



DATRONIX HOLDINGS LIMITED

連達科技控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 889)

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ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

The board of directors (the "Board") of Datronix Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2010 together with comparative figures in 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

		Six months ended 30 June 2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
	Note		
Turnover	3	141,290	130,925
Cost of sales		(81,451)	(68,002)
Gross profit		59,839	62,923
Other revenue		978	1,860
Distribution and selling expenses		(9,922)	(8,510)
Administrative expenses		(24,384)	(20,800)
Profit before taxation	4	26,511	35,473
Income tax	5	(43,169)	(3,950)
(Loss) / profit for the period attributable to owners of the Company		(16,658)	31,523
(Loss) / earnings per share	7		
- Basic and diluted		(HK\$0.052)	HK\$0.099

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2010*

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss) / profit for the period	(16,658)	31,523
Other comprehensive income for the period		
Exchange difference arising on translation of foreign operations	72	3,882
Total other comprehensive income for the period	72	3,882
Total comprehensive (loss) / income attributable to owners of the Company	(16,586)	35,405

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 30 June 2010*

	Note	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		33,947	34,706
Prepaid lease payments		19,037	18,878
		<u>52,984</u>	<u>53,584</u>
CURRENT ASSETS			
Inventories		83,375	76,536
Prepaid lease payments		272	627
Amount due from ultimate parent enterprise		29	29
Amount due from a related company		15	15
Tax reserve certificates		32,366	13,624
Prepayments, deposits and other receivables		1,627	1,245
Trade receivables	8	31,537	26,812
Cash and cash equivalents		300,659	310,226
		<u>449,880</u>	<u>429,114</u>
CURRENT LIABILITIES			
Trade and other payables	9	30,216	17,782
Provision		15,360	15,215
Current taxation		46,123	18,110
		<u>91,699</u>	<u>51,107</u>
NET CURRENT ASSETS		<u>358,181</u>	<u>378,007</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>411,165</u>	<u>431,591</u>
NON-CURRENT LIABILITIES			
Deferred taxation		2,903	2,903
NET ASSETS		<u>408,262</u>	<u>428,688</u>
CAPITAL AND RESERVES			
Issued capital	10	32,000	32,000
Reserves		376,262	396,688
TOTAL EQUITY		<u>408,262</u>	<u>428,688</u>

Notes:

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 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 Company’s 2009 Annual Report except as described below.

In the current period, the Group has adopted, for the first time, the new/revised Hong Kong Financial Reporting Standards (“new HKFRSs”), 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 2010 and which are relevant to its operations. The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010. As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods. The adoption of other new 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 following new/revised standards, amendments and interpretations have been issued but not yet effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKAS 32 (Amendment)	Classification of Rights Issues ²
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 9	Financial Instruments ⁵
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 February 2010

³ Effective for annual periods beginning on or after 1 July 2010

⁴ Effective for annual periods beginning on or after 1 January 2011

⁵ Effective for annual periods beginning on or after 1 January 2013

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 and segment information

The Group is principally engaged in the design, development, manufacture and sale of magnetic commonly used in consumer electronics, telecommunication equipment, data processing appliances and other electronics systems for coupling, isolation, filtering, interfacing and timing control appliances. No operating segment analysis is presented as there is only one operating segment.

The following is an analysis of the Group's turnover by geographical locations where merchandise is delivered:

	Six months ended 30 June 2010	2009
	HK\$'000	HK\$'000
United States of America (the "US")	128,318	117,959
Europe	4,110	5,240
Hong Kong	584	801
Southeast Asia (excluding Hong Kong)	8,278	6,925
	<u>141,290</u>	<u>130,925</u>

No analysis of profit attributable to owners of the Company by geographical locations is presented as they were generally in line with the distribution of turnover as set out above.

4. Profit before taxation

Profit before taxation is stated after charging the following:

	Six months ended 30 June 2010	2009
	HK\$'000	HK\$'000
Cost of inventories sold	82,282	65,111
(Reversal) / write-down of inventories, net	(831)	2,891
Depreciation and amortization	<u>2,780</u>	<u>2,966</u>

5. Income tax

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

	Six months ended 30 June 2010	2009
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	3,706	2,811
Under-provision in respect of prior periods	37,520	-
Current tax – Overseas		
Provision for the period	<u>1,943</u>	<u>1,139</u>
	<u>43,169</u>	<u>3,950</u>

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 2010	2009
	HK\$'000	HK\$'000
Profit before taxation	<u>26,511</u>	<u>35,473</u>
Effect of tax at Hong Kong profits tax rate of 16.5%	4,374	5,853
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,255	616
Tax effect on non-taxable income	(182)	(2,765)
Tax effect of unused tax losses	202	246
Under-provision in prior periods	<u>37,520</u>	<u>-</u>
	<u>43,169</u>	<u>3,950</u>

6. Interim dividend

	Six months ended 30 June 2010 HK\$'000	30 June 2009 HK\$'000
Interim dividend declared, HK\$0.012 (2009: HK\$0.022) per ordinary share	<u>3,840</u>	<u>7,040</u>

On 18 August 2010, the Board have resolved to declare an interim dividend of HK\$0.012 (2009: HK\$0.022) per share in respect of the six months ended 30 June 2010, to shareholders whose names appear on the register of members of the Company on Thursday, 30 September 2010.

7. (Loss) / earnings per share

The calculation of basic (loss)/earnings per share for the six months ended 30 June 2010 was based on the loss attributable to the equity shareholders of the Company of approximately HK\$16,658,000 (six months ended 30 June 2009: profit of approximately HK\$31,523,000) and on the weighted average number of 320,000,000 (2009: 320,000,000) shares in issue during the period.

Diluted (loss)/earnings per share is equal to basic (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding for both periods presented.

8. 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 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
0 to 30 days	22,331	19,066
31 to 60 days	6,860	6,018
61 to 90 days	1,703	1,273
Over 90 days	910	722
	<u>31,804</u>	<u>27,079</u>
Less: Allowance for doubtful debts	(267)	(267)
	<u>31,537</u>	<u>26,812</u>

9. Trade and other payables

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Trade payables	19,821	7,667
Temporary receipts	330	319
Other payables and accruals	10,065	9,796
	<u>30,216</u>	<u>17,782</u>

The aging analysis of trade payables is as follows:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
0 to 30 days	11,622	7,056
31 to 60 days	5,272	374
61 to 90 days	2,316	83
Over 90 days	611	154
	<u>19,821</u>	<u>7,667</u>

10. Share capital

	Number of shares	Amount HK\$'000
Authorised ordinary shares of HK\$0.1 each At 1 January 2010 and 30 June 2010	1,000,000,000	100,000
Issued and fully paid ordinary shares of HK\$0.1 each At 1 January 2010 and 30 June 2010	320,000,000	32,000

INTERIM DIVIDEND

At the board meeting held on 18 August 2010, the Board has resolved to declare an interim dividend of HK\$0.012 (2009: HK\$0.022) per share, totaling HK\$3,840,000 (2009: HK\$7,040,000) in respect of the six months ended 30 June 2010 to shareholders whose names appear on the register of members of the Company on Thursday, 30 September 2010.

CLOSE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 27 September 2010 to Thursday, 30 September 2010, 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 Friday, 24 September 2010. The cheques for dividend payment will be sent on about Monday, 11 October 2010.

MANAGEMENT DISCUSSION & ANALYSIS**Business Review**

For the first half of 2010, the electronics component industry saw a turnaround, yet a slow and gradual one. For the first six months of 2010, turnover for Datronix was \$141.3 million, compared to \$130.9 million for the first six months ended in 2009. The gross profit margin held at 42.4%, a decrease of 5.7% compared to 48.1% for the first six months of 2009. The loss attributable to equity shareholders for the six months ended 30 June 2010 was \$16.7 million, compared to profit of \$31.5 million for the same period in 2009. Due to the additional assessments from the Inland Revenue Department in March 2010, Datronix has made a tax provision of \$37 million for prior years and purchased relevant tax certificate for \$32 million during the first six months of 2010.

The electronic component industry experience one of the longest lead time in supplying. In early 2010, the labor shortage resulted in wages and supply chain issues. Rising labor wages has been and will continue to be an issue. Raw material was implicitly affected by labor shortage as suppliers did not have sufficient number of labor to produce our materials. Foreseeing this situation, our management decided to procure more buffer stock on the first half of 2010 to keep our production running. Alongside with material prices rebound in late 2009, our cost of production increase significantly.

Market ReviewCommunication and Networking

For the first half of 2010, sales for the communication market was \$43.8 million, an increase of 7% from same period of 2009. This market contributes 31% of Group sales.

Data Processing

For the first half of 2010, the data-processing market reported sales of \$6.0 million, an increase of 35%. This market contributed 4% of Group sales.

Industrial Application

The industrial application market reported \$37.2 million in sales. This market contributed 26% of Group sales.

High Reliability SegmentMilitary and Aerospace

The military and aerospace market reported \$44.7 million in sales for the first half of 2010, an increase of 12%. This market contributes 32% of Group sales.

Healthcare

The healthcare market reported \$9.6 million in sales for the first six months of 2010. This market contributed 7% of total sales.

Financial Review

The turnover for the six months ended 30 June 2010 was HK\$141.3 million, compared to HK\$130.9 million for the same period in 2009. The loss attributable to equity shareholders for the six months ended 30 June 2010 was HK\$16.7 million, compared to a profit of HK\$31.5 million for the same period in 2009. The gross profit for the first six months in 2010 was HK\$59.8 million, compared to HK\$62.9 million for same period in 2009. The gross profit margin held at 42.4%, a decrease of 5.7% compared to 48.1% for the first six months of 2009.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2010, the Group had a total equity of approximately HK\$408.3 million (31 December 2009: HK\$428.7million), and cash and cash equivalents of approximately HK\$300.7 million (31 December 2009: HK\$310.2 million), which were predominately denominated in US dollars and Renminbi.

For the six months ended 30 June 2010, 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 six months ended 30 June 2010.

Capital expenditure for the period under review amounted to approximately HK\$1.6 million (six months ended 30 June 2009: HK\$1 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 2010, the Group employed approximately 1,376 personnel around the world, with approximately 111 in Hong Kong, 1,243 in the People's Republic of China and 22 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\$51,000 (31 December 2009: HK\$919,000).

Contingent Liabilities

On 26 February 2010, Datatronic Limited ("Datatronic"), the Company's subsidiary, received the final profits tax assessment from the Inland Revenue Department ("IRD") for the years of assessment from 1999/2000 to 2001/2002 of an aggregated amount of approximately HK\$13,373,000 in respect of previous tax dispute which the Court of Appeal had handed down its final judgement on 15 July 2009 in favour of the Commissioner of Inland Revenue. The amount was set off on 2 March 2010 by the tax reserve certificates amounting to HK\$13,624,000 bought in prior years.

On 17 March 2010, the 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 to Datatronic. On 22 March 2010, Datatronic submitted an objection to the IRD in respect of the additional tax assessments for the years of assessment from 2003/2004 to 2009/2010 on the ground that based on the contract processing certificate issued by The State Administration for Industry & Commerce of Shunde on 8 July 2002, Datatronic should be entitled to the 50:50 basis off-shore claims and no additional profits tax should be charged by the IRD. Tax reserve certificates aggregating to HK\$32,221,777 had been purchased. With regards to the duration of objection and the uncertainty for the pending result from IRD, Datronix has made a prudent and tightened internal policy on the issue and resulted in making a full provision of \$37 million profits tax for the relevant prior years in the profit and loss account for period ended 30 June 2010. Any adjustment is to be accounted for upon finalization of the objection.

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 is making the Water's Edge election on the original income tax return for the tax year ended 31 December 2009 and thereafter and there will be no such additional tax liability from 2009 onwards. However, this matter has not finalized. Any adjustment on the provision for the additional US tax liabilities and any related penalties and interest are to be accounted for upon finalization of the examination.

Looking Ahead

The prospects for global electronics business are cautiously optimistic and the Group will continue to build its competitive advantage to sustain growth in the coming years.

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 2010.

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 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.

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 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim 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 interim 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, 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, 18 August 2010

** For identification purposes only*