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 2014

The board of directors (the "Board") of Datronix Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014 together with the comparative figures for the corresponding year of 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
Turnover	*5*	**301,593**	284,038
Cost of sales		**(198,858)**	(193,042)
Gross profit		**102,735**	90,996
Other revenue and gain	*5*	**11,154**	15,671
Distribution and selling expenses		**(17,463)**	(19,232)
Administrative expenses		**(60,752)**	(51,091)
Profit before income tax expense	*7*	**35,674**	36,344
Income tax expense	*8*		
Current tax - tax for the year		**(4,328)**	(4,230)
- over provision in respect of prior years		**1,294**	1,248
Deferred taxation		**(2)**	(21)
		(3,036)	(3,003)
Profit for the year and attributable to owners of the Company		**32,638**	33,341

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	**2014** **_HK$'000_**	2013 *HK$'000*
Profit for the year and attributable to owners of the Company		**32,638**	33,341
Other comprehensive income, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(1,486)**	1,035
Item that will not be reclassified to profit or loss:			
Surplus on revaluation of leasehold land and buildings held for own use		**9,606**	13,267
Other comprehensive income for the year and attributable to owners of the Company, net of tax		**8,120**	14,302
Total comprehensive income for the year and attributable to owners of the Company		**40,758**	47,643
Earnings per share			
- Basic and diluted	*9*	**HK$0.102**	HK$0.104

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2014

	Notes	**2014**	2013
		HK$'000	HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**197,032**	189,521
Payment for leasehold land held for own use under operating leases		**4,082**	4,310
Goodwill		**9,486**	9,486
		210,600	203,317
CURRENT ASSETS			
Inventories		**79,265**	87,839
Trade receivables	*10*	**29,248**	34,513
Prepayments, deposits and other receivables		**2,835**	3,984
Amount due from ultimate holding company		**57**	51
Amount due from a related company		**119**	94
Tax prepayment		**1,007**	1,348
Cash and cash equivalents		**463,808**	429,460
		576,339	557,289
CURRENT LIABILITIES			
Trade and other payables	*11*	**16,032**	17,655
Current tax liabilities		**1,638**	1,436
		17,670	19,091
NET CURRENT ASSETS		**558,669**	538,198
TOTAL ASSETS LESS CURRENT LIABILITIES		**769,269**	741,515
NON-CURRENT LIABILITIES			
Employee benefits		**19,526**	19,482
Deferred tax liabilities		**26,473**	25,121
		45,999	44,603
NET ASSETS		**723,270**	696,912
CAPITAL AND RESERVES			
Issued capital		**32,000**	32,000
Reserves		**691,270**	664,912
TOTAL EQUITY		**723,270**	696,912

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 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 2014

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets

Except as explained below, the adoption of these amendments has no material impact on the Group's financial statements.

<u>Amendments to HKAS 32 - Offsetting Financial Assets and Financial Liabilities</u>

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement. The amendments are applied retrospectively.

The adoption of the amendments has no impact on these financial statements as the Group does not have any offsetting arrangements.

<u>Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets</u>

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit (CGU) to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are applied retrospectively.

The adoption of the amendments has no impact on these financial statements as the Group does not have any impairment on tangible and intangible assets.

5. Turnover And Other Revenue

a) Turnover
Turnover represents the net invoiced value of goods sold.

b) Other revenue and gain

	2014	2013
	HK$'000	*HK$'000*
Bank interest income	**10,447**	7,988
Exchange gain, net	**-**	6,789
Income from disposal of scrap materials	**374**	538
Reversal of provision for impairment loss on trade receivables	**-**	14
Gain on disposal of property, plant and equipment, net	**185**	-
Sundry income	**148**	342
	11,154	15,671

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 and consider there is only one operating segment for the Group.

a) Geographical information
The following table sets out the information about the geographical location of the Group's revenue from external customers and non-current assets other than financial instruments ("Specified non-current assets").

The Group comprises the following main geographical segments:

	Revenue from external customers		**Specific non-current assets**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**905**	1,718	**174,960**	167,761
The People's Republic of China	**34,446**	14,629	**25,321**	24,933
The United States of America ("US")	**250,189**	241,083	**10,310**	10,614
Europe	**9,594**	10,551	**9**	9
Other countries	**6,459**	16,057	**-**	-
	300,688	282,320	**35,640**	35,556
	301,593	284,038	**210,600**	203,317

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:

	2014	2013
	HK$'000	*HK$'000*
Customer A	**63,333**	64,709
Customer B	**63,224**	55,346
Customer C	**49,549**	47,630
	176,106	167,685

7. Profit Before Income Tax Expense

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

	2014	2013
	HK$'000	*HK$'000*
Cost of inventories recognised as expenses	**198,858**	193,042
Amortisation of payment for leasehold land held for own use under operating leases	**122**	122
Auditor's remuneration	**733**	748
Depreciation of property, plant and equipment	**5,637**	6,838
Exchange loss/(gain), net	**6,817**	(6,789)
(Gain)/loss on disposal of property, plant and equipment	**(185)**	69
Provision/(reversal of provision) for impairment loss on trade receivable	**86**	(14)
Research and development expenditure	**5,995**	6,187

8. Income Tax Expense

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

	2014	2013
	HK$'000	*HK$'000*
Current tax – Hong Kong		
- Profits tax for the year	**2,588**	3,044
- under/(over) provision in respect of prior years	**337**	(27)
	2,925	3,017
Current tax – overseas		
- Profits tax for the year	**1,740**	1,186
- over provision in respect of prior years	**(1,631)**	(1,221)
	109	(35)
Deferred taxation	**2**	21
	3,036	3,003

The provision for Hong Kong Profits Tax for 2014 is calculated at 16.5% (2013:16.5%) of the estimated assessable profits for the year.

The PRC subsidiary is subject to PRC Enterprise Income Tax at 25% (2013: 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$32,638,000 (2013: HK$33,341,000) and on the weighted average number of 320,000,000 (2013: 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. An ageing analysis of trade receivables as at the end of the reporting period is as follows:

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**18,593**	24,035
31 to 60 days	**7,888**	7,225
61 to 90 days	**2,379**	2,555
Over 90 days	**757**	981
	29,617	34,796
Less: Allowance for doubtful debts	**(369)**	(283)
	29,248	34,513

11. Trade And Other Payables

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**11,770**	11,755
Other payables and accrued expenses	**4,262**	5,900
	16,032	17,655

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

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**5,537**	5,107
31 to 60 days	**3,950**	4,105
61 to 90 days	**1,621**	2,077
Over 90 days	**662**	466
	11,770	11,755

12. Retained Profits

The Group's profit after dividend, of approximately HK$484,618,000 (2013: HK$466,380,000) is retained and carried forward.

13. Dividends

The Board proposed a final dividend of HK$0.025 per share (2013: HK$0.025 per share), totaling HK$8,000,000 in respect of the year ended 31 December 2014 (2013: HK$8,000,000). An interim dividend of HK$0.02 per share (2013: HK$0.01 per share) was paid during the year.

FINAL DIVIDEND

The Board proposed a final dividend of HK$0.025 per share in respect of the year ended 31 December 2014 subject to the approval of the shareholders at the Company's annual general meeting to be held on Wednesday, 3 June 2015 ("AGM"). The proposed final dividend is expected to be paid on Thursday, 25 June 2015, to shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 9 June 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 1 June 2015 to Wednesday, 3 June 2015, 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 Friday, 29 May 2015.

The proposed final dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting. The register of members of the Company will be closed from Wednesday, 10 June 2015 to Thursday, 11 June 2015, both dates inclusive, during which period no transfer of shares will be registered. To qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with Hong Kong Registrars Limited, the Company's branch share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 9 June 2015. The cheques for dividend payment will be sent on about Thursday, 25 June 2015.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

Datronix ended the year of 2014 with record high sales of HK$302 million, an increase of 6% from HK$284 million in 2013. Our group operation has remained solid in the year of 2014. Our order backlog has remained strong and we have maintained a strong competitive edge in the high end segment of the market. On the other hand, we have successfully diversified our customer base by penetrating into several U.S. companies. We expect the trend will continue and our business will remain relatively strong for the year of 2015.

Gross profit was HK$103 million, compare to HK$91 million in 2013, an increase of 13%. The challenges in PRC remain a main cost issue. The higher labor cost and raw material cost in PRC is hurting our profit margin. In order to offset the cost increase, we enhance our automated production process, optimize our production planning and improve our efficiency. These measures are proven to be effective to offset the cost increase in PRC and we maintain a relatively stable margin throughout the year. Gross margin in 2014 was 34%, compare to 32% in 2013.

Our net profit in the year of 2014 dropped 2.1% to HK$32.6 million, comparing to HK$33.3 million for the year of 2013. The main reason for the drop is caused by net exchange loss of approximately HK$6.8 million of which was mainly contributed by the depreciation of Reiminbi. The net exchange loss does not reflect our underlying operation. Excluding the effect of exchange rate and interest income, our operating profit reached HK$29 million, compare to HK$19 million in 2013, an increase of 53%. We are optimistic that our business has remained stable and we are expecting our business will steadily grow in the year of 2015.

Datronix remains healthy financial position with cash balance of HK$464 million and there is no issuance on debt for year 2014.

Market Review

Communication and Networking

Communication segment contributed HK$87 million of sales for year 2014, compared to HK$76 million, an increase of 14% versus the previous year. This segment contributed 29% of the Group’s total turnover. The communication and networking customers end demand has rebound from a slowdown in 2013.

Data Processing

Data processing segment contributed 6% of the Group’s turnover. Sales for this segment were HK$18 million in 2014, compare to HK$21 million in 2013. The Group focused on higher margin generated segments other than the Data Processing segment.

Industrial Application

Industrial application segment sales reached to HK$113 million in 2014, an increase of 10% compared to HK$102 million in 2013. As the continuous growth of major customers, and the improve penetration of customers from the acquired company, performance in this segment has performed well. This segment contributed 37% of the Group’s total turnover.

High Reliability Segment

This segment demands precise technology, advance technical know-how and good workmanship by the Group. While the healthcare segment and high reliability products showed a rebound and improved our sales in 2013, sales for this segment were HK$84 million in 2014, compare to HK$85 million in 2013. This segment contributed 28% of our total sales.

Achievement and Awards

In recognition of the quality, value of our products and of the Group’s service and performance, the Group has to date received 40 awards. The newly received awards from customers included the “SUPPLIER OF THE YEAR’ by Physio-Control, Inc. and “PREFERRED SUPPLIER AWARD’ by Lutron Electronics Co., Inc..

Looking Forward

Since the economy in the United States is gradually improving, we expect the sales order will remain relatively strong in this year. In order to satisfy customer demand and improve our lead time, we increase our capacity by investing in automated production process, enhancing manufacturing technique and hiring more labor. Moreover, we continued to strengthen our capabilities and position us even better to take advantage of the opportunities in our markets. We are confident and optimistic as to what lies ahead.

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

Financial Review
The Group delivered a stable earnings result for year ended 2014. Turnover was HK$302 million as at 31 December 2014 (2013: HK$284 million).

Gross profit in 31 December 2014 was HK$103 million with gross margin representing 34%, compared to HK$91 million with gross margin representing 32% for the same period last year. Profit recorded HK$32.6 million and HK$33.3 million for the year ended 2014 and 2013 respectively. Net profit margin was 11% in 31 December 2014, compared to 12% in 31 December 2013.

Liquidity, Financial Resources And Capital Structure
As at 31 December 2014, the Group had a total equity of approximately HK$723 million (2013: HK$697 million), and cash and cash equivalents of approximately HK$464 million (2013: HK$429 million), which were predominately denominated in US dollars and Renminbi.

For the year ended 31 December 2014, 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 2014.

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

Employees And Remuneration Policy
As at 31 December 2014, the Group employed approximately 1,195 personnel around the world, with approximately 124 in Hong Kong, 1,006 in the PRC and 65 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 2014 (2013: Nil).

Capital Commitments
The Group did not have any capital commitment outstanding at the year end and contracted but not provided for property, plant and equipment in the financial statement (2013: 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 2014 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 2014 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, 27 March 2015

* *For identification purposes only*