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 2012

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 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	**2012** **HK$'000**	2011 *HK$'000*
Turnover	5	**262,606**	263,353
Cost of sales		**(176,090)**	(154,550)
Gross profit		**86,516**	108,803
Other revenue and gain	5	**15,788**	6,805
Distribution and selling expenses		**(18,881)**	(19,667)
Administrative expenses		**(50,104)**	(47,120)
Profit before income tax expense	7	**33,319**	48,821
Income tax expense	8		
Current tax - tax for the year		**(3,260)**	(6,839)
- over provision in respect of prior years		**3,048**	2,348
Deferred taxation		**(2)**	(21)
		(214)	(4,512)
Profit for the year and attributable to owners of the Company		**33,105**	44,309

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	**2012** ***HK$'000***	2011 *HK$'000*
Profit for the year and attributable to owners of the Company		**33,105**	44,309
Other comprehensive income			
Exchange differences on translating foreign operations		**1,635**	1,342
Surplus on revaluation of leasehold land and buildings held for own use		**33,343**	16,558
Other comprehensive income for the year and attributable to owners of the Company		**34,978**	17,900
Total comprehensive income for the year and attributable to owners of the Company		**68,083**	62,209
Earnings per share			
- Basic and diluted	*9*	**HK$0.103**	HK$0.138

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2012

	Notes	**2012**	2011
		HK$'000	HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**178,134**	142,080
Payment for leasehold land held for own use under operating leases		**4,378**	4,389
Goodwill	*15*	**9,486**	-
		191,998	146,469
CURRENT ASSETS			
Inventories		**84,288**	91,044
Amount due from ultimate holding company		**45**	40
Amount due from a related company		**25**	15
Tax prepayment		**5,192**	717
Prepayments, deposits and other receivables		**1,882**	2,287
Trade receivables	*10*	**29,240**	23,801
Cash and cash equivalents		**404,539**	388,082
		525,211	505,986
CURRENT LIABILITIES			
Trade and other payables	*11*	**17,900**	14,609
Current tax liabilities		**1,123**	993
		19,023	15,602
NET CURRENT ASSETS		**506,188**	490,384
TOTAL ASSETS LESS CURRENT LIABILITIES		**698,186**	636,853
NON-CURRENT LIABILITIES			
Employee benefits		**18,397**	20,717
Deferred tax liabilities		**22,840**	16,390
		41,237	37,107
NET ASSETS		**656,949**	599,746
CAPITAL AND RESERVES			
Issued capital		**32,000**	32,000
Reserves		**624,949**	567,746
TOTAL EQUITY		**656,949**	599,746

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.

2. Basis Of Measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain leasehold land and buildings, 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 consolidated financial statements are presented in Hong Kong dollars (“HK$”). Each entity in the Group maintains its books and records in its own functional currency. The functional currency of the Company is HK$. 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 2012

Amendments to HKFRS 1	Severe Hyper Inflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets

The adoption of these new/revised standards and interpretations has no material impact on the Group’s financial statements.

5. Turnover And Other Revenue

a) Turnover

Turnover represents the net invoiced value of goods sold.

b) Other revenue and gain

	2012	2011
	HK$’000	*HK$’000*
Bank interest income	**5,822**	4,228
Exchange gain, net	**7,836**	1,554
Income from disposal of scrap materials	**599**	549
Reversal of interest accrued on unitary income tax	**1,046**	-
Sundry income	**485**	474
	15,788	6,805

6. 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 oversea markets. The Group's chief operating decision-maker regularly reviews the consolidated financial information to assess the performance. Accordingly, there is only one operating segment for the Group.

a) Geographical information

The Group comprises the following main geographical segments:

	Revenue from external customers	
	2012	2011
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**1,085**	1,661
The People's Republic of China	**-**	-
The United States of America ("US")	**233,536**	236,280
Europe	**9,442**	6,586
Other countries	**18,543**	18,826
	261,521	261,692
	262,606	263,353

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:

	2012	2011
	HK$'000	*HK$'000*
Customer A	**69,274**	**80,840**
Customer B	**49,214**	**61,403**
Customer C	**48,465**	**49,724**
	166,953	**191,967**

7. Profit Before Income Tax Expense

Profit before income tax expense is arrived at after charging the following:

	2012	2011
	HK$'000	*HK$'000*
Cost of inventories recognised as expenses	**176,090**	154,550
Amortisation of payment for leasehold land held for own use under operating leases	**117**	117
Auditor's remuneration	**702**	828
Depreciation of property, plant and equipment	**7,545**	7,783
Loss on disposal of property, plant and equipment	**42**	30
Impairment loss on trade receivables	**-**	297
Research and development expenditure	**5,823**	5,788

8. Income Tax Expense

Income tax expense in the consolidated statement of comprehensive income represents:

	2012 HK$'000	2011 HK$'000
Current tax – Hong Kong Profits Tax		
- tax for the year	**2,341**	3,730
- over provision in respect of prior years	**(38)**	(1,793)
	2,303	1,937
Current tax – Overseas		
- tax for the year	**919**	3,109
- over provision in respect of prior years	**(3,010)**	(555)
	(2,091)	2,554
Deferred taxation	**2**	21
	214	4,512

The provision for Hong Kong Profits Tax for 2012 is calculated at 16.5% (2011:16.5%) of the estimated assessable profits for the year.

The PRC subsidiary is subject to PRC Enterprise Income Tax at 25% (2011: 25%).

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$33,105,000 (2012: HK$44,309,000) and on the weighted average number of 320,000,000 (2011: 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 usually offered a credit period ranging from 30 days to 90 days. The ageing analysis of trade receivables as at the end of the reporting period is as follows:

	2012 HK$'000	2011 HK$'000
Within 30 days	**18,028**	16,796
31 to 60 days	**7,917**	5,416
61 to 90 days	**2,581**	1,192
Over 90 days	**1,011**	694
	29,537	24,098
Less: Allowance for doubtful debts	**(297)**	(297)
	29,240	23,801

11. Trade And Other Payables

	2012 HK$'000	2011 HK$'000
Trade payables	**12,001**	7,679
Other payables and accrued expenses	**5,899**	6,930
	17,900	14,609

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

	2012 HK$'000	2011 HK$'000
Within 30 days	**5,760**	5,230
31 to 60 days	**4,085**	1,729
61 to 90 days	**1,955**	573
Over 90 days	**201**	147
	12,001	7,679

12. Tax Dispute

California income tax

Datatronic Distribution, Inc. ("DDI"), a US subsidiary of the Company, came under examination by the State of California's Franchise Tax Board ("FTB") for the years ended 31 December 2006 and 2007 in respect of the unitary income tax. The FTB claimed 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, which generally applies to a foreign entity among companies under common control. In response to such examination, DDI had made an additional provision for California income tax of HK$3,190,000 for the years ended 31 December 2006, 2007 and 2008 in the statement of comprehensive income for the year ended 31 December 2009. In October 2012, DDI received the notices of proposed assessment from FTB for the tax years of 2006 to 2008 to demand an aggregate of HK$680,000 additional taxes for the tax years of 2006 and 2007 after deducting an overpayment of HK$112,000 for the tax year of 2008. All of the outstanding balances were settled during the year and as a result, the overprovision in California income tax of HK$2,610,000 made in 2010 was reversed in current year.

13. Retained Profits

The Group's profit after dividend, of approximately HK$444,239,000 (2011: HK$420,094,000) is retained and carried forward.

14. Dividends

The Board proposed a final dividend of HK$0.014 per share (2011: HK$0.02 per share), totaling HK$4,480,000 in respect of the year ended 31 December 2012 (2011: HK$6,400,000). An interim dividend of HK$0.014 per share (2011: HK$0.02 per share) was paid during the year.

15. Acquisitions Of Business During The Year

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

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

	HK$'000	HK$'000
Property, plant and equipment	608	
Inventories	2,233	2,841
Fair value of consideration transferred:		
Cash		12,327
Goodwill arising on acquisition		9,486

The goodwill of HK$9,486,000, which is not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Since the acquisition date, the acquired business has contributed HK$15,263,000 and HK$2,097,000 to Group's revenue and loss for the year ended 31 December 2012. If the acquisition had occurred on 1 January 2012, the Group's revenue and profit would have been HK$266,951,000 and HK$33,130,000 respectively for the year ended 31 December 2012.

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

FINAL DIVIDEND

The Board proposed a final dividend of HK$0.014 per share in respect of the year ended 31 December 2012 subject to the approval of the shareholders at the Company's annual general meeting to be held on Tuesday, 4 June 2013 ("AGM"). The proposed final dividend is expected to be paid on Thursday, 20 June 2013, to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 7 June 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 30 May 2013 to Tuesday, 4 June 2013, 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 Wednesday, 29 May 2013.

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 Monday, 10 June 2013 to Tuesday, 11 June 2013, 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 Friday, 7 June 2013. The cheques for dividend payment will be sent on about Thursday, 20 June 2013.

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

Year 2012 was a rough year for Datronix and the electronics industry, as we were exposed to the economic fluctuations of the world economy. Yet Datronix generated cash flows from operations of HK$36 million last year, while continuing to successfully pursue our goals – expanding manufacturing capacities in critical product lines; strengthening our research and development and design-in efforts; and expanding our sales presence in Asia.

On April 9, 2012, Datronix completed the acquisition of business of a California based magnetic manufacturer, Cal Coil Magnetics, Inc. and its Hong Kong subsidiary, Cal-Coil Magnetics (China) Ltd.. The consideration for the acquisition totaled at US$1.6 million and was funded by the Group's existing capital resources. This acquisition has brought a new manufacturing facilities, design capability and engineering laboratory located in the United States. This acquisition also attempted to increase our customer base, broaden our product offerings and enrich our production and technical development.

Revenues for the year ended December 31, 2012 were HK$262.6 million, compared to HK$263.4 million for the year ended December 31, 2011. Gross profit for 2012 was HK$87 million, while gross profit for 2011 reported HK$109 million. Facing the challenging environment, management had implemented an aggressive pricing strategy in 2012 to capture customers against our competitors, which in turns lowered our margin. Further intensified our drop in gross margin was the one-third increase of labor wages in Hong Kong and China along with our newly acquired production facility in the US. The net earnings attributable to shareholders for the year ended December 31, 2012 were HK$33 million, compared to HK$44 million in 2011. Datronix remains healthy financial position with cash balance of HK$405 million and there is no issuance on debt for year 2012.

Market Review

Communication and Networking

Communication segment contributed HK$92 million of sales for year 2012, compared to HK$94 million in previous year. This segment contributed 35% of the Group's total turnover, and communication and networking customers remained steady on their demand throughout 2012.

Data Processing

Data processing segment contributed 5% of the Group's turnover. Sales were $14 million in 2012, compared to $16 million in 2011. This segment demand is greatly affected by the economy.

Industrial Application

Industrial application segment sales increased to HK$95 million in 2012, an increase of 23% compared to HK$77 million in 2011. The increase was driven by the majority of end users from our newly acquired company fell into the industrial segment; while offset by the weak demand in the housing market for year 2012. This segment contributed 36% of the Group's total turnover.

High Reliability Segment

This segment demands precise technology, advance technical know-how and good workmanship by the Group. The healthcare segment shows slower demand rate and still-soft economy affected our sales in this segment. In addition, the healthcare reform law took effect this year has impacted many healthcare equipment makers to implement cost reduction initiatives to help offset the levy and this in turn reduce our margin on such scenario. The segment reported HK$62 million for year 2012, and HK$76 million in year 2011. This segment contributed 24% of our total sales.

Looking Forward

Based on the current order trends, we see a gradual recovery on our demand in the United States. Our newly acquired company is expected to be accretive to Datronix's earnings in 2013 and onwards. The restructuring of the acquired company is almost completed. It will provide us with valuable design and manufacturing capabilities which supplement our skill sets exist in our Group. Moving forward, management will endeavor to broaden our product offerings and strengthen our efforts to penetrate into medical segment to generate a higher margin mix profile.

I would like to take this opportunity to thank our shareholders, 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

The Group delivered a stable earnings result for year ended 2012. Turnover was HK$262.6 million as at 31 December 2012 (2011: HK$263.4 million).

Gross profit in 31 December 2012 was HK$86.5 million with gross margin representing 33%, compared to HK$108.8 million with gross margin representing 41% for the same period last year. Profit recorded HK$33.1 million and HK$44.3 million for the year ended 2012 and 2011 respectively. Net profit margin was 13% in 31 December 2012, compared to 17% in 31 December 2011.

Liquidity, Financial Resources And Capital Structure

As at 31 December 2012, the Group had a total equity of approximately HK$656.9 million (2011: HK$599.7 million), and cash and cash equivalents of approximately HK$404.5 million (2011: HK$388.1 million), which were predominately denominated in US dollars and Renminbi.

For the year ended 31 December 2012, the Group had not arranged for any banking facilities and other resources for financing. With the above cash on hand, the Group has adequate resources to meet its working capital needs in the near future.

The Group has strong financial position. There were no debt and no bank loan for the year ended 31 December 2012.

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 2012, the Group employed approximately 1,146 personnel around the world, with approximately 132 in Hong Kong, 939 in the PRC and 75 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 2012 (2011: Nil).

Capital Commitments

The Group's capital commitment outstanding at the year end and contracted but not provided for property, plant and equipment in the financial statement was approximately HK$0.03 million (2011: HK$0.3 million).

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 2012 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. (Chairman), Ms. Shui Wai Mei (Vice-Chairman), Mr. Sheung Shing Fai and Ms. Nina Siu Margaret as executive directors and Mr. Chung Pui Lam, Mr. Chan Fai Yue, Leo and Mr. Lee Kit Wah as independent non-executive directors.

By order of the Board

SIU Paul Y.

Chairman

Hong Kong, 26 March 2013

** For identification purposes only*