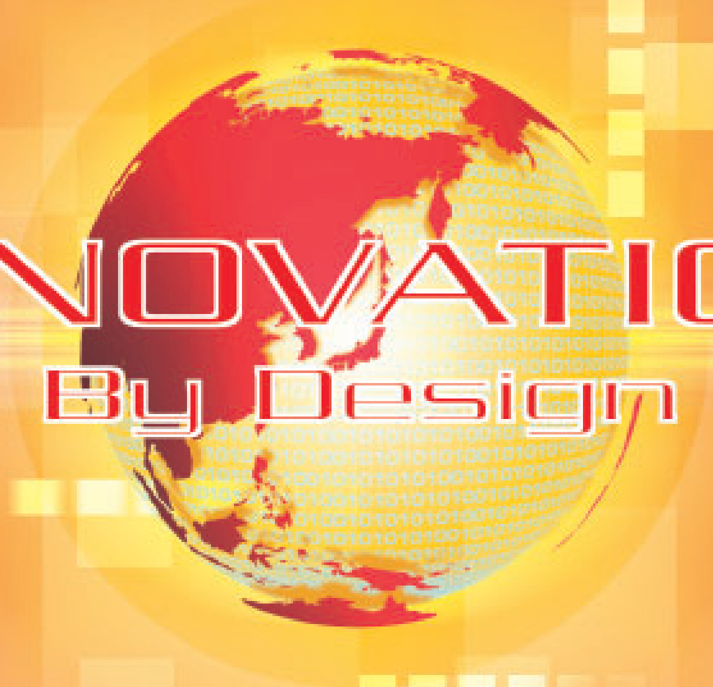
DATRONIX HOLDINGS LIMITED
連達科技控股有限公司*
(Stock Code: 889)



INNOVATION
By Design

Annual Report 2007

* For identification purposes only

AWARDS

MEDTRONIC
"Supplier of the Year"

LUTRON
"Customer Service"

XICOM
"Outstanding Performance"

LUTRON
"Outstanding New Supplier"

MEDTRONIC
"Outstanding Performance"

MICRO SYSTEMS ENGINEERING
"Special Recognition Award"

LUTRON
"Supplier of the Year"

DATAFORTH
"Vendor of the Year"

XICOM
"President's Award"

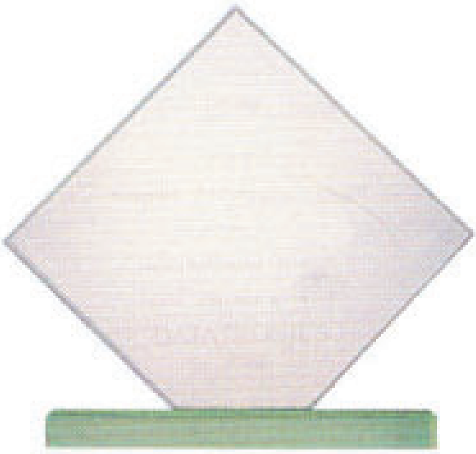
Customer Recognition For Quality, Service, Value

Polycom

Ericsson

Milwaukee

Preferred supplier
General Electric



Physio Control
(Div. of Medtronic)

Preferred supplier
Primex Aerospace

Digital Equipment corp

Xerox

United Technologies

AWARDS

Xerox

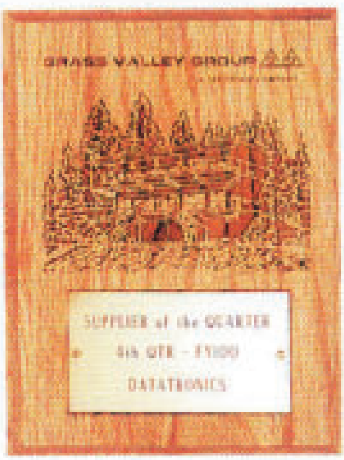
Xerox

ICL/Fujitsu

Xerox

Xerox

Xerox



Tektronix

Sola Electric

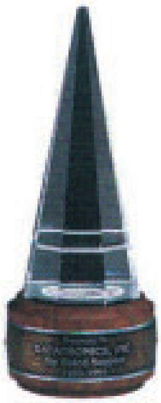
Tektronix

Customer Recognition For Quality, Service, Value

Honeywell

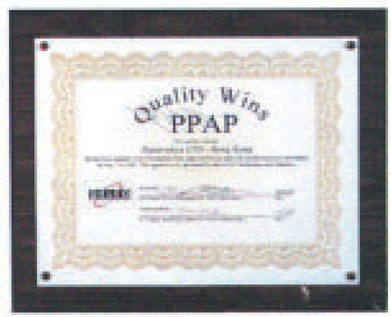
Honeywell

Harris



Honeywell

Honeywell



Delco

Honeywell

Hughes Aircraft
General Motors

IBM

CONTENTS

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

Non-executive Director

SIU Ronald

Independent Non-executive Directors

CHUNG Pui Lam
LAM Tak Shing, Harry
CHAN Fai Yue, Leo

AUDIT COMMITTEE

LAM Tak Shing, Harry
CHUNG Pui Lam
CHAN Fai Yue, Leo

REMUNERATION COMMITTEE

CHUNG Pui Lam
CHAN Fai Yue, Leo
SIU Paul Y.

QUALIFIED ACCOUNTANT

CHEUNG Wa Ying

COMPANY SECRETARY

LEUNG Sau Fong

AUTHORISED REPRESENTATIVES

SIU Paul Y.
SHEUNG Shing Fai

AUDITORS

CCIF CPA Limited
20/F Sunning Plaza
10 Hysan Avenue
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

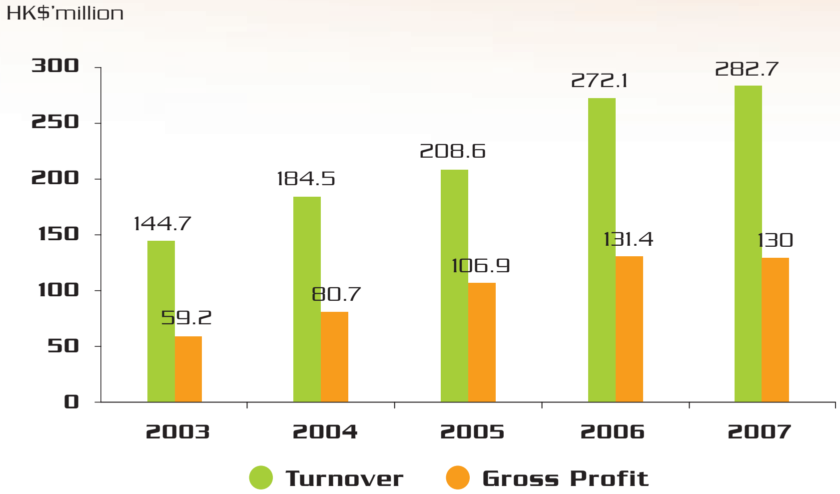
PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Bank of Communications

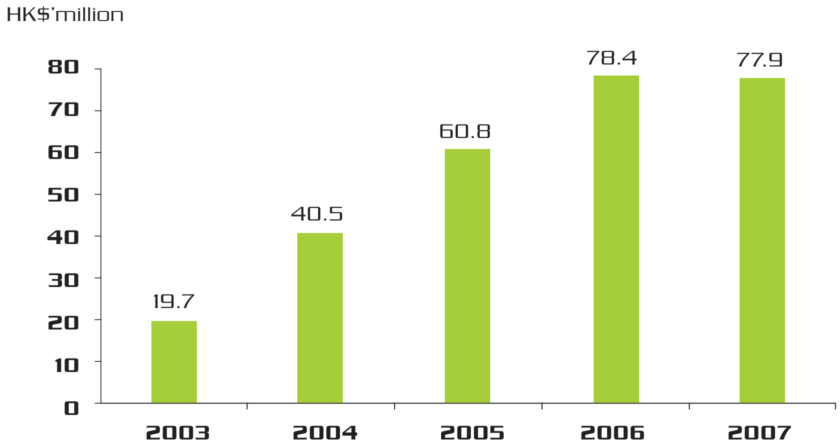
WEBSITE

www.datronixhldgs.com.hk

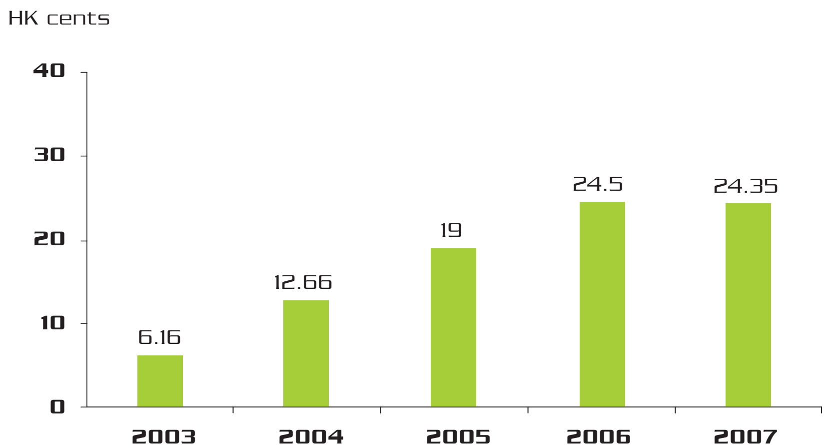
Turnover / Gross Profit



Profit attributable to equity shareholders

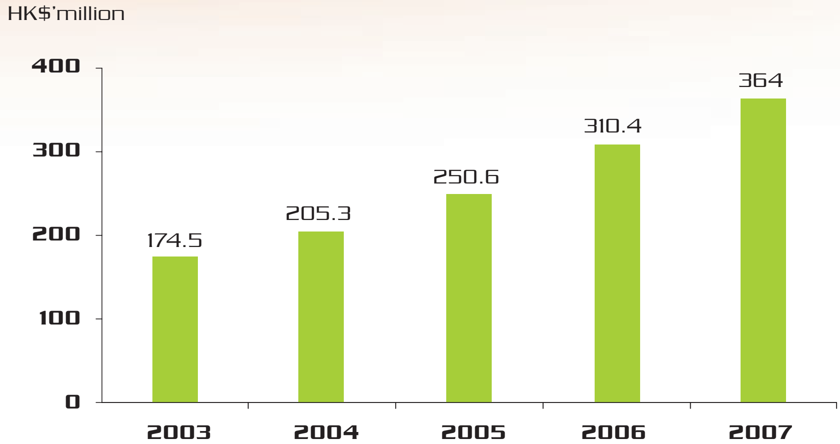


Earnings Per Share

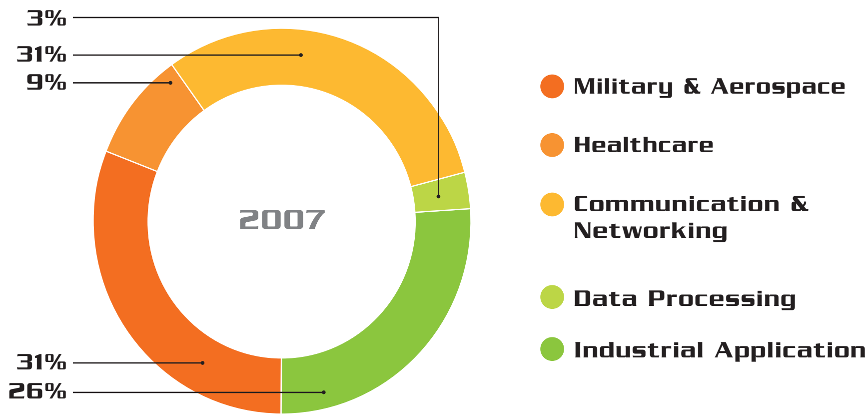


FINANCIAL HIGHLIGHTS

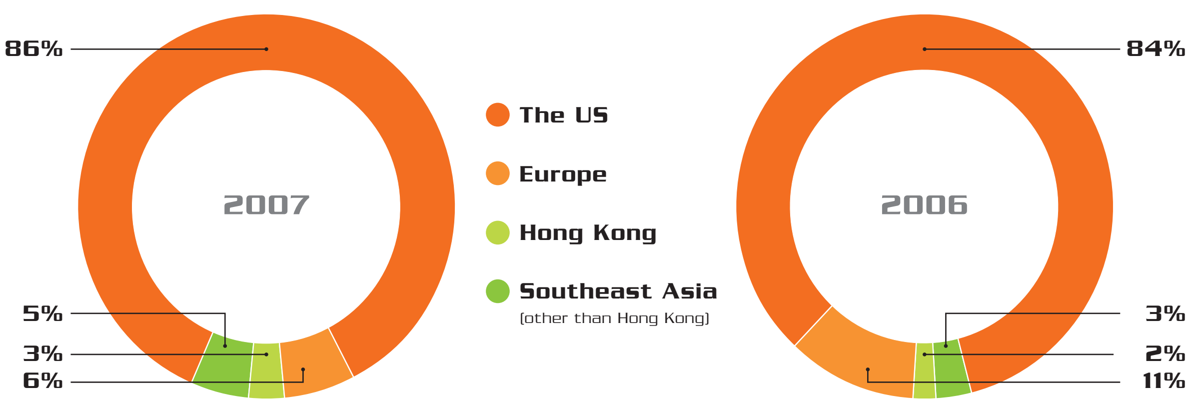
Net assets



Market



Geographical destination of products



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
- CSA
- IEC950
- UL
- ISO 9001 and ISO 9002
- BABT
- VDE

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

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

Year 2007 has been a challenging year for Datronix. Rejoiced by a consecutive five year growth in sales, Datronix reported sales of HK$282.7 million as of 31 December 2007, an increase of 3.9% from year 2006, a six year consecutive growth. Profit attribute to equity shareholders reported HK$77.9 million in 31 December 2007, compared to HK$78.4 million in 31 December 2006. The Group remains strong in its cash position at HK$214.5 million and maintained a healthy balance sheet with no long term debt being issued. Finally, the Group is proud to receive the first Supplier Excellence Award in Technology and Operations presented by Micro Systems Engineering, Inc., a division of Biotronix, in 2007.

The Group's challenges become more prominent as the new labor law being enforced in China and inflation impacted. Enhanced automation in production to alleviate the number of workers, but the wages increased as much faster pace than anticipated, as coupled by the appreciation of Renminbi. Facing unresolved electricity shortage supply, along with the winter storm encountered earlier this year which aggregated the situation in the Guangzhou province, the Group decided to suspend the factory expansion. Inflation also drove material prices up and affected our production costs. The cost of raw materials such as copper and iron is also a concern. Thanks to the efforts in the past years to streamline operations using lean manufacturing practices which improved our past operating profit performance and has helped us weather the substantial cost increase for the past years.

During the past years, we continued to make progress on many areas to maintain our position in the challenging environment. High quality customer service has long been a hallmark for Datronix. We continued to strengthen our staff support functions to collaboratively implement business and technical solutions, flexibility and responsiveness, efficiency and effectiveness.

Leveraging technologies and operational synergies across Datronix allows us to deliver better customer solutions, while improving productivity and financial performance.

MARKET REVIEW

Communication and Networking

For the year ended 2007, Communication and Networking segment contributed HK$86.7 million of sales, compared to HK$86 million for year ended 2006. Customers in this segment mostly experienced down or flat sales for the year, while it was offset by the demand of DC-DC converter business as new product introduction still well received. This segment contributed 31% of the Group's total sales.

Data Processing

The Data Processing segment reported sales of HK$9.8 million as of year 2007, compared to HK$13.2 million for year 2006. This segment is a cyclical segment and expands or declines with the economy. The consumer spending affected our customer, thus driving our sales down in this segment. This segment contributed 3% of the Group's total sales.

Industrial Application

Industrial Application segment enjoys a 16% increase of sales to HK$73.5 million for the year ended 2007 from HK$63.4 million for year ended 2006. The growth is due to sustainable organic growth for new and current projects; whereas this segment is less vulnerable to the economy. This segment contributed 26% of the Group's total sales.

High Reliability Segment

This segment demands precise technology and advance workmanship by the Group end customers, and applied to military, aerospace and healthcare industry applications. For year ended 2007, consolidated sales for the three industries was HK$112.7 million and consolidated sales for the three industries generated HK$109.5 million for year ended 2006. The High Reliability segment contributed 40% of the Group sales.

Military and Aerospace

Sales generated by military and aerospace were HK$86.5 million for 2007. This segment sales performance was mixed due to growing demand on commercial jet and business jet markets have buoyed sales of aircraft parts; while offset by modest military spending budgets of the US Government.

Healthcare

This segment involves applications in medical and healthcare devices. Total sales as of 31 December 2007 sector was HK$26.2 million. Sales growth was hindered due to one of the customers' end products recall and affected our regular production in 2007.

ACHIEVEMENT AND AWARDS

In recognition of the quality, value of its products and of the Group's service and performance, the Group has to date received 36 awards from customers including the newly received Supplier Excellence Award in Technology and Operations presented by Micro System Engineering, Inc. in 2007.

LOOKING AHEAD

Challenges experienced in 2007 may continue in 2008; as soaring material prices, tightening labor regulations, and softening global economy. The Group views this as an opportunity, given our strong customer based, quality products delivered, and innovative technology as an integral part of our advanced solution. We believe our competitive advantage can alleviate the effect of all the external factors stated.

Quality is at the core of everything we do at Datronix. As we design and manufacture products, service the need of our customers, we continually raise our standard of performance. Inside the Group, quality remains the first agenda item for all executives across the Group. The Group believes the enhanced quality scorecards let us sustain our position within the industry in manufacturing precise products in the future.

Finally, we want to gain acknowledge and express appreciation for the ongoing support from Datronix's employees, customers and shareholders.

SIU Paul Y.
Chairman

Hong Kong, 11 April 2008

FINANCIAL REVIEW

The Group delivered a stable earnings result for year ended 2007. Turnover reached HK$282.7 million as at 31 December 2007 (2006: HK$272.1 million).

Gross profit in 31 December 2007 was HK$130 million with gross margin representing 46%, compared to HK$131.4 million with gross margin representing 48.3% for the same period last year. Profit recorded HK$77.9 million and HK$78.4 million for the year ended 2007 and 2006 respectively. Net profit margin was 27.6% in 31 December 2007, compared to 28.8% in 31 December 2006. The slight decrease in profit margin was due to rising costs of material and labor.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2007, the Group had a total equity of approximately HK$364 million (2006: HK$310.4 million), and cash and cash equivalents of approximately HK$214.5 million (2006: HK$155.1 million), which were predominately denominated in US dollars and Renminbi.

For the year ended 31 December 2007, 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 2007.

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 2007, the Group employed approximately 1,310 personnel around the world, with approximately 110 in Hong Kong, 1,180 in the PRC and 20 overseas. The Group has a staff education sponsorship program and also provides training courses to staff on operation 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 2007 (2006: HK$ Nil).

CAPITAL COMMITMENTS

The Group's capital commitment as at 31 December 2007 and contracted but not provided for in the financial statement is approximately HK$0.4 million (2006: HK$ Nil).

PROSPECTS

Looking ahead, 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.

EXECUTIVE DIRECTORS

Mr. Siu Paul Y. alias, Siu Paul Yin Tong, aged 67, 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 more than 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 62, 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 59, 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.

Ms. Siu Nina Margaret, aged 31, is an executive director of the Company. Ms. Siu holds a MBA degree with emphasis on Finance and Certificate in International Business in Loyola Marymount University and a bachelor degree of arts with major in business economics from the University of California, Los Angeles in the US. She has more than 3 years experience in the US syndication loan market on major listed companies in the US. Ms. Siu is responsible for the finance and marketing of the Group. Ms. Siu joined the Group in May 2000 and was re-designated from non-executive director to executive director of the Company on 7 July 2005. Ms. Siu is the daughter of Mr. Siu Paul Y..

NON-EXECUTIVE DIRECTOR

Mr. Siu Ronald, aged 24, is a non-executive director of the Company. He holds a bachelor degree of science in business administration with Cum Laude (Honors) from the University of Southern California in the US. He has working experience in the field of financial markets. Mr. Siu Ronald is the son of Mr. Siu Paul Y. and was appointed as a non-executive director in April 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chung Pui Lam, SBS, OBE, JP, aged 67, was appointed as an independent non-executive director of the Company in March 2001. He is a practicing solicitor in Hong Kong. Mr. Chung is serving on several advisory committees of the government of the HKSAR. Mr. Chung is also an independent non-executive director of S E A Holdings Limited and a non-executive director of Chow Sang Sang Holdings International Limited.

Mr. Lam Tak Shing, Harry, aged 47, 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 67, 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 Prosperity Investment Holdings Limited, both are companies listed on The Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

Mr. Fu Wing Wai, Rex, aged 48, is the Quality Assurance Manager of the Group. He is responsible for quality control and assurance, quality and environment system of the Group in Hong Kong and PRC. Mr Fu holds a postgraduate diploma in Total Quality Management from the University of Hull (UK) and is the member of Chartered Quality Institute. Mr Fu who joined the Group in 2007 has over 20 years of working experience in quality control of manufacturing industry.

Mr. Wong Ning, aged 58, 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 50, is the Sales Vice President 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 59, 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. Cheung Wa Ying, aged 33, is the Financial Manager of the Group. She is responsible for all finance and accounting functions of the Group. Ms. Cheung obtained a bachelor degree in accountancy from the City University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institutes of Chartered Secretaries. Ms. Cheung joined the Group in 2006. Prior to joining the Group, Ms. Cheung has over 8 years of experience in auditing, accounting, financial analysis and taxation matters.

Mr. Tam Chun Cheung, aged 59, 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.

REPORT OF THE DIRECTORS

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 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 15 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	28%	
Five largest customers in aggregate	76%	
The largest supplier		7%
Five largest suppliers in aggregate		10%

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 6 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 30.

The state of affairs of the Group and the Company as at 31 December 2007 are set out in the consolidated balance sheet on page 31 and the balance sheet on page 32 respectively.

The directors recommend the payment of a final dividend of HK$0.048 (2006: HK$0.043) per share, totalling HK$15,360,000 (2006: HK$13,760,000) for the year ended 31 December 2007.

FINANCIAL SUMMARY

A summary of the results of the Group for each of the five years ended 31 December 2007 and of the assets and liabilities as at 31 December 2003, 2004, 2005, 2006 and 2007 is set out on page 81.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 13 to the financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2007 are set out in note 15 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 22 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 33 and 76, respectively.

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
Ms. Siu Nina Margaret

Non-executive director

Mr. Siu Ronald (Appointed on 23 April, 2007)

Independent non-executive directors

Mr. Chung Pui Lam
Mr. Lam Tak Shing, Harry
Mr. Chan Fai Yue, Leo

In accordance with Bye-laws 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.

Amongst the executive directors, Mr. Siu Paul Y., Ms. Shui Wai Mei and Mr. Sheung Shing Fai have each entered into a service contract with the Company for an initial fixed term of three years commencing from 22 June 2001 while Ms. Siu Nina Margaret has entered into a service contract with the Company for an initial fixed term of three years commencing from 7 July 2005. Such contracts will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of these directors is entitled to a basic salary, which is determined on the basis of his/her qualification, experience, involvement in and contribution to the Company and by reference to the market rate (subject to annual increment of not more than 15% of the annual salary of the relevant directors immediately prior to such increase).

DIRECTORS (Continued)

In addition, the executive directors are also entitled to a management bonus of a sum at the discretion of the directors, provided that the aggregate amount of management bonuses payable to all the executive directors shall not be more than 5% of the audited consolidated or combined net profit of the Group (after taxation and minority interest and the payment of such bonus but excluding extraordinary and exceptional items) in respect of each financial year of the Company. An executive director may not vote on any resolution of the directors regarding the amount of the management bonus payable to him.

Save as aforesaid, none of the directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer 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 25 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 2007, 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			
	Personal interests	**Family interests**	**Corporate interests**	**Total**
Mr. Siu Paul Y.	–	–	233,000,000 *(Note 1)*	233,000,000

b) Associated corporation

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

DIRECTORS' INTERESTS IN SHARES (Continued)

Notes:

1. 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 72.8% of the issued share capital of the Company.

2. 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 2007, 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 at 31 December 2007, 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 25 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 3rd Master Supply Agreement on 1 August 2005 ("the 3rd Master Supply Agreement") which superseded the 2nd Master Supply Agreement dated 7 April 2004 in respect of the supply of magnetics to DRI by DL.

The 3rd Master Supply Agreement for a fixed term of three years from 1 January 2005 and on effectively the same terms and conditions of the Master Supply Agreement and the 2nd Master Supply Agreement, was entered into on 1 August 2005 superseding the 2nd Master Supply Agreement until terminated by either party giving to the other party not less than three months' written notice. Pursuant to the 3rd 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 2007 was approximately HK$79,069,000 (2006: HK$81,724,000).

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.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices ("the Code") as set out in Appendix 14 to the Listing Rules throughout the accounting period covered by the annual 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.

Code Provision A.4.2

Under the provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the Bye-laws of the Company, the chairman of the Company will not be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, as at the date of this report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

AUDITORS

The financial statements have been audited by CCIF CPA Limited. A resolution for their reappointment 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, 11 April 2008

CORPORATE GOVERNANCE REPORT

The board has adopted the code provisions set out in the Code of Corporate Governance Practices ("the Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"), which become effective on 1 January 2005. The Company has applied the principles and complied with the requirements of the Code, except for certain deviations in respect of the service term and rotation of directors.

DIRECTORS' SECURITIES TRANSACTIONS

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 year.

THE BOARD

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances.

During the year, five board meetings were held and the attendance of each director is set out as follows:

Directors	Number of attendance
Mr. Siu Paul Y.	5/5
Ms. Shui Wai Mei	5/5
Mr. Sheung Shing Fai	5/5
Ms. Siu Nina Margaret	5/5
Mr. Chung Pui Lam	5/5
Mr. Lam Tak Shing, Harry	5/5
Mr. Chan Fai Yue, Leo	5/5
Mr. Siu Ronald (Appointed on 23 April 2007)	1/2

During the year, one Independent Board Committee meeting was held. The attendance of each member is set out as follows:

Directors	Number of attendance
Mr. Chung Pui Lam	1/1
Mr. Lam Tak Shing, Harry	1/1
Mr. Chan Fai Yue, Leo	1/1

Board Minutes are kept by the Company Secretary and are sent to the Directors for records.

Each board member is entitled to have access to board papers and enable, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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.

BOARD COMPOSITION

The Board comprises four Executive Directors, being Mr. Siu Paul Y. (Chairman), Ms. Shui Wai Mei (Vice Chairman), Mr. Sheung Shing Fai and Ms. Siu Nina Margaret, one Non-executive Director, being Mr. Siu Ronald, and three Independent Non-executive Directors, being Mr. Chung Pui Lam, Mr. Lam Tak Shing, Harry and Mr. Chan Fai Yue, Leo.

The Independent Non-executive Directors of the Company are persons with academic and professional qualifications in the fields of accounting, law and business management. They provide strong support towards the effective discharge of the duties and responsibilities of the board. Each Independent Non-executive Director gives an annual confirmation of his independence to the Company and the Company considers these directors to be independent under Rule 3.13 of the Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The non-executive directors were not appointed for specific terms but 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.

According to the provisions of the Bye-laws of the Company, any director appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election. Furthermore, at each annual meeting one-third of the directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything herein, the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company comprises an Executive Director, Mr. Siu Paul Y. and two Independent Non-executive Directors, Mr. Chung Pui Lam and Mr. Chan Fai Yue, Leo. Mr. Chung Pui Lam is the Chairman of the Remuneration Committee.

During the year, one Remuneration Committee meeting was held. The attendance of each member is set out as follows:

Directors	**Number of attendance**
Mr. Siu Paul Y.	1/1
Mr. Chung Pui Lam	1/1
Mr. Chan Fai Yue, Leo	1/1

The major roles and functions of the Remuneration Committee are summarized as follows:

1. To make recommendations with respect to the remuneration of the Executive Directors and the senior management of the Company; and

2. To review the remuneration package and recommend salaries, bonuses, including the incentive awards for Directors and senior management.

During the year, the Remuneration Committee has reviewed and recommended to the board the overall remuneration policy for the directors and key senior management.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. In preparing the accounts for the year ended 31 December 2007, the directors have adopted suitable accounting polices which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three Independent Non-executive Directors. Mr. Lam Tak Shing, Harry is the Chairman of the Audit Committee.

The Audit Committee shall meet at least twice a year. The minutes of the Audit Committee meetings were kept by the Company Secretary. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

The attendance of each member of Audit Committee is set out as follows:

Director	**Number of attendance**
Mr. Chung Pui Lam	2/2
Mr. Lam Tak Shing, Harry	2/2
Mr. Chan Fai Yue, Leo	2/2

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2007.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the Company's auditors, Messrs. CCIF CPA Limited, is set out as follows:

Services rendered	**Fees paid/payable**
	HK$'000
Audit services	430
Non-audit services:	
Review on preliminary result announcement	8

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for overseeing the Company's system of internal control.

To facilitate the effectiveness and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group emphasizes on the importance of a sound internal control system which is also indispensable for mitigating the Group's risk exposures. The Group's system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfilment of the business objectives.

The internal control system is reviewed by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The Board is satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory.

The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the Audit Committee and the Board.

The Board has conducted review of the effectiveness of the system of internal control and is of the view that the system of internal control adopted for the year ended 31 December 2007 is sound and is effective to safeguard the interests of the shareholders' investment and the Company's assets.

COMMUNICATION WITH SHAREHOLDERS

The Chairman of the Board has attended at the annual general meeting to be available to answer questions at the meeting.

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 Tuesday, 3 June 2008 at 3:30 p.m. for the following purposes:

1. To receive and consider the Audited Financial Statements for the year ended 31 December, 2007 and the Reports of the Directors and Auditors thereon.

2. To declare a final dividend.

3. To re-elect retiring directors 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

(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, 30 April 2008

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, Wan Chai, 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 Thursday, 29 May 2008 to Tuesday, 3 June 2008 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 4:30 p.m. on Wednesday, 28 May 2008. The cheques for dividend payment will be sent on about Monday, 16 June 2008.

CCIF
CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
DATRONIX HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Datronix Holdings Limited (the "company") set out on pages 30 to 80, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors of the company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Auditor's Responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2007 and of the group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong,
11 April 2008

Kwok Cheuk Yuen
Practising Certificate Number P02412

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Turnover	5	282,655	272,131
Cost of sales		(152,612)	(140,758)
Gross profit		130,043	131,373
Other revenue	5	8,179	4,919
Distribution and selling expenses		(19,951)	(19,874)
Administrative expenses		(28,799)	(28,336)
Profit before taxation	7	89,472	88,082
Income tax	8	(11,550)	(9,681)
Profit attributable to the equity shareholders of the company	9	77,922	78,401
Dividends payable to equity shareholders of the company attributable to the year:	10		
Interim dividend declared during the year		13,440	11,840
Final dividend proposed after the balance sheet date		15,360	13,760
		28,800	25,600
Earnings per share	11		
– Basic		HK24.35 cents	HK24.50 cents
– Diluted		N/A	N/A

The notes on pages 36 to 80 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	36,788	36,206
Lease premium for land	14	19,398	19,771
		56,186	55,977
CURRENT ASSETS			
Lease premium for land	14	558	521
Inventories	16	77,425	83,488
Amount due from ultimate parent enterprise	17	18	13
Tax reserve certificates	27	13,624	13,624
Prepayments, deposits and other receivables		2,683	1,718
Trade receivables	18	36,913	46,900
Cash and cash equivalents	19	214,532	155,112
		345,753	301,376
CURRENT LIABILITIES			
Trade payables	20	14,303	16,769
Other payables and accruals		6,071	7,173
Taxation payable	8	14,301	19,814
		34,675	43,756
NET CURRENT ASSETS		311,078	257,620
TOTAL ASSETS LESS CURRENT LIABILITIES		367,264	313,597
NON-CURRENT LIABILITIES			
Deferred taxation	21	3,310	3,149
NET ASSETS		363,954	310,448
CAPITAL AND RESERVES			
Issued capital	22	32,000	32,000
Reserves	23	331,954	278,448
TOTAL EQUITY		363,954	310,448

Approved and authorised for issue by the board of directors on 11 April 2008.

On behalf of the board

Siu Paul Y.
Chairman

Shui Wai Mei
Vice Chairman

The notes on pages 36 to 80 form an integral part of these financial statements.

	Note	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	15	138,307	166,110
CURRENT ASSETS			
Prepayments, deposits and other receivables		88	82
Cash and cash equivalents	19	158	345
		246	427
CURRENT LIABILITIES			
Other payables and accruals		64	122
NET CURRENT ASSETS		182	305
NET ASSETS		138,489	166,415
CAPITAL AND RESERVES			
Issued capital	22	32,000	32,000
Reserves	23	106,489	134,415
TOTAL EQUITY		138,489	166,415

Approved and authorised for issue by the board of directors on 11 April 2008.

On behalf of the board

Siu Paul Y.
Chairman

Shui Wai Mei
Vice Chairman

The notes on pages 36 to 80 form an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Issued capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Property revaluation reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1/1/2006	32,000	57,099	(23,724)	10,503	(1,031)	175,763	250,610
– Increase in revaluation reserve, net of deferred tax	–	–	–	1,819	–	–	1,819
– Dividend paid (Note 10)	–	–	–	–	–	(21,440)	(21,440)
– Translation adjustments	–	–	–	–	1,058	–	1,058
– Profit for the year	–	–	–	–	–	78,401	78,401
At 31/12/2006	32,000	57,099	(23,724)	12,322	27	232,724	310,448
At 1/1/2007	32,000	57,099	(23,724)	12,322	27	232,724	310,448
– Increase in revaluation reserve, net of deferred tax	–	–	–	975	–	–	975
– Dividend paid (Note 10)	–	–	–	–	–	(27,200)	(27,200)
– Translation adjustments	–	–	–	–	1,809	–	1,809
– Profit for the year	–	–	–	–	–	77,922	77,922
At 31/12/2007	32,000	57,099	(23,724)	13,297	1,836	283,446	363,954

The notes on pages 36 to 80 form an integral part of these financial statements.

	Note	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		89,472	88,082
Adjustments for:			
Interest income		(6,973)	(4,140)
Depreciation of property, plant and equipment		5,265	4,710
Loss on disposals of property, plant and equipment		74	82
Amortisation of lease premium for land		491	491
(Write-back of provision)/provision for obsolete and slow-moving inventories	16	(1,483)	386
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL		86,846	89,611
Decrease/(increase) in inventories		7,546	(22,359)
Increase in amount due from ultimate parent enterprise		(5)	–
Increase in prepayments, deposits and other receivables		(965)	(670)
Decrease in trade receivables		9,987	122
(Decrease)/increase in trade payables		(2,466)	4,854
(Decrease)/increase in other payables and accruals		(1,102)	2,119
CASH GENERATED FROM OPERATIONS		99,841	73,677
Income tax paid			
– Hong Kong		(7,650)	(6,071)
– Overseas		(9,539)	(2,017)
NET CASH GENERATED FROM OPERATING ACTIVITIES		82,652	65,589
INVESTING ACTIVITIES			
Proceeds from disposals of property, plant and equipment		–	6
Acquisition of property, plant and equipment		(4,129)	(4,676)
Interest received		6,973	4,140
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		2,844	(530)
NET CASH INFLOW BEFORE FINANCING ACTIVITIES		85,496	65,059

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
NET CASH INFLOW BEFORE FINANCING ACTIVITIES		85,496	65,059
FINANCING ACTIVITIES			
Dividends paid		(27,200)	(21,440)
NET CASH USED IN FINANCING ACTIVITIES		(27,200)	(21,440)
NET INCREASE IN CASH AND CASH EQUIVALENTS		58,296	43,619
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		1,124	759
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		155,112	110,734
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	214,532	155,112

The notes on pages 36 to 80 form an integral part of these financial statements.

1. CORPORATE INFORMATION

(a) GENERAL INFORMATION

Datronix Holdings Limited 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 (the "Stock Exchange") since 22 June 2001.

The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is 19th Floor, North Point Industrial Building, 499 King's Road, North Point, Hong Kong.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. 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 and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the company is set out below.

(b) BASIS OF PREPARATION

The consolidated financial statements of the company have been prepared in accordance with HKFRSs and under the historical cost convention except for certain financial assets and liabilities which are measured at fair value, if applicable. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except where otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) BASIS OF PREPARATION (Continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the group and the company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, Financial instruments: Disclosures and the amendment to HKAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial instruments: Disclosure and presentation. These disclosures are provided throughout these financial statements, in particular in note 3.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the group's and the company's objectives, policies and processes for managing capital. These new disclosures are set out in note 3(b).

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2007 and which have not been adopted in these financial statements.

The group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the company's results of operations and financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) BASIS OF PREPARATION (Continued)

In addition, the following development may result in new or amended disclosures in the financial statements:

		Effective for annual period beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions	1 March 2007

(c) REVENUE RECOGNITION

Provided it is probable that the economic benefits will flow to the group and the revenue and costs, if applicable can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(d) SUBSIDIARIES

Subsidiaries are entities controlled by the group. Control exists when the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) SUBSIDIARIES (Continued)

In the company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 2 (j)), unless the investment is classified as held for sale.

(e) OTHER INVESTMENTS IN DEBT AND EQUITY SECURITIES

The group's and the company's policies for investments in debt and equity securities, other than investments in subsidiaries, are as follows:

Investments in debt and equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets and are initially stated at fair value. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any interest earned on these investments as these are recognised in accordance with the policy set out in note 2(c)(ii).

Dated debt securities that the group and/or the company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are initially recognised in the balance sheet at fair value plus transaction costs. Subsequently, they are stated in the balance sheet date at amortised cost less impairment losses (see note 2(j)).

Investments in equity securities that do not have a listed market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(j)).

Other investments in securities are classified as available-for-sale securities and are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except for impairment losses (see note 2(j)) and, in the case of monetary items such as debt securities, foreign exchange gains and losses of which are recognised directly in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investments are recognised/derecognised on the date the group and/or the company commits to purchase/sell the investments or they expire.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) 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.

(g) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment other than other properties are stated at cost less accumulated depreciation and accumulated impairment losses (see note 2(j)).

Other properties are interests in buildings. The buildings component of owner-occupied properties 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 valuer 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.

Changes arising on the revaluation of owner-occupied properties 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 immediately prior to the revaluation; 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) PROPERTY, PLANT AND EQUIPMENT (Continued)

Upon the disposal of buildings, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the buildings revaluation reserve to retained earnings.

Gains or losses arising from the disposal or retirement of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of disposal or retirement.

Depreciation is calculated to write off the cost/valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

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%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) LEASE PREMIUM FOR LAND

Lease premium for land is stated at cost less amortisation and any identified impairment loss. The cost of lease premium for land is amortised over the period of the rights using the straight line method.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) LEASED ASSETS

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) *Classification of assets leased to the group*

Assets that are held by group under leases which transfer to the group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the group are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property and stated at fair value is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the group, or taken over from the previous lessee.

(ii) *Operating lease charges*

Where the group has the use of assets held under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) IMPAIRMENT OF ASSETS

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries: see note 2(j)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale equity securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unlisted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) IMPAIRMENT OF ASSETS (Continued)

(i) Impairment of investments in equity securities and other receivables (Continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale equity securities, when a decline in the fair value has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other 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, except in the case of goodwill an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) IMPAIRMENT OF ASSETS (Continued)

(ii) Impairment of other assets (Continued)

– pre-paid interests in leasehold land classified as being held under an operating lease;

– investments in subsidiaries; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *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).

– *Recognition of impairment losses*
An impairment loss is recognised in the profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– *Reversals of impairment losses*
In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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 profit or loss in the year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) IMPAIRMENT OF ASSETS (Continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2(j)).

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) RELATED PARTIES

For the purpose of these financial statements, parties are considered to be related to the group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the group or exercise significant influence over the group in making financial and operating policy decisions, or has joint control over the group;

(ii) the group and the party are subject to common control;

(iii) the party is an associate of the group or a joint venture in which the group is a venturer;

(iv) the party is a member of key management personnel of the group or the group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals; or

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals, or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the group or of any entity that is a related party of the group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) 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.

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.

(m) TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment losses for bad and doubtful debts (see note 2(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment losses for bad and doubtful debts (see note 2(j)).

(n) TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) 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.

(q) INCOME TAX

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) INCOME TAX (Continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the company or the group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the company or the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) TRANSLATION OF FOREIGN CURRENCIES

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the company's functional and presentation currency.

Transactions and balances

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

(s) EMPLOYEE BENEFITS

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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) 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.

(u) SHARE BASED PAYMENTS

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial risk factors

The group's major financial instruments include, cash and cash equivalents, trade receivables and trade payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk and currency risk. The group does not hold or issue derivate financial instruments either for hedging or trading purposes. The policies on how to mitigate these risks are set out as below.

The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Credit risk

– Trade and other receivables

As at 31 December 2007, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

In respect of trade and other receivables, in order to minimize risk, the management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition is performed on all customers periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The group does not require collateral in respect of its financial assets. Debts are usually due within 90 days from the date of billing.

In respect of trade receivables, the group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the balance sheet date, the group has a certain concentration of credit risk as approximately 35% (2006: 45%) and 69% (2006: 73%) of the total trade receivables was due from the group's largest customer and the five largest customers respectively.

– Deposits with banks

The group mitigates its exposure to credit risk by placing deposits with the financial institutions with established credit rating. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Financial risk factors (Continued)

(ii) Liquidity risk

Individual operating entities within the group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The total contractual undiscounted cash flows of the group's non-derivative financial liabilities are the same as their carrying amounts as their remaining contractual maturities are within one year.

(iii) Fair value and cash flow interest rate risks

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the group has no interest-bearing liabilities, the group's expenses and financing cash flows are independent of changes in market interest rates.

The group is exposed to cashflow interest rate risks as the group has significant cash and cash equivalents which are interest-bearing. The management monitors interest rate exposures and considered that there is no significant impact on cash flow interest rate risk. The group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the group's interest-earning financial assets at the balance sheet date:

The Group

	2007		2006	
	Effective interest rate %	One year or less '000	Effective interest rate %	One year or less '000
Cash and cash equivalents	0.72% - 4.94%	214,532	0.81% - 5.25%	155,112

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Financial risk factors (Continued)

(iii) Fair value and cash flow interest rate risks (Continued)

(ii) Sensitivity analysis

At 31 December 2007, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the group's profit after tax and retained profits by approximately HK$2,145,000 (2006: HK$1,551,000). Other components of consolidated equity would not be affected (2006: HK$Nil) by the changes in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for cash and cash equivalents in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2006.

(iv) Currency risk

Presently, there is no hedging policy with respect to the foreign exchange exposure. The group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of operation to which they relate.

(i) Exposure to currency risk

The following table details the group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. The group is mainly exposed to the fluctuation of United States dollars, Euros and Renminbi.

The Group

	2007				
	USD '000	EUR '000	GBP '000	RMB '000	JPY '000
Cash and cash equivalents	23,270	326	12	27,314	–
Trade and other receivables	4,607	177	1	738	–
Trade and other payables	(1,288)	(58)	–	(1,960)	(575)
Overall exposure arising from recognised assets and liabilities	26,589	445	13	26,092	(575)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Financial risk factors (Continued)

(iv) Currency risk (Continued)

(i) Exposure to currency risk (Continued)

The Group

	2006				
	USD '000	EUR '000	GBP '000	RMB '000	JPY '000
Cash and cash equivalents	15,631	285	8	26,484	–
Trade and other receivables	5,892	150	1	618	–
Trade and other payables	(1,330)	(55)	–	(2,156)	(69)
Overall exposure arising from recognised assets and liabilities	20,193	380	9	24,946	(69)

The group ensure that the net exposure is keep to an acceptable level.

(ii) Sensitivity analysis

The following table indicates the approximate change in the group's profit after tax (and retained profits) and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the group has significant exposure at the balance sheet date.

The Group

	2007		2006	
	Increase/ (decrease) in foreign exchange rates %	Effect on profit after tax and retained profits '000	Increase/ (decrease) in foreign exchange rates %	Effect on profit after tax and retained profits '000
Renminbi	5%	1,305	5%	1,199
	(5)%	(1,305)	(5)%	(1,199)
Euros	5%	187	5%	151
	(5)%	(187)	(5)%	(151)

Other components of consolidated equity would not be affected (2006: HK$Nil) by the changes in foreign exchange rates.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the group entities' exposure to currency risk for non derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Financial risk factors (Continued)

(iv) Currency risk (Continued)

(ii) Sensitivity analysis (Continued)

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2006.

(v) Fair values

The fair values of cash and cash equivalents, bank deposits, debtors, other receivables, trade and other payables are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

(b) Capital risk management

The group regards the equity attributable to the company's equity shareholders, comprising issued share capital, share premium, accumulated profits and other reserves as its capital. The group's objective when managing capital structure is to ensure that entities in the group will be able to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The equity attributable to the company's equity shareholders at 31 December 2007 and 2006 were as follows:

	2007 HK$'000	2006 HK$'000
Equity attributable to the company's equity shareholders	363,954	310,448

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

In the process of applying the group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

(i) Impairment of property, plant and equipment and lease premium for land

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 the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(ii) Impairment of receivables

The group maintains impairment allowance for doubtful accounts based upon evaluation of the recoverability of the trade receivables and other receivables, where applicable, at each balance sheet date. The estimates are based on the aging of the trade receivables and other receivables balances and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment allowance may be required.

(iii) Allowance for inventories

The group makes allowance for slow moving or obsolete inventories based on an assessment of the net realisable value of its inventories. Allowances are applied to the inventories where events or changes in circumstances indicates that the net realisable value is less than cost. Management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. The group carries out an inventory review on a product-by-product basis at each balance sheet date and make allowance for obsolete items.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Critical accounting judgements in applying the group's accounting policies

In determining the carrying amounts of some assets and liabilities, the group makes assumptions for the effects of uncertain future events on those assets and liabilities at the balance sheet date. These estimates involve assumptions about such items as cash flows and discount rates used. The group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the group's accounting policies.

5. TURNOVER AND OTHER REVENUE

The principal activities of the group are manufacturing and trading electronic components.

Turnover represents the sales value of goods supplied to customers. The amount of revenue recognised in turnover during the year is as follows:

	2007 HK$'000	2006 HK$'000
Turnover		
Sales of merchandise	282,655	272,131
Other revenue		
Bank interest income	6,973	4,140
Total interest income on financial assets not at fair value through profit or loss	6,973	4,140
Net foreign exchange gain	–	510
Sundries	1,206	269
	8,179	4,919
Total revenue	290,834	277,050

Approximately 76% of the group's turnover for the year ended 31 December 2007 (2006: 72%) arose from the group's top five customers.

6. SEGMENT INFORMATION

Segment information is presented in respect of the group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the group's internal financial reporting.

Business segment

The group is principally engaged in the manufacturing of electronic components. Accordingly, the directors consider there is only one business segment.

6. SEGMENT INFORMATION (Continued)

Geographical segments

The group participates in five geographical segments. It manufactured its products in the PRC and sell them to customers in the United States of America, Europe, Hong Kong and other countries. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment results is based on where the operating profit arise. Segment assets and capital expenditure are based on the geographical location of the assets.

An analysis of geographical segments is as follows:

	Hong Kong		The PRC		The United States of America		Europe		Others		Eliminations		Total	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Turnover														
External sales	8,104	6,311	–	–	242,850	228,347	17,480	29,856	14,221	7,617	–	–	282,655	272,131
Intersegment sales	370,771	286,424	–	–	129,314	114,056	2,976	2,501	–	–	(503,061)	(402,981)	–	–
Total	378,875	292,735	–	–	372,164	342,403	20,456	32,357	14,221	7,617	(503,061)	(402,981)	282,655	272,131
Operating results														
Profit/(loss) from operations	69,692	68,821	1,279	(232)	11,624	11,435	(860)	(536)	–	–	764	4,454	82,499	83,942
Interest income	5,961	3,398	560	446	307	214	145	82	–	–	–	–	6,973	4,140
Profit before taxation													89,472	88,082
Income tax													(11,550)	(9,681)
Profit attributable to equity shareholders of the company													77,922	78,401
Other information														
Segment assets	756,545	840,860	55,857	52,129	48,912	97,983	2,514	2,419	–	–	(461,889)	(636,038)	401,939	357,353
Segment liabilities	283,013	417,037	1,960	2,073	35,970	91,631	5,477	4,515	–	–	(288,435)	(468,351)	37,985	46,905
Capital expenditure	4,451	3,671	505	969	136	34	17	2	–	–	(980)	–	4,129	4,676
Depreciation and amortisation	4,461	4,051	1,946	1,929	278	333	20	52	–	–	(949)	(1,164)	5,756	5,201

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after (crediting)/charging the following:

	2007 HK$'000	2006 HK$'000
Amortisation of lease premium for land	491	491
Auditors' remuneration	443	403
Cost of inventories (Note 16)	154,095	140,372
(Reversal)/write-down of inventories, gross (Note 16)	(1,483)	386
Depreciation	5,265	4,710
Loss on disposal of property, plant and equipment	74	82
Net foreign exchange loss/(gain)	163	(510)
Operating lease charges on rented premises and equipment	90	304
Research and development expenditures	4,409	5,004
Staff costs:		
– Salaries, wages and other benefits (including directors' emoluments – note 12)	48,668	48,078
Less: Amounts included in research and development expenditures	(3,748)	(4,338)
	44,920	43,740
– Contributions to defined contribution retirement plans	3,445	3,074

8. INCOME TAX

Hong Kong profits tax has been provided for at the rate of 17.5% (2006: 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:

	2007 HK$'000	2006 HK$'000
Current tax		
Hong Kong	6,323	5,864
Overseas	5,353	4,863
Deferred taxation	(126)	(117)
Over-provision in respect of prior years		
Hong Kong	–	(929)
	11,550	9,681

8. INCOME TAX (Continued)

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

	2007 HK$'000	2006 HK$'000
Profit before taxation	89,472	88,082
Effect of tax at Hong Kong profits tax rate of 17.5%	15,658	15,414
Effect of different tax rates of subsidiaries operating in other jurisdictions	3,253	2,806
Income that are not taxable	(7,523)	(7,772)
Tax losses not recognised	254	274
Decrease in deferred taxation	(126)	(117)
Over-provision in prior years	–	(929)
Others	34	5
Tax charge	11,550	9,681

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

Taxation (receivable)/payable in the consolidated balance sheet represents:

	2007 HK$'000	2006 HK$'000
Hong Kong profits tax	14,581	15,908
Overseas profits tax	(280)	3,906
	14,301	19,814

連達（廣東）電子有限公司, a wholly foreign owned enterprise established in Shunde, Guangdong Province, PRC is subject to the PRC enterprise income tax at a rate of 24% (2006: 24%). No provision for taxation has been made as the company has sufficient tax losses brought forward to set off against the taxable profits for the year.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulations, the tax rate for a subsidiary from 33% to 25% will be revised from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

8. INCOME TAX (Continued)

Datamax S.A.R.L., a company incorporated in France and with annual turnover of less than Euro 750,000 is subject to a fixed income tax in France of Euro 1,300 for the year ended 31 December 2007 (2006: Euro 2,175).

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 38% (2006: 15% to 38%), and California State corporate tax at the rate of 8.84% (2006: 8.84%), on the estimated assessable profits arising from or derived by Datatronic Distribution, Inc. on a worldwide basis.

9. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the company includes a loss of approximately of HK$726,000 (2006: loss of HK$1,110,000) which has been dealt with in the financial statements of the company.

10. DIVIDENDS

(a) Dividends payable to equity shareholders of the company attributable to the year

	2007 HK$'000	2006 HK$'000
Interim, declared and paid, of HK$0.042 (2006: HK$0.037) per ordinary share	13,440	11,840
Final, proposed, of HK$0.048 (2006: HK$0.043) per ordinary share	15,360	13,760
	28,800	25,600

The final dividend for 2007 proposed after the balance sheet date is subject to shareholders' approval in the forthcoming general meeting. It has not been recognised as a liability at the balance sheet date.

(b) Dividends payable to equity shareholders of the company attributable to the previous financial year, approved and paid during the year

	2007 HK$'000	2006 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year of HK$0.043 (2006: HK$0.03) per ordinary share	13,760	9,600

11. EARNINGS PER SHARE

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

	2007 HK$'000	2006 HK$'000
Profit attributable to equity shareholders of the company	77,922	78,401

	Number of shares 2007	 2006
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.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(i) Directors' emoluments disclosed pursuant to section 161 of Hong Kong Companies Ordinance is shown as follows:

	Year ended 31 December 2007			
	Fees HK$'000	Basic salaries, allowance and other benefits HK$'000	Pension scheme contribution HK$'000	Total HK$'000
Executive directors				
Siu Paul Y. *(Chairman)*	–	1,000	12	1,012
Shui Wai Mei	–	–	–	–
Sheung Shing Fai	–	1,074	12	1,086
Siu Nina Margaret	–	401	12	413
Non-executive director				
Siu Ronald	–	–	–	–
Independent non-executive directors				
Chung Pui Lam	100	–	–	100
Lam Tak Shing, Harry	100	–	–	100
Chan Fai Yue, Leo	60	–	–	60
	260	2,475	36	2,771

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(i) Directors' emoluments disclosed pursuant to section 161 of Hong Kong Companies Ordinance is shown as follows: (Continued)

	Year ended 31 December 2006			
	Fees HK$'000	Basic salaries, allowance and other benefits HK$'000	Pension scheme contribution HK$'000	Total HK$'000
Executive directors				
Siu Paul Y. *(Chairman)*	–	1,000	12	1,012
Shui Wai Mei	–	–	–	–
Sheung Shing Fai	–	975	12	987
Siu Nina Margaret	–	374	12	386
Non-executive director				
Siu Ronald	–	–	–	–
Independent non-executive directors				
Chung Pui Lam	100	–	–	100
Lam Tak Shing, Harry	100	–	–	100
Chan Fai Yue, Leo	60	–	–	60
	260	2,349	36	2,645

No directors waived any emoluments during the year. No incentive payment or compensation for loss of office was paid or payable to any directors for the year ended 31 December 2007 (2006: HK$Nil).

As at 31 December 2007, no share options have been granted and held by the directors under the company's share option scheme. The details of the share options are disclosed in note 22.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(ii) Individuals with highest emoluments

Of the five individuals with the highest emoluments in the group, two (2006: two) were directors of the Company whose emoluments are included in the disclosures in note 12(i) above. The emoluments of the remaining three (2006: three) individuals were as follows:

	2007 HK$'000	2006 HK$'000
Salaries and other benefits	1,346	1,362
Contributions to retirement benefits schemes	36	36
	1,382	1,398

Their emoluments were all within HK$1,000,000.

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.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings held for own use carried at fair value HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation					
At 1/1/2006	21,070	20,393	20,181	3,217	64,861
Additions	–	1,814	2,561	301	4,676
Disposals	–	(921)	(492)	–	(1,413)
Surplus on revaluation	1,336	–	–	–	1,336
Exchange adjustments	244	3	(12)	–	235
At 31/12/2006 and 1/1/2007	22,650	21,289	22,238	3,518	69,695
Additions	–	2,356	1,773	–	4,129
Disposals	–	(331)	(879)	–	(1,210)
Surplus on revaluation	231	–	–	–	231
Exchange adjustments	519	8	103	12	642
At 31/12/2007	23,400	23,322	23,235	3,530	73,487
Accumulated depreciation					
At 1/1/2006	–	17,614	10,385	3,057	31,056
Charge for the year	955	1,592	2,123	40	4,710
Disposals	–	(890)	(435)	–	(1,325)
Written back on revaluation	(955)	–	–	–	(955)
Exchange adjustments	–	40	(37)	–	3
At 31/12/2006 and 1/1/2007	–	18,356	12,036	3,097	33,489
Charge for the year	1,031	1,833	2,315	86	5,265
Disposals	–	(331)	(805)	–	(1,136)
Written back on revaluation	(1,031)	–	–	–	(1,031)
Exchange adjustments	–	79	33	–	112
At 31/12/2007	–	19,937	13,579	3,183	36,699
Net book value					
At 31/12/2007	23,400	3,385	9,656	347	36,788
At 31/12/2006	22,650	2,933	10,202	421	36,206

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings held for own use carried at fair value HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Representing:					
2007:					
At cost	–	23,322	23,235	3,530	50,087
At valuation	23,400	–	–	–	23,400
	23,400	23,322	23,235	3,530	73,487
2006:					
At cost	–	21,289	22,238	3,518	47,045
At valuation	22,650	–	–	–	22,650
	22,650	21,289	22,238	3,518	69,695

Analysis of buildings (consolidated) by geographical location is as follows:

	Group 2007 HK$'000	Group 2006 HK$'000
Hong Kong	9,120	9,670
The PRC	14,280	12,980
	23,400	22,650

Buildings located in Hong Kong are held under long-term leases. Buildings located in the PRC are held under land use rights expiring in 2047 and 2051.

The buildings held by the group for own use located in Hong Kong are stated at open market value as at 31 December 2007 as determined by LCH (Asia-Pacific) Surveyors Limited, independent qualified valuer. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The buildings held by the group for own use located in the PRC are stated on a depreciated replacement cost basis as at 31 December 2007 as determined by the same valuer. Had the group's buildings been carried at cost less accumulated depreciation, the net book value of the group's buildings as at 31 December 2007 would have been approximately HK$13,579,000 (2006: HK$14,480,000).

14. LEASE PREMIUM FOR LAND

The group's interests in lease premium for land represents prepaid operating lease payments and their net book value are analysed as follows:

	Group	
	2007 HK$'000	2006 HK$'000
Cost		
At 1 January	23,147	23,043
Exchange adjustments	222	104
At 31 December	23,369	23,147
Accumulated amortisation		
At 1 January	2,855	2,334
Amortisation for the year	491	491
Exchange adjustments	67	30
At 31 December	3,413	2,855
Net carrying amount		
At 31 December	19,956	20,292
Leases of between 10 to 50 years, held in:		
Hong Kong	16,009	16,409
PRC	3,947	3,883
	19,956	20,292
Analysed for reporting purposes as:		
Current asset	558	521
Non-current asset	19,398	19,771
	19,956	20,292

15. INTERESTS IN SUBSIDIARIES

	Company	
	2007 HK$'000	2006 HK$'000
Unlisted shares, at cost	113,606	113,606
Amount due from a subsidiary	24,701	52,504
	138,307	166,110

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

15. INTERESTS IN SUBSIDIARIES (Continued)

Details of the company's subsidiaries as at 31 December 2007 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%
Datatronic 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%
連達(廣東)電子有限公司 (ii)	The PRC	The PRC	Manufacturing of electronic components	US$8,665,000	–	100%
Datamax S.A.R.L	France	France	Trading of electronic components	Euro7,622.45	–	100%
Datatronic Distribution, Inc.	California, the U.S.	California, the U.S.	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%

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) 連達(廣東)電子有限公司 is a wholly foreign owned enterprise established in the PRC for a term of 30 years up to September 2023.

16. INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	Group	
	2007	2006
	HK$'000	HK$'000
Raw materials	53,764	60,930
Work-in-progress	2,925	3,431
Finished goods	20,736	19,127
	77,425	83,488

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Carrying amount of inventories sold	155,578	139,986
Write down of inventories	–	386
Reversal of write-down of inventories	(1,483)	–
	154,095	140,372

There was significant increase in net realisable value of inventories since certain inventories previously written off can be used in the production of other products with current demand. As a result, a reversal of write-down of inventories has been recognised and included in cost of inventories sold.

17. AMOUNT DUE FROM ULTIMATE PARENT ENTERPRISE

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

18. TRADE RECEIVABLES

Customers are usually offered a credit period ranging from 30 days to 90 days. The group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Further details on the group's credit policy are set out in note 3(a)(i).

18. TRADE RECEIVABLES (Continued)

An aging analysis of trade receivables as at balance sheet date is as follows:

	Group	
	2007 HK$'000	2006 HK$'000
Within 30 days	18,767	19,452
31 to 60 days	13,233	13,680
61 to 90 days	3,824	6,418
Over 90 days	1,089	7,350
	36,913	46,900

Included in the trade receivables are the following amounts denominated in currencies other than the functional currency of the entity to which they relate:

	Group	
	2007 '000	2006 '000
United States Dollars ("USD")	USD 4,551	USD 5,883
Euros ("EUR")	EUR 170	EUR 145
Great British Pound ("GBP")	GBP 1	GBP 1

The aging analysis of trade receivables that are not considered to be impaired is as follows:

	Group	
	2007 HK$'000	2006 HK$'000
Neither past due nor impaired	35,824	39,550
Less than 1 month past due	751	6,085
1 to 3 months past due	79	1,191
Over 3 months, but less than 1 year past due	259	74
	1,089	7,350
	36,913	46,900

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The group does not hold any collateral over these balances.

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000
Short term time deposits	171,909	104,718	–	–
Cash at bank and in hand	42,623	50,394	158	345
	214,532	155,112	158	345

Cash and cash equivalents include short-term bank deposits carrying interest at prevailing market rates. The directors consider the carrying value of the amount at the balance sheet date approximates to the fair value.

Included in the bank balances and cash are the following amounts denominated in currencies other than the functional currency of the entity to which they relate:

	Group		Company	
	2007	2006	2007	2006
	'000	'000	'000	'000
Euro ("EUR")	EUR326	EUR285	–	–
United States Dollars ("USD")	USD23,270	USD15,631	–	–
Great British Pounds ("GBP")	GBP12	GBP8	–	–
Renminbi ("RMB")	RMB27,314	RMB26,484	–	–

20. TRADE PAYABLES

An aging analysis of trade payables as at the balance sheet date is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within 30 days	8,163	7,549
31 to 60 days	3,811	6,634
61 to 90 days	2,164	1,940
Over 90 days	165	646
	14,303	16,769

20. TRADE PAYABLES (Continued)

Trade payables are interest fee and are normally settled on 90-day terms. The carrying amounts of trade payables approximate to their fair values due to their short maturity term.

Included in the trade payables are the following amounts denominated in currencies other than the functional currency of the entity to which they relate:

	Group	
	2007	2006
	'000	'000
United States Dollars ("USD")	USD 1,244	USD 1,273
Euros ("EUR")	EUR 10	EUR 7
Japanese Yen ("JPY")	JPY 575	JPY 69

21. DEFERRED TAXATION

Group

The components of deferred tax liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Revaluation of properties	Depreciation allowances in excess of the related depreciation	Total
	HK$'000	HK$'000	HK$'000
Deferred tax arising from:			
At 1 January 2006	2,445	349	2,794
Credited to the income statement	–	(117)	(117)
Charged to property revaluation reserves	472	–	472
At 31 December 2006 and 1 January 2007	2,917	232	3,149
Credited to the income statement	–	(126)	(126)
Charged to property revaluation reserves	287	–	287
At 31 December 2007	3,204	106	3,310

The group has not recognised deferred tax assets in respect of tax losses of HK$1,450,000 during the year (2006: HK$1,570,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

22. ISSUED CAPITAL AND SHARE OPTION SCHEME

	Group and company	
	2007	2006
	HK$'000	HK$'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 holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

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 shares 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.

23. RESERVES

(a) Group

	Share premium (Note (c)(i))	Capital reserve (Note (c)(ii))	Property revaluation reserve (Note (c)(iii))	Exchange reserve (Note (c)(iv))	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1/1/2006	57,099	(23,724)	10,503	(1,031)	175,763	218,610
Increase in revaluation reserve, net of deferred tax	–	–	1,819	–	–	1,819
Dividend paid (Note 10)	–	–	–	–	(21,440)	(21,440)
Translation adjustments	–	–	–	1,058	–	1,058
Profit for the year	–	–	–	–	78,401	78,401
At 31/12/2006	57,099	(23,724)	12,322	27	232,724	278,448
At 1/1/2007	57,099	(23,724)	12,322	27	232,724	278,448
Increase in revaluation reserve, net of deferred tax	–	–	975	–	–	975
Dividend paid (Note 10)	–	–	–	–	(27,200)	(27,200)
Translation adjustments	–	–	–	1,809	–	1,809
Profit for the year	–	–	–	–	77,922	77,922
At 31/12/2007	57,099	(23,724)	13,297	1,836	283,446	331,954

23. RESERVES (Continued)

(b) Company

	Share premium (Note (c)(i))	Contributed surplus (Note (c)(v))	Retained profits/ (accumulated losses)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1/1/2006	57,099	89,606	10,260	156,965
Dividends paid (Note 10)	–	–	(21,440)	(21,440)
Loss for the year	–	–	(1,110)	(1,110)
At 31/12/2006	57,099	89,606	(12,290)	134,415
At 1/1/2007	57,099	89,606	(12,290)	134,415
Dividends paid (Note 10)	–	–	(27,200)	(27,200)
Loss for the year	–	–	(726)	(726)
At 31/12/2007	57,099	89,606	(40,216)	106,489

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 2007 available for distribution to shareholders are approximately HK$49,390,000 (2006: HK$77,316,000).

23. RESERVES (Continued)

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 48B of the Hong Kong Companies Ordinance.

(ii) Capital reserve

Capital reserve of the group 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.

(iii) Property revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and building in note 2(g).

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange difference arising from the translation of the financial statements of foreign operations. The reserve is dealt with accordance with the accounting policy set out in note 2(r).

(v) Contributed surplus

Contributed surplus of the company 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.

24. 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 basic 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.

24. RETIREMENT BENEFIT COSTS (Continued)

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.

As stipulated by rules and regulations in France, the group contributed to the retirement benefit scheme for its employees in France at a rate of 9.9% of the basic salaries of its employees, and has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions.

25. RELATED PARTY TRANSACTIONS

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

(a) Related party transactions included in the income statement:

	2007 HK$'000	2006 HK$'000
Datatronics Romoland, Inc. ("DRI") *		
– Sales to DRI	79,069	81,724
– Reimbursement of expenses to DRI	5,044	5,537

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

(b) Related party transactions included in the balance sheet:

	2007 HK$'000	2006 HK$'000
Trade receivables from DRI	13,047	20,980

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.

25. RELATED PARTY TRANSACTIONS (Continued)

(c) Key management personnel remuneration of the group

	2007 HK$'000	2006 HK$'000
Short-term employee benefits	2,074	1,975
Post-employment benefits	24	24
	2,098	1,999

Note: Further details of post-employment benefits and directors' and employees' emoluments are included in note 12 to the financial statements. Total remuneration is included in "staff costs" (see note 7).

26. 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:

	Plant and equipment	
	2007 HK$'000	2006 HK$'000
Within one year	38	90
In the second to the fifth year	–	38
	38	128

(b) Capital commitments

The group's capital commitment outstanding at the year end and contracted but not provided for property, plant and equipment in the financial statement is approximately HK$425,000 (2006: Nil).

(c) Other commitments

Effective from 1 January 2006, 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 連達（廣東）電子有限公司, a subsidiary of the company. Commitment payable amounted to approximately HK$112,800 as at 31 December 2007 (2006: HK$112,800).

27. LITIGATION

The company's subsidiary, Datatronic Limited ("Datatronic"), had applied for off-shore claims in respect of its operations in the PRC for the years ended 31 December 1999 to 31 December 2001. Pending for the result of such off-shore claims, full provision for profits tax had been made in the profit and loss of the relevant years aggregating to HK$13,624,000. During the years ended 31 December 2002 and 2003, the Inland Revenue Department raised additional profits tax assessments for the years of assessment 1999/00 and 2000/01 and profits tax assessment for the year of assessment 2001/02 (the "Assessments") in respect of such off-shore claims. Datatronic objected and appealed on such Assessments on 2 July 2004. In respect of such tax dispute, Datatronic had purchased tax reserve certificates aggregating to HK$13,624,000. By the decision of the Board of Review on 15 September 2006, Datatronic succeeded in its appeal against the Commissioner of Inland Revenue ("CIR") on the Assessments. Nevertheless, the management of the group considered that it was not appropriate to write back the related tax provisions in Datatronic at this stage since CIR had applied to the Court of First Instance for an appeal on 10 October 2006 by way of Case Stated and Dataronic had also filed a cross-appeal on 11 October 2006. The case is scheduled to be heard on 16 and 17 April 2008. The final outcome of such tax dispute is pending. The legal cost in relation to such tax disputes not yet accounted for in the financial statements is estimated to be in the region of HK$0.1 million to HK$1 million.

28. POST BALANCE SHEET EVENT

On 11 April 2008, the company's directors proposed a final dividend of HK$0.048 (2006: HK0.043) per share, totalling HK$15,360,000 (2006: HK$13,760,000), in respect of the year ended 31 December 2007. The proposed dividend is subject to approval by the company's shareholders in the annual general meeting.

29. ULTIMATE PARENT ENTERPRISE

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

30. COMPARATIVE FIGURES

As a result of adopting HKFRS 7, Financial instruments: Disclosures, and the amendments to HKAS 1, Presentation of financial statements: Capital disclosures, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2007. Further details of these developments are disclosed in note 2(b).

FINANCIAL SUMMARY

For the year ended 31 December 2007

The consolidated income statements of the group for the financial years 2003 to 2007 and the consolidated balance sheets of the group as at 31 December 2003, 2004, 2005, 2006 and 2007 are as follows:

	Year ended 31 December				
Results	2003 HK$'000 (restated)	2004 HK$'000 (restated)	2005 HK$'000	2006 HK$'000	2007 HK$'000
Turnover	144,654	184,490	208,644	272,131	282,655
Profit before taxation	24,268	44,794	66,722	88,082	89,472
Income tax	(4,617)	(4,341)	(5,922)	(9,681)	(11,550)
Profit for the year	19,651	40,453	60,800	78,401	77,922
Attributable to: Equity shareholders of the company	19,651	40,453	60,800	78,401	77,922

	At 31 December				
Assets and liabilities	2003 HK$'000 (restated)	2004 HK$'000 (restated)	2005 HK$'000	2006 HK$'000	2007 HK$'000
Total assets	204,436	238,542	288,470	357,353	401,939
Total liabilities	(29,950)	(33,271)	(37,860)	(46,905)	(37,985)
Total equity	174,486	205,271	250,610	310,448	363,954

Major land held by the company

Location	**Existing use**	**Term of lease**
78 Marble Road 499 King's Road North Point Hong Kong	Office	Medium term
Overseas building A parcel of industrial land at the Old Guang-Zhu Highway, Lun Jian Town Shunde District Fushan City Guangzhou, Guangdong Province The People's Republic of China	Industrial	Medium term