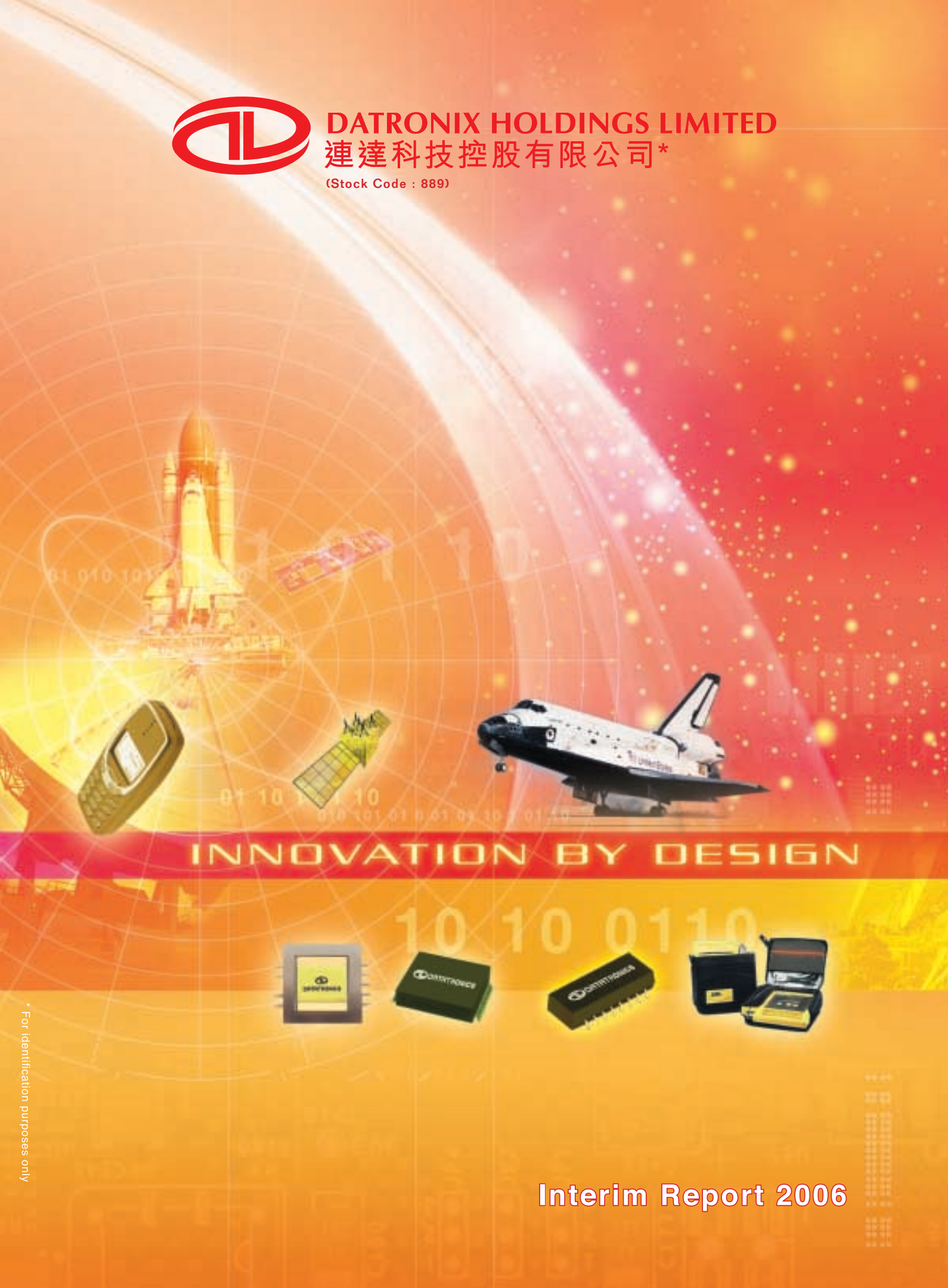




DATRONIX HOLDINGS LIMITED
連達科技控股有限公司*

(Stock Code : 889)



INNOVATION BY DESIGN



* For identification purposes only

Interim Report 2006

AWARDS



MEDTRONIC
"Supplier of the Year"



LUTRON
"Supplier of the Year"



LUTRON
"Customer Service"



MEDTRONIC
"Outstanding Performance"



DATAFORTH
"Vendor of the Year"



XICOM
"President's Award"



XICOM
"Outstanding Performance"



LUTRON
"Outstanding New Supplier"

Customer Recognition For Quality, Service, Value



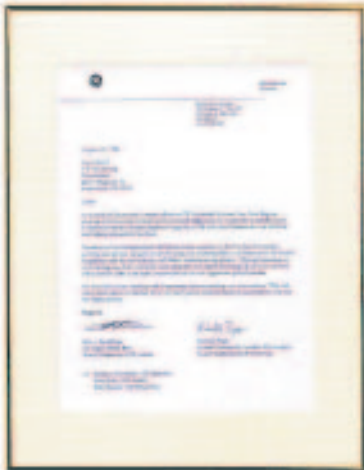
Polycom



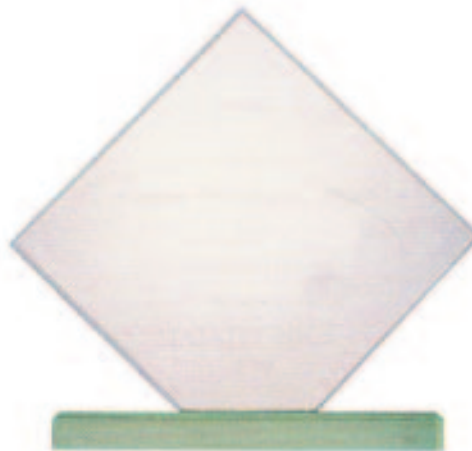
Ericsson



Milwaukee



**Preferred supplier
General Electric**



**Physio Control
(Div. of Medtronic)**



**Preferred supplier
Primex Aerospace**



Digital Equipment corp



Xerox



United Technologies

AWARDS



Xerox



Xerox



ICL/Fujitsu



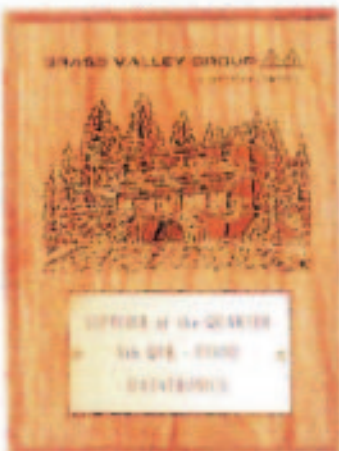
Xerox



Xerox



Xerox



Tektronix



Sola Electric



Tektronix

Customer Recognition For Quality, Service, Value



Honeywell



Honeywell



Harris



Honeywell



Honeywell



Delco



Honeywell



**Hughes Aircraft
General Motors**



IBM

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

SIU Paul Y.

alias Siu Paul Yin Tong (*Chairman*)

SHUI Wai Mei (*Vice Chairman*)

SHEUNG Shing Fai

SIU Nina Margaret

Independent Non-executive Directors

CHUNG Pui Lam

LAM Tak Shing

CHAN Fai Yue, Leo

AUDIT COMMITTEE

LAM Tak Shing

CHUNG Pui Lam

CHAN Fai Yue, Leo

REMUNERATION COMMITTEE

CHUNG Pui Lam

CHAN Fai Yue, Leo

SIU Paul Y.

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

GENERAL

The Group is principally engaged in the design, manufacture and sale of magnetics used in consumer electronics, data processing appliances and other electronics systems for coupling, isolation, filtering, interfacing and timing control applications. All of the Group's magnetics are sold under its own brandname "Datatronics". A majority of the Group's products are customized magnetics tailored-made according to the requirements and specifications of its customers. The Group also offered standard catalogue magnetics to its customers.

The Group focuses on the high-end segment of the magnetics industry. It has a customer base over 300 customers comprising manufacturers of telecommunication and data processing equipment, technology equipment, motor vehicles, military, aerospace and medical equipment.

The Group's world-class design and manufacturing capabilities, together with the breadth of its product offerings, provide her with a competitive advantage that enable her to anticipate and deliver highly customized solutions for their customers' product needs. In addition, their global presence enable them to participate in many relevant product and geographic markets and provide her with proximity to their global customer base.

The Group's Product Line

The Company designs and manufactures both standard and customized magnetic components in a large variety of products:

- Transformers
- Lan Filter Modules
- Digital Delay Modules
- Inductors / Chokes
- ASDL Transformer
- Planar Magnetics
- Magnetics for Aviation Applications
- Magnetic Components for DC / DC Converters
- Magnetics for Hybrid Network Assemblies
- Magnetics for Power Conversion
- Magnetics for Energy Savings
- Magnetics for Medical Devices / Equipment
- Magnetics for Internet Equipment
- Magnetics for Data Acquisition / Transmitter and Signal Conditioning

Markets Served

The Company's products to-day find application in a wide range of state-of-the-art electronic equipment that include the following:

- Telecommunications
- Communications
- Aerospace
- Instrumentation
- Industrial Equipment
- Computers & Networking
- Internet Equipment
- Medical Devices / Equipment
- Automotive
- U.S. Military Applications

The Group's products meet or exceed numerous performance, safety, quality specification and standard that include the following:

- | | |
|------------------|--------------------------------|
| • QS-9000 | • ISO 9001 and ISO 9002 |
| • CSA | • BABT |
| • IEC950 | • VDE |
| • UL | |

The Group also specializes in meeting the rigorous requirements of the U.S. Military and Space Programs:

- **MIL-T-27**
- **MIL-STD-981**
- **MIL-T-21038**
- **NASA Space Station Approved**

Achievements and Awards

In recognition of the quality and value of its products and of the Group's service and performance, the Group has to date received 35 awards from numerous customers, including the following recent awards in the first six months of Year 2006:

- Medtronic "Supplier of the Year" Award for Year 2006
- Lutron "Customer Service" Award for Year 2005
- Dataforth "Vendor of the Year" Award for Year 2005

The directors consider the followings to be the key factors contributing to the Group's success:

- the extensive experience and expertise of the Group's management team in the magnetics industry;
- its well-established business relationship with customers;
- its forefront technology and technical know-how to assist and bridge its customers to new technologies;
- its ability to satisfy customers' needs by offering customized products that meet their reliability, quality and delivery requirements;
- its logistic center located in Southern California, U.S. and Paris, France to support delivery and service to customers;
- the wide range of product it offers;
- "Just-in-time" delivery and "Ship-to-stock" Program certified with numerous key customers;
- its reputation for high quality and high reliability products;
- "One stop solution";
- capacity to grow due to more demands for high reliability products in U.S. and Europe;
- cost competitive;
- the barrier of entrance for competitors is very high; and
- its established relationship with major suppliers which enables the Group to obtain a stable supply of materials for the Group's products.

BUSINESS REVIEW

For the first six months ended 30 June 2006, the Group has record growth for both turnover and profit. The Group's revenue was approximately HK\$136.9 million which increased approximately 39% as compared to HK\$98.4 million of the same period last year. The Group has also reported a net profit attributable to shareholders of approximately HK\$38.44 million or HK12.01 cents per share with 32.7% increase as compared to approximately HK\$28.97 million or HK9.05 cents per share of the same period last year. The Group's sales increase was mainly driven by stronger growth in US market for military, aerospace applications, high reliability products, medical device/equipment and power conversion products. The directors believe that it is reflecting the continued success of the Group's efforts to design a new variety of customized magnetic components and its manufacturing efficiency.

The Group continues to believe a strong growth in its legacy customized military, aerospace applications, high reliability products, medical device/equipment and power conversion market. The Group remains optimistic about revenue growth and earnings for the rest of the year 2006 and in the future.

The Group continues to expand its technology and technical know-how to develop and redesign its existing products to create higher quality, more cost competitive components to assist and bridge its customers to new technology.

It is the Group's strategy and efforts to increase its market share and strengthen its market position through direct sales and representative forces. The directors believe that its aggressive cost-cutdown activities, high productivity, efficiency and technological know-how have positioned it very well in the future. The directors also believe that its cost structure will allow the Group to produce strong operating margin and create a more valuable enterprise for our shareholders.

The Group continues to invest in equipment and machinery to high automation in production to reduce manufacturing costs and to improve efficiency and productivity.

The Group is a world class supplier and has good reputation of its quality and outstanding performance in the industry. Datronix is a worldwide, award winning supplier to several well-known companies such as Ericsson, Lutron, Medtronic, Xerox and many others for "Supplier of the Year" and "Outstanding Performance Supplier" Awards in recognition of its quality, value, service and performance.

The board of directors (the “Board”) of Datronix Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2006 together with comparative figures in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006

	Note	Six months ended 30 June	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Turnover	3	136,919	98,410
Cost of sales		(70,819)	(48,854)
Gross profit		66,100	49,556
Other revenue		2,181	1,041
Distribution and selling expenses		(10,202)	(7,837)
Administrative expenses		(13,829)	(10,779)
Profit before taxation	4	44,250	31,981
Taxation	5	(5,807)	(3,015)
Profit attributable to shareholders		38,443	28,966
Interim dividend		11,840	9,600
Earnings per share	6		
– Basic		HK12.01 cents	HK9.05 cents
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2006

	Note	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	33,286	33,805
Lease premium for land and land use rights		20,538	20,709
		53,824	54,514
Current assets			
Inventories		72,378	61,515
Amount due from ultimate parent enterprise		13	13
Tax reserve certificates		13,624	13,624
Prepayments, deposits and other receivables		1,313	1,048
Trade receivables	8	62,437	47,022
Cash and bank balances		130,773	110,734
		280,538	233,956
LIABILITIES			
Current liabilities			
Trade payables	9	21,700	11,915
Other payables and accruals		7,502	5,054
Taxation payable		21,853	18,097
Dividend payable		1	–
		51,056	35,066
Net current assets		229,482	198,890
Total assets less current liabilities		283,306	253,404
Non-current liabilities			
Deferred taxation		2,794	2,794
NET ASSETS		280,512	250,610
CAPITAL AND RESERVES			
Issued capital	10	32,000	32,000
Reserves		248,512	218,610
		280,512	250,610

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 June 2006*

	Six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Net cash inflow from operations	28,605	20,795
Net cash from / (used in) investing activities	273	(1,865)
Net cash used in financing	(9,599)	(7,039)
Net increase in cash and cash equivalents	19,279	11,891
Effect of cumulative translation adjustment	760	(5)
Cash and cash equivalents at beginning of period	110,734	84,299
Cash and cash equivalents at end of period	130,773	96,185

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2006

	Issued Capital HK\$'000	Share premium HK\$'000	Capital Reserve HK\$'000	Property revaluation reserve HK\$'000	Cumulative translation adjustments HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2006	32,000	57,099	(23,724)	10,503	(1,031)	175,763	250,610
Dividends paid	-	-	-	-	-	(9,600)	(9,600)
Translation adjustments	-	-	-	-	1,059	-	1,059
Net profit for the period	-	-	-	-	-	38,443	38,443
At 30 June 2006	32,000	57,099	(23,724)	10,503	28	204,606	280,512
At 1 January 2005	32,000	57,099	(23,724)	9,326	(1,033)	131,603	205,271
Dividends paid	-	-	-	-	-	(7,040)	(7,040)
Translation adjustments	-	-	-	-	1	-	1
Net profit for the period	-	-	-	-	-	28,966	28,966
At 30 June 2005	32,000	57,099	(23,724)	9,326	(1,032)	153,529	227,198

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" and other relevant HKASs, Interpretations and Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and basis of preparation adopted in these condensed consolidated interim financial statements are consistent with those adopted in the Company's 2005 Annual Report except as described below.

2. Accounting policies

In the current period, the Group has adopted, for the first time, the new or revised Hong Kong Financial Reporting Standards ("new HKFRSs"), which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by HKICPA, that are effective for accounting periods beginning on 1 January 2006 and which are relevant to its operations. The adoption of the new HKFRSs has no significant impact on these condensed consolidated interim financial statements.

The following new/revised standards and interpretations have been issued but not yet effective for the current accounting period. The Group has already commenced an assessment of the impact of these new/revised standards and interpretations but is still not in a position to state whether these new/revised standards and interpretations would have a significant impact on its results of operations and financial position.

	Effective for accounting period beginning on or after
HKAS 1 Amendment, Capital disclosures	1 January 2007
HKFRS 7 Financial instruments: disclosures	1 January 2007
HK(IFRIC)-Int 7, Applying the restatement approach under HKAS 29, financial reporting in hyperinflationary economies	1 March 2006
HK(IFRIC)-Int 8, Scope of HKFRS 2	1 May 2006
HK(IFRIC)-Int 9, Reassessment of embedded derivatives	1 June 2006

3. Turnover and segment information

The Group is principally engaged in the design, development, manufacture and sale of magnetic commonly used in consumer electronics, telecommunication equipment, data processing appliances and other electronics systems for coupling, isolation, filtering, interfacing and timing control appliances. No business segment analysis is presented as there is only one business segment.

The following is an analysis of the Group's turnover by geographical locations where merchandise is delivered:

	Six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
United States of America (the "US")	113,364	75,872
Europe	17,451	18,649
Hong Kong	3,181	2,790
Southeast Asia (excluding Hong Kong)	2,923	1,099
	<u>136,919</u>	<u>98,410</u>

No analysis of profit attributable to shareholders by geographical locations is presented as they were generally in line with the distribution of turnover as set out above.

4. Profit before taxation

Profit before taxation is stated after crediting and charging the following:

	Six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
Crediting:		
Reversal of write-down of inventories	1,747	10
Charging:		
Cost of inventories sold (excluding reversal of write-down of inventories)	72,566	48,864
Depreciation and amortization	2,202	2,090
	<u></u>	<u></u>

5. Taxation

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

	Six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
Hong Kong profits tax	3,461	2,435
Overseas taxation	2,346	580
	5,807	3,015

Hong Kong profits tax was calculated at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in or derived from Hong Kong during the period. Overseas taxation was calculated at the rates applicable in the respective jurisdictions.

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

	Six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
Profit before taxation	44,250	31,981
Effect of tax at Hong Kong profits tax rate of 17.5% (2005: 17.5%)	7,744	5,597
Income that are not taxable	(3,740)	(3,139)
Tax losses not recognised	412	167
Others	1,391	390
	5,807	3,015

6. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2006 was based on the profit attributable to shareholders of approximately HK\$38,443,000 (six months ended 30 June 2005: HK\$28,966,000) and on the weighted average number of 320,000,000 (2005: 320,000,000) shares in issue during the period.

Diluted earnings per share is not presented as there was no dilutive potential ordinary shares in existence during the period (2005: Nil).

7. Property , plant and equipment

The total cost of additions to property, plant and equipment of the Group during the six months ended 30 June 2006 was HK\$1,219,000 (2005: HK\$2,595,000). There were no material disposals and write-offs of fixed assets during the six months ended 30 June 2006 and 30 June 2005.

8. Trade receivables

Customers are usually offered a credit period ranging from 30 days to 90 days. The ageing analysis of trade receivables after provision is as follows:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
0 to 30 days	26,341	22,813
31 to 60 days	13,672	13,728
61 to 90 days	11,411	9,801
Over 90 days	11,013	680
	62,437	47,022

9. Trade payables

The ageing analysis of trade payables is as follows:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
0 to 30 days	10,216	6,108
31 to 60 days	5,919	3,546
61 to 90 days	4,196	1,912
Over 90 days	1,369	349
	21,700	11,915

10. Share capital

	Number of shares	Amount HK\$'000
Authorised ordinary shares of HK\$0.1 each		
At 1 January 2006 and 30 June 2006	1,000,000,000	100,000
Issued and fully paid ordinary shares of HK\$0.1 each		
At 1 January 2006 and 30 June 2006	320,000,000	32,000

11. Related party transactions

During the six months ended 30 June 2006, the Group's sales to Datatronics Romoland, Inc., a company in which Mr. Siu Paul Y., a director, has beneficial interest, amounted to HK\$48,363,000 (2005: HK\$34,000,000). The transactions constituted a continuing connected transaction under Chapter 14A of the Listing Rules and were carried out in the ordinary course of business and on normal commercial terms.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2006, the Group recorded a turnover of HK\$136.9 million which represented a growth of approximately 39% or HK\$38.5 million as compared to HK\$98.4 million of the corresponding period of 2005. There is strong growth in military and high reliability, telecommunications and technology equipment products markets, especially in the US. The US market remains the largest market of the Group, which contributed over 80% of the Group's turnover for the half year ended 30 June 2006.

For the period under review, the Group reported a profit attributable to shareholders and earnings per share of approximately HK\$38.4 million and HK12.01 cents respectively as compared to HK\$29 million and HK9.05 cents for the corresponding period in 2005. The significant improvement in operating results was largely due to the growth in turnover and improvement in operational efficiency and higher productivity.

Liquidity , Financial Resources and Capital Structure

As at 30 June 2006, the Group had a total shareholder's equity of approximately HK\$280.5 million (31 December 2005: HK\$250.6 million), and cash and cash equivalents of approximately HK\$130.8 million (31 December 2005: HK\$110.7 million), which were predominately denominated in US and Hong Kong dollars.

For the six months ended 30 June 2006, 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 six months ended 30 June 2006.

Capital expenditure for the period under review amounted to approximately HK\$1.2 million (2005: HK\$2.6 million).

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

Employees and Remuneration Policies

As at 30 June 2006, the Group employed approximately 1,930 personnel around the world, with approximately 110 in Hong Kong, 1,800 in the People's Republic of China 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.

Contingent Liabilities

There is no contingent liability as at 30 June 2006 (31 December 2005: HK\$Nil).

Capital Commitments

The Group has no material capital commitments as at 30 June 2006 (31 December 2005: HK\$Nil).

Outlook

Building on 39% growth in turnover in the first half of 2006, it is expected that the momentum will continue in the second half of the year.

The Group is committed to improving its production facilities to increase production efficiency and expanding its production capability to cope with increasing demand.

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

OTHER INFORMATION

Directors' Interests in Shares

As at 30 June 2006, 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:

Long positions

(a) The Company

	Ordinary shares of HK\$0.1 each			Total
	Personal interests	Family interests	Corporate interests	
Mr. Siu Paul Y.	–	–	233,000,000 (Note 1)	233,000,000

(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 (Note 2)	200,000

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 owns 90% and 10% of its issued share capital respectively, representing 72.8% 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 executive of the Company or their respective associates in the shares, underlying shares and debentures 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 30 June 2006, 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.

Substantial Shareholders

As far as is known to any director or chief executive of the Company, as at 30 June 2006, 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

Shareholder	Capacity	No. of shares held	% of issued share capital of the Company
INVESCO Hong Kong Limited	Manager or Adviser of various accounts	16,100,000	5.03

Save as disclosed above, as at 30 June 2006, the Company has not been notified by any persons (other than 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.

Interim Dividend

At the board meeting held on 5 September 2006, the Board have resolved to declare an interim dividend of HK3.7 cents (2005: HK3 cents) per share, totaling HK\$11,840,000 (2005: HK\$9,600,000) in respect of the six months ended 30 June 2006 to shareholders whose names appear on the register of members of the Company on Monday, 25 September 2006.

Close of Register of Members

The register of members of the Company will be closed from Thursday, 21 September 2006 to Monday, 25 September 2006, both dates inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with Hong Kong Registrars Limited, the Company's branch share registrars in Hong Kong, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on Wednesday, 20 September 2006. The cheques for dividend payment will be sent on about Wednesday, 4 October 2006.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2006.

Audit Committee

The audit committee has reviewed the unaudited interim financial statements and discussed with the Board the financial reporting process and internal control system of the Group.

Corporate Governance

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the accounting period covered by the interim report, except for the following deviations:

Code Provision A.2.1

Under the provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of chairman and chief executive officer of the Company have been performed by Mr. Siu Paul Y.. The Board considered that the non-segregation has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently.

Code Provision A.4.1

The non-executive directors were not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Bye-laws of the Company.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. All directors have confirmed, following specific enquiry of all directors, that they have fully complied with the required standard set out in the Model Code throughout the period under review.

By order of the Board

SIU Paul Y.

Chairman

Hong Kong, 5 September 2006