DATRONIX HOLDINGS LIMITED
連達科技控股有限公司*

(Stock Code: 889)

Annual Report 2009

* For identification purposes only

AWARDS

ASTRONICS
"Best Value Added"

LUTRON
"Customer Service"

MEDTRONIC
"Outstanding Performance"

DATAFORTH
"Vendor of the year"

LUTRON
"Outstanding New Supplier"

XICOM
"Outstanding Performance"

MICRO SYSTEMS ENGINEERING
"Special Recognition Award"

MEDTRONIC
"Supplier of the Year"

LUTRON
"Supplier of the Year"

VICOR
"Outstanding Supplier Achievement Award"

XICOM
"President's Award"

Customer Recognition For Quality, Service, Value

Polycom

Ericsson

Milwaukee

Preferred supplier
General Electric

Physio Control
(Div. of Medtronic)

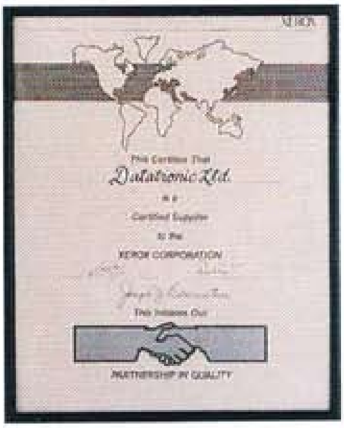
Preferred supplier
Primex Aerospace

Digital Equipment corp

Xerox

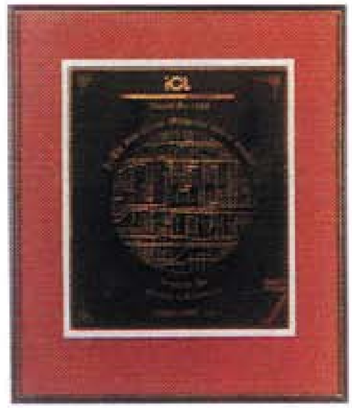
United Technologies

AWARDS

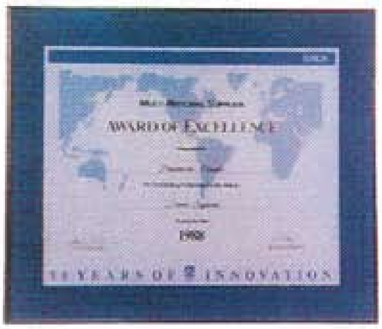


Xerox

Xerox



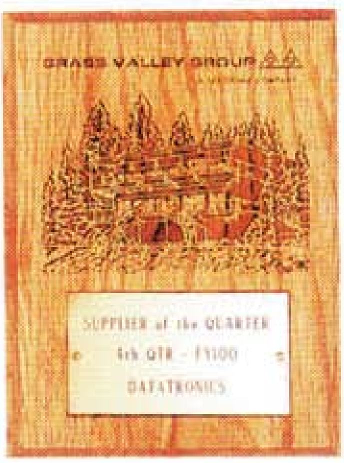
ICL/Fujitsu



Xerox

Xerox

Xerox



Tektronix

Sola Electric

Tektronix

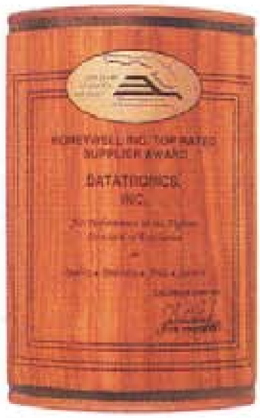
Customer Recognition For Quality, Service, Value

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

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
LAM Tak Shing, Harry
SIU Paul Y.

QUALIFIED ACCOUNTANT

LAU Juen Ying

COMPANY SECRETARY

LEUNG Sau Fong

AUTHORISED REPRESENTATIVES

SIU Paul Y.
SHEUNG Shing Fai

AUDITORS

CCIF CPA Limited
34/F The Lee Gardens
33 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

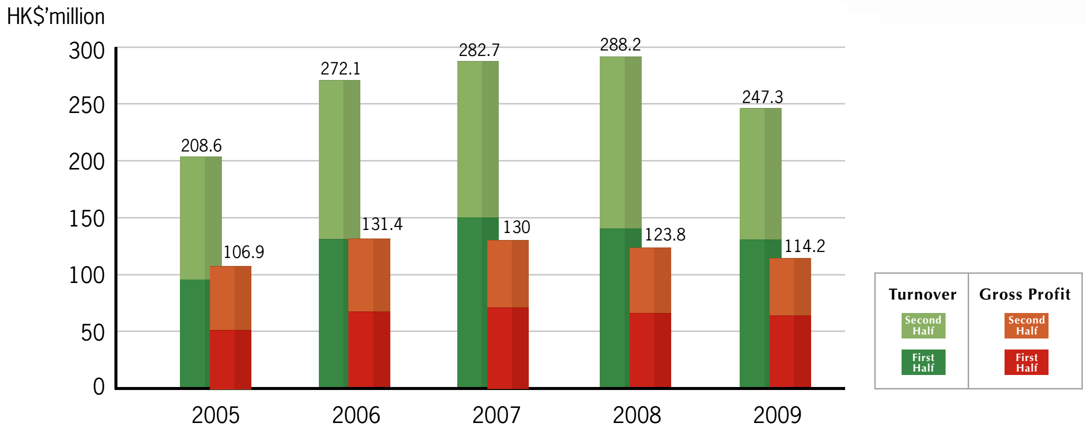
PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
  Corporation Limited
Bank of Communications

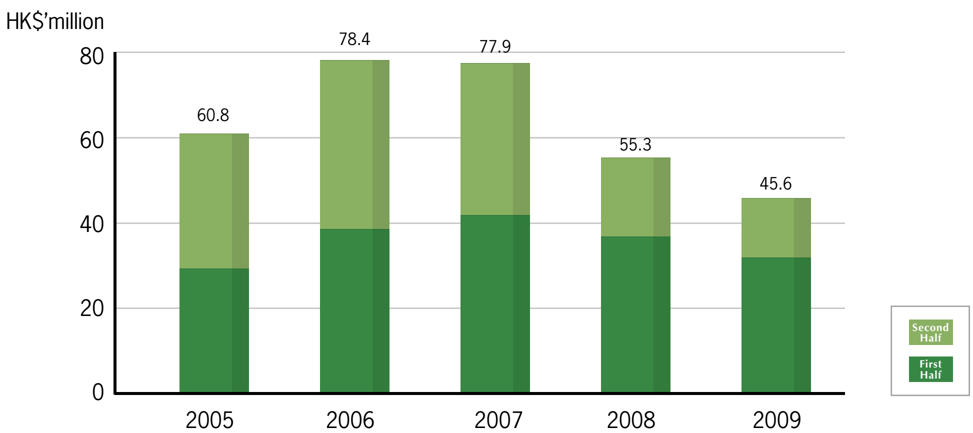
WEBSITE

www.datronixhldgs.com.hk

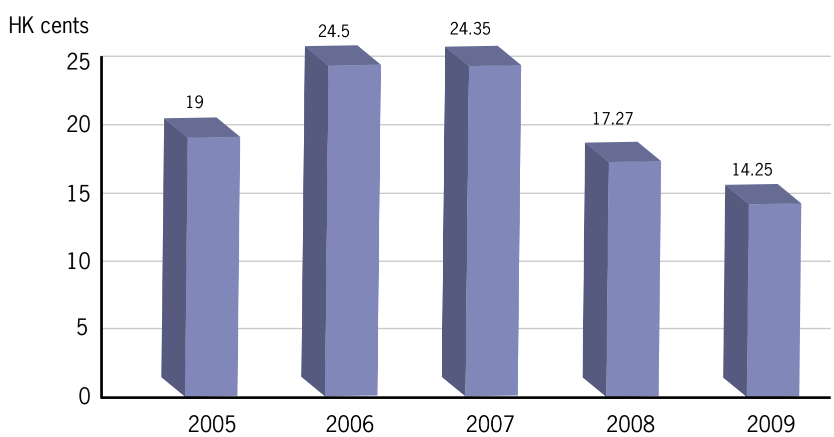
Turnover / Gross Profit



Profit attributable to shareholders

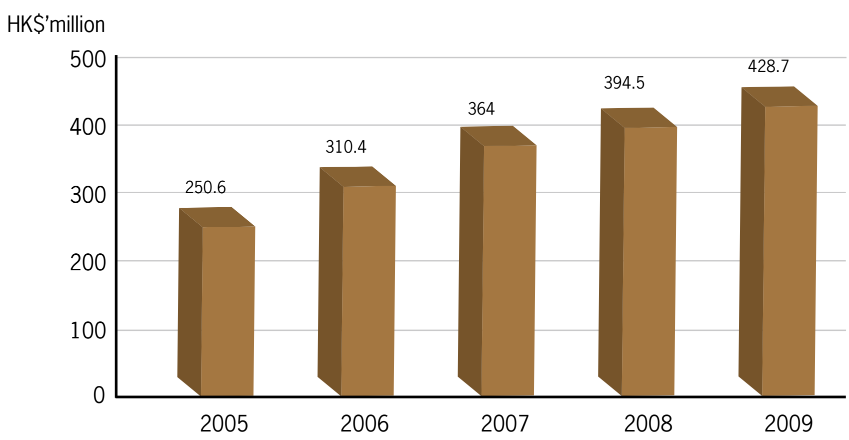


Earnings Per Share



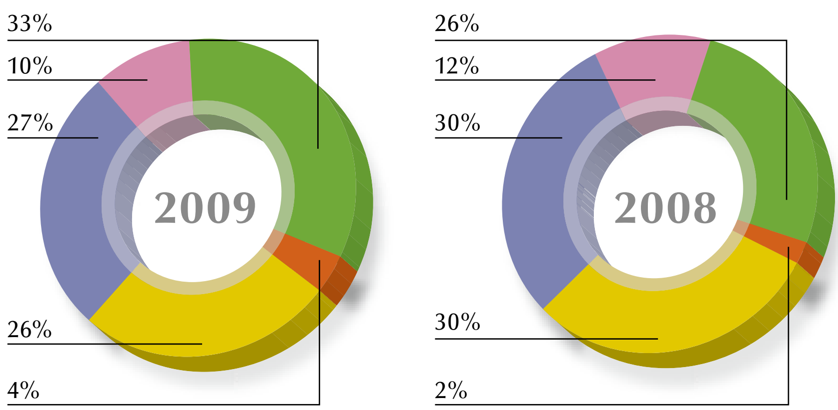
FINANCIAL HIGHLIGHTS

Net asset



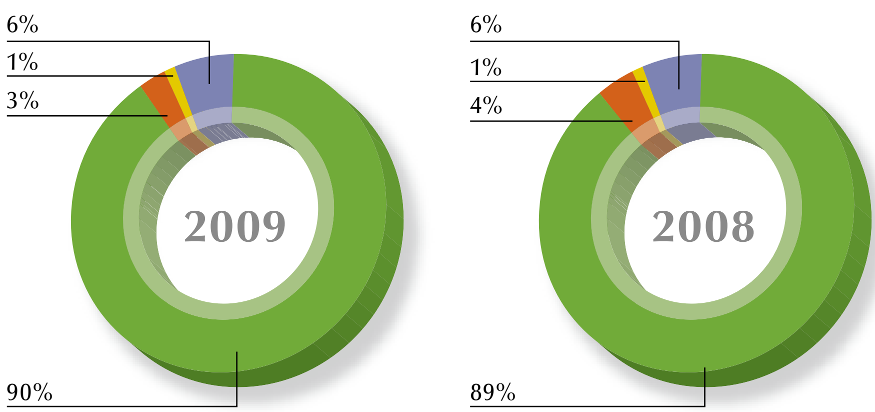
Market

- Military & Aerospace
- Healthcare
- Communication & Networking
- Data Processing
- Industrial Application



Geographical destination of products

- The US
- Europe
- Hong Kong
- Southeast Asia (other than Hong Kong)



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

GENERAL

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 following 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.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

The electronic component industry experienced a recede in the fiscal year 2009 due to weakened economy and restricted spending on our end customers and end user markets. Our Group was negatively impacted by delays in receipt of orders. These delays resulted in a near term decrease in demand for our products. In the last three months of 2009, our order receipt stabilized.

The Group reported sales of HK$247.3 million for year ended 2009, a decrease of 14% compared to HK$288.3 million in 2008. Gross profit for year 2009 reported HK$114.2 million, whereas gross margins were 46%, compared to 43% in 2008. Margin improvement was primarily attributed to the raw material prices dropped in early 2009. Profit attributable to shareholders decreased by 17% to HK$45.6 million. The Group overall financial position remains prudent and generates positive cash flow. Cash balance reported at HK$310.2 million. No bank facility has been issued in fiscal year 2009.

While the industry we served has been wracked by the effects of global economic downturn, we see definite signs of improvement and the beginning of growth by the end of 2009. Whereas the sign of recovery, we face the challenges on rising raw material prices and labor wages in the later half of 2009. As economy improves, raw material prices increase considerably. We anticipate the rise of copper and other raw material prices continue in the following year. Labor wages also increase significantly at the last few months of 2009 due to severe shortage of supply in the Guangdong province. These two has impacted on the sales and cost structure of the company in 2009 and continue in 2010.

MARKET REVIEW

Communication and Networking

Communication segment contributed HK$82.0 million of sales for year 2009, an increase of 8% compared to HK$76.1 million in previous year. Communication market fluctuated along with the economy; but demand was beginning to rebound by the end of 2009 following the sharp contraction a year before. This segment contributed 33% of the Group's total turnover.

Data Processing

Data Processing segment has benefit from the improved economic sentiment in 2009 with an increase of 71% of sales to HK$9.6 million, compared to HK$5.6 million in 2008. Data Processing segment is the most volatile of our end markets and sales vary significantly. This segment contributed 4% of the Group's total turnover.

Industrial Application

Industrial Application segment sales dropped to HK$63.1 million in 2009, compared to HK$85.8 million in 2008. The 27% decrease in industrial orders was mainly attributed by the decrease in orders for products used in a wide variety of industrial applications. This segment contributed 26% of the Group's total turnover.

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 2009, consolidated sales for the three industries was HK$92.6 million, compared to HK$120.7 million for the year ended 2008. The High Reliability segment contributed 37% of the Group turnover.

Military and Aerospace

Sales generated by Military and Aerospace were HK$68.8 million for 2009, compared to HK$87.3 million in 2008. Aerospace industry is driven by overall economic climate while the defense industry is driven by the US military budget and global political scenario.

Healthcare

This segment involves applications in medical and healthcare devices. Total sales as year ended 2009 reported HK$23.8 million, compared to HK$33.4 million in 2008. The decrease of 29% is mainly due to sluggish demand as a result of the weakened economy.

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 38 awards from customers including the "Outstanding Supplier Achievement Award in 2008" received in March 2009 Supplier Conference.

LOOKING AHEAD

Looking forward, the industry will continue to grow, driven by the need of manufacturers and end user markets to adopt new technologies and reduce product costs. The challenges ahead will be the dynamic environment and consumer and business spending. Our Group will focus on the ability to develop new products and modify existing products to meet customer preference in order to maintain growth and sustainability.

Notwithstanding the challenges of labor and raw material prices soar and continue in the coming years, we foresee this year is operationally and financially stable. We are encouraged by the momentum we have seen in the end markets in recent months. We are optimistic that business conditions will continue to improve. We look forward to sharing our continued success with you. Thank you for your ongoing support of Datronix.

SIU Paul Y.
Chairman

Hong Kong, 12 April 2010

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group delivered a stable earnings result for year ended 2009. Turnover was HK$247.3 million as at 31 December 2009 (2008: HK$288.3 million).

Gross profit in 31 December 2009 was HK$114.2 million with gross margin representing 46%, compared to HK$123.8 million with gross margin representing 43% for the same period last year. Profit recorded HK$45.6 million and HK$55.3 million for the year ended 2009 and 2008 respectively. Net profit margin was 18% in 31 December 2009, compared to 19% in 31 December 2008.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2009, the Group had a total equity of approximately HK$428.7 million (2008: HK$394.5 million), and cash and cash equivalents of approximately HK$310.2 million (2008: HK$246.6 million), which were predominately denominated in US dollars and Renminbi.

For the year ended 31 December 2009, 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 2009.

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 2009, the Group employed approximately 1,016 personnel around the world, with approximately 100 in Hong Kong, 893 in the PRC and 23 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

On 17 March 2010, the Inland Revenue Department ("IRD") issued final and provisional tax assessments for the years of assessment from 2003/2004 to 2008/2009 and 2009/2010 of an aggregated amount of approximately HK$32,221,777 and HK$5,437,284 respectively (2008: HK$Nil) to the Company's subsidiary, Datatronic Limited ("Datatronic"). On 22 March 2010, Datatronic submitted an objection to the IRD in respect of the additional tax assessments for the years of assessment from 2003/2004 to 2009/2010 on the ground that based on the contract processing certificate issued by The State Administration for Industry & Commerce of Shunde on 8 July 2002, Datatronic should be entitled to the 50:50 basis off-shore claims and no additional profits tax should be charged by the IRD. In view of this, the directors considered that no additional tax provision in respect of the six additional tax assessments for the years of assessment 2003/2004 to 2009/2010 is required to be provided in the consolidated financial statements although the objections have not been finalised.

CONTINGENT LIABILITIES (Continued)

Datatronic Distribution, Inc. ("DDI"), a subsidiary of the company incorporated in United States of America located in Romoland, California, came under examination by the state of California's Franchise Tax Board ("FTB") for the tax years ended 31 December 2006 and 2007 in respect of the unitary business income tax. The examination is still in progress. In response to such examination, DDI has made an additional provision for California income tax of approximately HK$3,190,000 for the years ended 31 December 2006, 2007 and 2008 in the profit and loss account for the year ended 31 December 2009 on the basis that DDI will make the Water's Edge election on the original income tax return for the tax year ended 31 December 2009 and thereafter and there will be no such additional tax liability from 2009 onwards. However, this matter has not finalised. Any adjustment on the provision for the additional US tax liabilities and any related penalties and interest are to be accounted for upon finalisation of the examination.

CAPITAL COMMITMENTS

The Group's capital commitment outstanding at the year end, contracted but not provided for in the financial statements in respect of property, plant and equipment is approximately HK$0.9 million (2008: HK$Nil).

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Siu Paul Y. alias, Siu Paul Yin Tong, aged 69, 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 64, 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 61, 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 33, 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..

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chung Pui Lam, SBS, OBE, JP, aged 69, 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 49, 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. He is also the Chairman and CEO of Far City Mining Limited, the shares of which are listed in Canadian National Stock Exchange in Toronto, Canada.

Mr. Chan Fai Yue, Leo, aged 69, 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, which is listed on The Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

Mr. Randall Eller, aged 52, 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. Patrick Julienne, aged 55, is the Sales Manager of Datamax S.A.R.L, responsible for sales and marketing of the Group's products in Europe. Mr. Julienne obtained a degree in Electronic from the Technology Universitary Institute in Paris. Mr. Julienne has over 20 years of experience in electronics industry. He joined the Group in 2007.

Mr. Wong Ning, aged 60, 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. Tam Chun Cheung, aged 61, 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.

Ms. Lau Juen Ying, aged 33 is the Accountant of the Group. She is responsible for all finance and accounting functions of the Group. Ms. Lau obtained a bachelor degree in Accountancy from the City University of Hong Kong. She is a fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Ms. Lau has over 9 years of experience in auditing, accounting and taxation matters. She joined the Group in 2008.

Mr. Fu Wing Wai, Rex, aged 50, is the Quality Assurance Manager of the Group. He is responsible for quality control and assurance, quality and environmental management system of the Group in Hong Kong. Mr. Fu holds a MBA degree and a postgraduate diploma in Total Quality Management from the University of Hull (UK) and is a member of the Chartered Quality Institute, Chartered Quality Professional (MCQI CQP). Mr. Fu who joined the Group in 2007 has over 20 years of working experience in quality control of manufacturing industry.

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 2009.

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	31%	
Five largest customers in aggregate	82%	
The largest supplier		11%
Five largest suppliers in aggregate		33%

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 and the consolidated statement of comprehensive income on pages 29 and 30 respectively.

The state of affairs of the Group and the Company as at 31 December 2009 are set out in the consolidated statement of financial position on page 31 and the statement of financial position on page 32 respectively.

The directors recommend the payment of a final dividend of HK$0.012 (2008: HK$0.022) per share, totalling HK$3,840,000 (2008: HK$7,040,000) for the year ended 31 December 2009.

FINANCIAL SUMMARY

A summary of the results of the Group for each of the five years ended 31 December 2009 and of the assets and liabilities as at 31 December 2005, 2006, 2007, 2008 and 2009 is set out on page 87.

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 2009 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 80, 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

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, Mr. Chung Pui Lam and Mr. Lam Tak Shing, Harry 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. In addition, the executive directors are also entitled to a management bonus of a sum at the discretion of the directors. An executive director may not vote on any resolution of the directors regarding the amount of the management bonus payable to him.

DIRECTORS (Continued)

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 2009, 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.	5,660,000	–	233,000,000 *(Note 1)*	238,660,000

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 2009, 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 2009, 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 4th Master Supply Agreement on 24 September 2007 ("the 4th Master Supply Agreement") which superseded the 3rd Master Supply Agreement dated 1 August 2005 in respect of the supply of magnetics to DRI by DL.

The 4th Master Supply Agreement for a fixed term of three years from 1 January 2008 and on effectively the same terms and conditions of the Master Supply Agreement, 2nd Master Supply Agreement and the 3rd Master Supply Agreement, was entered into on 24 September 2007 superseding the 3rd Master Supply Agreement until terminated by either party giving to the other party not less than three months' written notice. Pursuant to the 4th 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 2009 was approximately HK$76,591,000 (2008: HK$80,166,000).

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, 12 April 2010

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

Director	**Number of attendance**
Mr. Siu Paul Y.	4/4
Ms. Shui Wai Mei	4/4
Mr. Sheung Shing Fai	4/4
Ms. Siu Nina Margaret	4/4
Mr. Chung Pui Lam	4/4
Mr. Lam Tak Shing, Harry	4/4
Mr. Chan Fai Yue, Leo	4/4

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, 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 three Independent Non-executive Directors, Mr. Chung Pui Lam, Mr. Chan Fai Yue, Leo and Mr. Lam Tak Shing, Harry. Mr. Chung Pui Lam is the Chairman of the Remuneration Committee.

During the year, two Remuneration Committee meetings were held. The attendance of each member is set out as follows:

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

REMUNERATION COMMITTEE (Continued)

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 2009, 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.

During the year, three Audit Committee meetings were held. The attendance of each member is set out as follows:

Director	**Number of attendance**
Mr. Chung Pui Lam	3/3
Mr. Lam Tak Shing, Harry	3/3
Mr. Chan Fai Yue, Leo	3/3

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2009.

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	480
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 2009 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 Friday, 4 June 2010 at 2:30 p.m. for the following purposes:

1. To receive and consider the Audited Financial Statements for the year ended 31 December 2009 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 2010

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, Wanchai, 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 Tuesday, 1 June 2010 to Friday, 4 June 2010, both dates inclusive, during which period no transfer of shares will be registered. 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 Hong Kong Registrars Limited, the Company's branch share registrar in Hong Kong, for registration not later than 4:30 p.m. on Monday, 31 May 2010. The cheques for dividend payment will be sent on about Monday, 14 June 2010.

CCIF
CCIF CPA LIMITED
陳葉馮會計師事務所有限公司
34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

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

We were engaged to audit the consolidated financial statements of Datronix Holdings Limited (the "company") and its subsidiaries (collectively referred to as the "group") set out on pages 29 to 86, which comprise the consolidated and company statement of financial position as at 31 December 2009 and the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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.

Except for the limitation in the scope of our work as explained below, 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. However, because of the matter described in the basis for disclaimer of opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

1) **Scope limitation – Hong Kong profits tax**

Datatronic Limited ("Datatronic"), a subsidiary of the company, received six additional profits tax assessments dated 17 March 2010 from the Hong Kong Inland Revenue Department (the "IRD") in relation to the disagreement of the IRD on Datatronic's offshore claim pursuant under Departmental Interpretation and Practice Notes No. 21 "Locality of profits". Total additional profits tax demanded by the above six additional tax assessments amounted to HK$37,659,061, representing additional final tax, totaling HK$32,221,777, for the years of assessment 2003/04 to 2008/09 and additional provisional tax of HK$5,437,284 for the year of assessment 2009/10. The directors considered Datatronic is not liable to pay these additional tax and objections have been lodged against the above six additional tax assessments on 22 March 2010. The objections have not been finalized. However, the audit evidence available to us was limited. We were unable to carry out audit procedures necessary to obtain adequate assurance regarding these additional profits tax. No provision for profits tax in respect of the additional assessments for the years of assessments 2003/04 to 2009/10 has been made as set out in note 27 to the financial statements. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that the provision for profits tax as of 31 December 2009 and for the year then ended in the consolidated financial statements were free from material misstatements.

2) **Scope limitation – California income tax**

Datatronic Distribution, Inc. ("DDI"), a subsidiary of the company incorporated in United States of America located in Romoland, California, came under examination by the state of California's Franchise Tax Board ("FTB") for the tax years ended 31 December 2006 and 2007 in respect of the unitary business income tax. The FTB is claiming DDI on failing to meet the requirements under the Water's Edge tax rules of California for reporting and apportioning income on a world-wide basis with respect to a unitary business group. The examination is still in progress. In response to such examination, DDI has made an additional provision for California income tax of approximately HK$3,190,000 for the years ended 31 December 2006, 2007 and 2008 in the profit and loss account for the year ended 31 December 2009 on the basis that DDI will make the Water's Edge election on the original income tax return for the tax year ended 31 December 2009 and thereafter. However, audit evidence available to us was limited. We were unable to carry out audit procedures necessary to obtain adequate assurance regarding the sufficiency of the amount of additional California income tax provided for as stated above. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that the provision for profits tax as of 31 December 2009 and for the year then ended in the consolidated financial statements were free from material misstatements.

In view of the scope limitation in respect of the Hong Kong profits tax and California income tax as stated in the paragraphs under the "Basis for disclaimer of opinion" above, we have not been able to obtain the sufficient appropriate audit evidence to provide a basis for an audit opinion. Any adjustment to the figures may have a consequential significant effect on the profit for the year, net assets at 31 December 2009 and the related disclosures in the consolidated financial statements.

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY FINANCIAL STATEMENTS

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the company and of the group as at 31 December 2009 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, 12 April 2010

Kwok Cheuk Yuen
Practising Certificate Number P02412

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Turnover	5(a)	247,281	288,298
Cost of sales		(133,106)	(164,479)
Gross profit		114,175	123,819
Other revenue and other net income	5(b)	4,557	5,882
Distribution and selling expenses		(17,648)	(20,632)
Administrative expenses		(45,204)	(42,885)
Profit before taxation	7	55,880	66,184
Income tax	8	(10,285)	(10,921)
Profit for the year attributable to owners of the company	9	45,595	55,263
Earnings per share	11		
– Basic and diluted		HK$0.142	HK$0.173

The notes on pages 36 to 86 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Profit for the year	9	45,595	55,263
Other comprehensive income for the year			
Exchange difference arising on translation of foreign operations	10	3,872	2,764
(Deficit)/surplus on revaluation of land and buildings held for own use	10	(1,166)	1,286
Total other comprehensive income for the year		2,706	4,050
Total comprehensive income attributable to owners of the company		48,301	59,313

The notes on pages 36 to 86 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	13	34,706	38,972
Prepaid lease payments	14	18,878	19,087
		53,584	58,059
Current assets			
Inventories	16	76,536	77,765
Prepaid lease payments	14	627	586
Amount due from ultimate parent enterprise	17	29	23
Amount due from a related company	17	15	–
Tax reserve certificates	27	13,624	13,624
Prepayments, deposits and other receivables		1,245	1,508
Trade receivables	18	26,812	36,535
Cash and cash equivalents	19	310,226	246,648
		429,114	376,689
Current liabilities			
Trade and other payables	20(a)	17,782	11,808
Provision	20(b)	15,215	11,158
Current taxation	21(a)	18,110	13,978
		51,107	36,944
Net current assets		378,007	339,745
Total assets less current liabilities		431,591	397,804
Non-current liabilities			
Deferred taxation	21(b)	2,903	3,337
NET ASSETS		428,688	394,467
CAPITAL AND RESERVES			
Issued capital	22	32,000	32,000
Reserves	23	396,688	362,467
TOTAL EQUITY		428,688	394,467

Approved and authorised for issue by the board of directors on 12 April 2010.

On behalf of the board

Siu Paul Y.
Chairman

Shui Wai Mei
Vice Chairman

The notes on pages 36 to 86 form an integral part of these financial statements.

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Interests in subsidiaries	15	93,790	108,735
Current assets			
Prepayments, deposits and other receivables		95	94
Cash and cash equivalents	19	170	168
		265	262
Current liabilities			
Other payables and accruals	20	91	93
Net current assets		174	169
NET ASSETS		93,964	108,904
CAPITAL AND RESERVES			
Issued capital	22	32,000	32,000
Reserves	23	61,964	76,904
TOTAL EQUITY		93,964	108,904

Approved and authorised for issue by the board of directors on 12 April 2010.

On behalf of the board

Siu Paul Y.
Chairman

Shui Wai Mei
Vice Chairman

The notes on pages 36 to 86 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to owners of the company						
	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 1/1/2008	32,000	57,099	(23,724)	13,297	1,836	283,446	363,954
Changes in equity for 2008:							
Dividend paid (note 23(c))	–	–	–	–	–	(28,800)	(28,800)
Total comprehensive income for the year	–	–	–	1,286	2,764	55,263	59,313
At 31/12/2008	32,000	57,099	(23,724)	14,583	4,600	309,909	394,467
At 1/1/2009	32,000	57,099	(23,724)	14,583	4,600	309,909	394,467
Changes in equity for 2009:							
Dividend paid (note 23(c))	–	–	–	–	–	(14,080)	(14,080)
Total comprehensive income for the year	–	–	–	(1,166)	3,872	45,595	48,301
At 31/12/2009	32,000	57,099	(23,724)	13,417	8,472	341,424	428,688

The notes on pages 36 to 86 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		55,880	66,184
Adjustments for:			
Interest income	5(b)	(1,896)	(5,169)
Depreciation of property, plant and equipment	13	5,633	5,941
Loss on disposals of property, plant and equipment		11	39
Amortisation of prepaid lease payments	14	491	491
Write down of inventories	16(b)	1,765	716
Uncollectible amounts written off	18(b)	(428)	(121)
Impairment loss on trade receivables	18(b)	109	620
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL		61,565	68,701
Increase in inventories		(536)	(1,056)
Increase in amount due from ultimate parent enterprise		(6)	(5)
Increase in amount due from a related company		(15)	–
Decrease in prepayments, deposits and other receivables		263	1,175
Decrease/(increase) in trade receivables		10,042	(121)
Increase/(decrease) in trade payables		685	(7,321)
Increase/(decrease) in other payables and accruals		5,289	(1,245)
Increase in provision		4,057	11,158
CASH GENERATED FROM OPERATIONS		81,344	71,286
Income tax paid			
Hong Kong	21(a)	(4,018)	(5,806)
Overseas	21(a)	(2,255)	(5,716)
NET CASH GENERATED FROM OPERATING ACTIVITIES		75,071	59,764
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	(1,657)	(5,799)
Interest received	5(b)	1,896	5,169
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		239	(630)
NET CASH INFLOW BEFORE FINANCING ACTIVITIES		75,310	59,134

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
NET CASH INFLOW BEFORE FINANCING ACTIVITIES		75,310	59,134
FINANCING ACTIVITIES			
Dividends paid		(14,080)	(28,800)
NET CASH USED IN FINANCING ACTIVITIES		(14,080)	(28,800)
NET INCREASE IN CASH AND CASH EQUIVALENTS		61,230	30,334
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	19	246,648	214,532
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		2,348	1,782
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	310,226	246,648

The notes on pages 36 to 86 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 collective term includes 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 group 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Basis of preparation (Continued)

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.

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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the group and the company. Of these, the following developments are relevant to the group's financial statements:

- HKFRS 8, Operating segments
- HKAS 1 (revised 2007), Presentation of financial statements
- Amendments to HKFRS 7, Financial instruments: Disclosures – improving disclosures about financial instruments
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate
- HKAS 23 (revised 2007), Borrowing costs
- Amendments to HKFRS 2, Share-based payment – vesting conditions and cancellations

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Basis of preparation (Continued)

Amendments to HKFRS 7, HKAS 27, HKAS 23 and HKFRS 2 have had no material impact on the group's financial statements as the amendments and interpretations were consistent with policies already adopted by the group. The impact of the remainder of these developments are as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the group's chief operating decision maker regards and manages the group, with the amounts reported for each reportable segment being the measures reported to the group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. The adoption of HKFRS 8 has not resulted in a redesignation of the presentation of segment information as compared to prior years since the presentation is consistent with internal reporting provided to the group's chief operating decision maker.

- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment is required.

The group has not early applied any of the following new and revised standards, amendments or interpretations which have been issued but are not yet effective for annual periods beginning on 1 January 2009.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of improvements to HKFRSs 2008 [1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009 [2]
HKAS 24 (Revised)	Related Party Disclosures [3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [1]
HKAS 32 (Amendment)	Financial Instruments: Presentation – Classification of Rights Issues [4]
HKAS 39 (Amendment)	Eligible hedged items [1]

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Basis of preparation (Continued)

HKFRS 1 (Revised)	First-time Adoption of HKFRSs [1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters [5]
HKFRS 1 (Amendment)	Limited Exemption from Comparatives HKFRS 7 Disclosures for First-Time Adoptors[7]
HKFRS 2 (Amendments)	Share-based Payment – Group Cash-settled Share-based Payment Transaction [5]
HKFRS 3 (Revised)	Business Combinations [1]
HKFRS 9	Financial Instruments [6]
HK(IFRIC) – Int 14 (Amendment)	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [3]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners [1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments [7]
HK Interpretation 4 (Revised in December 2009)	Determination of the Length of Lease Term in respect of Hong Kong Land Leases[5]

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 February 2010
[5] Effective for annual periods beginning on or after 1 January 2010
[6] Effective for annual periods beginning on or after 1 January 2013
[7] Effective for annual periods beginning on or after 1 July 2010

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

The company's directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the group.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. 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.

iii) *Government grants*

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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.

In the company's statement of financial position, an investment in a subsidiary is stated at cost less any impairment losses (see note 2(h)), unless the investment is classified as held for sale.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) 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.

f) 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(h)).

Other properties are interests in buildings. The buildings component of owner-occupied properties are stated in the statement of financial position 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 end of the reporting period.

Changes arising on the revaluation of owner-occupied properties are generally dealt with other comprehensive income and accumulated separately in equity in the property revaluation reserve. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to the profit or loss, 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 profit or loss, if and to the extent that a deficit on revaluation in respect of that same asset had previously been charged to the profit or loss.

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)

f) 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.

g) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Leased assets (Continued)

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 profit or loss 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 profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss 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 receipt where the property is classified as an investment property or is held for development for sale.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Impairment of assets

i) Impairment of trade and other receivables

Other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of the reporting period 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; and

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

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

– 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.

  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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Impairment of assets (Continued)

i) Impairment of trade and other receivables (Continued)

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 the end of the reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

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

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

– investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less cost to sell 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).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Impairment of assets (Continued)

ii) Impairment of other assets (Continued)

– Recognition of impairment losses

An impairment loss is recognised in the profit or loss if 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 loss 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.

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(h)).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) 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;

(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)

j) 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.

k) 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(h)), 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(h)).

l) 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.

m) 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 statement of cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) 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.

o) 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 end of the reporting period, 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)

o) 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 end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period 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)

p) 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 end of the reporting period. 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. Statement of financial position 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 end of the reporting period. 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.

q) 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 profit or loss 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)

r) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the group's most senior executive management for the purposes of allocation resources to, and assessing the performance of, the group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

s) 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 lattice 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 and other 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 derivative 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 receivables

As at 31 December 2009, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

In respect of trade receivables, in order to minimise 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 rather than the industry and country in which customers operate and therefore significant concentration of credit risk primarily arise when the group has significant exposure to individual customers. At the end of the reporting period, the group has a certain concentration of credit risk as approximately 21% (2008: 36%) and 66% (2008: 74%) 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 as set out as below:

The group

	Within 1 year or on demand HK$'000	**Total contractual undiscounted cash flow** HK$'000	**Carrying amount** HK$'000
As at 31 December 2009			
Trade and other payables	17,782	17,782	17,782
Provision	15,215	15,215	15,215
	32,997	32,997	32,997
As at 31 December 2008			
Trade and other payables	11,808	11,808	11,808
Provision	11,158	11,158	11,158
	22,966	22,966	22,966

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

a) Financial risk factors (Continued)

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 cash flow 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 end of the reporting period:

The group

	2009		2008	
	Effective interest rate %	One year or less HK$'000	Effective interest rate %	One year or less HK$'000
Cash and cash equivalents	0.01% – 1.71%	310,226	0.36% – 1.68%	246,648

(ii) Sensitivity analysis

At 31 December 2009, 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$3,102,000 (2008: HK$2,466,000). Other components of consolidated equity would not be affected (2008: HK$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 end of the reporting period 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 end of the next annual reporting period. The analysis is performed on the same basis for 2008.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

a) Financial risk factors (Continued)

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 end of the reporting period 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 Great British Pound. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date.

The group

	Exposure to foreign currencies (expressed in Hong Kong dollars)		
	2009		
	United States dollars '000	Euro '000	Great British Pound '000
Cash and cash equivalents	168,165	1,481	151
Trade and other receivables	11,499	–	151
Trade and other payables	(2,147)	(11)	–
Overall exposure arising from recognised assets and liabilities	177,517	1,470	302

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

a) Financial risk factors (Continued)

iv) Currency risk (Continued)

(i) Exposure to currency risk (Continued)

	Exposure to foreign currencies (expressed in Hong Kong dollars) 2008		
	United States dollars '000	Euro '000	Great British Pound '000
Cash and cash equivalents	23,506	1,280	180
Trade and other receivables	19,329	–	30
Trade and other payables	(1,573)	–	–
Overall exposure arising from recognised assets and liabilities	41,262	1,280	210

(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 end of the reporting period.

The group

	2009		2008	
	Increase/ (decrease) in foreign exchange rates %	Effect on profit after tax and retained profits HK$'000	Increase/ (decrease) in foreign exchange rates %	Effect on profit after tax and retained profits HK$'000
Euros	5%	61	5%	53
	(5%)	(61)	(5%)	(53)

Other components of consolidated equity would not be affected (2008: HK$Nil) by the changes in foreign exchange rates.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

a) Financial risk factors (Continued)

iv) Currency risk (Continued)

(ii) Sensitivity analysis (Continued)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period 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.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollars and the United States dollars would be materially unaffected by any changes in movement in value of the United States dollars 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 end of the reporting period for presentation purposes. The analysis is performed on the same basis for 2008.

v) Fair values

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

b) Capital risk management

The group regards the equity attributable to the company's owners, comprising issued share capital, share premium, accumulated profits and other reserves as its capital structure. 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 owners at 31 December 2009 and 2008 were as follows:

	2009 HK$'000	2008 HK$'000
Equity attributable to the company's owners	428,688	394,467

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 end of the reporting period, 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.

a) Useful lives of property, plant and equipment

The group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Key sources of estimation uncertainty (Continued)

b) *Estimated provision for impairment of trade and other receivables*

The group maintains impairment allowances for doubtful accounts based on an assessment of the recoverability of trade receivables and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debt expenses in the period in which such estimate has been changed.

c) *Estimated net realisable value of inventories*

The group's management writes down for slow moving or obsolete inventories based on an assessment of the net realisable value of the inventories. Inventory will be written down where events or changes in circumstances indicate that the net realisable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of the inventories and revision on the amount of inventories written down in the period in which such estimate has been changed.

d) *Current taxation and deferred taxation*

Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

Deferred taxation relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation in the periods in which such estimate is changed.

5. TURNOVER, OTHER REVENUE AND OTHER NET INCOME

a) Turnover

The principal activities of the group are manufacturing and trading of 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:

	2009 HK$'000	2008 HK$'000
Sales of merchandise	247,281	288,298

The group has three customers with whom transactions have exceeded 10% of the group's revenues. In 2009 revenues from sales of electronic components to these customers, amounted to approximately HK$188 million (2008: HK$190 million) and arose in the US regions. Details of concentrations of credit risk arising from these customers are set out in note 3(a)(i).

Further details regarding the principal activities of the group's principal subsidiaries are disclosed in note 15 to these financial statements.

b) Other revenue and other net income

	2009 HK$'000	2008 HK$'000
Other revenue		
Bank interest income, being total interest income on financial assets not at fair value through profit or loss	1,896	5,169
Government grants (note i)	1,780	–
Sundry income	512	713
	4,188	5,882
Other net income		
Net foreign exchange gain	369	–
Total other revenue and other net income	4,557	5,882

Note:

i) The company's subsidiary in the PRC has received a subsidy from Shunde Department of Human Resources and Social Security of Foshan for compensating the contribution to the defined contribution retirement benefits for the employees in the PRC.

6. SEGMENT INFORMATION

The group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The application of HKFRS 8 has not resulted in a redesignation of the group's reportable segment as compared with the primary reportable segments determined with HKAS 14 "Segment Reporting", nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The group is principally engaged in manufacturing and trading electronic components in both Hong Kong and oversea markets. The group's chief operating decision maker regularly review the consolidated financial information to assess the performance and make resource allocation decisions. Accordingly, there is only one operating segment for the group.

a) Geographical information

The following table sets out the information about the geographical location of the group's revenue from external customers and inter segments sales. The geographical location of customers is based on the location at which the good is delivered. The geographical location of the group's segment assets, segment liabilities, capital expenditure and depreciation and amortisation is based on the physical location of the assets.

The group comprises the following main geographical segments:

	Hong Kong		The PRC		The United States of America		Europe		Others		Eliminations		Total	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Turnover														
External sales	1,234	3,257	–	–	223,270	255,528	8,561	11,505	14,216	18,008	–	–	247,281	288,298
Inter segment sales	308,201	329,694	–	–	114,168	129,777	2,273	3,503	–	–	(424,642)	(462,974)	–	–
Total	309,435	332,951	–	–	337,438	385,305	10,834	15,008	14,216	18,008	(424,642)	(462,974)	247,281	288,298
Operating results														
Profit/(loss) from operations	56,083	56,408	(3,536)	(10,211)	5,575	14,196	(4,490)	(254)	–	–	352	876	53,984	61,015
Interest income	987	4,044	788	972	120	135	1	18	–	–	–	–	1,896	5,169
Profit before taxation													55,880	66,184
Income tax													(10,285)	(10,921)
Profit attributable to owners of the company													45,595	55,263
Other information														
Segment assets	1,014,486	955,603	61,229	58,799	52,552	65,298	2,057	3,432	–	–	(647,626)	(648,384)	482,698	434,748
Segment liabilities	458,363	437,390	12,704	11,304	30,835	43,915	10,048	6,767	–	–	(457,940)	(459,095)	54,010	40,281
Capital expenditure	988	5,629	656	150	13	136	–	17	–	–	–	(133)	1,657	5,799
Depreciation and amortisation	4,795	5,173	1,934	1,874	123	138	6	21	–	–	(734)	(774)	6,124	6,432

6. SEGMENT INFORMATION (Continued)

b) Information about major customers

Revenue from external customers of the corresponding years contributing over 10% of the total revenue from the group's sole operating activity of trading of electronic components are as follows:

	2009 HK$'000	2008 HK$'000
Customer A	76,591	80,166
Customer B	67,863	57,200
Customer C	43,631	53,026
	188,085	190,392

7. PROFIT BEFORE TAXATION

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

	2009 HK$'000	2008 HK$'000
Amortisation of prepaid lease payments	491	491
Impairment of trade receivables	109	620
Auditors' remuneration	531	503
Cost of inventories (note 16(b))	133,106	164,479
Write-down of inventories, gross (note 16(b))	1,765	716
Depreciation of property, plant and equipment	5,633	5,941
Loss on disposal of property, plant and equipment	11	39
Net foreign exchange (gain)/loss	(369)	1,766
Operating lease charges on rented premises and equipment	89	57
Research and development expenditures	5,412	5,323
Staff costs:		
– Salaries, wages and other benefits (including directors' emoluments – note 12)	61,401	67,507
Less: Amounts included in research and development expenditures	(4,620)	(4,559)
	56,781	62,948
– Contributions to defined contribution retirement plans	3,594	3,245

8. INCOME TAX

a) Income tax in the consolidated income statement represents:

	2009 HK$'000	2008 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	4,961	5,296
Current tax – Overseas		
Provision for the year	2,254	5,903
Under-provision in respect of prior years	3,190	–
Deferred taxation		
Origination of temporary differences	(120)	(278)
	10,285	10,921

The provision for Hong Kong Profits Tax for 2009 is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the year.

PRC subsidiary is subject to PRC Enterprise Income Tax at 25% (2008: 25%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. INCOME TAX (Continued)

b) Reconciliation between tax expense and accounting profit at the applicable tax rates:

	2009 HK$'000	2008 HK$'000
Profit before taxation	55,880	66,184
Effect of tax at Hong Kong profits tax rate of 16.5% (2008: 16.5%)	9,220	10,920
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,315	3,525
Tax effect on non-taxable income	(4,399)	(3,908)
Tax effect of unused tax losses	885	171
Tax effect of non-deductible expenses	194	478
Tax effect of deductible temporary differences not recognised in prior years	(120)	(115)
Under-provision in prior years	3,190	–
Tax effect on deferred tax arising from change in tax rate	–	(163)
Others	–	13
Actual tax expense	10,285	10,921

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 25% (2008: 25%). 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.

During the year ended 31 December 2009, Datamax S.A.R.L., a company incorporated in France and with annual turnover of less than Euro 750,000 is no longer subject to a fixed income tax in France (2008: HK$13,000).

Datatronic Distribution, Inc. ("DDI"), 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 39.83% (2008: 15% to 38%), and California State corporate tax at the rate of 8.84% (2008: 8.84%), on the estimated assessable profits arising from or derived by DDI on a worldwide basis.

During the year ended 31 December 2009, DDI came under examination by the State of California's Franchise Tax Board ("FTB") for the years ended in 31 December 2006 and 2007 in respect of the unitary income tax. The FTB is claiming DDI on failing to meet the requirements under the Water's Edge rules of US for reporting and apportioning income on a world-wide basis with respect to a unitary group, which generally applies to a foreign entity among companies under common control. An amount of approximately HK$3,190,000 has been provided during the year ended 31 December 2009 in respect of the California's income tax on unitary business.

9. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the company includes a loss of approximately of HK$860,000 (2008: loss of HK$785,000) which has been dealt with in the financial statements of the company.

10. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	2009			2008		
	Before-tax amount HK$'000	Tax (expense)/ benefit HK$'000	Net-of-tax amount HK$'000	Before-tax amount HK$'000	Tax (expense)/ benefit HK$'000	Net-of-tax amount HK$'000
Exchange differences on translation of financial statements of overseas subsidiaries	3,872	–	3,872	2,764	–	2,764
(Deficit)/surplus on revaluation of land and buildings held for own use	(1,480)	314	(1,166)	1,591	(305)	1,286
Other comprehensive income	2,392	314	2,706	4,355	(305)	4,050

11. EARNINGS PER SHARE

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

	2009 HK$'000	2008 HK$'000
Profit attributable to equity shareholders of the company	45,595	55,263

	Number of shares	
	2009	2008
Weighted average number of ordinary shares in issue	320,000,000	320,000,000

Diluted earnings per share is equal to basic earnings per share as there were no potential dilutive ordinary shares outstanding for both years presented.

12. DIRECTORS' REMUNERATION AND INDIVIDUAL WITH HIGHEST EMOLUMENTS

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

	Year ended 31 December 2009			
	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)*	–	7,040	–	7,040
Shui Wai Mei	–	550	12	562
Sheung Shing Fai	–	1,500	12	1,512
Siu Nina Margaret	–	850	12	862
Independent non-executive directors				
Chung Pui Lam	125	–	–	125
Lam Tak Shing, Harry	122	–	–	122
Chan Fai Yue, Leo	122	–	–	122
	369	9,940	36	10,345

	Year ended 31 December 2008			
	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)*	–	4,156	–	4,156
Shui Wai Mei	–	490	12	502
Sheung Shing Fai	–	1,373	12	1,385
Siu Nina Margaret	–	617	12	629
Non-executive director				
Siu Ronald (Resigned on 19/9/2008)	–	–	–	–
Independent non-executive directors				
Chung Pui Lam	107	–	–	107
Lam Tak Shing, Harry	108	–	–	108
Chan Fai Yue, Leo	98	–	–	98
	313	6,636	36	6,985

12. DIRECTORS' REMUNERATION AND INDIVIDUAL WITH HIGHEST EMOLUMENTS (Continued)

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

No directors waived any remuneration 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 2009 (2008: HK$Nil).

As at 31 December 2009, 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.

ii) Individuals with highest emoluments

Of the five individuals with the highest emoluments in the group, four (2008: four) were directors of the company whose emoluments are included in the disclosures in note 12(i) above. The emolument of the remaining one (2008: one) individual was as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	517	524
Contributions to retirement benefits schemes	12	12
	529	536

The emolument was 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 1/1/2008	23,400	23,322	23,235	3,530	73,487
Additions	–	2,334	809	2,656	5,799
Disposals	–	(376)	(494)	–	(870)
Surplus on revaluation	559	–	–	–	559
Exchange adjustments	751	20	122	16	909
At 31/12/2008 and 1/1/2009	24,710	25,300	23,672	6,202	79,884
Additions	–	850	686	121	1,657
Disposals	–	(334)	(131)	–	(465)
Deficit on revaluation	(2,590)	–	–	–	(2,590)
Exchange adjustments	1,180	39	197	26	1,442
At 31/12/2009	23,300	25,855	24,424	6,349	79,928
Accumulated depreciation					
At 1/1/2008	–	19,937	13,579	3,183	36,699
Charge for the year	1,032	2,042	2,121	746	5,941
Disposals	–	(376)	(455)	–	(831)
Written back on revaluation	(1,032)	–	–	–	(1,032)
Exchange adjustments	–	112	20	3	135
At 31/12/2008 and 1/1/2009	–	21,715	15,265	3,932	40,912
Charge for the year	1,110	1,927	2,012	584	5,633
Disposals	–	(334)	(120)	–	(454)
Written back on revaluation	(1,110)	–	–	–	(1,110)
Exchange adjustments	–	183	49	9	241
At 31/12/2009	–	23,491	17,206	4,525	45,222
Carrying amount					
At 31/12/2009	23,300	2,364	7,218	1,824	34,706
At 31/12/2008	24,710	3,585	8,407	2,270	38,972

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:					
2009:					
At cost	–	25,855	24,424	6,349	56,628
At valuation	23,300	–	–	–	23,300
	23,300	25,855	24,424	6,349	79,928
2008:					
At cost	–	25,300	23,672	6,202	55,174
At valuation	24,710	–	–	–	24,710
	24,710	25,300	23,672	6,202	79,884

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

	Group	
	2009 HK$'000	2008 HK$'000
Hong Kong	8,830	9,880
The PRC	14,470	14,830
	23,300	24,710

Buildings located in Hong Kong are held under medium-term leases. Buildings located in the PRC are held under medium-term lease expiring in year 2047 and year 2051.

The buildings held by the group for own use located in Hong Kong are stated at open market value as at 31 December 2009 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 2009 as determined by the same valuer. Had the group's buildings been carried at cost less accumulated depreciation, the carrying amount of the group's buildings as at 31 December 2009 would have been approximately HK$11,777,000 (2008: HK$12,678,000).

14. PREPAID LEASE PAYMENTS

The group's interests in prepaid lease payments represents prepaid operating lease payments charged to profit or loss are analysed as follows:

	Group	
	2009 HK$'000	2008 HK$'000
At 1 January	19,673	19,956
Amortisation for the year	(491)	(491)
Exchange adjustments	323	208
At the end of the reporting period	19,505	19,673
Leases of between 10 to 50 years, held in:		
Hong Kong	15,208	15,609
PRC	4,297	4,064
	19,505	19,673
Analysed for reporting purposes as:		
Current asset	627	586
Non-current asset	18,878	19,087
	19,505	19,673

15. INTERESTS IN SUBSIDIARIES

	Company	
	2009 HK$'000	2008 HK$'000
Unlisted shares, at cost	113,606	113,606
Amounts due to subsidiaries	(19,816)	(4,871)
	93,790	108,735

The amounts due to subsidiaries are unsecured, non-interest bearing and not repayable within one year.

15. INTERESTS IN SUBSIDIARIES (Continued)

The following list contains the particular of subsidiaries which principally affected the results, assets or liabilities of the group. The class of shares held is ordinary shares otherwise stated:

Name	Country/ place of incorporation/ establishment	Country/ place of operation	Principal activities	Issued and fully paid share capital	Proportion of ownership interest Group's effective interest	Held by the company	Held by a subsidiary
Guardsafe Technology Limited	British Virgin Islands	Hong Kong	Investment holding	US$1,000	100%	100%	–
Great Vigour Holdings Limited	British Virgin Islands	Hong Kong	Inactive	US$1	100%	100%	–
Musthave Technology Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	100%	–	100%
Think Machine Technology Limited	British Virgin Islands	Hong Kong	Investment holding	US$2	100%	–	100%
Century Electronics Trading Limited	Hong Kong	Hong Kong	Trading of electronic components	HK$2	100%	–	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%	–	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%	–	100%
Datamax S.A.R.L.	France	France	Trading of electronic components	Euro7,622.45	100%	–	100%
Datatronic Distribution, Inc.	California, the U.S.	California, the U.S.	Trading of electronic components	US$1,000	100%	–	100%
Maxgain Venture Limited	Hong Kong	Hong Kong	Property holding	HK$2	100%	–	100%
Pulse Tek Trading Limited	Hong Kong	Hong Kong	Trading of electronic components	HK$2	100%	–	100%

15. INTERESTS IN SUBSIDIARIES (Continued)

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 statement of financial position comprise:

	Group	
	2009 HK$'000	2008 HK$'000
Raw materials	55,587	55,952
Work-in-progress	2,687	2,185
Finished goods	18,262	19,628
	76,536	77,765

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

	Group	
	2009 HK$'000	2008 HK$'000
Carrying amount of inventories sold	131,341	163,763
Write down of inventories	1,765	716
	133,106	164,479

17. AMOUNTS DUE FROM ULTIMATE PARENT ENTERPRISE AND A RELATED COMPANY

The amounts are 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).

a) An aging analysis of trade receivables as at the end of the reporting period is as follows:

	Group	
	2009 HK$'000	2008 HK$'000
Within 30 days	19,066	20,629
31 to 60 days	6,018	13,563
61 to 90 days	1,273	1,954
Over 90 days	722	975
	27,079	37,121
Less: Allowance for doubtful debts	(267)	(586)
	26,812	36,535

b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly, and any movements held in the allowance account relating to those doubtful debts are reversed.

The movement in the allowance for doubtful debts is as follows:

	Group	
	2009 HK$'000	2008 HK$'000
At 1 January	586	87
Uncollectible amounts written off	(428)	(121)
Impairment loss recognised *	109	620
At 31 December	267	586

* The group's trade receivables as at 31 December 2008 and 2009 of approximately HK$620,000 and HK$109,000 were individually impaired respectively. The individually impaired receivables related to invoices that were default in payments and management assessed that it is highly unlikely that the receivables can be recovered. Consequently, specific allowances for doubtful debts of approximately HK$586,000 and HK$267,000 were recognised respectively. The group does not hold any collateral over these balances.

18. TRADE RECEIVABLES (Continued)

c) Trade receivables that are not impaired

The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	Group	
	2009 HK$'000	2008 HK$'000
Neither past due nor impaired	26,090	35,590
Less than 1 month past due	36	210
1 to 3 months past due	95	155
Over 3 months, but less than 1 year past due	591	580
	722	945
	26,812	36,535

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	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Short term time deposits	126,090	135,914	–	–
Cash at bank and in hand	184,136	110,734	170	168
	310,226	246,648	170	168

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 end of the reporting period approximates to the fair value.

20. TRADE AND OTHER PAYABLES AND PROVISION

a) Trade and other payables

	Group		Company	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Trade payables	7,667	6,982	–	–
Other payables	3,112	639	2	2
Temporary receipts	319	323	–	–
Accrued salaries	4,673	143	74	83
Accrued expenses	2,011	3,721	15	8
Financial liabilities measured at amortised cost	17,782	11,808	91	93

An aging analysis of trade payables as at the end of the reporting period is as follows:

	Group	
	2009 HK$'000	2008 HK$'000
Within 30 days	7,056	5,900
31 to 60 days	374	963
61 to 90 days	83	114
Over 90 days	154	5
	7,667	6,982

Trade payables are interest free 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.

b) Provision

The provision represents the long service leave entitlements to employees accrued in Hong Kong and the PRC.

	Group	
	2009 HK$'000	2008 HK$'000
At 1 January	11,158	–
Additional provision recognised	3,369	11,158
Over-provision in respect of prior years	(19)	–
Exchange adjustments	707	–
At 31 December	15,215	11,158

The provision for long service payment to Hong Kong and the PRC employees of the companies within the group is provided based on the actual number of years of services rendered by the employee and the relevant laws and regulations. The provision will be settled at the time when the respective employee resigns from his office.

21. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

a) Current taxation in the consolidated statement of financial position represents:

	2009 HK$'000	2008 HK$'000
Provision for the year		
– Hong Kong profits tax	4,961	5,296
– Overseas profits tax	2,254	5,903
Provisional tax paid		
– Hong Kong	(4,018)	(5,806)
– Overseas	(2,255)	(5,716)
Balance of profits tax provision relating to prior years	17,168	14,301
	18,110	13,978

b) Deferred tax assets and liabilities recognised

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Revaluation of properties HK$'000	Depreciation allowances in excess of the related depreciation HK$'000	Total HK$'000
Deferred tax arising from:			
At 1 January 2008	3,204	106	3,310
Effect of change in tax rate	3	(163)	(160)
Credited to the profit or loss	–	(115)	(115)
Charged to property revaluation reserves	302	–	302
At 31 December 2008 and 1 January 2009	3,509	(172)	3,337
Credited to the profit or loss	–	(120)	(120)
Credited to property revaluation reserves	(314)	–	(314)
At 31 December 2009	3,195	(292)	2,903

The group has not recognised deferred tax assets in respect of tax losses of HK$5,371,000 during the year (2008: HK$1,043,000) 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. The tax losses do not expire under current tax legislation.

22. ISSUED CAPITAL AND SHARE OPTION SCHEME

	Group and company	
	2009 HK$'000	2008 HK$'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 HK$'000 (Note (d)(i))	Capital reserve HK$'000 (Note (d)(ii))	Property revaluation reserve HK$'000 (Note (d)(iii))	Exchange reserve HK$'000 (Note (d)(iv))	Retained profits HK$'000	Total HK$'000
At 1/1/2008	57,099	(23,724)	13,297	1,836	283,446	331,954
Changes in equity for 2008:						
Dividend paid (note c)	–	–	–	–	(28,800)	(28,800)
Total comprehensive income for the year	–	–	1,286	2,764	55,263	59,313
At 31/12/2008 and 1/1/2009	57,099	(23,724)	14,583	4,600	309,909	362,467
At 1/1/2009	57,099	(23,724)	14,583	4,600	309,909	362,467
Changes in equity for 2009:						
Dividend paid (note c)	–	–	–	–	(14,080)	(14,080)
Total comprehensive income for the year	–	–	(1,166)	3,872	45,595	48,301
At 31/12/2009	57,099	(23,724)	13,417	8,472	341,424	396,688

23. RESERVES (Continued)

b) Company

	Share premium HK$'000 (Note (d)(i))	Contributed surplus HK$'000 (Note (d)(v))	Accumulated losses HK$'000	Total HK$'000
At 1/1/2008	57,099	89,606	(40,216)	106,489
Changes in equity for 2008:				
Dividends paid (note c)	–	–	(28,800)	(28,800)
Total comprehensive loss for the year	–	–	(785)	(785)
At 31/12/2008 and 1/1/2009	57,099	89,606	(69,801)	76,904
Changes in equity for 2009:				
Dividends paid (note c)	–	–	(14,080)	(14,080)
Total comprehensive loss for the year	–	–	(860)	(860)
At 31/12/2009	57,099	89,606	(84,741)	61,964

Under the Companies Act 1981 of Bermuda (as amended), retained profits and contributed surplus are distributable to owners of the company, 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 2009 available for distribution to owners of the company are approximately HK$4,865,000 (2008: HK$19,805,000).

23. RESERVES (Continued)

c) Dividends

i) *Dividends payable to owners of the company attributable to the year:*

	2009 HK$'000	2008 HK$'000
Interim, declared and paid, of HK$0.022 (2008: HK$0.042) per ordinary share	7,040	13,440
Final, proposed, of HK$0.012 (2008: HK$0.022) per ordinary share	3,840	7,040
	10,880	20,480

The final dividend for 2009 proposed after the end of the reporting period is subject to shareholders' approval in the forthcoming general meeting. It has not been recognised as a liability at the end of the reporting period.

ii) *Dividends payable to owners of the company attributable to the previous financial year, approved and paid during the year.*

	2009 HK$'000	2008 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year of HK$0.022 (2008: HK$0.048) per ordinary share	7,040	15,360

d) Nature and purpose of reserves

i) *Share premium*

The share premium account represents the excess of the nominal value of the ordinary shares issued by the company and the net proceeds from the issuance of ordinary shares for initial public offering after deduction of the share issuing expenses.

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 of the group has been set up and is dealt with in accordance with the accounting policies adopted for land and building in note 2(f) and note 2(g). The property revaluation reserve is distributable to the extent of HK$1,212,000 (2008: HK$1,089,000)

23. RESERVES (Continued)

d) Nature and purpose of reserves (Continued)

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(p).

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 operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

The employees of the group's subsidiary in the PRC are members of the state-managed retirement benefit scheme operated by the government of the PRC. The subsidiary of the group is required to contribute 10% of their payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the group with respect to the retirement benefits scheme is to make the specified contributions.

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 consolidated income statement:

	2009 HK$'000	2008 HK$'000
Datatronics Romoland, Inc. ("DRI") *		
– Sales to DRI	76,591	80,166
– Reimbursement of expenses to DRI	6,357	7,194

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

The outstanding balance arising from sales of goods to DRI as at 31 December 2008 and 2009 is stated in note 25(b).

There is no outstanding balance arising from the reimbursement of expenses to DRI as at 31 December 2008 and 2009.

b) Related party transactions included in the consolidated statement of financial position:

	2009 HK$'000	2008 HK$'000
Year-end balance included in trade receivables arising from sales of good to DRI (note 25(a))	5,737	13,292
Year-end balance arising from advanced payment due from a related company, Data Express Limited*	15	–

* Mr. Siu Paul Y., a director of the company, has beneficial interest in Data Express Limited.

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

	2009 HK$'000	2008 HK$'000
Short-term employee benefits	9,090	6,019
Post-employment benefits	24	24
	9,114	6,043

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 lease commitments

At the end of the reporting period, the group had commitments for future minimum lease payments under non-cancellable operating lease which fall due as follows:

	Plant and equipment	
	2009 HK$'000	2008 HK$'000
Within one year	109	92
In the second to the fifth year	231	323
	340	415

b) Capital commitments

The group's capital commitment outstanding at the year end, contracted but not provided for in the financial statements in respect of property, plant and equipment is approximately HK$919,000 (2008: Nil).

c) Other commitments

Effective from 1 January 2008, 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 RMB9,968 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 RMB120,000 as at 31 December 2009 (2008: RMB120,000).

27. CONTINGENT LIABILITIES

a) Hong Kong profits tax

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 ("IRD") 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. The Court of Appeal handed down its final judgement on 15 July 2009 in favour of the Commissioner of Inland Revenue. Datatronic lodged an appeal to the Court of Final Appeal on 11 August 2009 in respect of such judgment. Subsequently, on 13 October 2009, in view of the excessive legal costs involved, Datatronic decided to withdraw the appeal to the Court of Final Appeal. No final profits tax assessment in respect of the years of assessment under the tax dispute had been received from the IRD as at 31 December 2009.

On 26 February 2010, Datatronic received the final profits tax assessment from the IRD of an aggregated amount of approximately HK$13,373,000 in respect of the years of assessment from 1999/2000 to 2001/2002. The amount will be set off by the tax reserve certificates amounting to HK$13,624,000 bought in prior years.

On 17 March 2010, the IRD issued six additional profits tax assessments representing additional final tax, totaling HK$32,221,777, for the years of assessment from 2003/2004 to 2008/2009 and additional provisional tax of HK$5,437,284 for the year of assessment 2009/2010. On 22 March 2010, Datatronic submitted an objection to the IRD in respect of the additional tax assessments for the years of assessment from 2003/2004 to 2009/2010 on the ground that based on the contract processing certificate issued by The State Administration for Industry & Commerce of Shunde on 8 July 2002, Datatronic should be entitled to the 50:50 basis off-shore claims and no additional profits tax should be charged by the IRD. In view of this, the directors considered that no additional tax provision in respect of the six additional tax assessments for the years of assessment 2003/2004 to 2009/2010 is required to be provided in the consolidated financial statements although the objections have not been finalised.

27. CONTINGENT LIABILITIES (Continued)

b) California income tax

During the year ended 31 December 2009, a US subsidiary of the company, Datatronic Distribution Inc. ("DDI"), came under examination by the State of California's Franchise Tax Board ("FTB") for the years ended in 31 December 2006 and 2007 in respect of the unitary income tax. The FTB is claiming DDI on failing to meet the requirements under the Water's Edge tax rules of California for reporting and apportioning income on a world-wide basis with respect to a unitary business group, which generally applies to a foreign entity among companies under common control. The examination is still in progress. In response to such examination, DDI has made an additional provision for California income tax of approximately HK$3,190,000 for the years ended 31 December 2006, 2007 and 2008 in the profit and loss account for the year ended 31 December 2009 on the basis that DDI will make the Water's Edge election on the original income tax return for the tax year ended 31 December 2009 and thereafter and there will be no such additional tax liability from 2009 onwards. However, this matter has not finalised. Any adjustment on the provision for the additional US tax liabilities and any related penalties and interest are to be accounted for upon finalisation of the examination.

28. EVENT AFTER THE REPORTING PERIOD

On 12 April 2010, the company's directors proposed a final dividend of HK$0.012 (2008: HK$0.022) per share, totalling HK$3,840,000 (2008: HK$7,040,000), in respect of the year ended 31 December 2009. 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 immediate and ultimate parent enterprise. This entity does not produce financial statements available for public use.

30. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (revised 2007), Presentation of financial statements, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2(b).

The consolidated income statements of the group for the financial years 2005 to 2009 and the consolidated statement of financial position of the group as at 31 December 2005, 2006, 2007, 2008 and 2009 are as follows:

	Year ended 31 December				
Results	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000
Turnover	208,644	272,131	282,655	288,298	247,281
Profit before taxation	66,722	88,082	89,472	66,184	55,880
Income tax	(5,922)	(9,681)	(11,550)	(10,921)	(10,285)
Profit for the year	60,800	78,401	77,922	55,263	45,595
Attributable to:					
Owners of the company	60,800	78,401	77,922	55,263	45,595

	At 31 December				
Assets and liabilities	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000
Total assets	288,470	357,353	401,939	434,748	482,698
Total liabilities	(37,860)	(46,905)	(37,985)	(40,281)	(54,010)
Total equity	250,610	310,448	363,954	394,467	428,688

Major land held by the company

Location	**Existing use**	**Term of lease**	**Percentage of interest**
78 Marble Road 499 King's Road North Point Hong Kong	Office	Medium term	100%

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	100%