

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

PRINCIPAL ACTIVITIES

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

MAJOR CUSTOMERS AND SUPPLIERS

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

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

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

SEGMENT INFORMATION

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

FINANCIAL STATEMENTS AND DIVIDENDS

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

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

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

FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT

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

SUBSIDIARIES

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

SHARE CAPITAL AND SHARE OPTION SCHEME

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

RESERVES

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

DIRECTORS

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

Executive directors

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

Ms. Shui Wai Mei, *Vice Chairman*

Mr. Sheung Shing Fai

Non-executive director

Ms. Siu Nina Margaret

Independent non-executive directors

Mr. Chung Pui Lam

Mr. Lam Tak Shing

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

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

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

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

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS IN SHARES

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

a) The Company

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

b) Associated corporation

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

Notes:

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 75% 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 2004, any interest in, or had been granted any right to subscribe for the securities and options of the Company and its associated corporations within the meaning of the SFO, or had exercised any such rights.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

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

LONG POSITIONS IN THE SHARES OF THE COMPANY

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

Save as disclosed above, as at 31 December 2004, the Company has not been notified by any persons (other than the directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CONNECTED TRANSACTIONS

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

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

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

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

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

AUDIT COMMITTEE

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

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

CORPORATE GOVERNANCE

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

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

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

AUDITORS

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

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

On behalf of the board

Siu Paul Y.
Chairman

Hong Kong, 22 April 2005