DATRONIX HOLDINGS LIMITED
連達科技控股有限公司*

(Stock Code: 889)

Annual Report 2011

* 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

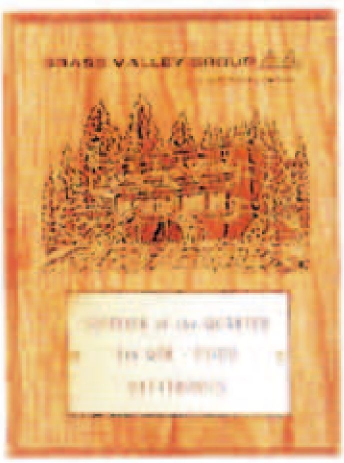
Xerox

ICL/Fujitsu

Xerox

Xerox

Xerox



Tektronix

Sola Electric

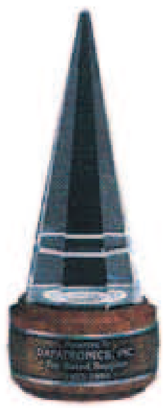
Tektronix

Customer Recognition For Quality, Service, Value

Honeywell

Honeywell

Harris



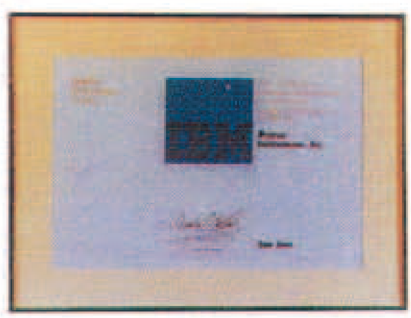
Honeywell

Honeywell

Delco

Honeywell

Hughes Aircraft
General Motors



IBM

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

SIU Paul Y. *(Chairman)*
SHUI Wai Mei *(Vice Chairman)*
SHEUNG Shing Fai

Independent Non-executive Directors

CHUNG Pui Lam
CHAN Fai Yue, Leo
LEE Kit Wah

AUDIT COMMITTEE

LEE Kit Wah
CHUNG Pui Lam
CHAN Fai Yue, Leo

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

CHAN Fai Yue, Leo
CHUNG Pui Lam
LEE Kit Wah
SHEUNG Shing Fai

QUALIFIED ACCOUNTANT

MOK Sim Wa

COMPANY SECRETARY

LEUNG Sau Fong

AUTHORISED REPRESENTATIVES

SIU Paul Y.
SHEUNG Shing Fai

AUDITORS

BDO Limited
25/F Wing On Centre
111 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

19th Floor
North Point Industrial Building
499 King's Road
North Point
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

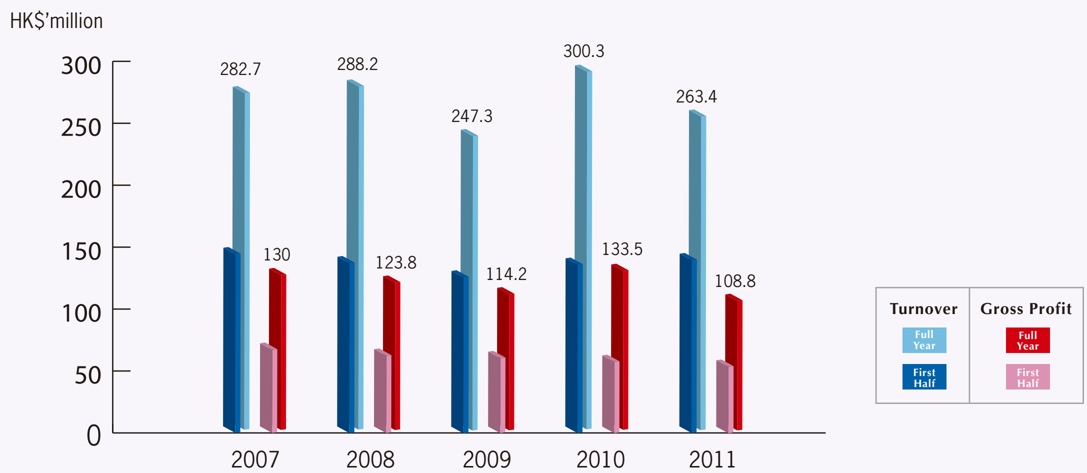
The Hongkong and Shanghai Banking Corporation Limited
Bank of Communications

WEBSITE

www.datronixhldgs.com.hk

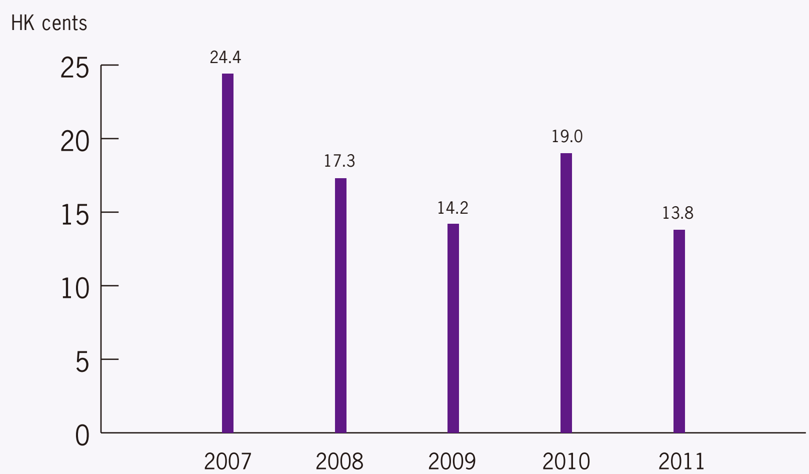
FINANCIAL HIGHLIGHTS

Turnover / Gross Profit



Profit Attributable to Owners of the Company

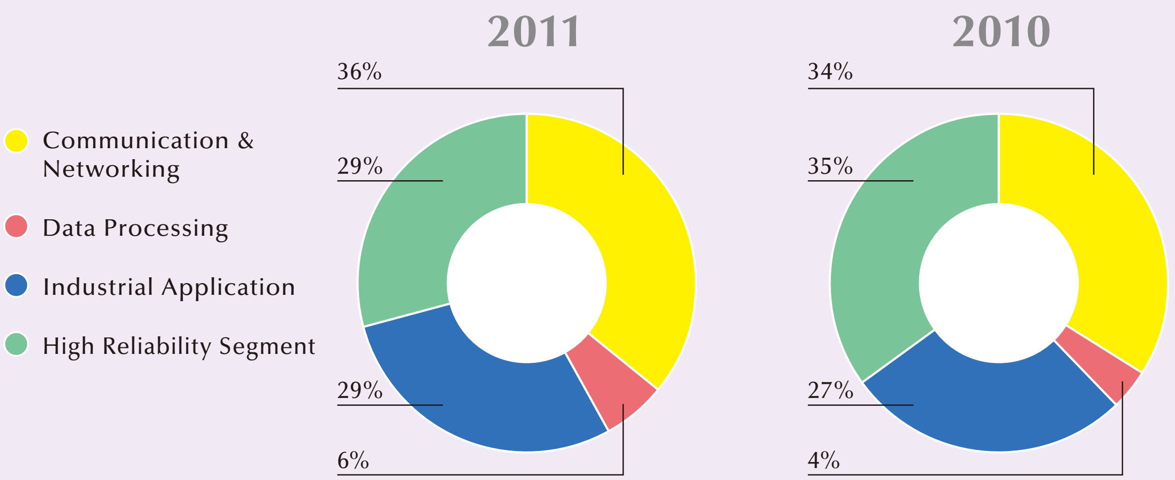
Earnings Per Share (cents)



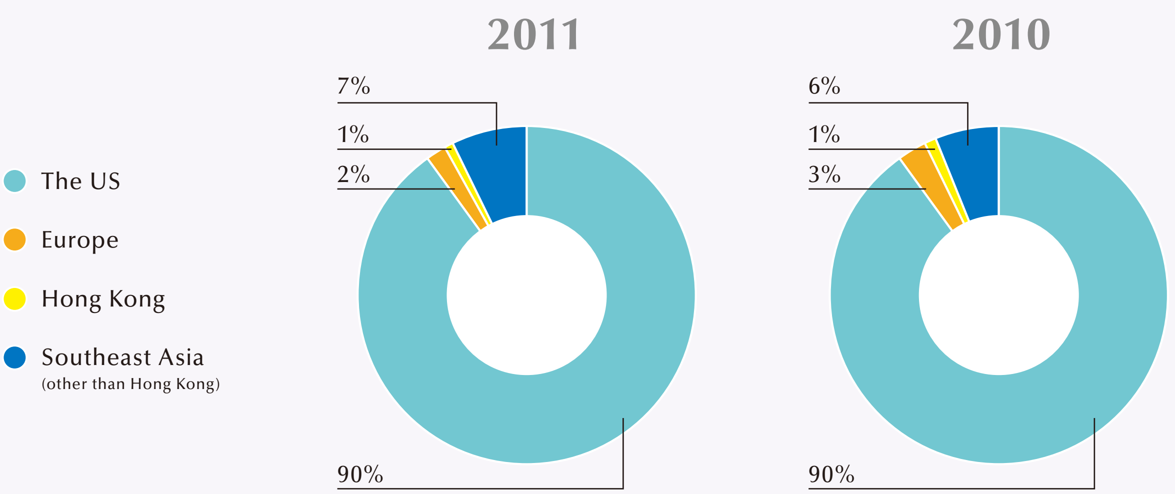
FINANCIAL HIGHLIGHTS

Net Assets

Market



Geographical Destination of Products



GENERAL

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

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

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

THE GROUP'S PRODUCT LINE

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

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

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

GENERAL

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

Datronix had faced an unprecedent challenge in 2011. The macro concerns over the uncertain path of the US economy, as well as the impact of increasing European sovereign stress and monetary tightening are creating a more cautious spending environment. The weak consumer spending, high unemployment rate and a restrained housing market all affect the purchasing behavior of our customer, which in turns negatively impact our major sales market in the United States and Europe. Our production costs also faced pressure from inflation as various material costs, labor wages and overhead. Datronix's management had taken proactive action to weather this difficult year. We emphasis on streamlining our manufacturing procedures, invest on automation and machinery to lessen the reliance on labor and the impact of appreciating of Renminbi. Due to our strong financial position, we did not arrange any credit facility for the past year, and generated a positive cash flow for 2011.

Sales of Datronix for the year 2011 were HK$263.4 million, compared to HK$300.3 million in 2010, it was decreased by 12%. Minimum wages was imposed in Hong Kong and continuous increase in labor wages in China increase our cost of production. Gross profit was HK$108.8 million, a decrease of HK$24.6 million from 2010, whereas gross margin declined from 44% in year 2010 to 41% in year 2011. Our net profit for the year was HK$44.3 million, a decrease of 27% from 2010.

MARKET REVIEW

Communication and Networking

Communication segment contributed HK$93.9 million of sales for year 2011, a decrease of 9% compared to HK$103.5 million in previous year. Customers on this segment are cautious in spending due to being hampered by their inventory level and also network shift in 2011. This segment contributed 36% of the Group's total turnover.

Data Processing

Data processing segment performed steadily in 2011. This segment reported sales a 34% increase of sales to HK$15.6 million, compared to HK$11.7 million in 2010. This segment contributed 6% of the Group's total turnover.

Industrial Application

Industrial application segment sales declined to HK$77.4 million in 2011, compared to HK$80.3 million in 2010. Overall housing market weak demand has led to fewer projects in last year. This segment contributed 29% of the Group's total turnover.

High Reliability Segment

This segment demands precise technology, advance technical know-how and good workmanship by the Group. The healthcare segment saw a recovery as some customers gain market share; whereas FDA investigation on our customer had come to an end, and their order placed to us was getting back to normal level. Yet, it was offset by military programs budget restrains for the year. For the year 2011, sales for this segment reported HK$76.5 million, compared with HK$104.8 million for the year 2010. The high reliability segment contributed 29% of the Group's turnover.

LOOKING FORWARD

We anticipate the coming year will show a gradual improvement in the demand markets and our customer backlog shall have remain to normal level. Yet, we also foresee the pricing pressure despite the end markets may show sign of recovery. As the electronic components industry experienced few consolidations in the past year, Datronix take this as an opportunity to exploit market share and increase our customer base during this period. We plan to implant additional steps to enable us to take advantage of a variety of operational efficiencies and to mitigate the pricing pressure as low as possible. Datronix had a solid foundations and our over 30 years of experience will enable us to be in a strong position in the coming years.

FINANCIAL REVIEW

The Group delivered a stable earnings result for year ended 2011. Turnover was HK$263.4 million as at 31 December 2011 (2010: HK$300.3 million).

Gross profit in 31 December 2011 was HK$108.8 million with gross margin representing 41%, compared to HK$133.5 million with gross margin representing 44% for the same period last year. Profit recorded HK$44.3 million and HK$60.9 million for the year ended 2011 and 2010 respectively. Net profit margin was 17% in 31 December 2011, compared to 20% in 31 December 2010.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2011, the Group had a total equity of approximately HK$599.7 million (2010: HK$550.0 million), and cash and cash equivalents of approximately HK$388.1 million (2010: HK$329.5 million), which were predominately denominated in US dollars and Renminbi.

For the year ended 31 December 2011, the Group had not arranged for any banking facilities and other resources for financing. With the above cash on hand, the Group has adequate resources to meet its working capital needs in the near future.

The Group has strong financial position. There were no debt and no bank loan for the year ended 31 December 2011.

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 2011, the Group employed approximately 1,015 personnel around the world, with approximately 133 in Hong Kong, 861 in the PRC and 21 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 mandatory provident fund scheme for its Hong Kong employees.

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

The Group's capital commitment outstanding at the year end and contracted but not provided for property, plant and equipment in the financial statement is approximately HK$0.3 million (2010: HK$0.4 million).

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Siu Paul Y., aged 71, the Chairman and Chief Executive Officer of the Group, is the founder of the Group. Mr. Siu is also a member of Remuneration Committee of the Company. 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 66, 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 63, is the General Manager of the Group. Mr. Sheung is also a member of the Nomination Committee of the Company. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chung Pui Lam, SBS, OBE, JP, aged 71, was appointed as an independent non-executive director of the Company in March 2001. Mr. Chung is also a chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee of the Company. 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. Chan Fai Yue, Leo, aged 71, was appointed as an independent non-executive director of the Company in September 2004. Mr. Chan is also a chairman of the Nomination Committee and a member of each of the Remuneration Committee and Audit Committee of the Company. 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. Lee Kit Wah, aged 57, was appointed as an independent non-executive director of the Company in August 2011. Mr. Lee is also a chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee of the Company. Mr. Lee graduated from University of Toronto in 1979 with a bachelor's degree in Commerce. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, the Taxation Institute of Hong Kong and a member of the Institute of Chartered Accountants in England and Wales. Mr Lee was trained at Price Waterhouse (presently PricewaterhouseCoopers) in Hong Kong from 1979 to 1984, and worked at F. S. Li & Co., Certified Public Accountants between 1985 to 1988 first as an audit supervisor and then as an audit manager. He has been practising as a certified public accountant in Hong Kong since 1988 and is the managing director of an accounting firm, Katon CPA Limited. Mr Lee is currently an independent non-executive director of ITC Corporation Limited and SinoCom Software Group Limited, all are listed on The Stock Exchange of Hong Kong Limited.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Randall Eller, aged 54, 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 57, 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 62, 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 63, 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. Mok Sim Wa, aged 33 is the Assistant Accounting Manager of the Group. She is responsible for all finance and accounting functions of the Group. Ms. Mok obtained a Master Degree in Business Administration from the University of South Australia and a Higher Diploma 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 Institutes of Certified Public Accountants. Ms. Mok has over 9 years of experience in auditing, accounting, taxation matters. She joined the Group in 2010.

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 2011.

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 17 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	80%	
The largest supplier		21%
Five largest suppliers in aggregate		61%

Except that the largest customer, Datatronics Romoland, Inc., is a related company in which the Company's director, Mr. Siu Paul Y., holds 100% 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 statement of comprehensive income on page 27.

The state of affairs of the Group and the Company as at 31 December 2011 are set out in the consolidated statement of financial position on page 28 and the statement of financial position on page 29 respectively.

The directors recommend the payment of a final dividend of HK$0.02 (2010: HK$0.019) per share, totalling HK$6,400,000 (2010: HK$6,080,000) for the year ended 31 December 2011.

FINANCIAL SUMMARY

A summary of the results of the Group for each of the five years ended 31 December 2011 and of the assets and liabilities as at 31 December 2007, 2008, 2009, 2010 and 2011 is set out on page 79.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 15 to the financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2011 are set out in note 17 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 24 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 30 and 67, 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., *Chairman*
Ms. Shui Wai Mei, *Vice Chairman*
Mr. Sheung Shing Fai
Ms. Siu Nina Margaret (Resigned on 31 December 2011)

Independent non-executive directors
Mr. Chung Pui Lam
Mr. Chan Fai Yue, Leo
Mr. Lee Kit Wah (Appointed on 22 August 2011)
Mr. Lam Tak Shing, Harry (Resigned on 7 June 2011)

In accordance with Bye-laws 87(1) of the Company's Articles of Association, Mr. Sheung Shing Fai, Mr. Chung Pui Lam and Mr. Lee Kit Wah 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. 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 26 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 2011, the directors had the following interests in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept by the Company pursuant to Section 352 of the SFO:

a) The Company

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

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 68.7% of the issued share capital of the Company.

2. These shares are held by Data Express Limited, a company incorporated in the Republic of Liberia, whose entire issued share capital is beneficially owned by Mr. Siu Paul Y..

Save as disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any director or chief executives of the Company or their respective associates in the shares and underlying shares of the Company or its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code of Securities Transactions by Directors of Listed Companies or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the directors and chief executives (including their spouses and children under the age of 18), had, as at 31 December 2011, any interest in, or had been granted any right to subscribe for the securities and options of the Company and its associated corporations within the meaning of the SFO, or had exercised any such rights.

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 2011, the Company has not been notified by any persons (other than the directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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 26 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 5th Master Supply Agreement on 28 September 2010 ("the 5th Master Supply Agreement") which superseded the 4th Master Supply Agreement dated 24 September 2007 in respect of the supply of magnetics to DRI by DL.

The 5th Master Supply Agreement for a fixed term of three years from 1 January 2011 and on effectively the same terms and conditions of the Master Supply Agreement, 2nd Master Supply Agreement, 3rd Master Supply Agreement and 4th Master Supply Agreement, was entered into on 28 September 2010 superseding the 4th 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 2011 was approximately HK$59,950,000 (2010: HK$70,768,000).

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.

REPORT OF THE DIRECTORS

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 BDO 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, 16 March 2012

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

Director	**Number of attendance**
Mr. Siu Paul Y.	11/11
Ms. Shui Wai Mei	11/11
Mr. Sheung Shing Fai	11/11
Ms. Siu Nina Margaret (Resigned on 31 December 2011)	11/11
Mr. Chung Pui Lam	8/11
Mr. Chan Fai Yue, Leo	8/11
Mr. Lee Kit Wah (Appointed on 22 August 2011)	2/11
Mr. Lam Tak Shing, Harry (Resigned on 7 June 2011)	5/11

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 three Executive Directors, being Mr. Siu Paul Y. (Chairman), Ms. Shui Wai Mei (Vice Chairman) and Mr. Sheung Shing Fai, and three Independent Non-executive Directors, being Mr. Chung Pui Lam, Mr. Chan Fai Yue, Leo and Mr. Lee Kit Wah.

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. Lee Kit Wah, Mr. Chung Pui Lam is the Chairman of the Remuneration Committee.

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

Director	Number of attendance
Mr. Siu Paul Y.	3/3
Mr. Chung Pui Lam	3/3
Mr. Chan Fai Yue, Leo	3/3
Mr. Lee Kit Wah (Appointed on 22 August 2011)	0/3
Mr. Lam Tak Shing, Harry (Resigned on 7 June 2011)	3/3

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 2011, 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. Lee Kit Wah 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, five Audit Committee meetings were held. The attendance of each member is set out as follows:

Director	**Number of attendance**
Mr. Chung Pui Lam	5/5
Mr. Chan Fai Yue, Leo	5/5
Mr. Lee Kit Wah (Appointed on 22 August 2011)	3/5
Mr. Lam Tak Shing, Harry (Resigned on 7 June 2011)	2/5

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2011.

NOMINATION COMMITTEE

The Nomination Committee of the Company comprises an Executive Director, Mr. Sheung Shing Fai, and three Independent Non-executive Directors, Mr. Chung Pui Lam, Mr. Chan Fai Yue, Leo and Mr. Lee Kit Wah. Mr. Chan Fai Yue, Leo is the Chairman of the Nomination Committee.

NOMINATION COMMITTEE (Continued)

The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

The Nomination was established on 25 January 2012 and there was no meeting being held for the year ended 31 December 2011.

AUDITORS' REMUNERATION

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

Services rendered	Fees paid/payable
	HK$'000
Audit services	600

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 2011 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 First Floor, Yue-Function Room II, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong on Wednesday, 6 June 2012 at 2:00 p.m. for the following purposes:

1. To receive and consider the Audited Financial Statements for the year ended 31 December 2011 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, 27 April 2012

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 Friday, 1 June 2012 to Wednesday, 6 June 2012, both dates inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with Hong Kong Registrars Limited, the Company's branch share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 31 May 2012.

The proposed final dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting. The register of members of the Company will be closed from Tuesday, 12 June 2012 to Friday, 15 June 2012, both dates inclusive, during which period no transfer of shares will be registered. To qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with Hong Kong Registrars Limited, the Company's branch share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 11 June 2012. The cheques for dividend payment will be sent on about Friday, 22 June 2012.

INDEPENDENT AUDITOR'S REPORT

BDO

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TO THE SHAREHOLDERS OF DATRONIX HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Datronix Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 78, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

AUDITOR'S RESPONSIBILITY (Continued)

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 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 Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants
Lee Ka Leung, Daniel
Practising Certificate Number P01220

Hong Kong, 16 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Turnover	7	263,353	300,255
Cost of sales		(154,550)	(166,805)
Gross profit		108,803	133,450
Other revenue and gain	7	6,805	3,629
Distribution and selling expenses		(19,667)	(22,047)
Administrative expenses		(47,120)	(42,913)
Profit before income tax expense	8	48,821	72,119
Income tax expense	10		
Current tax – tax for the year		(6,839)	(10,912)
– over/(under) provision in respect of prior years		2,348	(38)
Deferred taxation		(21)	(248)
		(4,512)	(11,198)
Profit for the year and attributable to owners of the Company	11	44,309	60,921
Other comprehensive income	12		
Exchange differences on translating foreign operations		1,342	3,007
Surplus on revaluation of leasehold land and buildings held for own use		16,558	23,356
Other comprehensive income for the year and attributable to owners of the Company		17,900	26,363
Total comprehensive income for the year and attributable to owners of the Company		62,209	87,284
Earnings per share			
– Basic and diluted	13	HK$0.138	HK$0.190

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	15	142,080	126,443
Payment for leasehold land held for own use under operating leases	16	4,389	4,399
		146,469	130,842
Current assets			
Inventories	18	91,044	85,649
Amount due from ultimate holding company	19	40	34
Amount due from a related company	19	15	15
Tax reserve certificates		–	32,222
Tax prepayment		717	411
Prepayments, deposits and other receivables		2,287	2,277
Trade receivables	20	23,801	33,042
Cash and cash equivalents		388,082	329,519
		505,986	483,169
Current liabilities			
Trade and other payables	21	14,609	22,401
Employee benefits	22	–	19,108
Current tax liabilities		993	9,122
		15,602	50,631
Net current assets		490,384	432,538
Total assets less current liabilities		636,853	563,380
Non-current liabilities			
Employee benefits	22	20,717	–
Deferred tax liabilities	23	16,390	13,363
		37,107	13,363
NET ASSETS		599,746	550,017
Capital and reserves			
Issued capital	24	32,000	32,000
Reserves		567,746	518,017
TOTAL EQUITY		599,746	550,017

On behalf of the Board

Siu Paul Y.
Chairman

Shui Wai Mei
Vice Chairman

STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Interests in subsidiaries	17	113,606	113,606
		113,606	113,606
Current assets			
Prepayments, deposits and other receivables		90	95
Cash and cash equivalents		180	138
		270	233
Current liabilities			
Amounts due to subsidiaries	17	17,928	18,494
Trade and other payables	21	107	100
		18,035	18,594
Net current liabilities		(17,765)	(18,361)
NET ASSETS		95,841	95,245
Capital and reserves			
Issued capital	24	32,000	32,000
Reserves	25	63,841	63,245
TOTAL EQUITY		95,841	95,245

On behalf of the Board

Siu Paul Y.
Chairman

Shui Wai Mei
Vice Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Equity attributable to owners of the Company						
	Issued capital (note 24) HK$'000	Share premium (note 25(c)(i)) HK$'000	Capital reserve (note 25(c)(ii)) HK$'000	Property revaluation reserve (note 25(c)(iii)) HK$'000	Exchange reserve (note 25(c)(iv)) HK$'000	Retained earnings (note 25(c)(vi)) HK$'000	Total HK$'000
At 1 January 2010	32,000	57,099	(23,724)	55,142	8,472	341,424	470,413
Profit for the year	–	–	–	–	–	60,921	60,921
Other comprehensive income for the year							
Exchange differences on translating foreign operations	–	–	–	–	3,007	–	3,007
Surplus on revaluation of leasehold land and buildings held for own use	–	–	–	23,356	–	–	23,356
Total comprehensive income for the year	–	–	–	23,356	3,007	60,921	87,284
Dividend paid (note 25(b))	–	–	–	–	–	(7,680)	(7,680)
At 31 December 2010 and 1 January 2011	32,000	57,099	(23,724)	78,498	11,479	394,665	550,017
Profit for the year	–	–	–	–	–	44,309	44,309
Other comprehensive income for the year							
Exchange differences on translating foreign operations	–	–	–	–	1,342	–	1,342
Surplus on revaluation of leasehold land and buildings held for own use	–	–	–	16,558	–	–	16,558
Total comprehensive income for the year	–	–	–	16,558	1,342	44,309	62,209
Dividend paid (note 25(b))	–	–	–	–	–	(12,480)	(12,480)
At 31 December 2011	32,000	57,099	(23,724)	95,056	12,821	426,494	599,746

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Cash flows from operating activities		
Profit before income tax expense	48,821	72,119
Adjustments for:		
Interest income	(4,228)	(1,541)
Depreciation of property, plant and equipment	7,783	3,021
Loss on disposal of property, plant and equipment	30	43
Amortisation of payment for leasehold land held for own use under operating leases	117	148
Impairment loss on trade receivables	297	–
Reverse of impairment loss of inventories	(88)	(4,656)
Operating profit before working capital changes	52,732	69,134
Increase in inventories	(5,307)	(4,457)
Increase in amount due from ultimate holding company	(6)	(5)
Decrease/(increase) in prepayments, deposits and other receivables	32,212	(19,630)
Decrease/(increase) in trade receivables	8,944	(6,230)
(Decrease)/increase in trade and other payables	(7,792)	4,619
Increase in employee benefits	1,199	2,970
CASH GENERATED FROM OPERATIONS	81,982	46,401
Income tax paid	(12,926)	(20,348)
Net cash from operating activities	69,056	26,053
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(3,506)	(3,443)
Proceeds from disposal of property, plant and equipment	–	15
Interest received	4,228	1,541
Net cash from/(used in) investing activities	722	(1,887)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(12,480)	(7,680)
Net cash used in financing activities	(12,480)	(7,680)
NET INCREASE IN CASH AND CASH EQUIVALENTS	57,298	16,486
Cash and cash equivalents at beginning of year	329,519	310,226
Effect of foreign exchange rate changes on cash and cash equivalents	1,265	2,807
CASH AND CASH EQUIVALENTS AT END OF YEAR represented by bank balances and cash (note)	388,082	329,519

Note:

Bank balances and cash included an amount of HK$206,546,000 (2010: HK$164,899,000) which is denominated in Renminbi. Renminbi is not a freely convertible currency in the international market. The conversion of Renminbi into foreign currency and remittance of Renminbi out of the People's Republic of China are subject to the rules and regulations of exchange controls promulgated by the People's Republic of China authorities.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

1. GENERAL

Datronix Holdings Limited (the "Company") 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 are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 22 June 2001.

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. The Company and its subsidiaries are collectively referred to as the Group.

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.

The Company's immediate and ultimate holding company is Onboard Technology Limited, a company incorporated in British Virgin Islands.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2011

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

Except as explained below, the adoption of these new/revised standards and interpretations has no material impact on the Group's financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 January 2011 (Continued)

HKFRS 7 (Amendments) – Financial Instruments: Disclosures

As part of the Improvements to HKFRSs issued in 2010, HKFRS 7 has been amended to enhance the interaction between quantitative and qualitative disclosures. If the carrying amount of a financial asset best represents the maximum exposure to credit risk, the standard does not require a positive statement to this effect in the financial statements. This amended disclosure requirement has been applied retrospectively. The carrying amount of the Group's trade receivables represents the Group's maximum exposure to credit risk in respect of these financial assets as at 31 December 2011 and 2010. The prior year financial statements included a positive statement to this effect which is removed in the 2011 financial statements following the amendments. The adoption of the amendments has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and no amendment is required for the disclosures of its related party transactions in the current and comparative periods. The adoption of HKAS 24 (Revised) has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets [1]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets [2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income [3]
HKFRS 9	Financial Instruments [6]
HKFRS 10	Consolidated Financial Statements [4]
HKFRS 12	Disclosure of Interests in Other Entities [4]
HKFRS 13	Fair Value Measurement [4]
HKAS 19 (2011)	Employee Benefits [4]
HKAS 27 (2011)	Separate Financial Statements [4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures [4]
Amendments to HKAS 32 and HKFRS 7	Offsetting Financial Assets and Financial Liabilities [5]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosure [6]

[1] Effective for annual periods beginning on or after 1 July 2011

[2] Effective for annual periods beginning on or after 1 January 2012

[3] Effective for annual periods beginning on or after 1 July 2012

[4] Effective for annual periods beginning on or after 1 January 2013

[5] Effective for annual periods beginning on or after 1st January, 2013 and 2014, as appropriate

[6] Effective for annual periods beginning on or after 1 January 2015

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 32 and HKFRS 7 – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement". The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements/the directors are not yet in a position to quantify the effects on the Group's financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain leasehold land and buildings, which are measured at revalued amounts or fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Each entity in the Group maintains its books and records in its own functional currency. The functional currency of the Company is HK$. The board of directors considered that it is more appropriate to present the financial statements in HK$ as the shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Business combination and basis of consolidation (Continued)

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interest having a deficit balance.

(b) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, 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 are presently exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Research and development costs

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Research and development costs (Continued)

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss and included in cost of sales.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

(d) Property, plant and equipment

Leasehold land and buildings held for own use are stated in the statement of financial position at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Increases in value arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of property revaluation reserve. Decreases in value arising on revaluation are first offset against increases on earlier valuations in respect of the same property and thereafter recognised in profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged and thereafter to the property revaluation reserve.

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

Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (Continued)

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The annual depreciation rates are as follows:

Leasehold land and 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 revised annually.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognsied in profit or loss on disposal.

(e) Revenue recognition

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Interest income is accrued on a time basis on the principal outstanding at the effective interest rate.

(f) Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

(h) Financial Instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of non financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered and impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investments in subsidiaries; and
- payment for leasehold land held for own use under operating leases

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(j) Employee benefits

(i) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(ii) Long service payments

The Group's net obligations in respect of long service payments are the amounts of future benefits that employees have earned in return for their services in the current and prior periods.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in-first-out method. Net realisable value represents 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.

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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, the existence of which 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.

(m) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Income taxes (Continued)

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(n) Foreign currency

Transactions entered into by Group entities in currencies other than the currency of the primary economic environment in which they operate(s) (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;
(ii) has significant influence over the Group; or
(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
(iii) Both entities are joint ventures of the same third party;
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;
(vi) The entity is controlled or jointly controlled by a person identified in (a); or
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;
(ii) children of that person's spouse or domestic partner; and
(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results 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.

(a) Critical judgments in applying accounting policies

(i) Current taxation and deferred taxation

Judgment 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. As further disclosed in note 31, the Group is currently under disputes with relevant tax authorities in the US. These disputes are not yet finalised. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the periods in which such determination is 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. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(i) *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 deprecation 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.

(ii) *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 judgment 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.

6. SEGMENT INFORMATION

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

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

(a) Geographical information

The following table sets out the information about the geographical location of the Group's revenue from external customers and non-current assets other than financial instruments ("Specified non-current assets").

The Group comprises the following main geographical segments:

	Revenue from external customers		**Specified non-current assets**	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Hong Kong (place of domicile)	1,661	1,099	118,105	109,898
The PRC	–	–	27,956	20,722
The US	236,280	271,158	398	209
Europe	6,586	8,075	10	13
Other countries	18,826	19,923	–	–
	261,692	299,156	28,364	20,944
	263,353	300,255	146,469	130,842

6. SEGMENT INFORMATION (Continued)

(b) Information about major customers

Revenue from external customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2011 HK$'000	2010 HK$'000
Customer A	80,840	85,533
Customer B	61,403	70,768
Customer C	49,724	50,326
	191,967	206,627

7. TURNOVER AND OTHER REVENUE

(a) Turnover

Turnover represents the net invoiced value of goods sold.

(b) Other revenue and gain

	2011 HK$'000	2010 HK$'000
Bank interest income	4,228	1,541
Income from disposal of scrap materials	549	1,781
Exchange gain, net	1,554	–
Sundry income	474	307
	6,805	3,629

8. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging/(crediting):

	2011 HK$'000	2010 HK$'000
Carrying amount of inventories sold	154,638	171,461
Reversal of impairment loss of inventories (note 18)	(88)	(4,656)
Cost of inventories recognised as expenses	154,550	166,805
Amortisation of payment for leasehold land held for own use under operating leases	117	148
Auditor's remuneration	828	920
Depreciation of property, plant and equipment	7,783	3,021
Loss on disposal of property, plant and equipment	30	43
Impairment loss on trade receivables	297	–
Research and development expenditure	5,788	5,848

9. STAFF COSTS

	2011 HK$'000	2010 HK$'000
Staff costs (including directors) comprise:		
Wages and salaries	74,991	72,374
Contributions to defined contribution retirement plan	4,283	3,526
	79,274	75,900

The staff costs included the amount of HK$4,972,000 (2010: HK$5,028,000) classified as research and development expenditure.

10. INCOME TAX EXPENSE

	2011 HK$'000	2010 HK$'000
Current tax – Hong Kong Profits Tax		
– tax for the year	3,730	4,353
– (over)/under provision in respect of prior years	(1,793)	129
	1,937	4,482
Current tax – overseas		
– tax for the year	3,109	6,559
– over provision in respect of prior years	(555)	(91)
	2,554	6,468
Deferred taxation (note 23)	21	248
	4,512	11,198

The provision for Hong Kong Profits Tax for 2011 is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the year.

The PRC subsidiary is subject to PRC Enterprise Income Tax at 25% (2010: 25%).

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

10. INCOME TAX EXPENSE (Continued)

The income tax expense for the year can be reconciled to the profit before income tax expense per the consolidated statement of comprehensive income as follows:

	2011 HK$'000	2010 HK$'000
Profit before income tax expense	48,821	72,119
Effect of tax at Hong Kong profits tax rate of 16.5% (2010: 16.5%)	8,055	11,900
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,831	4,142
Tax effect of revenue not taxable for tax purposes	(3,862)	(5,269)
Tax effect of unused tax losses	164	–
Utilisation of tax losses previously not recognised	–	(428)
Tax effect of expenses not deductible for tax purposes	672	815
(Over)/under provision in prior years	(2,348)	38
Income tax expense	4,512	11,198

In addition to the amount charged to the profit or loss, deferred tax relating to the revaluation of the Group's certain leasehold land and buildings for own use during the year has been charged to other comprehensive income.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to shareholders includes a loss of HK$924,000 (2010: loss of HK$1,039,000) which has been dealt with in the financial statements of the Company.

12. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income:

	2011			2010		
	Before-tax amount HK$'000	Tax expense HK$'000	Net-of-tax amount HK$'000	Before-tax amount HK$'000	Tax expense HK$'000	Net-of-tax amount HK$'000
Exchange differences on translating foreign operations	1,342	–	1,342	3,007	–	3,007
Surplus on revaluation of leasehold land and buildings held for own use	19,564	(3,006)	16,558	27,871	(4,515)	23,356
	20,906	(3,006)	17,900	30,878	(4,515)	26,363

13. EARNINGS PER SHARE

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

	2011 HK$'000	2010 HK$'000
Profit attributable to owners of the Company	44,309	60,921

	Number of shares	
	2011	2010
Number of ordinary shares in issue	320,000,000	320,000,000

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding for both years.

14. DIRECTORS' REMUNERATION AND INDIVIDUAL WITH HIGHEST EMOLUMENTS

(a) Directors' remuneration disclosed pursuant to disclosure requirements of section 161 of the Hong Kong Companies Ordinance is shown as follows:

	Year ended 31 December 2011			
	Fees HK$'000	Basic salaries, allowance and other benefits HK$'000	Contributions to defined contribution retirement plan HK$'000	Total HK$'000
Executive directors				
Siu Paul Y. *(Chariman)*	–	7,040	–	7,040
Shui Wai Mei	–	550	–	550
Sheung Shing Fai	–	1,700	12	1,712
Siu Nina Margaret	–	1,140	12	1,152
Independent non-executive directors				
Chung Pui Lam	125	–	–	125
Lam Tak Shing, Harry	54	–	–	54
Chan Fai Yue, Leo	125	–	–	125
Lee Kit Wah	45	–	–	45
	349	10,430	24	10,803

	Year ended 31 December 2010			
	Fees HK$'000	Basic salaries, allowance and other benefits HK$'000	Contributions to defined contribution retirement plan HK$'000	Total HK$'000
Executive directors				
Siu Paul Y. *(Chariman)*	–	7,040	–	7,040
Shui Wai Mei	–	550	2	552
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	125	–	–	125
Chan Fai Yue, Leo	125	–	–	125
	375	9,940	26	10,341

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

(a) Directors' remuneration disclosed pursuant to disclosure requirements of section 161 of the 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 2011 (2010: Nil).

As at 31 December 2011, 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 24.

(b) **Individuals with highest emoluments**

Of the five individuals with the highest emoluments in the Group, four (2010: four) were directors of the Company whose emoluments are included in the disclosures in note 14(a) above. The emolument of the remaining one (2010: one) individual was as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other benefits	554	544
Contributions to defined contribution retirement plan	12	12
	566	556

The emolument was within the following band:

	No. of employee 2011	 2010
Nil to HK$1,000,000	1	1

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.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings held for own use HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation					
At 1 January 2010	85,930	25,855	24,424	6,349	142,558
Additions	312	969	1,194	968	3,443
Disposals	–	(526)	(431)	(1,508)	(2,465)
Surplus on revaluation	26,408	–	–	–	26,408
Exchange adjustment	870	59	136	28	1,093
At 31 December 2010 and 1 January 2011	113,520	26,357	25,323	5,837	171,037
Additions	206	1,969	1,331	–	3,506
Disposals	–	(521)	(378)	–	(899)
Surplus on revaluation	17,408	–	–	–	17,408
Exchange adjustment	366	34	71	12	483
At 31 December 2011	131,500	27,839	26,347	5,849	191,535
Accumulated depreciation					
At 1 January 2010	–	23,491	17,206	4,525	45,222
Charge for the year	1,463	331	519	708	3,021
Disposals	–	(524)	(398)	(1,485)	(2,407)
Written back on revaluation	(1,463)	–	–	–	(1,463)
Exchange adjustment	–	162	41	18	221
At 31 December 2010 and 1 January 2011	–	23,460	17,368	3,766	44,594
Charge for the year	2,156	2,120	2,489	1,018	7,783
Disposals	–	(521)	(348)	–	(869)
Written back on revaluation	(2,156)	–	–	–	(2,156)
Exchange adjustment	–	73	21	9	103
At 31 December 2011	–	25,132	19,530	4,793	49,455
Carrying amount					
At 31 December 2011	131,500	2,707	6,817	1,056	142,080
At 31 December 2010	113,520	2,897	7,955	2,071	126,443

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold land and buildings held for own use HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Representing:					
2011					
At cost	–	27,839	26,347	5,849	60,035
At valuation	131,500	–	–	–	131,500
	131,500	27,839	26,347	5,849	191,535
2010					
At cost	–	26,357	25,323	5,837	57,517
At valuation	113,520	–	–	–	113,520
	113,520	26,357	25,323	5,837	171,037

Analysis of leasehold land and buildings by geographical locations are as follows:

	2011 HK$'000	2010 HK$'000
Hong Kong	115,650	98,740
The PRC	15,850	14,780
	131,500	113,520

All the leasehold land and buildings of the Group are held under medium-term leases.

The leasehold land and buildings held by the Group for own use located in Hong Kong are stated at open market value as at 31 December 2011 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 leasehold land and buildings held by the Group for own use located in the PRC are stated at revalued amount as determined by depreciated replacement cost basis as at 31 December 2011. The revaluation surplus net of applicable deferred tax was credited to property revaluation reserve. Had the Group's leasehold land and buildings been carried at cost less accumulated depreciation, the carrying amount of the Group's leasehold land and buildings as at 31 December 2011 would have been approximately HK$24,383,000 (2010: HK$25,684,000).

16. PAYMENT FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

	2011 HK$'000	2010 HK$'000
At 1 January	4,399	4,297
Amortisation for the year	(117)	(148)
Exchange adjustment	107	250
At 31 December	4,389	4,399

	2011 HK$'000	2010 HK$'000
Leases of between 10 to 50 years, held in:		
The PRC	4,389	4,399

17. INTERESTS IN SUBSIDIARIES

	Company	
	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	113,606	113,606
Amounts due to subsidiaries	17,928	18,494

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

17. INTERESTS IN SUBSIDIARIES (Continued)

The following list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name	Place of incorporation	Place of operation	Principal activities	Issued and fully paid share capital/ registered capital	Percentage of ownership interests Directly	Indirectly
Guardsafe Technology Limited	British Virgin Islands	Hong Kong	Investment holding	US$1,000	100%	–
Great Vigour Holdings Limited	British Virgin Islands	Hong Kong	Inactive	US$1	100%	–
Musthave Technology Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	–	100%
Think Machine Technology Limited	British Virgin Islands	Hong Kong	Investment holding	US$2	–	100%
Century Electronics Trading Limited	Hong Kong	Hong Kong	Trading of electronic components	HK$2	–	100%
Datatronic Limited	Hong Kong	Hong Kong	Investment holding and manufacturing and trading of electronic components	HK$10,000 ordinary HK$200,000 non-voting deferred (i)	–	100%
連達（廣東）電子有限公司(ii)	The PRC	The PRC	Manufacturing of electronic components	US$8,665,000	–	100%
Datamax S.A.R.L.	France	France	Trading of electronic components	Euro7,622.45	–	100%
Datatronic Distribution, Inc.	California, the United States of America	California, the United States of America	Trading of electronic components	US$1,000	–	100%
Maxgain Venture Limited	Hong Kong	Hong Kong	Property holding	HK$2	–	100%
Pulse Tek Trading Limited	Hong Kong	Hong Kong	Trading of electronic components	HK$2	–	100%

(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.

18. INVENTORIES

	2011 HK$'000	2010 HK$'000
Raw materials	54,383	56,836
Work-in-progress	3,326	3,562
Finished goods	33,335	25,251
	91,044	85,649

An impairment loss provision of HK$88,000 (2010: HK$4,656,000) made in prior years against the carrying value of finished goods was reversed. This reversal arose due to an increase in the estimated net realisable value as a result of increasing market demand.

19. AMOUNTS DUE FROM ULTIMATE HOLDING COMPANY AND A RELATED COMPANY

The amounts are unsecured, interest free and repayable on demand.

20. 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.

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

	2011 HK$'000	2010 HK$'000
Within 30 days	16,796	22,422
31 to 60 days	5,416	8,500
61 to 90 days	1,192	1,742
Over 90 days	694	378
	24,098	33,042
Less: Allowance for doubtful debts	(297)	–
	23,801	33,042

20. TRADE RECEIVABLES (Continued)

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

	2011 HK$'000	2010 HK$'000
At 1 January	–	267
Uncollectible amounts written off	–	(267)
Impairment loss recognised	297	–
At 31 December	297	–

(c) Included in trade receivables are trade debtors (net of impairment losses) which are past due but not impaired as follows:

	2011 HK$'000	2010 HK$'000
Less than 1 month past due	2,884	3,865
1 to 3 months past due	1,479	554
Total amounts past due but not impaired	4,363	4,419
Current	19,438	28,623
	23,801	33,042

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.

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Trade payables	7,679	14,959	–	–
Other payables and accruals	6,930	7,442	107	100
	14,609	22,401	107	100

21. TRADE AND OTHER PAYABLES (Continued)

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

	Group	
	2011 HK$'000	2010 HK$'000
Within 30 days	5,230	7,447
31 to 60 days	1,729	5,000
61 to 90 days	573	2,088
Over 90 days	147	424
	7,679	14,959

22. EMPLOYEE BENEFITS

Details of the employee benefits and movements thereof:

	Group Provision for long service payments	
	2011 HK$'000	2010 HK$'000
At the beginning of the year	19,108	15,215
Exchange adjustments	410	923
Add: Additional provision made	3,368	2,970
Less: Reversal of provision	(2,169)	–
At the end of the year	20,717	19,108
Categorised as:		
Due within one year or less	–	19,108
Due after more than one year	20,717	–
	20,717	19,108

The provision for long service payments of Hong Kong and the PRC employees 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.

23. DEFERRED TAX

Details of the deferred tax liabilities and assets recognised and movements thereof:

	Revaluation of leasehold land and buildings for own use HK$'000	Depreciation allowances in excess of the related depreciation HK$'000	Total HK$'000
At 1 January 2010	8,892	(292)	8,600
Debit to profit or loss (note 10)	–	248	248
Debit to other comprehensive income	4,515	–	4,515
At 31 December 2010 and 1 January 2011	13,407	(44)	13,363
Debit to profit or loss (note 10)	–	21	21
Debit to other comprehensive income	3,006	–	3,006
At 31 December 2011	16,413	(23)	16,390

The Group has not recognised deferred tax assets in respect of tax losses of HK$13,158,000 during the year (2010: HK$11,232,000) due to the unpredictability of taxable profits in the foreseeable future. The tax losses do not expire under current tax legislations.

No deferred tax liability has been recorded on temporary differences of HK$2,549,000 (2010: HK$1,123,000) relating to the undistributed earnings of the PRC subsidiary because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

24. ISSUED CAPITAL

	Group and Company	
	2011 HK$'000	2010 HK$'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

24. ISSUED CAPITAL (Continued)

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 normal 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.

25. RESERVES

(a) Company

	Share premium (note (c)(i)) HK$'000	Contributed surplus (note (c)(v)) HK$'000	Accumulated losses (note (c)(vi)) HK$'000	Total HK$'000
At 1 January 2010	57,099	89,606	(84,741)	61,964
Changes in equity for 2010:				
Dividend paid (note b(i))	–	–	(7,680)	(7,680)
Profit and total comprehensive income for the year	–	–	8,961	8,961
At 31 December 2010 and 1 January 2011	57,099	89,606	(83,460)	63,245
Changes in equity for 2011:				
Dividend paid (note b(i))	–	–	(12,480)	(12,480)
Profit and total comprehensive income for the year	–	–	13,076	13,076
At 31 December 2011	57,099	89,606	(82,864)	63,841

25. RESERVES (Continued)

(b) Dividends

(i) Dividends payable to owners of the Company attributable to the year:

	2011 HK$'000	2010 HK$'000
Interim, declared and paid, of HK$0.02 (2010: HK$0.012) per ordinary share	6,400	3,840
Final, proposed, of HK$0.02 (2010: HK$0.019) per ordinary share	6,400	6,080
	12,800	9,920

The final dividend for 2011 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:

	2011 HK$'000	2010 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year of HK$0.019 (2010: HK$0.012) per ordinary share	6,080	3,840

(c) 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 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*

Property revaluation reserve represents gains/losses arising on the revaluation of properties held for own use.

25. RESERVES (Continued)

(c) Nature and purpose of reserves (Continued)

(iv) Exchange reserve

The reserve represents the exchange difference arising from the translation of foreign operation. The reserve is dealt with accordance with the accounting policy set out in note 4(n).

(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.

(vi) Retained earnings/accumulated losses

Cumulative net gains and losses recognised in profit or loss.

Under the Companies Act 1981 of Bermuda (as amended), retained earnings 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 earnings 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.

26. RELATED PARTY TRANSACTIONS

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

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

	2011 HK$'000	2010 HK$'000
Datatronics Romoland, Inc. ("DRI") #		
Sales to DRI	59,950	70,768
Reimbursement of expenses to DRI	7,486	2,342

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

26. RELATED PARTY TRANSACTIONS (Continued)

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

	2011 HK$'000	2010 HK$'000
Year-end balance included in trade receivables arising from sales of good to DRI	2,753	3,281
Year-end balance arising from advanced payment due from a related company, Data Express Limited *	15	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 ordinary course of business of the Group.

(c) Key management personnel remuneration of the Group:

	2011 HK$'000	2010 HK$'000
Short-term employee benefits	10,779	10,315
Post-employment benefits	24	26
	10,803	10,341

27. LEASES

Operating lease – lessee

The Group leased its office premises under operating leases during the year. The leases run for an initial period of 3 to 10 years. Lease payments are negotiated to reflect market rentals. There are no contingent rentals under the operating lease.

The lease payments recognised as an expenses are as follows:

	2011 HK$'000	2010 HK$'000
Minimum leases payments	514	606

The total future minimum lease payments are due as follows:

	2011 HK$'000	2010 HK$'000
Within one year	56	514
In the second to the fifth year	–	56
	56	570

28. 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$255,000 (2010: HK$408,000).

29. FINANCIAL RISK MANAGEMENT

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.

29. FINANCIAL RISK MANAGEMENT (Continued)

i) Credit risk

As at 31 December 2011, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

Trade receivables

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 liability 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 25% (2010: 20%) and 66% (2010: 60%) 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.

29. FINANCIAL RISK MANAGEMENT (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 demand, 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:

	2011 HK$'000	2010 HK$'000
Trade and other payables	14,609	22,401

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:

	2011		2010	
	Effective interest rate %	One year or less HK$'000	Effective interest rate %	One year or less HK$'000
Cash and cash equivalents	1.09%	388,082	0.47%	329,519

29. FINANCIAL RISK MANAGEMENT (Continued)

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

(ii) Sensitivity analysis

At 31 December 2011, it is estimated that a general increase/decrease of 30 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after tax and retained earnings by approximately HK$1,164,000 (2010: HK$989,000). Other components of consolidated equity would not be affected (2010: HK$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 30 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 2010.

29. FINANCIAL RISK MANAGEMENT (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, Renminbi, Euros and Pound Sterling. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date.

	2011			
	United States dollars HK$'000	Renminbi HK$'000	Pound Sterling HK$'000	Euro HK$'000
Cash and cash equivalents	130,539	173,537	700	2,602
Trade and other receivables	7,004	–	6	–
Trade and other payables	(1,577)	(1)	–	–
Overall exposure arising from recognised assets and liabilities	135,966	173,536	706	2,602

29. FINANCIAL RISK MANAGEMENT (Continued)

iv) Currency risk (Continued)

(i) Exposure to currency risk (Continued)

	2010			
	United States dollars HK$'000	Renminbi HK$'000	Pound Sterling HK$'000	Euro HK$'000
Cash and cash equivalents	134,141	128,583	417	1,712
Trade and other receivables	11,541	–	184	–
Trade and other payables	(6,221)	–	–	–
Overall exposure arising from recognised assets and liabilities	139,461	128,583	601	1,712

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax (and retained earnings) 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.

	2011		2010	
	Increase/ (decrease) in foreign exchange rates %	Effect on profit after tax and retained earnings HK$'000	Increase/ (decrease) in foreign exchange rates %	Effect on profit after tax and retained earnings HK$'000
Euros	9%	234	9%	111
	(9%)	(234)	(9%)	(111)
Renminbi	4%	6,941	4%	5,143
	(4%)	(6,941)	(4%)	(5,143)

29. FINANCIAL RISK MANAGEMENT (Continued)

iv) Currency risk (Continued)

(ii) Sensitivity analysis (Continued)

Other components of consolidated equity would not be affected (2010: HK$Nil) by the changes in foreign exchange rates.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the 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 2010.

The foreign exchange rates movement between Pound Sterling and Hong Kong dollars has insignificant impact to the results and financial positions of the Group.

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.

30. CAPITAL RISK MANAGEMENT

The Group regards the equity attributable to the Company's owners, comprising issued share capital, share premium, retained earnings and other reserves as its capital structure. The Group's objective when managing capital structure is to ensure that entitles 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.

31. OUTSTANDING TAX DISPUTES

California income tax

Datatronic Distribution Inc. ("DDI"), a US subsidiary of the Company, came under examination by the State of California's Franchise Tax Board ("FTB") for the years ended 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 had made an additional provision for California income tax of HK$3,190,000 for the years ended 31 December 2006, 2007 and 2008 in the statement of comprehensive income for the year ended 31 December 2009. The examination by FTB is still in progress and not yet finalised. For the year ended 31 December 2009 and onwards, DDI has filed the tax returns which complied with the relevant tax rules and regulations and such that there will be no additional tax liabilities in this regard.

32. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities as defined in Note 4(i):

	Carrying amount and fair value	
	2011 HK$'000	2010 HK$'000
Financial assets		
Loans and receivables		
– Cash and cash equivalents	388,082	329,519
– Trade receivables	23,801	33,042
– Deposits and other receivables	2,170	2,048
– Amount due from ultimate holding company	40	34
– Amount due from a related company	15	15
	414,108	364,658
Financial liabilities		
Financial liabilities measured at amortised cost		
– Trade and other payables	14,609	22,401

33. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 16 March 2012.

FINANCIAL SUMMARY

For the year ended 31 December 2011

The consolidated statement of comprehensive income of the Group for the financial years 2007 to 2011 and the consolidated statements of financial position of the Group as at 31 December 2007, 2008, 2009, 2010 and 2011 are as follows:

	Year ended 31 December				
Results	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000
Turnover	282,655	288,298	247,281	300,255	263,353
Profit before taxation	89,472	66,184	55,880	72,119	48,821
Income tax	(11,550)	(10,921)	(10,285)	(11,198)	(4,521)
Profit for the year	77,922	55,263	45,595	60,921	44,309
Attributable to:					
Owners of the Company	77,922	55,263	45,595	60,921	44,309

	At 31 December				
Assets and liabilities	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000
Total assets	431,290	461,149	530,120	614,011	652,455
Total liabilities	(41,032)	(42,738)	(59,707)	(63,994)	(52,709)
Total equity	390,258	418,411	470,413	550,017	599,746

Major land held by the Group

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%