



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 2009

The board of directors (the “Board”) of Datronix Holdings Limited (the “Company”) is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2009 as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	<i>Note</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Turnover	3	247,281	288,298
Cost of sales		(133,106)	(164,479)
Gross profit		114,175	123,819
Other revenue and other net income	3	4,557	5,882
Distribution and selling expenses		(17,648)	(20,632)
Administrative expenses		(45,204)	(42,885)
Profit before taxation	5	55,880	66,184
Income tax	6	(10,285)	(10,921)
Profit for the year attributable to owners of the Company		45,595	55,263
Earnings per share	7		
- Basic and diluted		HK\$0.142	HK\$0.173

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

	<i>Note</i>	2009 HK\$'000	2008 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		34,706	38,972
Prepaid lease payments		18,878	19,087
		53,584	58,059
CURRENT ASSETS			
Inventories		76,536	77,765
Prepaid lease payments		627	586
Amount due from ultimate parent enterprise		29	23
Amount due from a related company		15	-
Tax reserve certificates		13,624	13,624
Prepayments, deposits and other receivables		1,245	1,508
Trade receivables	8	26,812	36,535
Cash and cash equivalents		310,226	246,648
		429,114	376,689
CURRENT LIABILITIES			
Trade and other payables	9	17,782	11,808
Provision		15,215	11,158
Current taxation		18,110	13,978
		51,107	36,944
NET CURRENT ASSETS		378,007	339,745
TOTAL ASSETS LESS CURRENT LIABILITIES		431,591	397,804
NON-CURRENT LIABILITIES			
Deferred taxation		2,903	3,337
NET ASSETS		428,688	394,467
CAPITAL AND RESERVES			
Issued capital		32,000	32,000
Reserves		396,688	362,467
TOTAL EQUITY		428,688	394,467

*Notes:***1. Statement Of Compliance**

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Group is set out below.

2. Basis Of Preparation

The consolidated financial statements of the Company have been prepared in accordance with HKFRSs and under the historical cost convention except for certain financial assets and liabilities which are measured at fair value, if applicable. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except where otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

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

- HKFRS 8 requires segment disclosure to be based on the way that the Group’s chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group’s chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. The adoption of HKFRS 8 has not resulted in a redesignation of the presentation of segment information as compared to prior years since the presentation is consistent with internal reporting provided to the Group’s chief operating decision maker.
- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

2. Basis Of Preparation (Continued)

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

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

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of improvements to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 24 (Revised)	Related Party Disclosures ³
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendment)	Financial Instruments: Presentation – Classification of Rights Issues ⁴
HKAS 39 (Amendment)	Eligible hedged items ¹
HKFRS 1 (Revised)	First-time Adoption of HKFRSs ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ⁵
HKFRS 2 (Amendments)	Share-based Payment – Group Cash-settled Share-based Payment Transaction ⁵
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁶
HK(IFRIC) – Int 14 (Amendment)	HKAS 19 – The Limit of a Defined Benefit Assets, Minimum Funding Requirements and their Interaction ³
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁷

¹ Effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 February 2010

⁵ Effective for annual periods beginning on or after 1 January 2010

⁶ Effective for annual periods beginning on or after 1 January 2013

⁷ Effective for annual periods beginning on or after 1 July 2010

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

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

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

3. Turnover, Other Revenue And Other Net Income

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
a) Turnover		
Sales of merchandise	<u>247,281</u>	<u>288,298</u>
b) Other revenue and other net income		
Other revenue		
Bank interest income	1,896	5,169
Government grants	1,780	-
Sundry income	512	713
	<u>4,188</u>	<u>5,882</u>
Other net income		
Net foreign exchange gain	369	-
Total other revenue and other net income	<u>4,557</u>	<u>5,882</u>

4. Segment Information

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

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

a) Geographical information

The Group comprises the following main geographical segments:

	Hong Kong		PRC		The United States Of America		Europe		Others		Eliminations		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover														
External sales	1,234	3,257	-	-	223,270	255,528	8,561	11,505	14,216	18,008	-	-	247,281	288,298
Intersegment sales	308,201	329,694	-	-	114,168	129,777	2,273	3,503	-	-	(424,642)	(462,974)	-	-
Total	309,435	332,951	-	-	337,438	385,305	10,834	15,008	14,216	18,008	(424,642)	(462,974)	247,281	288,298
Operating results														
Profit/(loss) from operations	56,083	56,408	(3,536)	(10,211)	5,575	14,196	(4,490)	(254)	-	-	352	876	53,984	61,015
Interest income	987	4,044	788	972	120	135	1	18	-	-	-	-	1,896	5,169
Profit before taxation													55,880	66,184
Income tax													(10,285)	(10,921)
Profit attributable to owners of the Company													45,595	55,263

b) Information about major customers

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

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

5. Profit Before Taxation

Profit before taxation is arrived at after charging the following:

	2009 HK\$'000	2008 HK\$'000
Cost of inventories	133,106	164,479
Depreciation and amortization	6,124	6,432

6. Income Tax

Income tax in the consolidated income statement represents:

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

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

PRC subsidiary is subject to PRC Enterprise Income Tax at 25% (2008: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

7. Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to the equity shareholders of the Company of approximately HK\$45,595,000 (2008: HK\$55,263,000) and on the weighted average number of 320,000,000 (2008: 320,000,000) shares in issue during the year.

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

8. Trade Receivables

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

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

9. Trade And Other Payables

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	7,667	6,982
Other payables	3,112	639
Temporary receipts	319	323
Accrued salaries	4,673	143
Accrued expenses	2,011	3,721
	17,782	11,808

9. Trade And Other Payables (Continued)

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

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

10. Retained Profits

The Group's profit after dividend, of approximately HK\$337,584,000 (2008: HK\$302,869,000) is retained and carried forward.

11. Dividends

The directors proposed a final dividend of HK\$0.012 per share (2008: HK\$0.022 per share), totaling HK\$3,840,000 in respect of the year ended 31 December 2009. An interim dividend of HK\$0.022 per share (2008: HK\$0.042 per share) was paid during the year.

REPORT ISSUED BY CCIF CPA LIMITED

The following is an extract from the report issued by CCIF CPA Limited ("the Auditor") on the consolidated financial statements:

Basis for disclaimer of opinion

1) Scope limitation – Hong Kong profits tax

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

2) Scope limitation – California income tax

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

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

Disclaimer of opinion: disclaimer on view given by financial statements

Based on the above paragraphs, the Auditor do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the company and of the group as at 31 December 2009 and of the group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

FINAL DIVIDEND

The directors proposed a final dividend of HK\$0.012 per share in respect of the year ended 31 December 2009 to shareholders whose names appear on the register of members of the Company on Friday, 4 June 2010, totaling HK\$3,840,000.

CLOSE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 1 June 2010 to Friday, 4 June 2010, both dates inclusive, during which period no transfer of shares will be registered. To qualify for the final dividend, 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, 31 May 2010. The cheques for dividend payment will be sent on about Monday, 14 June 2010.

MANAGEMENT DISCUSSION & ANALYSIS**Business Review**

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

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

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

Market Review**Communication and Networking**

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

Data Processing

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

Industrial Application

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

High Reliability Segment

This segment demands precise technology and advance workmanship by the Group end customers, and applied to military, aerospace and healthcare industry applications. For year ended 2009, consolidated sales for the three industries was HK\$92.6 million, compared to HK\$120.7 million for the year ended 2008. The High Reliability segment contributed 37% of the Group turnover.

Military and Aerospace

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

Healthcare

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

Achievement and Awards

In recognition of the quality, value of its products and of the Group's service and performance, the Group has to date received 38 awards from customers including the "Outstanding Supplier Achievement Award in 2008" received in March 2009 Supplier Conference.

Looking Ahead

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

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

Financial Review

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

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

Liquidity, Financial Resources and Capital Structure

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

For the year ended 31 December 2009, the Group had not arranged for any banking facilities and other resources for financing. With the above cash on hand, the Group has adequate resources to meet its working capital needs in the near future.

The Group has strong financial position. There were no debt and no bank loan for the year ended 31 December 2009.

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

Employees and Remuneration Policy

As at 31 December 2009, the Group employed approximately 1,016 personnel around the world, with approximately 100 in Hong Kong, 893 in the PRC and 23 overseas. The Group has a staff education sponsorship program and also provides training courses to staff on operation system, product and technology development, and product safety.

The remuneration policy for the Group's employees is reviewed by management on a regular basis. Competitive remuneration packages will be offered to employees based on business performance, market practices and the performance of individual employees. The Group has adopted a provident fund scheme for its employees.

Contingent Liabilities

On 17 March 2010, the Inland Revenue Department (“IRD”) issued final and provisional tax assessments for the years of assessment from 2003/2004 to 2008/2009 and 2009/2010 of an aggregated amount of approximately HK\$32,221,777 and HK\$5,437,284 respectively (2008: HK\$ Nil) to the Company’s subsidiary, Datatronic Limited (“Datatronic”). On 22 March 2010, Datatronic has objected the additional tax assessments for the years of assessment from 2003/2004 to 2009/2010 on the ground that Datatronic should be entitled to the 50:50 basis off-shore claims and no additional profits tax assessment should be charged by the IRD. In view of this, no additional tax provision mentioned herewith is required to be provided in the consolidated financial statements.

Datatronic Distribution, Inc. (“DDI”), a subsidiary of the company incorporated in United States of America located in Romoland, California, came under examination by the state of California’s Franchise Tax Board (“FTB”) for the tax years ended 31 December 2006 and 2007 in respect of the unitary business income tax. The examination is still in progress. In response to such examination, DDI has made an additional provision for California income tax of approximately HK\$3,190,000 for the years ended 31 December 2006, 2007 and 2008 in the profit and loss account for the year ended 31 December 2009 on the basis that DDI will make the Water’s Edge election on the original income tax return for the tax year ended 31 December 2009 and thereafter. However, this matter has not finalized. In the meantime, the US liabilities and related penalties and interest may be revised on finalization.

Capital Commitments

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

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 2009 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 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. alias Siu Paul Yin Tong (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. Lam Tak Shing, Harry and Mr. Chan Fai Yue, Leo as independent non-executive directors.

By order of the Board

SIU Paul Y.

Chairman

Hong Kong, 12 April 2010

** For identification purposes only*