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 2017

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 2017 together with the comparative figures for the corresponding year of 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**2017** **HK$'000**	2016 *HK$'000*
Revenue	*6*	**280,964**	266,967
Cost of sales		**(184,605)**	(167,790)
Gross profit		**96,359**	99,177
Other revenue and gain	*6*	**16,279**	9,638
Distribution and selling expenses		**(13,835)**	(13,324)
Administrative expenses		**(56,069)**	(60,522)
Fair value gain/(loss) on investment property		**400**	(9,200)
Profit before income tax expense	*7*	**43,134**	25,769
Income tax expense	*8*		
Current tax - tax for the year		**(2,574)**	(5,398)
- over provision in respect of prior years		**811**	1,074
Deferred tax credit		**1,720**	479
		(43)	(3,845)
Profit for the year and attributable to owners of the Company		**43,091**	21,924

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

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**2017** **HK$'000**	2016 *HK$'000*
Profit for the year and attributable to owners of the Company		**43,091**	21,924
Other comprehensive income, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**2,722**	(4,063)
Item that will not be reclassified to profit or loss:			
Surplus/(deficit) on revaluation of leasehold land and buildings held for own use, net of related income tax effect		**19,655**	(266)
Other comprehensive income/(expense) for the year and attributable to owners of the Company, net of tax		**22,377**	(4,329)
Total comprehensive income for the year and attributable to owners of the Company		**65,468**	17,595
Earnings per share			
- Basic and diluted	*9*	**HK$0.135**	HK$0.069

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017

	Notes	**2017**	2016
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**230,088**	207,681
Investment property		**98,500**	98,100
Payment for leasehold land held for own use under operating leases		**3,544**	3,453
Goodwill		**9,486**	9,486
Deferred tax asset		**2,191**	-
		343,809	318,720
CURRENT ASSETS			
Inventories		**80,682**	77,963
Trade receivables	*10*	**26,526**	27,499
Prepayments, deposits and other receivables		**3,677**	3,080
Amount due from ultimate holding company		**77**	70
Amounts due from related companies		**151**	131
Tax prepayment		**1,573**	1,435
Cash and cash equivalents		**402,453**	367,251
		515,139	477,429
CURRENT LIABILITIES			
Trade and other payables	*11*	**23,143**	18,950
Current tax liabilities		**1,109**	2,315
		24,252	21,265
NET CURRENT ASSETS		**490,887**	456,164
TOTAL ASSETS LESS CURRENT LIABILITIES		**834,696**	774,884
NON-CURRENT LIABILITIES			
Employee benefits		**19,985**	17,467
Deferred tax liabilities		**32,573**	27,947
		52,558	45,414
NET ASSETS		**782,138**	729,470
EQUITY			
Share capital		**32,000**	32,000
Reserves		**750,138**	697,470
TOTAL EQUITY		**782,138**	729,470

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 (the "Listing Rule").

2. Basis of Measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain leasehold land and buildings and investment property, 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 functional currency of the Company is Hong Kong dollars ("HK$"). Each entity in the Group maintains its books and records in its own functional currency. The consolidated financial statements are presented in HK$. 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 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The adoption of these amendments and standards has no material impact on the Group's financial statements.

5. 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 of the Group as a whole 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 (by customers' location)		Specified non-current assets (by assets' location)	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**922**	790	**303,687**	284,948
The People's Republic of China	**21,867**	22,899	**27,937**	23,874
The United States of America ("US")	**245,406**	228,799	**12,185**	9,890
European Union	**8,359**	9,902	**-**	8
Other countries	**4,410**	4,577	**-**	-
	280,042	266,177	**40,122**	33,772
	280,964	266,967	**343,809**	318,720

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:

	2017	2016
	HK$'000	*HK$'000*
Customer A	**65,065**	53,146
Customer B	**58,451**	55,716
Customer C	**37,148**	40,619
	160,664	149,481

6. Revenue and Other Revenue

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

b) Other revenue and gain

	2017	2016
	HK$'000	*HK$'000*
Bank interest income	**6,932**	6,963
Income from disposal of scrap materials	**158**	249
Gain on disposal of property, plant and equipment, net	**-**	49
Rental income under operating lease	**2,867**	2,044
Exchange gain, net	**5,979**	-
Sundry income	**343**	333
	16,279	9,638

7. Profit Before Income Tax Expense

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

	2017	2016
	HK$'000	*HK$'000*
Carrying amount of inventories sold	**188,439**	165,037
(Reversal)/provision for impairment loss of inventories	**(3,834)**	2,753
Cost of inventories recognised as expenses	**184,605**	167,790
Amortisation of payment for leasehold land held for own use under operating leases	**113**	113
Auditor's remuneration	**807**	807
Depreciation of property, plant and equipment	**5,281**	5,347
Exchange (gain)/loss, net	**(5,979)**	7,064
Loss/(gain) on disposal of property, plant and equipment, net	**10**	(49)
Reversal of provision for impairment loss on trade receivables	**-**	(36)
Operating lease rental payments	**442**	441
Research and development expenditure	**5,120**	5,256
Direct operating expense arising from:		
- investment property that generated rental income during the year	**87**	30

8. Income Tax Expense

	2017	2016
	HK$'000	*HK$'000*
Current tax – Hong Kong		
- Profits tax for the year	**2,348**	3,195
- over provision in respect of prior years	**(512)**	(80)
	1,836	3,115
Current tax – overseas		
- Profits tax for the year	**226**	2,203
- over provision in respect of prior years	**(299)**	(994)
	(73)	1,209
Deferred tax credit	**(1,720)**	(479)
	43	3,845

The provision for Hong Kong Profits Tax for 2017 is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year.

The PRC subsidiary is subject to PRC Enterprise Income Tax at 25% (2016: 25%).

The US subsidiaries are subject to US Federal Corporate Income Tax at 34% (2016: 34%). Pursuant to the newly enacted Tax Cuts and Jobs Act of 2017 (the "Art"), the US Federal Corporate tax rate shall be changed to a flat rate of 21% for the year beginning after 31 December 2017.

Under prior law in US, for tax years beginning before 1 January 2018, net operating losses ("NOLs") were generally allowed to be carried back two years and carried forward 20 years. In addition, NOL carryovers could fully offset 100% of a taxpayer's regular taxable income if not otherwise limited. Under the Art, NOLs can offset only 80% of taxable income in any given tax year. Furthermore, NOLs can no longer be carried back, they must be carried forward. The 20-year carryforward period has been replaced with an indefinite carryforward period. NOLs created in tax years beginning before 1 January 2018 are subject to the old rules. Only NOLs generated in tax years beginning after 31 December 2017 are subject to the new rules.

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$43,091,000 (2016: HK$21,924,000) and on the weighted average number of 320,000,000 (2016: 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 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.

An ageing analysis of trade receivables, based on invoice dates, as at the end of the reporting period is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**16,952**	17,247
31 to 60 days	**7,378**	8,716
61 to 90 days	**1,420**	1,457
Over 90 days	**1,072**	375
	26,822	27,795
Less: Allowance for doubtful debts	**(296)**	(296)
	26,526	27,499

11. Trade and Other Payables

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**13,334**	10,177
Other payables and accrued expenses	**9,809**	8,773
	23,143	18,950

An ageing analysis of trade payables, based on invoice dates, as at the end of the reporting period is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**6,783**	4,476
31 to 60 days	**3,838**	3,459
61 to 90 days	**1,821**	1,217
Over 90 days	**892**	1,025
	13,334	10,177

12. Retained Earnings

The Group's profit after the proposed final dividend, of approximately HK$513,395,000 (2016: HK$483,744,000) is retained and carried forward.

13. Dividends

The Board proposed a final dividend of HK$0.022 per share (2016: HK$0.02 per share), totaling HK$7,040,000 in respect of the year ended 31 December 2017 (2016: HK$6,400,000). An interim dividend of HK$0.02 per share (2016: HK$0.02 per share) was paid during the year.

14. Events After The Reporting Date

The Group entered into an agreement on 6 February 2018 with the People's Government of Banfu Town, Zhongshan City, in PRC, pursuant to which the Group shall acquire the land use right of a piece of land with an area of approximately 23 mu located inside the Zhongshan Intelligent Manufacturing Equipment Industrial Park (the "Target Land") from the Zhongshan City Bureau of Land, subject to and conditional upon, inter alia, through the process of bidding invitation, auction or listing and, if the land use right of the Target Land is successfully acquired, the construction and development of a manufacturing plant thereon. Details of the proposed acquisition of the land use right of the Target Land could be referred to the announcement dated 6 February 2018.

FINAL DIVIDEND

The Board proposed a final dividend of HK$0.022 per share in respect of the year ended 31 December 2017 subject to the approval of the shareholders at the Company's annual general meeting to be held on Tuesday, 29 May 2018 ("AGM"). The proposed final dividend is expected to be paid on Wednesday, 20 June 2018, to shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 5 June 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 24 May 2018 to Tuesday, 29 May 2018, 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, 23 May 2018.

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, 6 June 2018 to Friday, 8 June 2018, 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, 5 June 2018. The cheques for dividend payment will be sent on about Wednesday, 20 June 2018.

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 2017 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

Overview

As the global market had been stabilized and the economy had turnaround in 2017, Datronix had enjoyed a steady improvement in our operations. Revenue for the year 2017 reached HK$ 281.0 million, an increase of HK$14.0 million from 2016. Gross profit reported at HK$96.4 million with gross margin at 34.3% in 2017. Datronix has been continuously under cost pressure while striving to maintain a reasonable margin.

Operating profit increased 67.4% to HK$43.1 million. As the appreciation of Renminbi, Datronix has reported a gain of exchange rate of HK$6.0 million in 2017, while we reported a loss of exchange rate of HK$7.1 million last year. In addition, the fair value of investment property reported a gain of HK$0.4 million in 2017, while the value was at a loss of HK$9.2 million for the year of 2016. Net profit attributable to shareholders for year 2017 was HK$43.1 million, an increase of 96.5% from the comparable period of 2016.

Datronix has remained a solid financial position with no issuance on debt instrument for the year of 2017.

Market Review

Communication and Networking

Communication segment reported HK$72.3 million for year 2017, compared to HK$74.0 million in 2016. This segment contributed 26% of the Group's total turnover. This segment showed a steady performance for year 2017.

Data Processing

Sales for this segment were HK$17.4 million in 2017, compare to HK$13.7 million in 2016. Data processing segment contributed 6% of the Group's turnover and has been growing 27.0% in year 2017.

Industrial Application

Industrial application segment sales reported at HK$100.7 million in 2017 compared to HK$102.7 million in 2016. The industrial application segment contributed 36% of the Group revenue.

High Precision and Reliability Segment

This segment demands precise technology, advance technical know-how and good workmanship by the Group. The sophistication of workmanship aids the Group to achieve a higher margin on our products. The continuous growth in the health care industry that we had been invested and developed has proven a steady and growing return. Sales on high reliability segment reported HK$90.6 million in 2017, compare to HK$76.6 million in 2016, an improvement of 18.3%. This segment contributed 32% of the Group's turnover.

Achievement and Awards

Datronix was honored to receive the "Customer Intimacy Strategy" award in recognition of the Group's providing highly responsive solution presented by Astronics AES during this year. In recognition of our quality, value of our products and of the Group's service and performance, Datronix has to date received 41 awards from our customers.

Looking Forward

In order to cope with the increasing demand of the Group's expansion, the Group seeks to expand its production capacity and efficiency by investing into new location at the Zhongshan City. We anticipate the new facility will provide a new production factory equipped with upgraded machineries.

We will continue to intensify our organic growth with emphasis to focus on the newly developed opportunities. We recognized the many accomplishments this year were the result of hard work and dedication of Datronix associates around the world.

Financial Review
Revenue for year 2017 reached at HK$281.0 million, an increase of 5.2% compared to HK$267.0 million in same period of last year. Gross profit margin was 34.3% compared to 37.1% in 2016 mainly due to the payment of US$1.8 million for the understated custom duty. Excluding the custom duty payment, the gross margin would reach approximately 39.0% for 2017. Our operating profit increased to HK$43.1 million, an increase of 67.4% due to gain on appreciation of Reminbi and investment property. Profit attributable to shareholders reached HK$43.1 million in 2017 while we reported HK$21.9 million in 2016.

Liquidity, Financial Resources And Capital Structure
As at 31 December 2017, the Group had a total equity of approximately HK$782.1 million (2016: HK$729.5 million), and cash and cash equivalents of approximately HK$402.5 million (2016: HK$367.3 million), which were predominately denominated in US dollars and Renminbi.

For the year ended 31 December 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.

The Group has strong financial position. There were no bank and other loan for the year ended 31 December 2017.

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 2017, the Group employed approximately 1,045 personnel around the world, with approximately 111 in Hong Kong, 904 in the PRC and 30 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 2017 (2016: 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 (2016: 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 2017 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 2017 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 and 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, 23 March 2018

** For identification purposes only*