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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

The board of directors (the "Board") of Datronix Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2013 together with comparative figures in 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2013

		Six months ended 30 June 2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
	Note		
Turnover	3	133,926	133,411
Cost of sales		(95,646)	(88,428)
Gross profit		38,280	44,983
Other revenue	3	6,304	8,021
Distribution and selling expenses		(9,452)	(9,481)
Administrative expenses		(26,577)	(24,664)
Profit before income tax expense	5	8,555	18,859
Income tax expense	6	(1,243)	(189)
Profit for the period and attributable to owners of the Company		7,312	18,670
Other comprehensive income			
Exchange differences on translating foreign operations		265	654
Other comprehensive income for the period and attributable to owners of the Company		265	654
Total comprehensive income for the period and attributable to owners of the Company		7,577	19,324
Earnings per share			
- Basic and diluted	8	HK\$0.023	HK\$0.058

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**AS AT 30 JUNE 2013**

	Note	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		175,765	178,134
Payment for leasehold land held for own use under operating leases		4,317	4,378
Goodwill		9,486	9,486
		189,568	191,998
CURRENT ASSETS			
Inventories		86,477	84,288
Amount due from ultimate holding company		45	45
Amount due from a related company		75	25
Tax prepayment		3,203	5,192
Prepayments, deposits and other receivables		2,953	1,882
Trade receivables	9	32,000	29,240
Cash and cash equivalents		411,101	404,539
		535,854	525,211
CURRENT LIABILITIES			
Trade and other payables	10	23,582	17,900
Current tax liabilities		557	1,123
		24,139	19,023
NET CURRENT ASSETS		511,715	506,188
TOTAL ASSETS LESS CURRENT LIABILITIES		701,283	698,186
NON-CURRENT LIABILITIES			
Employee benefits		18,397	18,397
Deferred tax liabilities		22,840	22,840
		41,237	41,237
NET ASSETS		660,046	656,949
CAPITAL AND RESERVES			
Issued capital	11	32,000	32,000
Reserves		628,046	624,949
TOTAL EQUITY		660,046	656,949

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 (hereinafter collectively referred to as the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. Accounting policies

The accounting policies and basis of preparation adopted in these condensed consolidated interim financial statements are consistent with those adopted in the Group’s annual consolidated financial statements for the year ended 31 December 2012 except as described below.

In the current period, the Group has adopted, for the first time, the new/revised Hong Kong Financial Reporting Standards, which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by HKICPA, that are effective for accounting periods beginning on 1 January 2013 and which are relevant to its operations. The new/revised HKFRSs adopted by the Group in the unaudited condensed consolidated interim financial statements are set out below:

Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvement to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements

The adoption of the new/revised HKFRSs had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early adopted the following new/revised HKFRSs that have been issued but not yet effective for the current accounting period.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities ¹
HKFRS 9	Financial Instruments ²

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group’s financial statements.

3. Turnover and other revenue**a) Turnover**

Turnover represents the net invoiced value of goods sold.

b) Other revenue

	Six months ended 30 June 2013 HK\$'000	2012 HK\$'000
Bank interest income	3,656	3,913
Income from disposal of scrap materials	268	-
Exchange gain, net	2,287	3,603
Sundry income	93	505
	6,304	8,021

4. Segment information

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group is principally engaged in manufacturing and trading 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. Accordingly, there is only one operating segment for the Group.

Geographical information

The Group comprises the following main geographical segments:

	Revenue from external customers	
	Six months ended 30 June 2013 HK\$'000	2012 HK\$'000
Hong Kong (place of domicile)	714	626
The United States	116,843	120,256
Europe	4,193	3,383
Other countries	12,176	9,146
	133,212	132,785
	133,926	133,411

5. Profit before income tax expense

Profit before income tax expense is stated after charging the following:

	Six months ended 30 June 2013 HK\$'000	2012 HK\$'000
Cost of inventories recognized as expenses	95,646	88,428
Amortisation of payment for leasehold land held for own use under operating leases	61	59
Depreciation of property, plant and equipment	3,519	3,817

6. Income tax expense

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

	Six months ended 30 June 2013 HK\$'000	2012 HK\$'000
Current tax – Hong Kong profits tax		
- provision for the period	760	1,641
Current tax – Overseas		
- provision for the period	402	-
- under / (over) provision in respect of prior years	81	(1,452)
	<u>1,243</u>	<u>189</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.

7. Interim dividend

	Six months ended 30 June 2013 HK\$'000	2012 HK\$'000
Interim dividend declared, HK\$0.01 (2012: HK\$0.014) per ordinary share	<u>3,200</u>	<u>4,480</u>

On 16 August 2013, the Board has resolved to declare an interim dividend of HK\$0.01 (2012: HK\$0.014) per share in respect of the six months ended 30 June 2013, to shareholders whose names appear on the register of members of the Company on Friday, 6 September 2013.

8. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2013 was based on the profit attributable to the owners of the Company of approximately HK\$7,312,000 (six months ended 30 June 2012: HK\$18,670,000) and on the weighted average number of 320,000,000 (2012: 320,000,000) shares in issue during the period.

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

9. 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 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within 30 days	20,862	18,028
31 to 60 days	8,224	7,917
61 to 90 days	2,275	2,581
Over 90 days	936	1,011
	<u>32,297</u>	<u>29,537</u>
Less: Allowance for doubtful debts	(297)	(297)
	<u>32,000</u>	<u>29,240</u>

10. Trade and other payables

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Trade payables	14,611	12,001
Other payables and accruals	8,971	5,899
	23,582	17,900

The aging analysis of trade payables is as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within 30 days	7,511	5,760
31 to 60 days	4,613	4,085
61 to 90 days	2,125	1,955
Over 90 days	362	201
	14,611	12,001

11. Share capital

	Number of shares	Amount HK\$'000
Authorised ordinary shares of HK\$0.1 each At 1 January 2013 and 30 June 2013	1,000,000,000	100,000
Issued and fully paid ordinary shares of HK\$0.1 each At 1 January 2013 and 30 June 2013	320,000,000	32,000

INTERIM DIVIDEND

At the board meeting held on 16 August 2013, the Board has resolved to declare an interim dividend of HK\$0.01 (2012: HK\$0.014) per share, totaling HK\$3,200,000 (2012: HK\$4,480,000) in respect of the six months ended 30 June 2013 to shareholders whose names appear on the register of members of the Company on Friday, 6 September 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 5 September 2013 to Friday, 6 September 2013, 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 Wednesday, 4 September 2013. The cheques for dividend payment will be sent on about Tuesday, 17 September 2013.

MANAGEMENT DISCUSSION & ANALYSIS**Business Review**

Datronix's bookings, revenues, and operating results were disappointed for the first six months of 2013. Our operation has been negatively impacted by general economic conditions. Some of the markets in which we have historically focused remain in a weakened state. Yet, our results have been mixed as the past few months have been in an investing stage for our Group. We have been developing various products for some customers at commodity level, which has driven our margin thinner but in turn the volume is anticipated to be high in future. Moreover, in order to get into more high reliability and high barrier segment, we have put significant R&D effort and capital expenditure to improve our overall efficiency and capability.

Our sales for the first six months of 2013 remained flat at HK\$134 million. Gross profit decreased to HK\$38 million in the first six months of 2013 from HK\$45 million in comparable period of 2012, a decrease of HK\$7 million. Gross margin decreased to 28% in 2013 from 34% in 2012. Our production cost increased 20% as a result of operation costs for the newly acquired production facility in the United States, labor wages and welfare cost increased and the number of labor increased for the first half of 2013. Net profit was HK\$7 million, while profit margin was at 5.5%, compare to HK\$19 million and 14% for comparable period in 2012, as the result was inflated as a tax refund in the United States of HK\$1 million in 2012.

Market Review*Communication and Networking*

For the first half of 2013, sales for the communication market was HK\$38 million, a decrease of 24% from same period of 2012. This market contributes 28% Group sales.

Data Processing

For the first half of 2013, the data-processing market reported sales of HK\$7 million, a decrease of 15%. This market contributed 5% of Group sales.

Industrial Application

The industrial application market reported HK\$47 million in sales, remained flat for the comparable period in 2012. This market contributed 36% of Group sales.

High Reliability Segment

This segment demands precise technology, advance technical know-how and good workmanship by the Group. This segment reported HK\$42 million for the first half in 2013 compare to HK\$29 million in 2012 and contributes 31% of Group sales.

Financial Review

For the six months period ended 30 June 2013, Group sales reported HK\$134 million, a slight increase of HK\$1 million, compared to same period of 2012. Our gross profit was HK\$38 million, compared to HK\$45 million for the first half of 2012. Gross margin dropped from 34% to 28% as a result of increase in our production cost.

Operating profit of first half of 2013 decreased from HK\$19 million to HK\$9 million when compared to same period of 2012. The net profit reported HK\$7 million, compared to HK\$19 million for the six months period ended 30 June 2012.

The Group maintained a healthy financial position with sufficient cash and no debt instrument was issued.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2013, the Group had a total equity of approximately HK\$660 million (31 December 2012: HK\$657 million), and cash and cash equivalents of approximately HK\$411 million (31 December 2012: HK\$405 million), which were predominately denominated in US dollars and Renminbi.

For the six months ended 30 June 2013, the Group had not arranged for any banking facilities and other resources for financing. With the above cash on hand, the Group has adequate resources to meet its working capital needs in the near future.

Capital expenditure for the period under review amounted to approximately HK\$1.2 million (six months ended 30 June 2012: HK\$1.7 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 2013, the Group employed approximately 1,319 personnel around the world, with approximately 139 in Hong Kong, 1,110 in the People's Republic of China and 70 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\$0.04 million (31 December 2012: HK\$0.03 million).

Contingent Liabilities

The Group did not have any material contingent liability as at 30 June 2013 (31 December 2012: Nil).

Looking Ahead

With a slower than expected operating results for the first half of 2013, we anticipate our performance will be improving for the remaining period of the year. We have new mix of customers that have been volume player which is expected to improve our sales. Our Group has invested equipment and machinery to improve our efficiencies and lower our reliance on labor. In addition, for the high barrier entry customers, we believe their approval time frame will be within 12 to 30 months depends on the level of complexity and reliability required. We believe that our performance shall turnaround in the second half of the year gradually.

Finally, we would like to express our appreciation for the ongoing support from Datronix's employees, customers and shareholders.

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 2013.

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 ("the Code") 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. (Chairman), Ms. Shui Wai Mei (Vice-Chairman), Mr. Sheung Shing Fai and Ms. Siu Nina Margaret as Executive Directors, 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, 16 August 2013

** For identification purposes only*