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 2017

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 2017 together with comparative figures in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Revenue	3	**141,268**	135,425
Cost of sales		**(104,881)**	(92,579)
Gross profit		**36,387**	42,846
Other revenue and gain	3	**6,819**	4,648
Distribution and selling expenses		**(6,885)**	(6,752)
Administrative expenses		**(30,150)**	(29,496)
Profit before income tax expense	5	**6,171**	11,246
Income tax expense	6	**(2,371)**	(1,879)
Profit for the period and attributable to owners of the Company		**3,800**	9,367
Other comprehensive income, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**224**	(1,088)
Other comprehensive income for the period and attributable to owners of the Company, net of tax		**224**	(1,088)
Total comprehensive income for the period and attributable to owners of the Company		**4,024**	8,279
Earnings per share			
- Basic and diluted	8	**HK$0.012**	HK$0.029

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	**30 June 2017 (Unaudited)** *HK$'000*	31 December 2016 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**206,080**	207,681
Investment property		**98,100**	98,100
Payment for leasehold land held for own use under operating leases		**3,438**	3,453
Goodwill		**9,486**	9,486
		317,104	318,720
CURRENT ASSETS			
Inventories		**71,575**	77,963
Amount due from ultimate holding company		**70**	70
Amount due from a related company		**131**	131
Tax prepayment		**859**	1,435
Prepayments, deposits and other receivables		**4,412**	3,080
Trade receivables	9	**33,132**	27,499
Cash and cash equivalents		**372,916**	367,251
		483,095	477,429
CURRENT LIABILITIES			
Trade and other payables	10	**24,418**	18,950
Current tax liabilities		**3,121**	2,315
		27,539	21,265
NET CURRENT ASSETS		**455,556**	456,164
TOTAL ASSETS LESS CURRENT LIABILITIES		**772,660**	774,884
NON-CURRENT LIABILITIES			
Employee benefits		**17,619**	17,467
Deferred tax liabilities		**27,947**	27,947
		45,566	45,414
NET ASSETS		**727,094**	729,470
CAPITAL AND RESERVES			
Share capital	11	**32,000**	32,000
Reserves		**695,094**	697,470
TOTAL EQUITY		**727,094**	729,470

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 2016 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 2017 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 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

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.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) [1]
HKFRS 16	Leases[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019

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. Revenue and other revenue

a) Revenue

Revenue represents the net invoiced value of goods sold.

b) Other revenue and gain

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Bank interest income	**3,625**	3,879
Exchange gain, net	**1,512**	-
Income from disposal of scrap materials	**267**	-
Rental income	**1,415**	393
Sundry income	**-**	376
	6,819	4,648

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 of electronic components in both Hong Kong and overseas markets. The Group's chief operating decision maker regularly reviews the consolidated financial information of the Group as a whole to assess the performance and consider 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	
	2017	2016
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**541**	452
The PRC	**10,807**	12,168
The United States	**122,882**	116,160
Europe	**4,723**	4,685
Other countries	**2,315**	1,960
	140,727	134,973
	141,268	135,425

5. Profit before income tax expense

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

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Cost of inventories recognized as expenses	**104,881**	92,579
Amortisation of payment for leasehold land held for own use under operating leases	**55**	57
Depreciation of property, plant and equipment	**2,612**	2,625
Exchange loss, net	**-**	1,811

6. Income tax expense

The amount of income tax charged to the condensed consolidated statement profit or loss and other comprehensive income represents:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Current tax – Hong Kong profits tax		
- provision for the period	**1,535**	1,200
Current tax – Overseas		
- provision for the period	**813**	664
- under provision in respect of prior years	**23**	15
	2,371	1,879

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	
	2017	2016
	HK$'000	*HK$'000*
Interim dividend declared, HK$0.02 (2016: HK$0.02) per ordinary share	**6,400**	6,400

On 24 August 2017, the Board has resolved to declare an interim dividend of HK$0.02 (2016: HK$0.02) per share in respect of the six months ended 30 June 2017, to shareholders whose names appear on the register of members of the Company on Friday, 6 October 2017.

8. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2017 was based on the profit attributable to the owners of the Company of approximately HK$3,800,000 (six months ended 30 June 2016: HK$9,637,000) and on the weighted average number of 320,000,000 (2016: 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 generally offered a credit period ranging from 30 days to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The aging analysis of trade receivables is as follows:

	30 June 2017	31 December 2016
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 30 days	**21,455**	17,247
31 to 60 days	**9,386**	8,716
61 to 90 days	**2,004**	1,457
Over 90 days	**583**	375
	33,428	27,795
Less: Allowance for doubtful debts	**(296)**	(296)
	33,132	27,499

10. Trade and other payables

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Trade payables	**12,770**	10,177
Other payables and accruals	**11,648**	8,773
	24,418	18,950

The aging analysis of trade payables is as follows:

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Within 30 days	**6,855**	4,476
31 to 60 days	**3,542**	3,459
61 to 90 days	**1,577**	1,217
Over 90 days	**796**	1,025
	12,770	10,177

11. Share capital

	Number of shares	**Amount** *HK$'000*
Authorised ordinary shares of HK$0.1 each		
At 1 January 2017 and 30 June 2017	1,000,000,000	100,000
Issued and fully paid ordinary shares of HK$0.1 each		
At 1 January 2017 and 30 June 2017	320,000,000	32,000

INTERIM DIVIDEND

At the board meeting held on 24 August 2017, the Board has resolved to declare an interim dividend of HK$0.02 (2016: HK$0.02) per share, totaling HK$6,400,000 (2016: HK$6,400,000) in respect of the six months ended 30 June 2017 to shareholders whose names appear on the register of members of the Company on Friday, 6 October 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 4 October 2017 to Friday, 6 October 2017, 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 Tuesday, 3 October 2017. The cheques for dividend payment will be sent on about Friday, 13 October 2017.

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

General economic condition was resuming and we expect the growth will persist for the rest of 2017. Revenue for the first six months of 2017 was HK$141.3 million, an increase of HK$ 5.9 million or 4% for the same period of last year.

Our gross profit was $36.4 million, dropped from HK$42.8 million from same period in 2016. The major factor contributing to the decline in gross margin is due to Datatronic Distribution, Inc., our U.S. subsidiary, has made payment of US$1.8 million due to the correction of understated custom duty of our products importing to the United States for the past five years. Corrective measures and stringent remedies have been taken to ensure future compliance. Excluding the payment for the understated custom duty, our gross profit would have been HK$49.5 million, compare to HK$42.8 million, an increase of 16% for the same period of 2016. The improvement in gross margin is mainly due to a high margin mix of products leveraged our production costs.

For the first half of 2017, income from the investment property contributed HK$1.4 million, compared to HK$0.4 million in same period of 2016. As the depreciation of Renminbi has come off in 2017 and the rental income from our investment property has generated more income, other revenue increased by 47% to HK$6.8 million for the first half of 2017. For the six months ended June 30, 2017, net profit was HK$3.8 million, compared to HK$9.4 million reported same period last year.

Our financial position remained healthy with no debt issuance for the first half of 2017.

Market Review

Communication and Networking

Communication segment contributed HK$37.2 million of sales for the first six months of 2017, a decrease of 7% compared to HK$39.9 million for the comparable period of last year. This segment contributed 26% of the Group's total revenue.

Data Processing

Data processing segment contributed 5% of the Group's revenue. Sales for this segment were HK$7.2 million for the first half of 2017, compare to HK$6.9 million for the six months ended 2016.

Industrial Application

For the first six months of 2017, industrial application segment sales reached to HK$52.8 million, compared to HK$54 million in same period of 2016. This segment contributed 38% of the Group's total revenue.

High Precision and Reliability Segment

This segment demands precise technology, advance technical know-how and good workmanship by the Group. The segment reported HK$44.1 million for first half of 2017, an increase of 29% or HK$9.8 million of same period of 2016. This segment contributed 31% of our total sales.

Financial Review

For the six months period ended 30 June 2017, Group sales reported HK$$141.3 million, an increase of HK$5.9 million, compared to same period of 2016. Our gross profit was HK$36.4 million, compared to HK$42.8 million for the first half of 2016. Gross margin decreased from 31.6% to 25.7%.

Operating profit of first half of 2017 decreased from HK$11.2 million to HK$6.2 million when compared to same period of 2016. The net profit reported HK$3.8 million, compared to HK$9.4 million for the six months period ended 30 June 2016. Earnings per share of the first half of 2017 was 1.2 cents, compared to 2.9 cents for the first half of 2016.

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 2017, the Group had a total equity of approximately HK$727.1 million (31 December 2016: HK$729.5 million), and cash and cash equivalents of approximately HK$372.9 million (31 December 2016: HK$367.3 million), which were predominately denominated in US dollars and Renminbi.

For the six months ended 30 June 2017, 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$0.6 million (six months ended 30 June 2016: HK$1.1 million).

Employees and Remuneration Policies
As at 30 June 2017, the Group employed approximately 1,131 personnel around the world, with approximately 108 in Hong Kong, 989 in the People's Republic of China and 34 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
As at 30 June 2017, the Group has no capital commitment contracted but not provided for in the financial statements in respect of property, plant and equipment (31 December 2016: Nil).

Contingent Liabilities
The Group did not have any material contingent liability as at 30 June 2017 (31 December 2016: Nil).

Looking Forward
Despite we have not reached a satisfactory result for the first half of 2017, our operation still remains solid. We anticipate the second half of the year will show signs of progress.

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 2017.

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. Lee Kit Wah and Mr. Wong Wah Sang, Derek as Independent Non-executive Directors.

By order of the Board

SIU Paul Y.

Chairman

Hong Kong, 24 August 2017

** For identification purposes only*