

BUSINESS REVIEW

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

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

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

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

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

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