



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

(Stock Code: 889)



INTERIM REPORT 2011

\* For identification purposes only



# AWARDS



**MICRO SYSTEMS  
ENGINEERING**  
Special Recognition Award



**VICOR**  
Outstanding Supplier  
Achievement Award



**ASTRONICS**  
Best Value Added



**DATAFORTH**  
Vendor of the Year



**LUTRON**  
Supplier of the Year



**MEDTRONIC**  
Supplier of the Year



**LUTRON**  
Outstanding New Supplier



**MEDTRONIC**  
Outstanding Performance



**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**



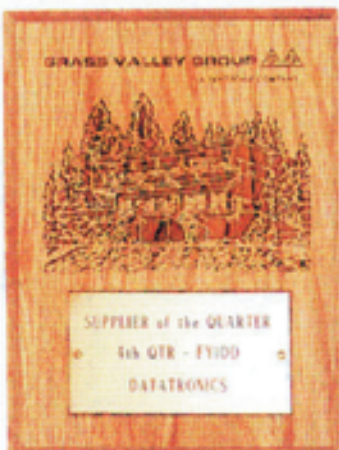
**Xerox**



**Xerox**



**Xerox**



**Tektronix**



**Sola Electric**



**Tektronix**

# Customer Recognition For Quality, Service, Value



**Honeywell**



**Honeywell**



**Harris**



**Honeywell**



**Honeywell**



**Delco**



**Honeywell**



**Hughes Aircraft  
General Motors**



**IBM**



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

SIU Paul Y. (*Chairman*)

SHUI Wai Mei (*Vice Chairman*)

SHEUNG Shing Fai

SIU Nina Margaret

#### Independent Non-executive Directors

CHUNG Pui Lam

CHAN Fai Yue, Leo

LEE Kit Wah

### AUDIT COMMITTEE

CHUNG Pui Lam

CHAN Fai Yue, Leo

LEE Kit Wah

### REMUNERATION COMMITTEE

CHUNG Pui Lam

CHAN Fai Yue, Leo

LEE Kit Wah

SIU Paul Y.

### QUALIFIED ACCOUNTANT

MOK Sim Wa

### COMPANY SECRETARY

LEUNG Sau Fong

### AUTHORISED REPRESENTATIVES

SIU Paul Y.

SHEUNG Shing Fai

### AUDITORS

BDO Limited

25/F Wing On Centre

111 Connaught Road Central

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](http://www.datronixhldgs.com.hk)

## GENERAL

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

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

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

### **The Group's Product Line**

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

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

**Markets Served**

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

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

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

- QS-9000
- 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

After a turnaround year with a satisfying performance in 2010, we see a challenging year ahead for Datronix. For the first half of 2011, our turnover reached HK\$145 million, an increase of HK\$4 million from the first six months of 2010. Our gross profit was HK\$56 million, compared to HK\$60 million for the same period of 2010. Our net profit was HK\$19 million for the first half of 2011, compared to HK\$23 million for the first six months of 2010. The Group maintained a healthy financial position with sufficient cash and no debt instrument was issued.

We observed weaker demand and pressure on price reduction after the Chinese New Year on our products, reflecting a challenging end markets demand in North America. Moreover, the strength of other currencies against US dollars aggravated our performance.

Major factor affecting our production cost negatively is the significant increase in manufacturing labor costs in both Hong Kong and China. The continuous increase in minimal wages, welfare program and insurance program increased such costs by approximately 20% compared to the same period of 2010.

## MARKET REVIEW

### Communication and Networking

For the first half of 2011, sales for the communication market was HK\$54 million, an increase of 24% from same period of 2010. This market contributed 37% of Group sales.

### Data Processing

For the first half of 2011, the data-processing market reported sales of HK\$9 million, an increase of 42%. This market contributed 6% of Group sales.

### Industrial Application

The industrial application market reported HK\$43 million in sales, compared to HK\$37 million for the comparable period in 2010. This market contributed 30% of Group sales.

### High Reliability Segment

#### *Military and Aerospace*

The military and aerospace market reported HK\$22 million in sales for the first half of 2011, compared to HK\$45 million for the same period of 2010. This market contributed 15% of Group sales.

#### *Healthcare*

The healthcare market reported HK\$17 million in sales for the first six months of 2011, an increase of 78%. This market contributed 12% of Group sales.



The board of directors (the “Board”) of Datronix Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2011 together with comparative figures in 2010 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Note	Six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited and restated) HK\$'000
<b>Turnover</b>	3	<b>145,116</b>	141,290
Cost of sales		<b>(89,277)</b>	(81,451)
Gross profit		<b>55,839</b>	59,839
Other revenue	3	<b>2,563</b>	978
Distribution and selling expenses		<b>(9,868)</b>	(9,922)
Administrative expenses		<b>(25,757)</b>	(24,384)
<b>Profit before income tax expense</b>	5	<b>22,777</b>	26,511
Income tax expense	6	<b>(4,038)</b>	(3,948)
<b>Profit for the period attributable to owners of the Company</b>		<b>18,739</b>	22,563
<b>Other comprehensive income for the period</b>			
Exchange differences arising on translating foreign operations		<b>10</b>	72
<b>Total other comprehensive income for the period</b>		<b>10</b>	72
<b>Total comprehensive income attributable to owners of the Company</b>		<b>18,749</b>	22,635
<b>Earnings per share</b>	8		
– Basic		<b>HK\$0.059</b>	HK\$0.071

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30 June 2011

	Note	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		123,174	126,443
Payment for leasehold land held for own use under operating leases		4,341	4,399
		<b>127,515</b>	130,842
<b>CURRENT ASSETS</b>			
Inventories		87,785	85,649
Amount due from ultimate holding company		34	34
Amount due from a related company		15	15
Tax reserve certificates		–	32,222
Tax prepayment		411	411
Prepayments, deposits and other receivables		2,325	2,277
Trade receivables	10	30,804	33,042
Cash and cash equivalents		380,457	329,519
		<b>501,831</b>	483,169
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	24,920	22,401
Provision		19,108	19,108
Dividend payable		4,125	–
Current tax liabilities		5,144	9,122
		<b>53,297</b>	50,631
<b>NET CURRENT ASSETS</b>		<b>448,534</b>	432,538
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>576,049</b>	563,380
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		13,363	13,363
<b>NET ASSETS</b>		<b>562,686</b>	550,017
<b>CAPITAL AND RESERVES</b>			
Issued capital	12	32,000	32,000
Reserves		530,686	518,017
<b>TOTAL EQUITY</b>		<b>562,686</b>	550,017



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2011

	Attributable to owners of the Company						Total HK\$'000
	Issued capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Property revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings (restated) HK\$'000	
At 1 January 2010	32,000	57,099	(23,724)	13,417	8,544	320,926	408,262
Dividend paid	-	-	-	-	-	(3,840)	(3,840)
Total comprehensive income for the period (restated)	-	-	-	-	72	22,563	22,635
At 30 June 2010	32,000	57,099	(23,724)	13,417	8,616	339,649	427,057
At 1 January 2011	32,000	57,099	(23,724)	78,498	11,479	394,665	550,017
Dividend paid	-	-	-	-	-	(6,080)	(6,080)
Total comprehensive income for the period	-	-	-	-	10	18,739	18,749
At 30 June 2011	32,000	57,099	(23,724)	78,498	11,489	407,324	562,686

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2011*

	<b>Six months ended 30 June</b>	
	<b>2011</b> <b>(Unaudited)</b> <b>HK\$'000</b>	<b>2010</b> <b>(Unaudited)</b> <b>HK\$'000</b>
Net cash (used in)/generated from operating activities	<b>53,521</b>	(4,610)
Net cash used in investing activities	<b>(645)</b>	(960)
Net cash used in financing activities	<b>(1,955)</b>	(3,840)
Net (decrease)/increase in cash and cash equivalents	<b>50,921</b>	(9,410)
Effect of foreign exchange rate changes	<b>17</b>	(157)
Cash and cash equivalents at beginning of the period	<b>329,519</b>	310,226
Cash and cash equivalents at end of the period	<b>380,457</b>	300,659



## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 1. Basis of preparation

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

### 2. Accounting policies

The accounting policies and basis of preparation adopted in these condensed consolidated interim financial statements are consistent with those adopted in the Group’s consolidated financial statements for the year ended 31 December 2010 except as described below.

In the current period, the Group has adopted, for the first time, the new/revised Hong Kong Financial Reporting Standards, which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by HKICPA, that are effective for accounting periods beginning on 1 January 2011 and which are relevant to its operations. The new/revised HKFRSs adopted by the Group in the unaudited condensed consolidated interim financial statements are set out below:

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issues
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the new/revised HKFRSs had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

## 2. Accounting policies (Continued)

The Group has not early adopted the following new/revised HKFRSs that have been issued but not yet effective for the current accounting period.

HKFRS 1 (Amendments)	Disclosures – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters <sup>1</sup>
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets <sup>1</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
HKFRS 10	Consolidated Financial Statements <sup>3</sup>
HKFRS 11	Joint Arrangements <sup>3</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>3</sup>
HKFRS 13	Fair Value Measurement <sup>3</sup>
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>2</sup>
HKAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets <sup>3</sup>
HKAS 19 (Amendments)	Employee Benefits <sup>3</sup>
HKAS 27 (Amendments)	Separate Financial Statements <sup>3</sup>
HKAS 28 (Amendments)	Investments in Associates and Joint Ventures <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

## 3. Turnover and other revenue

### a) Turnover

Turnover represents the net invoiced value of goods sold.

### b) Other revenue

	Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Bank interest income	1,585	666
Income from disposal of scrap materials	295	276
Exchange gain, net	532	–
Sundry income	151	36
	<b>2,563</b>	<b>978</b>

#### 4. Segment Information

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group is principally engaged in manufacturing and trading electronic components in both Hong Kong and overseas markets. The Group's chief operating decision maker regularly reviews the consolidated financial information to assess the performance. Accordingly, there is only one operating segment for the Group.

#### Geographical information

The Group comprises the following main geographical segments:

	Revenue from external customers	
	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Hong Kong (place of domicile)	826	584
The United States	129,186	128,318
Europe	3,839	4,110
Other countries	11,265	8,278
	144,290	140,706
	145,116	141,290

#### 5. Profit before income tax expense

Profit before income tax expense is stated after charging the following:

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Cost of inventories sold	89,277	81,451
Amortisation of payment for leasehold land held for own use under operating leases	57	45
Depreciation of property, plant and equipment	5,492	2,735



## 6. Income tax expense

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

	Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000 (Restated)
Current tax – Hong Kong profits tax		
– provision for the period ( <i>note 12</i> )	1,572	1,876
– under provision in respect of prior years ( <i>note 12</i> )	–	129
Current tax – Overseas		
– provision for the period	2,346	1,943
– under provision in respect of prior year	120	–
	<b>4,038</b>	<b>3,948</b>

Hong Kong profits tax was calculated at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong during the period. Overseas taxation was calculated at the rates applicable in the respective jurisdictions.

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

	Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000 (Restated)
Profit before taxation	22,777	26,511
Effect of tax at Hong Kong profits tax rate of 16.5%	3,758	4,374
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,620	1,255
Tax effect on non-taxable income	(1,891)	(2,012)
Tax effect of unused tax losses	431	202
Under-provision in prior periods	120	129
	<b>4,038</b>	<b>3,948</b>

**7. Interim dividend**

	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Interim dividend declared, HK\$0.02 (2010: HK\$0.012) per ordinary share	<b>6,400</b>	3,840

On 31 August 2011, the Board has resolved to declare an interim dividend of HK\$0.02 (2010: HK\$0.012) per share in respect of the six months ended 30 June 2011, to shareholders whose names appear on the register of members of the Company on Friday, 30 September 2011.

**8. Earnings per share**

The calculation of basic earnings per share for the six months ended 30 June 2011 was based on the profit attributable to the owners of the Company of approximately HK\$18,739,000 (six months ended 30 June 2010 (restated): HK\$22,563,000) and on the weighted average number of 320,000,000 (2010: 320,000,000) shares in issue during the period.

Diluted earnings per share is not presented as there were no potential dilutive ordinary shares outstanding for both periods presented.

**9. Property, plant and equipment**

The total cost of additions to property, plant and equipment of the Group during the six months ended 30 June 2011 was HK\$2,231,000 (six months ended 30 June 2010: HK\$1,626,000). There were no material disposals and write-offs of fixed assets during the six months ended 30 June 2011 and 30 June 2010.

**10. Trade receivables**

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

	<b>30 June</b>	31 December
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>21,386</b>	22,422
31 to 60 days	<b>6,532</b>	8,500
61 to 90 days	<b>2,019</b>	1,742
Over 90 days	<b>867</b>	378
	<b>30,804</b>	33,042
Less: Allowance for doubtful debts	–	–
	<b>30,804</b>	33,042

**11. Trade and other payables**

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Trade payables	<b>16,257</b>	14,959
Other payables and accruals	<b>8,663</b>	7,442
	<b>24,920</b>	22,401

The aging analysis of trade payables is as follows:

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Within 30 days	<b>8,824</b>	7,447
31 to 60 days	<b>5,319</b>	5,000
61 to 90 days	<b>1,675</b>	2,088
Over 90 days	<b>439</b>	424
	<b>16,257</b>	14,959

**12. Share capital**

	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Authorised ordinary shares of HK\$0.1 each		
At 1 January 2011 and 30 June 2011	1,000,000,000	100,000
Issued and fully paid ordinary shares of HK\$0.1 each		
At 1 January 2011 and 30 June 2011	320,000,000	32,000

**13. Related party transactions**

During the six months ended 30 June 2011, the Group's sales to Datatronics Romoland, Inc., a company in which Mr. Siu Paul Y., a director, has beneficial interest, amounted to HK\$29,113,000 (six months ended 30 June 2010: HK\$36,545,000). The transactions constituted a continuing connected transaction under Chapter 14A of the Listing Rules and were carried out in the ordinary course of business and on normal commercial terms.



**14. Contingent liabilities**

The Group did not have any material contingent liability as at 30 June 2011 (31 December 2010: Nil).

**15. Comparative figures**

On 29 March 2011, Datatronic Limited, a subsidiary of the Company, received the revised assessments for the years of assessment from 2003/2004 to 2008/2009 from the Inland Revenue Department ("IRD") to demand an aggregate of HK\$129,737 additional tax to be deducted from the tax reserve certificate and the remaining amounts was refunded. The directors concluded that the IRD has accepted the 50:50 off-shore claim and the tax disputes were settled. Accordingly, the income tax expense for the six months ended 30 June 2010 of these interim financial statements has been restated to reflect the actual tax charge and the effect is summarized as follows:

**Consolidated statement of comprehensive income**

	<b>Six months ended</b>
	<b>30 June 2010</b>
	HK\$'000
	<hr/>
Decrease in income tax expense	
Current tax – Hong Kong profits tax	
– tax for the period	1,830
– under provision in respect of prior years	37,391
	<hr/>
	39,221
	<hr/>

The change in tax charge resulting in an increase on the Group's basic earnings per share by HK\$0.123 for the six months ended 30 June 2010.

**16. Event after the reporting period**

On 15 June 2011, the Company or its subsidiary has entered into a non-binding letter of intent with Cal-Coil Magnetics, Inc. and Cal-Coil China Ltd. (collectively "Cal-Coil") in respect of a potential acquisition of all of the assets, intellectual rights and goodwill owned by Cal-Coil. The potential acquisition is still in progress.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

For the six months period ended 30 June 2011, the business of Datronix has performed soundly. Group sales for the first half of the year totaled HK\$145 million, a slight increase of 3% compared to HK\$141 million for same period in last year. Gross profit reported HK\$56 million for the first six months of 2011, a decrease of HK\$4 million compared to the same period of 2010. The decrease in gross profit was mainly due to the continuous increase in labor costs.

The Group's selling and distribution expenses remained flat at HK\$10 million, while general and administrative expenses increased from HK\$24 million to HK\$26 million for the first half of 2011. The adoption of amendment to HKAS 17 "Leases" in relation to the Hong Kong property in 2010 led the amortization charges to HK\$ 1.7 million for the first half of 2011.

Net profit reported HK\$19 million, a decrease of HK\$4 million compared to same period of 2010.

### Liquidity, Financial Resources and Capital Structure

As at 30 June 2011, the Group had a total equity of approximately HK\$563 million (31 December 2010: HK\$550 million), and cash and cash equivalents of approximately HK\$380 million (31 December 2010: HK\$330 million), which were predominately denominated in US dollars and Renminbi.

For the six months ended 30 June 2011, 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.

Capital expenditure for the period under review amounted to approximately HK\$2.2 million (six months ended 30 June 2010: HK\$1.6 million).

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

### Employees and Remuneration Policies

As at 30 June 2011, the Group employed approximately 1,168 personnel around the world, with approximately 124 in Hong Kong, 1,024 in the People's Republic of China and 20 overseas. The Group has a staff education sponsorship program and also provides training courses to staff on operational system, product and technology development, and product safety.

**Capital Commitments**

The Group's capital commitment outstanding at the period end, contracted but not provided for in the financial statements in respect of property, plant and equipment is approximately HK\$0.02 million (31 December 2010: HK\$0.4 million).

**Contingent Liabilities**

The Group did not have any material contingent liability as at 30 June 2011 (31 December 2010: Nil).

**Looking Ahead**

We are expecting a competitive atmosphere ahead. In this unprecedented time, management will focus on supporting our customers, streamlining our operations, mitigating risk and managing cash prudently. We are working closely with our customers, suppliers and staff to survive through the challenging time.



**OTHER INFORMATION****Directors' Interests in Shares**

As at 30 June 2011, the directors had the following interests in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept by the Company pursuant to Section 352 of the SFO:

**Long positions***(a) The Company*

	Ordinary shares of HK\$0.1 each			Total
	Personal interests	Family interests	Corporate interests	
Mr. Siu Paul Y.	–	–	219,870,000	219,870,000
			(Note 1)	

*(b) Associated corporation*

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

*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 68.7% 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 30 June 2011, any interest in, or had been granted any right to subscribe for the securities and options of the Company and its associated corporations within the meaning of the SFO, or had exercised any such rights.

**Substantial Shareholders**

As at 30 June 2011, 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.

**Interim Dividend**

At the board meeting held on 31 August 2011, the Board has resolved to declare an interim dividend of HK\$0.02 (2010: HK\$0.012) per share, totaling HK\$6,400,000 (2010: HK\$3,840,000) in respect of the six months ended 30 June 2011 to shareholders whose names appear on the register of members of the Company on Friday, 30 September 2011.

**Close of Register of Members**

The register of members of the Company will be closed from Tuesday, 27 September 2011 to Friday, 30 September 2011, both dates inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with Hong Kong Registrars Limited, the Company's branch share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 26 September 2011. The cheques for dividend payment will be sent on about Wednesday, 12 October 2011.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2010.

**Audit Committee**

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

**Corporate Governance**

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

*Code Provision A.2.1*

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

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

**Corporate Governance (Continued)***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.

**Model Code for Securities Transactions by Directors**

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

By order of the Board

**SIU Paul Y.**

*Chairman*

Hong Kong, 31 August 2011