the product or process; the existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness to the Group, can be demonstrated; and adequate resources exist, or their availability can be demonstrated, to complete the project and market or use the product or process.

Such development costs are recognised as an asset to the extent of the amount that, taken together with further development costs, related production costs, and selling and administrative costs directly incurred in marketing the product, is probable of being recovered from related future economic benefits. The excess amount is written off as incurred.

### (e) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment other than other properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Other properties are interests in land and buildings. Land and buildings held for own use are stated in the balance sheet at their revalued amount, being their open market value at the date of revaluation less any subsequent accumulated depreciation. Revaluations are performed by qualified valuers with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (e) PROPERTY, PLANT AND EQUIPMENT (Continued)

Changes arising on the revaluation of land and buildings held for own use are generally dealt with in reserves. The only exceptions are as follows:

- when a deficit arises on revaluation, it will be charged to the income statement, if and to the extent that it exceeds the amount held in the reserve in respect of that same asset; and
- when a surplus arises on revaluation, it will be credited to the income statement, if and to the extent that a deficit on revaluation in respect of that same asset had previously been charged to the income statement.

Subsequent expenditure relating to an asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

### (f) AMORTISATION AND DEPRECIATION

Property, plant and equipment are depreciated at rates sufficient to write off their cost/valuation less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Land	4% to 4.5% or over the lease terms, whichever is shorter
Buildings	4% to 4.5% or over the lease terms, whichever is shorter
Machinery and equipment	15% to 30%
Furniture and fixtures	15%
Motor vehicles	18% to 25%

Amortisation of goodwill is charged to the income statement on a straight-line basis over five years.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (g) OPERATING LEASES

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals payables under such operating leases are accounted for in the income statement on a straight-line basis over the periods of the respective lease.

### (h) IMPAIRMENT OF ASSETS

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investments in subsidiaries; and
- positive goodwill.

If any such indication exists, the asset's recoverable amount is estimated. For goodwill that is amortised over 20 years from initial recognition, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

#### (i) *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

#### (ii) *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (h) IMPAIRMENT OF ASSETS (Continued)

#### (ii) *Reversals of impairment losses (Continued)*

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

### (i) SUBSIDIARIES

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### (j) RELATED PARTIES

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or vice versa. Parties are also considered to be related if they are subject to common control or common significant influence.

### (k) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on a first-in, first-out basis, comprises all costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (k) INVENTORIES (Continued)

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### (l) TRADE RECEIVABLE

Provision is made against trade receivable to the extent that they are considered to be doubtful. Trade receivable in the balance sheet is stated net of such provision.

### (m) CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfil the above criteria.

For the purposes of the cash flow statement, cash equivalents would also include bank overdrafts and advances from banks repayable within three months from the date of the advance.

### (n) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.



## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (o) DEFERRED TAXATION

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

### (p) TRANSLATION OF FOREIGN CURRENCIES

Transactions in foreign currencies during the year are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

The financial statements of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences arising are dealt with as movement in cumulative translation adjustments.

### (q) RETIREMENT COSTS

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the income statement when incurred.

The Group's contributions to the defined contribution retirement benefit scheme of the subsidiaries outside Hong Kong are expensed as incurred.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (q) RETIREMENT COSTS (Continued)

The assets of the schemes are held separately from those of the Group in independently administered funds.

### (r) SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Intra-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

## 3. TURNOVER AND OTHER REVENUE

	2004 HK\$'000	2003 HK\$'000
Turnover		
Sales of merchandise	184,490	144,654
Other revenue		
Bad debt recovered	15	276
Commission income	3,904	460
Interest income	743	465
Net foreign exchange gain	191	1,656
Sundries	70	338
	4,923	3,195
Total revenue	189,413	147,849

Approximately 61% of the Group's turnover for the year ended 31 December 2004 (2003: 55%) arose from the Group's top five customers.

## 4. SEGMENT INFORMATION

### Business segment

The Group is principally engaged in the manufacturing of electronic components in the PRC and trading of electronic components to customers in the United States of America, Europe, Hong Kong and other countries. Accordingly, the directors consider there is only one business segment and five geographical segments.

### Geographical segment

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

## 4. SEGMENT INFORMATION (Continued)

An analysis of geographical segments is as follows:

	Hong Kong		The PRC		The United States of America		Europe		Others		Eliminations		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Turnover</b>														
External sales	6,015	5,459	-	-	139,186	99,591	36,635	37,223	2,654	2,381	-	-	184,490	144,654
Intersegment sales	181,125	128,126	-	-	87,011	64,136	8,137	6,396	-	-	(276,273)	(198,658)	-	-
<b>Total</b>	<b>187,140</b>	<b>133,585</b>	<b>-</b>	<b>-</b>	<b>226,197</b>	<b>163,727</b>	<b>44,772</b>	<b>43,619</b>	<b>2,654</b>	<b>2,381</b>	<b>(276,273)</b>	<b>(198,658)</b>	<b>184,490</b>	<b>144,654</b>
<b>Operating results</b>														
Profit from operations													44,390	23,803
Interest income													743	465
Profit before taxation													45,133	24,268
Taxation													(4,311)	(4,617)
Profit attributable to shareholders													40,822	19,651
<b>Other information</b>														
Segment assets	495,502	447,269	48,373	46,633	63,929	50,525	4,837	6,841	-	-	(370,679)	(344,437)	241,962	206,831
Segment liabilities	159,006	139,003	1,343	1,681	66,951	54,830	5,729	6,842	-	-	(199,805)	(172,436)	33,224	29,920
Capital expenditures	10,556	1,806	214	877	931	9	83	10	-	-	-	(815)	11,784	1,887
Depreciation and amortisation	2,606	2,177	2,761	3,643	1,253	1,245	82	65	-	-	(1,928)	(2,736)	4,774	4,394

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

### 5. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging the following:

	2004 HK\$'000	2003 HK\$'000
Amortisation of goodwill	1,011	1,013
Auditors' remuneration		
– current year	373	415
– over-provision in previous year	(50)	–
	323	415
Cost of inventories sold (excluding provision for obsolete and slow-moving inventories)	102,370	84,344
Depreciation	3,763	3,381
Operating lease charges on rented premises and equipment	794	1,640
Provision for obsolete and slow-moving inventories	1,254	1,143
Research and development expenditures	5,346	5,708
Staff costs	37,793	35,552
Less: Amounts included in research and development expenditures	(4,338)	(4,513)
	33,455	31,039
Staff retirement costs	2,303	2,446

## 6. TAXATION

Hong Kong profits tax has been provided for at the rate of 17.5% on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rate of taxation prevailing in the country in which the company operates.

The amount of taxation charged to the consolidated income statement represents:

	2004 HK\$'000	2003 HK\$'000
Hong Kong profits tax	3,393	4,335
Overseas taxation	918	377
Deferred taxation	–	(95)
	<u>4,311</u>	<u>4,617</u>

The charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	45,133	24,268
Effect of tax at Hong Kong profits tax rate of 17.5%	7,898	4,247
Income that are not taxable	(4,512)	(777)
Tax losses not recognised	232	474
Expenses that are not deductible	–	53
Decrease in deferred taxation	–	(95)
Others	693	715
	<u>4,311</u>	<u>4,617</u>

Taxation payable in the balance sheet represents the provision for taxation for the current and prior years less the amount of tax paid.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

### 6. TAXATION (Continued)

Taxation payable in the consolidated balance sheet represents:

	2004 HK\$'000	2003 HK\$'000
Hong Kong profits tax	17,692	14,460
Overseas taxation	909	(79)
	18,601	14,381

Datatronic (Shunde) Corporation, a wholly foreign owned enterprise established in Shunde, Guangdong Province, PRC is subject to the PRC enterprise income tax at a rate of 24% (2003: 24%). However, it is exempted from enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year tax losses, followed by a 50% reduction for the next three years.

Datamax S.A.R.L., a company incorporated in France and with annual turnover of less than Euro 7,500,000 is subject to a fixed income tax in France of Euro 3,750 for the year ended 31 December 2004 (2003: Euro 3,750).

Datatronic Distribution, Inc., a company incorporated in the State of California, the United States of America, is subject to the federal income tax on progressive rates between 15% to 39% (2003: 15% to 39%), and California State corporate tax at the rate of 8.84% (2003: 8.84%), on the estimated assessable profits arising in or derived by Datatronic Distribution, Inc. on a worldwide basis.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

## 7. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a loss of approximately of HK\$1,313,000 (2003: HK\$958,000) which has been dealt with in the financial statements of the Company.

## 8. DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
Interim, paid, of HK\$0.022 (2003: HK\$0.02) per ordinary share	7,040	6,400
Final, proposed, of HK\$0.022 (2003: HK\$0.012) per ordinary share	7,040	3,840
	<b>14,080</b>	<b>10,240</b>

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	2004 HK\$'000	2003 HK\$'000
Profit attributable to shareholders	40,822	19,651

	Number of shares	
	2004	2003
Weighted average number of shares for the purpose of calculating earnings per share – Basic	320,000,000	320,000,000

Diluted earnings per share is not presented as there was no dilutive potential ordinary shares in existence in both years.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

## 10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (i) Directors' emoluments

	2004 HK\$'000	2003 HK\$'000
Fees for executive directors	–	–
Fees for non-executive directors	217	200
Other emoluments for executive directors		
– Basic salaries and allowances	1,820	1,789
– Pension scheme contributions	36	36
	2,073	2,025

No directors waived any emoluments during the year. No incentive payment nor compensation for loss of office was paid or payable to any directors for the year ended 31 December 2004 (2003: HK\$Nil).

The number of directors whose remuneration fall within the following bands were as follows:

	Number of directors	
	2004	2003
Executive directors		
– HK\$Nil to HK\$1,000,000	2	2
– HK\$1,000,001 to HK\$1,500,000	1	1
Non-executive directors		
– HK\$Nil to HK\$1,000,000	4	3
	7	6

## 10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

- (ii) Details of emoluments paid to the five highest paid individuals (including directors and other employees) were as follows:

	2004 HK\$'000	2003 HK\$'000
Basic salaries and allowances	3,178	3,254
Pension scheme contributions	60	60
	<b>3,238</b>	<b>3,314</b>

	2004	2003
Number of directors	2	2
Number of employees	3	3
	<b>5</b>	<b>5</b>

During the year, no emoluments were paid to the five highest paid individuals (including directors and other employees) as inducement to join or upon joining the Group or as compensation for loss of office.

The number of the five highest paid individuals whose remuneration fall within the following bands were as follows:

	2004	2003
HK\$Nil to HK\$1,000,000	4	4
HK\$1,000,001 to HK\$1,500,000	1	1
	<b>5</b>	<b>5</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

## 11. GOODWILL

	2004 HK\$'000	2003 HK\$'000
<b>Cost</b>		
At 1 January	5,065	5,051
Exchange adjustments	(13)	14
At 31 December	5,052	5,065
<b>Accumulated amortisation</b>		
At 1 January	4,051	3,020
Amortisation for the year	1,011	1,013
Exchange adjustments	(10)	18
At 31 December	5,052	4,051
<b>Net book value</b>		
At 31 December	–	1,014

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

## 12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Furniture and fixtures	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost or valuation</b>					
At 1/1/2004	36,615	18,589	14,324	4,823	74,351
Additions	6,959	1,027	3,798	–	11,784
Disposals	–	(999)	(1,088)	–	(2,087)
Surplus on revaluation	1,606	–	–	–	1,606
Exchange adjustments	–	55	37	–	92
At 31/12/2004	45,180	18,672	17,071	4,823	85,746
<b>Accumulated depreciation</b>					
At 1/1/2004	–	15,578	7,955	4,491	28,024
Charge for the year	720	1,317	1,643	83	3,763
Disposals	–	(682)	(1,031)	–	(1,713)
Written back on revaluation	(720)	–	–	–	(720)
Exchange adjustments	–	–	19	–	19
At 31/12/2004	–	16,213	8,586	4,574	29,373
<b>Net book value</b>					
At 31/12/2004	45,180	2,459	8,485	249	56,373
At 31/12/2003	36,615	3,011	6,369	332	46,327
Representing:					
2004					
At cost	–	18,672	17,071	4,823	40,566
At valuation	45,180	–	–	–	45,180
	45,180	18,672	17,071	4,823	85,746
2003					
At cost	–	18,589	14,324	4,823	37,736
At valuation	36,615	–	–	–	36,615
	36,615	18,589	14,324	4,823	74,351

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

### 12. PROPERTY, PLANT AND EQUIPMENT (Continued)

An analysis of land and buildings (consolidated) by geographical locations is as follows:

	2004 HK\$'000	2003 HK\$'000
Hong Kong	25,740	17,320
The PRC	19,440	19,295
	45,180	36,615

Land and buildings located in Hong Kong are held under long-term leases. Land and buildings located in the PRC are held under land use rights for 50 years expiring in 2044 and 2047.

Land and buildings located in Hong Kong are stated at open market value as at 31 December 2004 as determined by LCH (Asia-Pacific) Surveyors Limited, independent qualified valuers. Land and buildings located in the PRC are stated on a depreciated replacement cost basis as at 31 December 2004 as determined by the same valuers. Had the Group's land and buildings been carried at cost less depreciation, the net book value of the Group's land and buildings as at 31 December 2004 would have been approximately HK\$30,157,000 (2003: HK\$23,918,000).

### 13. INTERESTS IN SUBSIDIARIES

	Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	113,606	113,606
Amount due from a subsidiary	12,824	25,249
	126,430	138,855

The amount is unsecured, non-interest bearing and not repayable within one year.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

## 13. INTERESTS IN SUBSIDIARIES (Continued)

Details of the Company's subsidiaries as at 31 December 2004 are as follows:

Name	Country/ place of incorporation/ establishment	Country/ place of operation	Principal activities	Issued and fully paid share capital	Interests held	
					Directly	Indirectly
Guardsafe Technology Limited	British Virgin Islands	Hong Kong	Investment holding	US\$1,000	100%	–
Great Vigour Holdings Limited	British Virgin Islands	Hong Kong	Inactive	US\$1	100%	–
Musthave Technology Limited	British Virgin Islands	Hong Kong	Investment holding	US\$1	–	100%
Think Machine Technology Limited	British Virgin Islands	Hong Kong	Investment holding	US\$2	–	100%
Century Electronics Trading Limited	Hong Kong	Hong Kong	Trading of electronic components	HK\$2	–	100%
Datatronc Limited	Hong Kong	Hong Kong	Investment holding and manufacturing and trading of electronic components	HK\$10,000 ordinary HK\$200,000 non-voting deferred (i)	–	100%
Datatronc (Shunde) Corporation* (ii)	The PRC	The PRC	Manufacturing of electronic components	2004: US\$8,526,308 (2003: US\$8,368,727)	–	100%
Datamax S.A.R.L	France	France	Trading of electronic components	Euro7,622.45	–	100%
Datatronc Distribution, Inc.	California, the US	California, the US	Trading of electronic components	US\$1,000	–	100%
Maxgain Venture Limited	Hong Kong	Hong Kong	Property holding	HK\$2	–	100%
Pulse Tek Trading Limited	Hong Kong	Hong Kong	Trading of electronic components	HK\$2	–	100%

\* For identification purposes only

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

## 13. INTERESTS IN SUBSIDIARIES (Continued)

Notes:

- (i) The non-voting deferred shares have no voting rights and are not entitled to any dividend on distribution upon winding up unless a sum of HK\$1,000,000,000 has been distributed to each holder of the ordinary shares.
  
- (ii) Datatronic (Shunde) Corporation is a wholly foreign owned enterprise established in the PRC for a term of 30 years up to September 2023.

## 14. INVENTORIES

	2004 HK\$'000	2003 HK\$'000
Raw materials	53,316	52,496
Work-in-progress	1,465	3,389
Finished goods	19,326	15,491
	74,107	71,376
Less: Provision for obsolete and slow-moving inventories	(19,160)	(17,906)
	54,947	53,470

As at 31 December 2004, inventories carried at net realisable value amounted to approximately HK\$11,733,000 (2003: HK\$16,733,000).

## 15. AMOUNT DUE FROM ULTIMATE PARENT ENTERPRISE

The amount is unsecured, interest free and repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

## 16. TRADE RECEIVABLES

Customers are usually offered a credit period ranging from 30 days to 120 days. An aging analysis of trade receivables after provision as at 31 December 2004 is as follows:

	2004 HK\$'000	2003 HK\$'000
0 to 30 days	11,569	12,524
31 to 60 days	7,247	7,973
61 to 90 days	4,299	3,928
Over 90 days	3,750	5,783
	<hr/>	<hr/>
	26,865	30,208

## 17. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	2004 HK\$'000	2003 HK\$'000
0 to 30 days	4,734	4,029
31 to 60 days	1,846	2,063
61 to 90 days	1,108	1,423
Over 90 days	99	753
	<hr/>	<hr/>
	7,787	8,268



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

### 18. DEFERRED TAXATION

The followings are the major deferred tax liabilities recognised by the Group during the current and prior year:

	2004 HK\$'000	2003 HK\$'000
The movements for the year in the deferred tax liabilities are as follows:		
At beginning of the year	2,686	2,781
Credit to the income statement for the year	–	(95)
Charge to the property revaluation reserve for the year	477	–
At end of the year	3,163	2,686

There was no other significant unprovided deferred taxation as at 31 December 2004.

### 19. ISSUED CAPITAL AND SHARE OPTION SCHEME

	2004 HK\$'000	2003 HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.1 each	100,000	100,000
Issued and fully paid:		
320,000,000 ordinary shares of HK\$0.1 each	32,000	32,000

The Company has a share option scheme, under which the Company may grant options to executive directors and full-time employees of the Group to subscribe for shares in the Company, subject to a maximum of 10% of the issued share capital of the Company, from time to time, excluding for this purpose share issued on exercise of share options. The subscription price is to be determined by directors, and is not to be less than the higher of (i) the nominal value of the Company's shares, and (ii) 80% of the average of the closing price of the Company's shares quoted on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of grant. Upon acceptance of options, the grantee shall pay \$1 to the Company as consideration for the grant.

No options have been granted since the adoption of the share option scheme.

## 20. RETIREMENT BENEFIT COSTS

The Group has implemented a provident fund scheme for its staff in compliance with the requirements of the Mandatory Provident Fund Schemes Ordinance (the “MPF Ordinance”) effective from 1 December 2000. The Group contributed according to the minimum requirements of the MPF Ordinance (i.e. 5% of staff’s relevant income with upper monthly limit of HK\$1,000) and the contribution is charged to the income statement.

As stipulated by rules and regulations in the PRC, the Group contributed to a state-sponsored retirement plan for its employees in the PRC at a rate of 10% of the minimum salaries of its employees, and has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions. The relevant government agency is responsible for the entire pension obligation payable to all retired employees.

The Group contributed 6.2% of the basic salaries of its employees to the federal government of the United States of America for social security purposes, and has no further obligations for the actual pension payments or post-retirement benefits beyond its contributions.

## 21. RELATED PARTY TRANSACTIONS

During the year, the Group had the following significant transactions with related parties:

	2004 HK\$'000	2003 HK\$'000
Datatronics Romoland Inc. (“DRI”) *		
– Sales to DRI	38,985	21,679
– Reimbursement of expenses to DRI	3,110	4,347

\* Mr. Siu Paul Y., a director, has beneficial interest in DRI.

*Notes:*

- i) In the opinion of the directors, the above related party transactions are carried out in the usual course of business of the Group and on normal commercial terms.
- ii) At 31 December 2004, approximately HK\$5,770,000 (2003: HK\$10,056,000) of the Group’s trade receivables represented trade receivables from DRI.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

## 22. COMMITMENTS

### (a) Operating leases commitments

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating lease which fall due as follows:

	Land and buildings		Property, plant and equipment	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Within one year	–	808	90	90
In the second to the fifth year	–	320	218	308
	–	1,128	308	398

### (b) Other commitments

Effective from 1 January 2003, the Group entered into an agreement with an independent third party in the PRC (“the PRC party”), whereby the Group agreed to pay a fixed fee of approximately HK\$9,400 per month for management services provided by the PRC party to Datatronic (Shunde) Corporation (“DSC”), a subsidiary. Commitment payable amounted to approximately HK\$112,800 as at 31 December 2004 (2003: HK\$112,800).

## 23. POST BALANCE SHEET EVENT

On 22 April 2005, the Company’s directors proposed a final dividend of HK2.2 cents (2003: HK1.2 cents) per share, totalling HK\$7,040,000 (2003: HK\$3,840,000), in respect of the year ended 31 December 2004. The proposed dividend is subject to approval by the Company’s shareholders in the annual general meeting.

## 24. ULTIMATE PARENT ENTERPRISE

The directors consider Onboard Technology Limited, a company incorporated in the British Virgin Islands, to be the ultimate parent enterprise.

## 25. COMPARATIVE FIGURES

With a review of financial statements’ presentation, certain items in the financial statements were reclassified which would result in a more appropriate presentation of events or transactions. Accordingly, comparative figures have been reclassified to conform with the current year’s presentation.

31 December 2004

The consolidated income statements of the Group for the financial years 2000 to 2004 and the consolidated balance sheets of the Group as at 31 December 2000, 2001, 2002, 2003 and 2004 are as follows:

## RESULTS

	Year ended 31 December				
	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Turnover	242,130	163,986	115,381	144,654	184,490
Profit/(loss) from operations	49,906	25,903	(4,034)	24,268	45,133
Finance costs	(77)	(105)	(10)	–	–
Profit/(loss) before taxation	49,829	25,798	(4,044)	24,268	45,133
Taxation	(8,611)	(4,333)	262	(4,617)	(4,311)
Profit/(loss) before minority interests	41,218	21,465	(3,782)	19,651	40,822
Minority interests	(9)	38	43	–	–
Profit/(loss) attributable to shareholders	41,209	21,503	(3,739)	19,651	40,822

## ASSETS AND LIABILITIES

	At 31 December				
	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Total assets	179,400	228,093	203,868	206,831	241,962
Total liabilities	(37,562)	(24,108)	(27,465)	(29,920)	(33,224)
Minority interests	(38)	–	–	–	–
Shareholders' funds	141,800	203,985	176,403	176,911	208,738

*Note:*

Pursuant to a group reorganisation scheme in preparing for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited ("The Reorganisation"), the Company became the holding company of the Group on 6 June 2001. The summary of consolidated balance sheets and the consolidated income statements as at and for the year ended 31 December 2000 was prepared as if the current group structure had been in existence throughout that year.

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the annual general meeting of the Company will be held at Ground Floor, Function Room 1, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong on Thursday, 26 May 2005 at 3:00 p.m. for the following purposes:

1. To receive and consider the Audited Financial Statements for the year ended 31 December, 2004 and the Reports of the Directors and Auditors thereon.
2. To declare a final dividend.
3. To re-elect retiring directors, to grant power to the board of directors to appoint additional director(s) and to fix directors' remuneration.
4. To re-appoint auditors and to authorise the board of directors to fix their remuneration.
5. As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions of the Company:

A. **"THAT**

- (a) subject to paragraph (c) of this resolution, the exercise by the directors of the Company (the "Directors") during the Relevant Period (as defined below) of all the powers of the Company to issue, allot and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall be in addition to any other authorisation given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of shares issued, allotted, or dealt with by the Directors pursuant to the approval granted in paragraph (a) of this resolution, otherwise than the issue of shares by way of rights, scrip dividend schemes or similar arrangements in accordance with the Bye-laws of the Company or any options granted under the share option scheme of the Company, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company on the date of passing this Resolution, and the said approval shall be limited accordingly; and

- (d) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by Bermuda laws or the Bye-laws of the Company to be held; and
- (iii) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting.”

**B. “THAT**

- (a) subject to paragraph (b) of this resolution, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as defined below) of all the powers of the Company to repurchase issued shares in the capital of the Company in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of securities to be repurchased by the Company pursuant to the approval in paragraph (a) of this resolution shall not exceed 10% of the aggregate nominal amount of share capital of the Company in issue on the date of this resolution and the said approval shall be limited accordingly; and
- (c) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by Bermuda laws or the Bye-laws of the Company to be held; and

## NOTICE OF ANNUAL GENERAL MEETING

- (iii) the date on which the authority sets out in the Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting.”

- C. **“THAT** the general unconditional mandate granted to the directors of the Company to issue, allot and deal with shares pursuant to Ordinary Resolution No. 5A set out in the notice convening this meeting be and is hereby extended by addition thereto of an amount representing the aggregate nominal amount of the shares in the capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution No. 5B set out in the notice convening this meeting, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company on the date of passing this resolution.”

By order of the Board  
**LEUNG Sau Fong**  
*Company Secretary*

Hong Kong, 22 April 2005

*Notes:*

- i. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
- ii. To be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the branch share registrars of the Company in Hong Kong, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
- iii. The Register of Members of the Company will be closed from Monday, 23 May 2005 to Thursday, 26 May 2005 both dates inclusive, during which period no share transfers will be effected. To qualify for the final dividend and to attend the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong for registration not later than 4:00 p.m. on Friday, 20 May 2005. The cheques for dividend payment will be sent on about Monday, 6 June 2005.