



DATRONIX HOLDINGS LIMITED
連達科技控股有限公司*

(Stock Code: 889)

INTERIM REPORT 2012

AWARDS



MICRO SYSTEMS
ENGINEERING
Special Recognition Award



VICOR
Outstanding Supplier
Achievement Award



ASTRONICS
Best Value Added



DATAFORTH
Vendor of the Year



LUTRON
Supplier of the Year



MEDTRONIC
Supplier of the Year



LUTRON
Outstanding New Supplier



MEDTRONIC
Outstanding Performance



XICOM
President's Award

CUSTOMER RECOGNITION FOR QUALITY, SERVICE, VALUE



Polycom



Ericsson



Milwaukee



Preferred supplier
General Electric



Physio Control
(Div. of Medtronic)



Preferred supplier
Primex Aerospace



Digital Equipment corp



Xerox



United Technologies

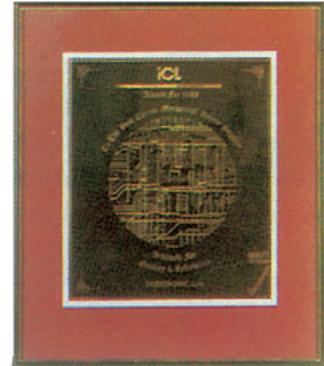
AWARDS



Xerox



Xerox



ICL/Fujitsu



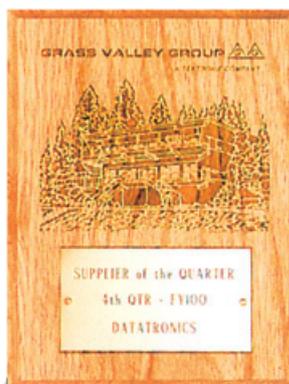
Xerox



Xerox



Xerox



Tektronix



Sola Electric



Tektronix

CUSTOMER RECOGNITION FOR QUALITY, SERVICE, VALUE



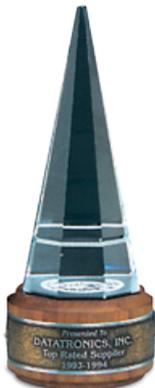
Honeywell



Honeywell



Harris



Honeywell



Honeywell



Delco



Honeywell



Hughes Aircraft
General Motors



IBM

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

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

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

The directors consider the followings to be the key factors contributing to the Group's success:

- the extensive experience and expertise of the Group's management team in the magnetics industry;
- its well-established business relationship with customers;
- its forefront technology and technical know-how to assist and bridge its customers to new technologies;
- its ability to satisfy customers' needs by offering customized products that meet their reliability, quality and delivery requirements;
- its logistic center located in Southern California, U.S. and Paris, France to support delivery and service to customers;
- the wide range of product it offers;
- "Just-in-time" delivery and "Ship-to-stock" Program certified with numerous key customers;
- its reputation for high quality and high reliability products;
- "One stop solution";
- capacity to grow due to more demands for high reliability products in U.S. and Europe;
- cost competitive;
- the barrier of entrance for competitors is very high; and
- its established relationship with major suppliers which enables the Group to obtain a stable supply of materials for the Group's products.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

2012 has been a tough operating environment for the global manufacturing business. Our Group was inevitably affected by the weakened demand for our products. Our turnover reported HK\$133 million, a decrease of 8% from comparable period of 2011. Business condition continues to moderate in the North America, which contributes more than 90% of our group's sales, whereas the outlook for business conditions in Europe is expected to deteriorate for the next few months.

In order to broaden our revenue base, on April 9, 2012, we completed the acquisition of business of a California based magnetics company, Cal-Coil Magnetics, Inc and its Hong Kong subsidiary, Cal-Coil Magnetics (China) Ltd.. The consideration of this acquisition was US\$1.6 million and funded by existing capital resources. This acquisition attempted to reduce the volatility of our business models and also enhanced our customer base. This vertical integration enables us to generate the synergy effect via the reduction in transportation costs, improvement on supply chain coordination and utilization of administrative cost.

MARKET REVIEW

Communication and Networking

For the first half of 2012, sales for the communication market was HK\$49.6 million, a decrease of 9% from same period of 2011. This market contributes 37% of Group sales.

Data Processing

For the first half of 2012, the data-processing market reported sales of HK\$8.2 million, a decrease of 3%. This market contributed 6% of Group sales.

Industrial Application

The industrial application market reported HK\$46.9 million in sales, compared to HK\$43.0 million, an increase of 8% for the comparable period in 2011. This market contributed 35% of Group sales.

High Reliability Segment

This segment demands precise technology, advance technical know-how and good workmanship by the Group. This segment reported \$28.7 million for the first half in 2012 and contributes 22% of Group sales.

FINANCIAL REVIEW

For the six months period ended 30 June 2012, Group sales reported HK\$133.4 million, a decrease of HK\$11.7 million, compared to same period of 2011. Our gross profit was HK\$45.0 million, compared to HK\$55.8 million for the first half of 2011. Gross margin dropped from 38% to 34% as a result from our fixed overhead expenses. Our operating profit was decreased when compared to same period of 2011.

Profit before tax of first half of 2012 decreased from HK\$22.8 million to HK\$18.9 million when compared to same period of 2011. The net profit reported remained flat at approximately HK\$18.7 million for the six months period ended 30 June 2012, which is mainly due to the significant increase in other revenue and the reversal of over tax provision in respect of prior years.

The Group maintained a healthy financial position with sufficient cash and no debt instrument was issued.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2012, the Group had a total equity of approximately HK\$612.7 million (31 December 2011: HK\$599.7 million), and cash and cash equivalents of approximately HK\$398.5 million (31 December 2011: HK\$388.1 million), which were predominately denominated in US dollars and Renminbi.

For the six months ended 30 June 2012, the Group had not arranged for any banking facilities and other resources for financing. With the above cash on hand, the Group has adequate resources to meet its working capital needs in the near future.

Capital expenditure for the period under review amounted to approximately HK\$1.7 million (six months ended 30 June 2011: HK\$2.2 million).

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2012, the Group employed approximately 988 personnel around the world, with approximately 134 in Hong Kong, 834 in the People's Republic of China and 20 overseas. The Group has a staff education sponsorship program and also provides training courses to staff on operational system, product and technology development, and product safety.

CAPITAL COMMITMENTS

The Group's capital commitment outstanding at the period end, contracted but not provided for in the financial statements in respect of property, plant and equipment is approximately HK\$0.1 million (31 December 2011: HK\$0.3 million).

CONTINGENT LIABILITIES

The Group did not have any material contingent liability as at 30 June 2012 (31 December 2011: Nil).

LOOKING AHEAD

We believe our focus on technology and other strategic investments, both internal and external, provides us opportunities for future growth in sales and operating profit. However, unfavorable economic and market conditions, as well as customer preferences, may result in a reduction in demand for our products, thus negatively impacting our financial performance. Yet, the emphases on cost reduction programs enable our management to focus on our core businesses and to improve our overall long-term financial performance. And our Group remains committed to deliver improved efficiency, quality and reliability in every area of our operations.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2012

| | <i>Note</i> | Six months ended 30 June | |
|--|-------------|---------------------------------|---------------------------------|
| | | 2012 (Unaudited) HK\$'000 | 2011 (Unaudited) HK\$'000 |
| Turnover | 3 | 133,411 | 145,116 |
| Cost of sales | | (88,428) | (89,277) |
| Gross profit | | 44,983 | 55,839 |
| Other revenue | 3 | 8,021 | 2,563 |
| Distribution and selling expenses | | (9,481) | (9,868) |
| Administrative expenses | | (24,664) | (25,757) |
| Profit before income tax expense | 5 | 18,859 | 22,777 |
| Income tax expense | 6 | (189) | (4,038) |
| Profit for the period and attributable to owners of the Company | | 18,670 | 18,739 |
| Other comprehensive income | | | |
| Exchange differences on translating foreign operations | | 654 | 10 |
| Other comprehensive income for the period and attributable to owners of the Company | | 654 | 10 |
| Total comprehensive income for the year and attributable to owners of the Company | | 19,324 | 18,749 |
| Earnings per share | | | |
| – Basic | 8 | HK\$0.058 | HK\$0.059 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

| <i>Note</i> | 30 June 2012 (Unaudited) HK\$'000 | 31 December 2011 (Unaudited) HK\$'000 |
|---|--|--|
| NON-CURRENT ASSETS | | |
| | 139,935 | 142,080 |
| Property, plant and equipment | | |
| | 9,486 | – |
| Goodwill | | |
| | 4,329 | 4,389 |
| Payment for leasehold land held for own use under operating leases | | |
| | 153,750 | 146,469 |
| CURRENT ASSETS | | |
| | 82,701 | 91,044 |
| Inventories | | |
| | 40 | 40 |
| Amount due from ultimate holding company | | |
| | 15 | 15 |
| Amount due from a related company | | |
| | 1,223 | 717 |
| Tax prepayment | | |
| | 3,617 | 2,287 |
| Prepayments, deposits and other receivables | | |
| | 36,029 | 23,801 |
| Trade receivables <i>10</i> | | |
| | 398,458 | 388,082 |
| Cash and cash equivalents | | |
| | 522,083 | 505,986 |
| CURRENT LIABILITIES | | |
| | 24,938 | 14,609 |
| Trade and other payables <i>11</i> | | |
| | 1,118 | 993 |
| Current tax liabilities | | |
| | 26,056 | 15,602 |
| NET CURRENT ASSETS | | |
| | 496,027 | 490,384 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | |
| | 649,777 | 636,853 |
| NON-CURRENT LIABILITIES | | |
| | 20,717 | 20,717 |
| Employee benefits | | |
| | 16,390 | 16,390 |
| Deferred tax liabilities | | |
| | 37,107 | 37,107 |
| NET ASSETS | | |
| | 612,670 | 599,746 |
| CAPITAL AND RESERVES | | |
| | 32,000 | 32,000 |
| Issued capital <i>12</i> | | |
| | 580,670 | 567,746 |
| Reserves | | |
| TOTAL EQUITY | | |
| | 612,670 | 599,746 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2012

| Equity attributable to owners of the Company | | | | | | | |
|---|-------------------|------------------|--------------------|------------------------------------|---------------------|----------------------|----------|
| | Issued capital | Share premium | Capital reserve | Property revaluation reserve | Exchange reserve | Retained earnings | Total |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2011 | 32,000 | 57,099 | (23,724) | 78,498 | 11,479 | 394,665 | 550,017 |
| Profit for the period | - | - | - | - | - | 18,739 | 18,739 |
| Other comprehensive income for the period | | | | | | | |
| Exchange differences on translating foreign operations | - | - | - | - | 10 | - | 10 |
| Total comprehensive income for the period | - | - | - | - | 10 | 18,739 | 18,749 |
| Dividend paid | - | - | - | - | - | (6,080) | (6,080) |
| At 30 June 2011 | 32,000 | 57,099 | (23,724) | 78,498 | 11,489 | 407,324 | 562,686 |
| At 1 January 2012 | 32,000 | 57,099 | (23,724) | 95,056 | 12,821 | 426,494 | 599,746 |
| Profit for the period | - | - | - | - | - | 18,670 | 18,670 |
| Other comprehensive income for the period | | | | | | | |
| Exchange differences on translating foreign operations | - | - | - | - | 654 | - | 654 |
| Total comprehensive income for the period | - | - | - | - | 654 | 18,670 | 19,324 |
| Dividend paid | - | - | - | - | - | (6,400) | (6,400) |
| At 30 June 2012 | 32,000 | 57,099 | (23,724) | 95,056 | 13,475 | 438,764 | 612,670 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

| | Six months ended 30 June | |
|--|---------------------------------|-------------|
| | 2012 | 2011 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Net cash generated from operating activities | 25,624 | 53,521 |
| Net cash used in investing activities | (9,486) | (645) |
| Net cash used in financing activities | (6,400) | (1,955) |
| Net increase in cash and cash equivalents | 9,738 | 50,921 |
| Effect of foreign exchange rate changes on cash and cash equivalents | 638 | 17 |
| Cash and cash equivalents at beginning of the period | 388,082 | 329,519 |
| Cash and cash equivalents at end of the period | 398,458 | 380,457 |

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

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

2. Accounting policies

The accounting policies and basis of preparation adopted in these condensed consolidated interim financial statements are consistent with those adopted in the Group’s annual consolidated financial statements for the year ended 31 December 2011 except as described below.

In the current period, the Group has adopted, for the first time, the new/revised Hong Kong Financial Reporting Standards, which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by HKICPA, that are effective for accounting periods beginning on 1 January 2012 and which are relevant to its operations. The new/revised HKFRSs adopted by the Group in the unaudited condensed consolidated interim financial statements are set out below:

| | |
|-----------------------|--|
| Amendments to HKFRS 7 | Disclosures – Transfer of Financial Assets |
| Amendments to HKAS 12 | Deferred Tax – Recovery of Underlying Assets |

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

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

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

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2013 and 2014, as appropriate

⁴ Effective for annual periods beginning on or after 1 January 2015

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.

Notes to the Interim Financial Statements

3. Turnover And Other Revenue

a) Turnover

Turnover represents the net invoiced value of goods sold.

b) Other revenue

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2012 HK\$'000 | 2011 HK\$'000 |
| Bank interest income | 3,913 | 1,585 |
| Income from disposal of scrap materials | – | 295 |
| Exchange gain, net | 3,603 | 532 |
| Sundry income | 505 | 151 |
| | 8,021 | 2,563 |

4. Segment Information

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

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

Geographical information

The Group comprises the following main geographical segments:

| | Revenue from external customers Six months ended 30 June | |
|-------------------------------|---|------------------|
| | 2012 HK\$'000 | 2011 HK\$'000 |
| Hong Kong (place of domicile) | 626 | 826 |
| The United States | 120,256 | 129,186 |
| Europe | 3,383 | 3,839 |
| Other countries | 9,146 | 11,265 |
| | 132,785 | 144,290 |
| | 133,411 | 145,116 |

Notes to the Interim Financial Statements

5. Profit before income tax expense

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

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2012 HK\$'000 | 2011 HK\$'000 |
| Cost of inventories recognized as expenses | 88,428 | 89,277 |
| Amortisation of payment for leasehold land held for own use under operating leases | 59 | 57 |
| Depreciation of property, plant and equipment | 3,817 | 5,492 |

6. Income tax expense

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

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2012 HK\$'000 | 2011 HK\$'000 |
| Current tax – Hong Kong profits tax | | |
| – provision for the period | 1,641 | 1,572 |
| Current tax – Overseas | | |
| – provision for the period | – | 2,346 |
| – under/(over) provision in respect of prior years | (1,452) | 120 |
| | 189 | 4,038 |

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

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

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2012 HK\$'000 | 2011 HK\$'000 |
| Profit before taxation | 18,859 | 22,777 |
| Effect of tax at Hong Kong profits tax rate of 16.5% | 3,112 | 3,758 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | – | 1,620 |
| Tax effect on non-taxable income | (2,130) | (1,891) |
| Tax effect of unused tax losses | 659 | 431 |
| Under/(over) provision in respect of prior years | (1,452) | 120 |
| | 189 | 4,038 |

Notes to the Interim Financial Statements

7. Interim dividend

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2012 HK\$'000 | 2011 HK\$'000 |
| Interim dividend declared, HK\$0.014 (2011: HK\$0.02) per ordinary share | 4,480 | 6,400 |

On 29 August 2012, the Board has resolved to declare an interim dividend of HK\$0.014 (2011: HK\$0.02) per share in respect of the six months ended 30 June 2012, to shareholders whose names appear on the register of members of the Company on Wednesday, 3 October 2012.

8. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2012 was based on the profit attributable to the owners of the Company of approximately HK\$18,670,000 (six months ended 30 June 2011: HK\$18,739,000) and on the weighted average number of 320,000,000 (2011: 320,000,000) shares in issue during the period.

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

9. Property, plant and equipment

The total cost of additions to property, plant and equipment of the Group during the six months ended 30 June 2012 was HK\$1,680,000 (six months ended 30 June 2011: HK\$2,231,000). There were no material disposals and write-offs of fixed assets during the six months ended 30 June 2012 and 30 June 2011.

10. Trade receivables

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

| | 30 June 2012 (Unaudited) HK\$'000 | 31 December 2011 (Audited) HK\$'000 |
|------------------------------------|---|---|
| Within 30 days | 25,819 | 16,796 |
| 31 to 60 days | 8,767 | 5,416 |
| 61 to 90 days | 1,318 | 1,192 |
| Over 90 days | 422 | 694 |
| | 36,326 | 24,098 |
| Less: Allowance for doubtful debts | (297) | (297) |
| | 36,029 | 23,801 |

Notes to the Interim Financial Statements

11. Trade and other payables

| | 30 June 2012 (Unaudited) HK\$'000 | 31 December 2011 (Audited) HK\$'000 |
|-----------------------------|--|---|
| Trade payables | 17,558 | 7,679 |
| Other payables and accruals | 7,380 | 6,930 |
| | 24,938 | 14,609 |

The aging analysis of trade payables is as follows:

| | 30 June 2012 (Unaudited) HK\$'000 | 31 December 2011 (Audited) HK\$'000 |
|----------------|--|---|
| Within 30 days | 10,826 | 5,230 |
| 31 to 60 days | 4,537 | 1,729 |
| 61 to 90 days | 1,820 | 573 |
| Over 90 days | 375 | 147 |
| | 17,558 | 7,679 |

12. Share capital

| | Number of shares | Amount HK\$'000 |
|---|-----------------------------|----------------------------|
| Authorised ordinary shares of HK\$0.1 each | | |
| At 1 January 2012 and 30 June 2012 | 1,000,000,000 | 100,000 |
| Issued and fully paid ordinary shares of HK\$0.1 each | | |
| At 1 January 2012 and 30 June 2012 | 320,000,000 | 32,000 |

13. Related party transactions

During the six months ended 30 June 2012, the Group's sales to Datatronix Romoland, Inc., a company in which Mr. Siu Paul Y., a director, has beneficial interest, amounted to HK\$25,819,000 (six months ended 30 June 2011: HK\$29,113,000). The transactions constituted a continuing connected transaction under Chapter 14A of the Listing Rules and were carried out in the ordinary course of business and on normal commercial terms.

14. Contingent liabilities

The Group did not have any material contingent liability as at 30 June 2012 (31 December 2011: Nil).

Notes to the Interim Financial Statements

15. Acquisition of business

On 9 April 2012, the Group has completed the acquisition of the business of Cal-Coil Magnetics Inc. and Cal-Coil Magnetics (China) Ltd (collectively referred to as the “acquiree”). The principal activity of the acquiree is manufacturing of magnetics products. The acquisition was made with the aims to expand the Group’s existing scale of operation and enlarge the Group’s market presence.

The provisional fair value and identifiable assets acquired and liabilities assumed as at the date of acquisition were:

| | HK\$'000 | HK\$'000 |
|---|----------|----------|
| Property, plant and equipment | 608 | |
| Inventories | 2,233 | 2,841 |
| The fair value of consideration transfer: | | |
| Cash | | 12,327 |
| Provisional goodwill arising on acquisition | | 9,486 |

As at the date of these financial statements, the Group has not finalized the fair value assessments for intangible assets acquired from the acquisition. The relevant fair values of net assets acquired stated above are on a provisional basis.

Goodwill arose in the acquisition is attributable to the anticipated profitability of the magnetic products in the new market sector. In addition, the consideration paid for the acquisition included amounts in relation to the benefit of expected revenue growth and future market development of the Group. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The goodwill arising on the acquisition is on provisional basis, subject to the finalization of the valuation of the intangible assets.

Since the acquisition date, the acquired business has contributed HK\$4,800,000 and HK\$413,000 to Group’s revenue and profit for the period ended 30 June 2012. If the acquisition had occurred on 1 January 2012, the Group’s revenue and profit would have been HK\$138,211,000 and HK\$19,083,000 respectively for the first six months of 2012.

The acquisition-related costs of HK\$270,000 have been expensed and are included in administrative expenses.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2012, the directors had the following interests in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept by the Company pursuant to Section 352 of the SFO:

Long positions

(a) The Company

| | Ordinary shares of HK\$0.1 each | | | Total |
|-----------------|---------------------------------|------------------|--------------------------------|-------------|
| | Personal interests | Family interests | Corporate interests | |
| Mr. Siu Paul Y. | – | – | 221,472,000 <i>(Note 1)</i> | 221,472,000 |

(b) Associated corporation

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

Notes:

- 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 69.2% of the issued share capital of the Company.
- These shares are held by Data Express Limited, a company incorporated in the Republic of Liberia, whose entire issued share capital is beneficially owned by Mr. Siu Paul Y..

Save as disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any director or chief executives of the Company or their respective associates in the shares and underlying shares of the Company or its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code of Securities Transactions by Directors of Listed Companies or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the directors and chief executives (including their spouses and children under the age of 18), had, as at 30 June 2012, any interest in, or had been granted any right to subscribe for the securities and options of the Company and its associated corporations within the meaning of the SFO, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, the Company has not been notified by any persons (other than the directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

INTERIM DIVIDEND

At the board meeting held on 29 August 2012, the Board has resolved to declare an interim dividend of HK\$0.014 (2011: HK\$0.02) per share, totaling HK\$4,480,000 (2011: HK\$6,400,000) in respect of the six months ended 30 June 2012 to shareholders whose names appear on the register of members of the Company on Wednesday, 3 October 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 26 September 2012 to Wednesday, 3 October 2012, both dates inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with Hong Kong Registrars Limited, the Company's branch share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 25 September 2012. The cheques for dividend payment will be sent on about Wednesday, 10 October 2012.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2012.

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE

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

Code Provision A.2.1

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

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

Other Information

Code Provision A.4.1

The non-executive directors were not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Bye-laws of the Company.

Code Provision A.4.2

Under the provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the Bye-laws of the Company, the chairman of the Company will not be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

By order of the Board

SIU Paul Y.

Chairman

Hong Kong, 29 August 2012