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DATRONIX HOLDINGS LIMITED

連達科技控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 889)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the “Board”) of Datronix Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2016 together with the comparative figures for the corresponding year of 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	6	266,967	279,696
Cost of sales		(167,790)	(182,814)
Gross profit		99,177	96,882
Other revenue and gain	6	9,638	11,650
Distribution and selling expenses		(13,324)	(14,763)
Administrative expense		(60,522)	(68,298)
Fair value loss on investment property		(9,200)	(19,645)
Profit before income tax expense	7	25,769	5,826
Income tax expense	8		
Current tax - tax for the year		(5,398)	(4,791)
- over provision in respect of prior years		1,074	1,778
Deferred tax credit/(expense)		479	(11)
		(3,845)	(3,024)
Profit for the year and attributable to owners of the Company		21,924	2,802

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**(CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2016**

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit for the year and attributable to owners of the Company		<u>21,924</u>	<u>2,802</u>
Other comprehensive income, net of tax			
Item that may be reclassified subsequently to profit or loss:			
loss:			
Exchange differences on translating foreign operations		(4,063)	(2,858)
Item that will not be reclassified to profit or loss:			
(Deficit)/surplus on revaluation of leasehold land and buildings held for own use, net of related income tax effect		<u>(266)</u>	<u>15,861</u>
Other comprehensive (expense)/income for the year and attributable to owners of the Company, net of tax		<u>(4,329)</u>	<u>13,003</u>
Total comprehensive income for the year and attributable to owners of the Company		<u><u>17,595</u></u>	<u><u>15,805</u></u>
Earnings per share			
- Basic and diluted	9	<u><u>HK\$0.069</u></u>	<u><u>HK\$0.009</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2016

	Notes	2016 HK\$'000	2015 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		207,681	212,424
Investment property		98,100	107,300
Payment for leasehold land held for own use under operating leases		3,453	3,773
Goodwill		9,486	9,486
		<u>318,720</u>	<u>332,983</u>
CURRENT ASSETS			
Inventories		77,963	83,534
Trade receivables	10	27,499	29,672
Prepayments, deposits and other receivables		3,080	3,767
Amount due from ultimate holding company		70	63
Amounts due from related companies		131	109
Tax prepayment		1,435	1,008
Cash and cash equivalents		367,251	340,457
		<u>477,429</u>	<u>458,610</u>
CURRENT LIABILITIES			
Trade and other payables	11	18,950	18,326
Current tax liabilities		2,315	1,405
		<u>21,265</u>	<u>19,731</u>
NET CURRENT ASSETS			
		<u>456,164</u>	<u>438,879</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>774,884</u>	<u>771,862</u>
NON-CURRENT LIABILITIES			
Employee benefits		17,467	18,422
Deferred tax liabilities		27,947	28,765
		<u>45,414</u>	<u>47,187</u>
NET ASSETS			
		<u>729,470</u>	<u>724,675</u>
EQUITY			
Share capital		32,000	32,000
Reserves		697,470	692,675
TOTAL EQUITY			
		<u>729,470</u>	<u>724,675</u>

*Notes:***1. Statement of Compliance**

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“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 (“HKICPA”) 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 (the “Listing Rule”).

2. Basis of Measurement

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

3. Functional and Presentation Currency

The functional currency of the Company is Hong Kong dollars (“HK\$”). Each entity in the Group maintains its books and records in its own functional currency. The consolidated financial statements are presented in 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. Adoption of HKFRSs

Adoption of new/revised HKFRSs – effective 1 January 2016

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

The adoption of these amendments and standards has no material impact on the Group’s financial statements.

5. 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 of the Group as a whole to assess the performance and consider 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		Specific non-current assets	
	(by customer location)		(by asset location)	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong (place of domicile)	790	644	284,948	298,052
The People's Republic of China	22,899	29,523	23,874	24,898
The United States of America ("US")	228,799	236,740	9,890	10,024
Europe	9,902	7,739	8	9
Other countries	4,577	5,050	-	-
	<u>266,177</u>	<u>279,052</u>	<u>33,772</u>	<u>34,931</u>
	<u>266,967</u>	<u>279,696</u>	<u>318,720</u>	<u>332,983</u>

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:

	2016	2015
	HK\$'000	HK\$'000
Customer A	55,716	63,268
Customer B	53,146	45,118
Customer C	*	50,233
Customer D	40,619	*
	<u>149,481</u>	<u>158,619</u>

* Less than 10% of the Group's revenue

6. Revenue and Other Revenue

a) Revenue

Revenue represents the net invoiced value of goods sold.

b) Other revenue and gain

	2016	2015
	HK\$'000	HK\$'000
Bank interest income	6,963	11,097
Income from disposal of scrap materials	249	404
Gain on disposal of property, plant and equipment, net	49	-
Rental income under operating lease	2,044	-
Sundry income	333	149
	<u>9,638</u>	<u>11,650</u>

7. Profit Before Income Tax Expense

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

	2016	2015
	HK\$'000	HK\$'000
Carrying amount of inventories sold	165,037	180,864
Provision for impairment loss of inventories	2,753	1,950
Cost of inventories recognised as expenses	167,790	182,814
Amortisation of payment for leasehold land held for own use under operating leases	113	119
Auditor's remuneration	807	784
Depreciation of property, plant and equipment	5,347	4,016
Exchange loss, net	7,064	13,383
(Gain)/loss on disposal of property, plant and equipment, net	(49)	2
Reversal of provision for impairment loss on trade receivables	(36)	(37)
Operating lease rental payments	441	449
Research and development expenditure	5,256	5,528
Direct operating expense arising from:		
- investment property that generated rental income during the year	30	-
- investment property that did not generate rental income during the year	-	152

8. Income Tax Expense

	2016	2015
	HK\$'000	HK\$'000
Current tax – Hong Kong		
- Profits tax for the year	3,195	1,793
- over provision in respect of prior years	(80)	(845)
	3,115	948
Current tax – overseas		
- Profits tax for the year	2,203	2,998
- over provision in respect of prior years	(994)	(933)
	1,209	2,065
Deferred tax (credit)/expense	(479)	11
	3,845	3,024

The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015:16.5%) of the estimated assessable profits for the year.

The PRC subsidiary is subject to PRC Enterprise Income Tax at 25% (2015: 25%).

The US subsidiaries are subject to US Federal Corporate Income Tax at 34% (2015: 34%)

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

9. Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company of approximately HK\$21,924,000 (2015: HK\$2,802,000) and on the weighted average number of 320,000,000 (2015: 320,000,000) shares in issue during the year.

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

10. Trade Receivables

Customers are generally 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.

An ageing analysis of trade receivables, based on invoice dates, as at the end of the reporting period is as follows:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	17,247	19,594
31 to 60 days	8,716	8,209
61 to 90 days	1,457	1,925
Over 90 days	375	276
	27,795	30,004
Less: Allowance for doubtful debts	(296)	(332)
	27,499	29,672

11. Trade and Other Payables

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	10,177	10,201
Other payables and accrued expenses	8,773	8,125
	18,950	18,326

An ageing analysis of trade payables, based on invoice dates, as at the end of the reporting period is as follows:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	4,476	4,576
31 to 60 days	3,459	3,553
61 to 90 days	1,217	1,370
Over 90 days	1,025	702
	10,177	10,201

12. Retained Earnings

The Group's profit after the proposed final dividend, of approximately HK\$483,744,000 (2015: HK\$474,620,000) is retained and carried forward.

13. Dividends

The Board proposed a final dividend of HK\$0.02 per share (2015: HK\$0.02 per share), totaling HK\$6,400,000 in respect of the year ended 31 December 2016 (2015: HK\$6,400,000). An interim dividend of HK\$0.02 per share (2015: HK\$0.02 per share) was paid during the year.

FINAL DIVIDEND

The Board proposed a final dividend of HK\$0.02 per share in respect of the year ended 31 December 2016 subject to the approval of the shareholders at the Company's annual general meeting to be held on Thursday, 8 June 2017 ("AGM"). The proposed final dividend is expected to be paid on Monday, 26 June 2017, to shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 13 June 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 2 June 2017 to Thursday, 8 June 2017, 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, 1 June 2017.

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 Wednesday, 14 June 2017 to Friday, 16 June 2017, 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 Tuesday, 13 June 2017. The cheques for dividend payment will be sent on about Monday, 26 June 2017.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2016 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

MANAGEMENT DISCUSSION & ANALYSIS

Overview

Datronix is pleased to report to our shareholders that the Group achieved a profit after tax of HK\$21.9 million (2015: HK\$ 2.8 million) for the year ended 31 December 2016. Notwithstanding the softened demand that challenged our sales, our Group continued to reduce operating costs, increase manufacturing flexibility and remain price competitive.

Revenue for year 2016 reported at HK\$267.0 million, compared to HK\$279.7 million in same period of last year. As the global commodity price decreased, along with the labor cost decreased, the Group reached a gross margin of 37.1% in 2016, while it was 34.6% in 2015. Our operating profits ended at HK\$25.8 million as a result of decrease in depreciation of the Renminbi deposits, decrease in the fair value loss on investment property, and receipt of rental income; while offset by decrease in interest income.

Financial position of Datronix remained solid with cash balance of HK\$367.3 million and there is no issuance on debt for year 2016.

Market Review

Communication and Networking

Communication segment reported HK\$74.0 million for year 2016, compared to HK\$81 million in 2015. This segment contributed 28% of the Group's total turnover. The communication and networking customers showed a weakening demand in 2016.

Data Processing

Sales for this segment were HK\$14.0 million in 2016, compared to HK\$18.0 million in 2015. Data processing segment contributed 5% of the Group's turnover.

Industrial Application

Industrial application segment sales reported HK\$102.7 million in 2016 compared to HK\$111.5 million in 2015. The industrial application segment customers showed signs of slow down in 2016. This segment contributed 38% of the Group's total turnover.

High Precision and Reliability Segment

This segment demands precise technology, advance technical know-how and good workmanship by the Group. The sophistication of workmanship aids the Group to achieve a higher margin on our products. Our previous investment and development in the healthcare industry has shown signs of return. Sales on high reliability segment has reported HK\$76.3 million in 2016, compared to HK\$69.2 million in 2015 an improvement of 10.4%. This segment contributed 29% of the Group's turnover.

Achievement and Awards

In recognition of our quality, value of our products and of the Group's service and performance, Datronix has to date received 40 awards from our customers.

Looking Forward

Under the new U.S. administration that brings more uncertainty to the global economy and trade, Datronix needs to plan and position ourselves better. Though our customer's drive to reduce costs may incur, we continue to explore new opportunities by providing superb quality and extraordinary customer service to increase business.

We would like to take this opportunity to thank our shareholder, business partners, customers and bankers for their continuous support to the Group and to all the staff for their contributions for the past year.

Financial Review

Notwithstanding the softened demand that challenged our sales, our Group continued to reduce operating costs, increase manufacturing flexibility and remain price competitive. Revenue for year 2016 reported at HK\$267.0 million, a decrease of 5% compared to HK\$279.7 million in same period of last year. Gross profit was HK\$99 million for year 2016, an improvement of 2% from 2015 due to reduction in production cost. Our operating profit increased to HK\$25.8 million, an increase from HK\$5.8 million in 2015, due to reduction in exchange loss and investment property valuation. Profit attributable to shareholders reached HK\$21.9 million in 2016 while we reported HK\$2.8 million in 2015.

Liquidity, Financial Resources And Capital Structure

As at 31 December 2016, the Group had a total equity of approximately HK\$729 million (2015: HK\$725 million), and cash and cash equivalents of approximately HK\$367 million (2015: HK\$340 million), which were predominately denominated in US dollars and Renminbi.

For the year ended 31 December 2016, 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 bank and other loan for the year ended 31 December 2016.

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

Employees And Remuneration Policy

As at 31 December 2016, the Group employed approximately 1,087 personnel around the world, with approximately 113 in Hong Kong, 940 in the PRC and 34 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 2016 (2015: Nil).

Capital Commitments

The Group did not have any capital commitment outstanding at the year end and contracted but not provided for property, plant and equipment in the financial statement (2015: Nil).

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year.

AUDIT COMMITTEE

The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2016 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 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.

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.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of Hong Kong Exchange and Clearing Limited (“HKEx”) at www.hkex.com.hk and on the Company’s website at www.datronixhldgs.com.hk. The annual report 2016 of the Company will be dispatched to the shareholders and will be available on the websites of HKEx and the Company in due course.

DIRECTORS

As at the date of this announcement, the Board of the Company comprises Mr. Siu Paul Y. (Chairman), Ms. Shui Wai Mei (Vice-Chairman), Mr. Sheung Shing Fai and Ms. Siu Nina Margaret as Executive Directors and Mr. Chung Pui Lam, Mr. Lee Kit Wah and Mr. Wong Wah Sang, Derek as Independent Non-executive Directors.

By order of the Board

SIU Paul Y.

Chairman

Hong Kong, 22 March 2017

** For identification purposes only*