



# DATRONIX HOLDINGS LIMITED

## 連達科技控股有限公司\*

Stock Code: 889



## Interim Report 2017

\* For identification purposes only



# Awards



**ASTRONICS**  
*"Best Value Added"*



**LUTRON**  
*"Customer Service"*



**PHYSIO CONTROL**  
*"Supplier of the Year"*



**LUTRON**  
*"Preferred Supplier"*



**MEDTRONIC**  
*"Outstanding Performance"*



**DATAFORTH**  
*"Vendor of the Year"*



**LUTRON**  
*"Outstanding New Supplier"*



# Awards



**XICOM**

*"Outstanding Performance"*



**MICRO SYSTEMS ENGINEERING**

*"Special Recognition Awards"*



**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**



**GENERAL ELECTRIC**  
*"Preferred Supplier"*



**PHYSIO CONTROL  
(DIV. OF MEDTRONIC)**



**PRIMEX AEROSPACE**  
*"Preferred Supplier"*



**DIGITAL EQUIPMENT CORP**



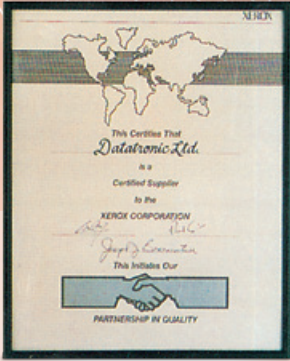
**XEROX**



**UNITED TECHNOLOGIES**



# Awards



XEROX



XEROX



ICL/FUJITSU



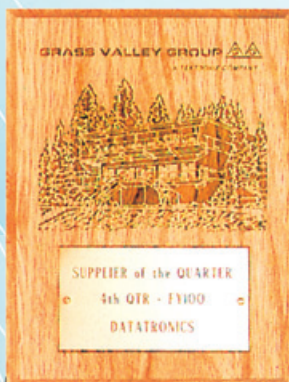
XEROX



XEROX



XEROX



TEKTRONIX



SOLA ELECTRIC



TEKTRONIX



# Customer Recognition For Quality, Service, Value



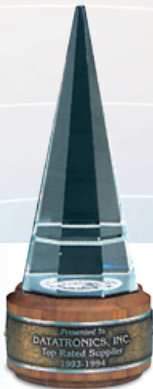
HONEYWELL



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  
SIU Nina Margaret

#### Independent Non-executive Directors

CHUNG Pui Lam  
LEE Kit Wah  
WONG Wah Sang, Derek

### AUDIT COMMITTEE

LEE Kit Wah  
CHUNG Pui Lam  
WONG Wah Sang, Derek

### REMUNERATION COMMITTEE

CHUNG Pui Lam  
LEE Kit Wah  
WONG Wah Sang, Derek  
SIU Paul Y.

### NOMINATION COMMITTEE

CHUNG Pui Lam  
LEE Kit Wah  
WONG Wah Sang, Derek  
SHEUNG Shing Fai

### QUALIFIED ACCOUNTANT

MOK Sim Wa

### COMPANY SECRETARY

LEUNG Sau Fong

### AUTHORISED REPRESENTATIVES

SIU Paul Y.  
SHEUNG Shing Fai

### AUDITOR

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

MUFG Fund Services (Bermuda) Limited  
26 Burnaby Street  
Hamilton HM 11  
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](http://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, 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

The Group's products meet or exceed numerous performance, safety, quality specification and standard that include the following:

- TS16949
- IEC950
- UL/CSA
- ISO 9001
- VDE



## GENERAL

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

General economic condition was resuming and we expect the growth will persist for the rest of 2017. Revenue for the first six months of 2017 was HK\$141.3 million, an increase of HK\$5.9 million or 4% for the same period of last year.

Our gross profit was \$36.4 million, dropped from HK\$42.8 million from same period in 2016. The major factor contributing to the decline in gross margin is due to Datatronic Distribution, Inc., our U.S. subsidiary, has made payment of US\$1.8 million due to the correction of understated custom duty of our products importing to the United States for the past five years. Corrective measures and stringent remedies have been taken to ensure future compliance. Excluding the payment for the understated custom duty, our gross profit would have been HK\$49.5 million, compare to HK\$42.8 million, an increase of 16% for the same period of 2016. The improvement in gross margin is mainly due to a high margin mix of products leveraged our production costs.

For the first half of 2017, income from investment property contributed HK\$1.4 million, compared to HK\$0.4 million. As the depreciation of Renminbi has come off in 2017 and the rental income from our investment property has generated more income, other revenue increased by 47% to HK\$6.8 million for the first half of 2017. For the six months ended June 30, 2017, net profit was HK\$3.8 million, compared to HK\$9.4 million reported same period last year.

Our financial position remained healthy with no debt issuance for the first half of 2017.

### MARKET REVIEW

#### Communication and Networking

Communication segment contributed HK\$37.2 million of sales for the first six months of 2017, a decrease of 7% compared to HK\$39.9 million for the comparable period of last year. This segment contributed 26% of the Group's total revenue.

#### Data Processing

Data processing segment contributed 5% of the Group's revenue. Sales for this segment were HK\$7.2 million for the first half of 2017, compare to HK\$6.9 million for the six months ended 2016.

#### Industrial Application

For the first six months of 2017, industrial application segment sales reached to HK\$52.8 million, compared to HK\$54 million in same period of 2016. This segment contributed 38% of the Group's total revenue.

#### High Precision and Reliability Segment

This segment demands precise technology, advance technical know-how and good workmanship by the Group. The segment reported HK\$44.1 million for first half of 2017, an increase of 29% or HK\$9.8 million of same period of 2016. This segment contributed 31% of our total sales.



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

For the six months period ended 30 June 2017, Group sales reported HK\$141.3 million, an increase of HK\$5.9 million, compared to same period of 2016. Our gross profit was HK\$36.4 million, compared to HK\$42.8 million for the first half of 2016. Gross margin decreased from 31.6% to 25.7%.

Operating profit of first half of 2017 decreased from HK\$11.2 million to HK\$6.2 million when compared to same period of 2016. The net profit reported HK\$3.8 million, compared to HK\$9.4 million for the six months period ended 30 June 2016. Earnings per share of the first half of 2017 was 1.2 cents, compared to 2.9 cents for the first half of 2016.

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 2017, the Group had a total equity of approximately HK\$727.1 million (31 December 2016: HK\$729.5 million), and cash and cash equivalents of approximately HK\$372.9 million (31 December 2016: HK\$367.3 million), which were predominately denominated in US dollars and Renminbi.

For the six months ended 30 June 2017, 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\$0.6 million (six months ended 30 June 2016: HK\$1.1 million).

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group employed approximately 1,131 personnel around the world, with approximately 108 in Hong Kong, 989 in the People's Republic of China and 34 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

As at 30 June 2017, the Group has no capital commitment contracted but not provided for in the financial statements in respect of property, plant and equipment. There was no capital commitment as at 31 December 2016.

### CONTINGENT LIABILITIES

The Group did not have any material contingent liability as at 30 June 2017 (31 December 2016: Nil).

### LOOKING FORWARD

Despite we have not reached a satisfactory result for the first half of 2017, our operation still remains solid. We anticipate the second half of the year will show signs of progress.



## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Note	Six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>Revenue</b>	3	<b>141,268</b>	135,425
Cost of sales		<b>(104,881)</b>	(92,579)
<b>Gross profit</b>		<b>36,387</b>	42,846
Other revenue	3	<b>6,819</b>	4,648
Distribution and selling expenses		<b>(6,885)</b>	(6,752)
Administrative expenses		<b>(30,150)</b>	(29,496)
<b>Profit before income tax expense</b>	5	<b>6,171</b>	11,246
Income tax expense	6	<b>(2,371)</b>	(1,879)
<b>Profit for the period and attributable to owners of the Company</b>		<b>3,800</b>	9,367
<b>Other comprehensive income, net of tax</b>			
Item that may reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		<b>224</b>	(1,088)
<b>Other comprehensive income for the period and attributable to owners of the Company, net of tax</b>		<b>224</b>	(1,088)
<b>Total comprehensive income for the period and attributable to owners of the Company</b>		<b>4,024</b>	8,279
<b>Earnings per share</b>			
– Basic and diluted	8	<b>HK\$0.012</b>	HK\$0.029

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	<i>Note</i>	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>206,080</b>	207,681
Investment property		<b>98,100</b>	98,100
Payment for leasehold land held for own use under operating leases		<b>3,438</b>	3,453
Goodwill		<b>9,486</b>	9,486
		<b>317,104</b>	318,720
<b>CURRENT ASSETS</b>			
Inventories		<b>71,575</b>	77,963
Amount due from ultimate holding company		<b>70</b>	70
Amount due from a related company		<b>131</b>	131
Tax prepayment		<b>859</b>	1,435
Prepayments, deposits and other receivables		<b>4,412</b>	3,080
Trade receivables	10	<b>33,132</b>	27,499
Cash and cash equivalents		<b>372,916</b>	367,251
		<b>483,095</b>	477,429
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	<b>24,418</b>	18,950
Current tax liabilities		<b>3,121</b>	2,315
		<b>27,539</b>	21,265
<b>NET CURRENT ASSETS</b>			
		<b>455,556</b>	456,164
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>772,660</b>	774,884
<b>NON-CURRENT LIABILITIES</b>			
Employee benefits		<b>17,619</b>	17,467
Deferred tax liabilities		<b>27,947</b>	27,947
		<b>45,566</b>	45,414
<b>NET ASSETS</b>			
		<b>727,094</b>	729,470
<b>CAPITAL AND RESERVES</b>			
Share capital	12	<b>32,000</b>	32,000
Reserves		<b>695,094</b>	697,470
<b>TOTAL EQUITY</b>			
		<b>727,094</b>	729,470



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2017

	Equity attributable to owners of the Company						
	Share 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 2016	32,000	57,099	(23,724)	167,133	11,147	481,020	724,675
Profit for the period	-	-	-	-	-	9,367	9,367
Other comprehensive income for the period							
Exchange differences on translating foreign operations	-	-	-	-	(1,088)	-	(1,088)
Total comprehensive income for the period	-	-	-	-	(1,088)	9,367	8,279
Dividend paid	-	-	-	-	-	(6,400)	(6,400)
At 30 June 2016	32,000	57,099	(23,724)	167,133	10,059	483,987	726,554
At 1 January 2017	32,000	57,099	(23,724)	166,867	7,084	490,144	729,470
Profit for the period	-	-	-	-	-	3,800	3,800
Other comprehensive income for the period							
Exchange differences on translating foreign operations	-	-	-	-	224	-	224
Total comprehensive income for the period	-	-	-	-	224	3,800	4,024
Dividend paid	-	-	-	-	-	(6,400)	(6,400)
At 30 June 2017	32,000	57,099	(23,724)	166,867	7,308	487,544	727,094

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Net cash generated from operating activities	8,971	19,791
Net cash generated from investing activities	3,041	2,767
Net cash used in financing activities	(6,400)	(6,399)
Net increase in cash and cash equivalents	5,612	16,159
Effect of foreign exchange rate changes	53	(748)
Cash and cash equivalents at beginning of the period	367,251	340,457
Cash and cash equivalents at end of the period	372,916	355,868



## 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 2016 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 2017 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 HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

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.

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

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. REVENUE AND OTHER REVENUE

## a) Revenue

Revenue represents the net invoiced value of goods sold.

## b) Other revenue

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Bank interest income	3,625	3,879
Exchange gain, net	1,512	–
Income from disposal of scrap materials	267	–
Rental income	1,415	393
Sundry income	–	376
	<b>6,819</b>	<b>4,648</b>

## 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 of electronic components in both Hong Kong and overseas markets. The Group's chief operating decision maker regularly reviews the consolidated financial information of the Group as a whole to assess the performance and consider 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	
	2017 HK\$'000	2016 HK\$'000
Hong Kong (place of domicile)	541	452
The PRC	10,807	12,168
The United States	122,882	116,160
Europe	4,723	4,685
Other countries	2,315	1,960
	<b>140,727</b>	<b>134,973</b>
	<b>141,268</b>	<b>135,425</b>



## 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	
	2017 HK\$'000	2016 HK\$'000
Cost of inventories recognized as expenses	104,881	92,579
Amortisation of payment for leasehold land held for own use under operating leases	55	57
Depreciation of property, plant and equipment	2,612	2,625
Exchange loss, net	–	1,811

**6. INCOME TAX EXPENSE**

The amount of income tax charged to the condensed consolidated statement profit or loss and other comprehensive income represents:

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Current tax – Hong Kong profits tax – provision for the period	1,535	1,200
Current tax – Overseas – provision for the period	813	664
– under provision in respect of prior years	23	15
	<b>2,371</b>	1,879

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.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

**6. INCOME TAX EXPENSE** (Continued)

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

	<b>Six months ended 30 June</b>	
	<b>2017</b> HK\$'000	2016 HK\$'000
Profit before taxation	<b>6,187</b>	11,246
Effect of tax at Hong Kong profits tax rate of 16.5%	<b>1,022</b>	1,856
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>2,897</b>	1,103
Tax effect on non-taxable income	<b>(1,883)</b>	(1,428)
Tax effect of unused tax losses	<b>30</b>	29
Tax effect of expenses not deductible for tax purposes	<b>284</b>	304
Under provision in prior periods	<b>23</b>	15
	<b>2,373</b>	1,879

**7. INTERIM DIVIDEND**

	<b>Six months ended 30 June</b>	
	<b>2017</b> HK\$'000	2016 HK\$'000
Interim dividend declared, HK\$0.02 (2016: HK\$0.02) per ordinary share	<b>6,400</b>	6,400

On 24 August 2017, the Board has resolved to declare an interim dividend of HK\$0.02 (2016: HK\$0.02) per share in respect of the six months ended 30 June 2017, to shareholders whose names appear on the register of members of the Company on Friday, 6 October 2017.

**8. EARNINGS PER SHARE**

The calculation of basic earnings per share for the six months ended 30 June 2017 was based on the profit attributable to the owners of the Company of approximately HK\$3,800,000 (six months ended 30 June 2016: HK\$9,367,000) and on the weighted average number of 320,000,000 (2016: 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.



## NOTES TO THE INTERIM FINANCIAL STATEMENTS

**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 2017 was HK\$584,000 (six months ended 30 June 2016: HK\$1,112,000). There were no material disposals and write-offs of fixed assets during the six months ended 30 June 2017 and 30 June 2016.

**10. TRADE RECEIVABLES**

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

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Within 30 days	<b>21,455</b>	17,247
31 to 60 days	<b>9,386</b>	8,716
61 to 90 days	<b>2,004</b>	1,457
Over 90 days	<b>583</b>	375
	<b>33,428</b>	27,795
Less: Allowance for doubtful debts	<b>(296)</b>	(296)
	<b>33,132</b>	27,499

**11. TRADE AND OTHER PAYABLES**

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Trade payables	<b>12,770</b>	10,177
Other payables and accruals	<b>11,648</b>	8,773
	<b>24,418</b>	18,950

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

**11. TRADE AND OTHER PAYABLES** (Continued)

The aging analysis of trade payables is as follows:

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Within 30 days	<b>6,855</b>	4,476
31 to 60 days	<b>3,542</b>	3,459
61 to 90 days	<b>1,577</b>	1,217
Over 90 days	<b>796</b>	1,025
	<b>12,770</b>	10,177

**12. SHARE CAPITAL**

	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Authorised ordinary shares of HK\$0.1 each At 1 January 2017 and 30 June 2017	1,000,000,000	100,000
Issued and fully paid ordinary shares of HK\$0.1 each At 1 January 2017 and 30 June 2017	320,000,000	32,000

**13. RELATED PARTY TRANSACTIONS**

During the six months ended 30 June 2017, the Group's sales to Datatronics Romoland, Inc. ("DRI"), a company in which Mr. Siu Paul Y., a director, has beneficial interest, amounted to HK\$32,336,000 (six months ended 30 June 2016: HK\$22,516,000). 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 2017 (31 December 2016: Nil).

## OTHER INFORMATION

## DIRECTORS' INTEREST IN SHARES

As at 30 June 2017, 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			
	Personal interests	Family interests	Corporate interests	Total
Mr. Siu Paul Y.	–	–	231,302,000 <i>(Note 1)</i>	231,302,000

## (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.	Datatronix 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 72.28% 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 2017, 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.



## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, 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 24 August 2017, the Board has resolved to declare an interim dividend of HK\$0.02 (2016: HK\$0.02) per share, totaling HK\$6,400,000 (2016: HK\$6,400,000) in respect of the six months ended 30 June 2017 to shareholders whose names appear on the register of members of the Company on Friday, 6 October 2017.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 4 October 2017 to Friday, 6 October 2017, 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, 3 October 2017. The cheques for dividend payment will be sent on about Friday, 13 October 2017.

### 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 2017.

### SHARE OPTION SCHEME

The Company adopted a share option scheme on 6 June 2001 which remained in force for period of 10 years from the date of adoption. The share option scheme expired on 6 June 2011.

### 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.

## OTHER INFORMATION

### CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices 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.

#### 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.

## OTHER INFORMATION

### 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, 24 August 2017