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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)

MAJOR TRANSACTION
ACQUISITION OF LAND USE RIGHT IN ZHONGSHAN CITY,
THE PRC AND THE PROPOSED DEVELOPMENT OF THE LAND

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	12
APPENDIX II – GENERAL INFORMATION	14
APPENDIX III – PROPERTY VALUATION REPORT	18

DEFINITIONS

In this circular, unless the context otherwise requires, the following terms or expressions shall have the meanings set out below:

“Acquisition”	the acquisition of the land use right of the Land through a public bidding process in the Online Bidding
“Agreement”	the agreement dated 6 February 2018 entered into between the Company and the People’s Government of Banfu Town, Zhongshan City setting out the principal terms and arrangements of the Acquisition through the listing-for-sale and, if materialized, the construction and development of a manufacturing plant thereon. Details of principal terms of the Agreement, please refer to the announcement of the Company dated 6 February 2018
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Datronix Holdings Limited (連達科技控股有限公司*), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 889)
“Confirmation Letter”	the confirmation letter of land use right transaction by Online Bidding* (建設用地使用權公開交易成交確認書) entered into between Datatronic Zhongshan and the Zhongshan City Public Resources Trading Centre confirming, among other things, the successful bid for the land use right of the Land through the Online Bidding on 14 December 2018
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	a total sum of RMB10,605,162, being the price for the grant of the land use rights of the Land
“Datatronic Zhongshan”	Datatronic (Zhongshan) Technology Limited* (連達(中山)科技有限公 司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, a lawful currency of Hong Kong

DEFINITIONS

“Land”	a piece of land with an area of approximately 23 mu located inside the Zhongshan Intelligent Manufacturing Equipment Industrial Park in Banfu Village of Banfu Town, Zhongshan City (中山市板芙鎮板芙村)
“Land Resources Bureau”	Zhongshan City Bureau of Land and Resources* (中山市國土資源局)
“Land Use Rights Grant Contract”	the land use rights grant contract* (國有建設用地使用權出讓合同) entered into between Datatronic Zhongshan and the Land Resources Bureau in respect of the Land
“Latest Practicable Date”	19 March 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“mu”	mu* (畝), unit of land area traditionally used in East Asia, equivalent to approximately 667 sq. m.
“Online Bidding”	an online listing-for-sale (網上競價出讓) held by Zhongshan City Public Resources Trading Centre in accordance with laws and regulations under the PRC as open tender for sale of land use right of the Land
“People’s Government of Banfu Town, Zhongshan City”	the People’s Government of Banfu Town, Zhongshan City* (中山市板芙鎮人民政府), a PRC Governmental Body
“percentage ratios”	the percentage ratios as defined in Rule 14.04(9) of the Listing Rules
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Governmental Body”	has the meaning defined in Chapter 19A of the Listing Rules
“Process”	the process of bidding invitation, auction or listing* (招拍掛) for land use right of the Target Land, as required under the laws and regulations of the PRC
“Proposed Development”	the proposed development on the Land by, amongst others, (i) constructing a manufacturing plant with a total gross floor area of approximately 46,000 sq. m. on the Land; and (ii) the total investment and construction amount on the Land, excluding the Consideration, where based on the Directors’ best estimated, will be not more than RMB100 million (equivalent to approximately HK\$113 million) and the Company determines it a maximum value for such purpose

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Shareholder(s)”	shareholder(s) of the Company
“Share(s)”	the ordinary share(s) of HK\$0.1 each of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq. m.”	square metre, unit of area
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Zhongshan City Public Resources Trading Centre”	Zhongshan City Public Resources Trading Centre* (中山市公共資源交易中心)
“Zhongshan Intelligent Manufacturing Equipment Industrial Park”	Zhongshan Intelligent Manufacturing Equipment Industrial Park* (中山市智能製造裝備產業園)
“%”	per cent

* For identification purpose only. The English names are only translations of the official Chinese names. In case of inconsistency, the Chinese names prevail.

LETTER FROM THE BOARD



DATRONIX HOLDINGS LIMITED

連達科技控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 889)

Executive Directors:

Mr. Siu Paul Y. (Chairman)

Ms. Shui Wai Mei (Vice-Chairman)

Mr. Sheung Shing Fai

Ms. Siu Nina Margaret

Registered office:

Clarendon House

Hamilton HM11

Bermuda

Independent non-executive Directors:

Mr. Chung Pui Lam

Mr. Lee Kit Wah

Mr. Wong Wah Sang, Derek

*Head office and principal place of business
in Hong Kong:*

19th Floor

North Point Industrial Building

499 King's Road

North Point

Hong Kong

22 March 2019

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION ACQUISITION OF LAND USE RIGHT IN ZHONGSHAN CITY, THE PRC AND THE PROPOSED DEVELOPMENT OF THE LAND

INTRODUCTION

Reference is made to the announcements of the Company dated 6 February 2018 and 14 December 2018. The purpose of this circular is to provide the Shareholders with further information on the Acquisition and the Proposed Development.

On 6 February 2018, the Company entered into the Agreement with the People's Government of Banfu Town, Zhongshan City, pursuant to which the Group shall acquire the land use right of the Land from the Zhongshan City Bureau of Land and, if the land use right of the Land is successfully acquired, the construction and development of a manufacturing plant thereon where the total investment and construction amount on the Land, including the Consideration, shall be no less than RMB100 million (equivalent to approximately HK\$113 million).

On 14 December 2018, Datatronic Zhongshan, an indirect wholly-owned subsidiary of the Company, obtained the Confirmation Letter confirming, among other things, the successful bid for the land use right of the Land through the Online Bidding for a total consideration of RMB10,605,162 (equivalent to approximately HK\$11,983,833). The Land Use Rights Grant Contract in relation to the Acquisition was entered into between Datatronic Zhongshan and the Land Resources Bureau on 21 December 2018.

LETTER FROM THE BOARD

According to the Land Use Rights Grant Contract, upon the settlement of the Consideration, the Acquisition will be completed and the land use rights of the Land has been transferred to Datatronic Zhongshan in January 2019.

Based on the Directors' best estimation according to the permitted usage of the Land pursuant to the Land Use Rights Grant Contract and the current design and blueprint of the new manufacturing plant which were further elaborated in this circular, the total investment and construction amount on the Land will be not more than RMB110.6 million (which consists of the Consideration of RMB10.6 million and the cost of the Proposed Development of RMB100 million) and the Company determines it as a maximum value for such purpose.

MAJOR TERMS OF THE AGREEMENT

Date: 6 February 2018

Parties: (1) the Company; and
(2) the People's Government of Banfu Town, Zhongshan City.

The People's Government of Banfu Town, Zhongshan City is a PRC Governmental Body. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the People's Government of Banfu Town, Zhongshan City is a third party independent of the Group and its connected persons (as defined in the Listing Rules).

Subject matters: If the Group successfully acquires the Land, the Group will develop and utilize the Land as its manufacturing plant in Banfu Town, Zhongshan City, the PRC. The total investment and construction amount on the Land, including the Consideration, shall be no less than RMB100.0 million (equivalent to approximately HK\$113.0 million) with a total floor area of the property to be built of no less than 38,000 sq. m. and a plot ratio ranging from 1.5 to 3.5. The Group shall commence and complete the construction works within three years under the Agreement after obtaining the land use right certificate of the Land.

Earnest money: Pursuant to the Agreement, a refundable earnest money of RMB20,000 per mu of the Land, being RMB460,000 (equivalent to approximately HK\$519,800), shall be payable by the Company to the People's Government of Banfu Town, Zhongshan City within 15 days from the date of the Agreement. The earnest money will be forfeited if the Group does not participate in the Process, otherwise will be fully refunded to the Company after the Online Bidding regardless the result of the auction.

LETTER FROM THE BOARD

Based on the Company's plan on the Proposed Development, the Group will engage an independent third-party contractor in the PRC in around the second quarter of 2019 to be in charge of the manufacturing plant construction who possesses the relevant and necessary qualification and experience in construction. Such contractor is expected to be elected through either business referral from the People's Government of Banfu Town, Zhongshan City and tender. Currently, one potential contractor was provided to the Group by the People's Government of Banfu Town, Zhongshan City and while the Company would also consider other options through tender, which is expected to take place in around April 2019. Key terms and conditions to be considered by the Group include pricing, construction time schedule, payment terms and the contractor's previous experience in constructing manufacturing plants. In order to ensure the terms of the construction contract are fair and reasonable and in the interests of the Company and its shareholders as a whole, the management of the Group will obtain at least two quotations from the pool of potential contractors for comparison and determine the selection taking into account the abovementioned key terms and conditions and to ensure the key terms and conditions are on normal commercial terms. As at the Latest Practicable Date, no agreement has been entered into any contractor in relation to the construction of the new manufacturing plant (the "**Zhongshan Factory**"). The Directors expect to commence the construction of the manufacturing plant in or around the second quarter of 2019 and to be completed in or around the end of 2020.

Regarding the current blueprint of the Zhongshan Factory as approved by the People's Government of Banfu Town, Zhongshan City and the Rural Planning Bureau, it shall consist of (i) a main building of 9 storeys and a basement with total gross floor area of approximately 39,800 sq. m. intended for production workshop and warehouse purposes; (ii) a 3-storey front building of approximately 1,500 sq. m. intended for additional space for business expansion as production workshop and warehouse purposes; and (iii) a 6-storey multi-function building of approximately 4,700 sq. m. intended for ancillary office area such as administration and recreational functions. The expected construction cost for the Zhongshan Factory, excluding the Consideration, would be not more than RMB100 million, which includes the expected cost of (i) construction of approximately RMB78 million; (ii) exterior landscaping of approximately RMB6 million; and (iii) purchase of machineries of approximately RMB12 million.

Based on the Directors' best estimation according to the permitted usage of the Land pursuant to the Land Use Rights Grant Contract, (i) the costs for construction materials and labour required for constructing the buildings and exterior landscaping were derived from the prevailing market price of the relevant items according to the current design and blueprint of the Zhongshan Factory, based on the preliminary quotation obtained from a potential contractor; and (ii) the cost of purchase of machineries was derived from the prevailing market price required according to the expected production capacity of the Zhongshan Factory, based on the management's operation experience of the existing manufacturing plant in Shunde, the PRC (the "**Existing Shunde Factory**"). Taking into account the Group's expected increasing demand from its customers and the intended dual factory model as further disclosed in the below sectioned headed "Reasons and benefits of the Acquisition and the Proposed Development", the Company intends to operate the New Shunde Factory (as defined below) in conjunction with the Zhongshan Factory in the long run. While the New Shunde Factory is expected to absorb up to approximately 80% of the production capacity of the Existing Factory, the expected production capacity upon the completion of the Zhongshan Factory would be approximately 120% of the Existing Shunde Factory, with additional space reserved for business expansion in the future.

LETTER FROM THE BOARD

It is intended that the Zhongshan Factory will serve the same function as the Existing Shunde Factory, which engaged in design, manufacturing, quality testing and packaging of magnetic products. The Group expects the Zhongshan Factory will be equipped with enhanced machineries, especially for its high precision segment and medical devices, such as a spacious and modern section for vacuum chamber to tailor-made products for high-end customers. Under the current plan for the Proposed Development, the expected the operation of the Zhongshan Factory is expected to commence in 2021. Based on (i) the potential of the Zhongshan Factory under the Proposed Development to commensurate with the Group's business; and (ii) the Group's experience and knowledge in this industry, the Directors consider the total investment and construction amount of not more than RMB100 million is fair and reasonable and in the interest of the Company and its shareholders.

The financial commitment under the Proposed Development is expected to be solely funded by internal resources of the Group.

Based on the Directors' best estimation according to the permitted usage of the Land pursuant to the Land Use Rights Grant Contract and the current design and blueprint of the Zhongshan Factory as elaborated in the above, the total investment and construction amount on the Land will be not more than RMB110.6 million (which consists of the Consideration of RMB10.6 million and the cost of the Proposed Development of RMB100 million) and the Company determines it as a maximum value for such purpose.

MAJOR TERMS OF THE CONFIRMATION LETTER

Date:	14 December 2018
Parties:	(1) Datatronic Zhongshan, an indirect wholly-owned subsidiary of the Company; and (2) Zhongshan City Public Resources Trading Centre (中山市公共資源交易中心)
	To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Zhongshan City Public Resources Trading Centre and its ultimate beneficial owners are third parties independent of the Group and its connected persons (as defined in the Listing Rules).
Location of the Land:	Inside the Zhongshan Intelligent Manufacturing Equipment Industrial Park in Banfu Village of Banfu Town, Zhongshan City (中山市板芙鎮板芙村)
Status:	Flat land
Total site area:	15,369.8 sq. m. (equivalent to approximately 23 mu)

LETTER FROM THE BOARD

Nature of the land use right:	Industrial use (to the best of the Directors' knowledge, the Land was a raw land before it formed by the People's Government of Banfu Town, Zhongshan City)
Term of land use right:	50 years
Consideration and book value:	A total sum of RMB10,605,162 (including a security deposit of RMB5,000,000 for the Online Bidding which has already been paid), which was arrived at by way of bidding through the Online Bidding. The details of the payment terms of the Consideration will be set out in the Land Use Rights Grant Contract.

According to the information as set out in the bidding documents published in the website of the Zhongshan City Public Resources Trading Centre, the minimum price of the Land is approximately RMB10.6 million based on unit price of approximately RMB460,000 per mu (equivalent to approximately RMB690 per sq. m.). The Directors consider that the Consideration is fair and reasonable having taken into account (i) the location of the Land; (ii) the Consideration was determined through the public online bidding process which allowed other third parties to participate as long as they fulfill the bidding requirements such as the industry requirement of the bidder's business activities; and (iii) the unit price of a recent transaction of another land parcel in the proximity of the Land was approximate to the unit price of the Consideration.

MAJOR TERMS OF THE LAND USE RIGHTS GRANT CONTRACT

Date:	21 December 2018
Parties:	(1) Datatronic Zhongshan (as the transferee); and (2) Land Resources Bureau (as the transferor)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Land Resources Bureau and its ultimate beneficial owners are third parties independent of the Group and its connected persons (as defined in the Listing Rules).

Payment terms of the Consideration:	The Consideration shall be payable in full within 30 days from the date of the Land Use Rights Grant Contract (the security deposit of RMB5,000,000 which had been paid was used to set off part of the payment).
Commencement of construction:	No later than 19 February 2020
Completion of construction:	No later than 18 February 2023

LETTER FROM THE BOARD

- Permitted usage of the Land:
- (a) the investment in the Land, including the manufacturing plant and facilities to be constructed by the Group, shall be no less than RMB5,250 per sq. m. of the Land;
 - (b) the building height limit shall be 50 metres;
 - (c) the plot ratio shall be more than 1 and no more than 3.5;
 - (d) the green space ratio shall be more than 10% and no more than 15%;
 - (e) the building density shall be more than 35% and no more than 60%; and
 - (f) the administrative and accommodation use facilities shall be no more than 7% of the total site area of the Land.

A deposit in the amount of RMB5.0 million has been paid by Datatronic Zhongshan on 22 November 2018. The remaining balance of approximately RMB5.6 million was settled by Datatronic Zhongshan on 28 December 2018. The payment of the Consideration was solely funded by internal resources of the Group.

On 24 January 2019, the Land Resources Bureau had issued a real estate title certificate in the name of the Datatronic Zhongshan which the land use rights of the Land had been transferred to Datatronic Zhongshan with a term of 50 years commencing on 21 December 2018.

REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE PROPOSED DEVELOPMENT

The Group is principally engaged in the design, manufacture and sales of magnetics components through its own brand, Datatronics. Its products are applied in communications and networking equipment, data processing, industrial applications and medical equipment and devices, among others.

The Group currently owns and runs the Existing Shunde Factory, a production factory in Shunde District of Foshan City in the PRC, with an operating history for over 20 years. As disclosed in the Company's announcement dated 13 November 2018, the Company acquired a property in the proximity of the Existing Shunde Factory in Foshan City as the local government intends to resume the land parcel situated at the Existing Shunde Factory. As at the Latest Practicable Date, the local government has not notified the Company regarding any resumption of the land parcel, while the newly acquired property would serve as an alternative for the continuity of operation in Foshan City and that the Company intends to relocate the Existing Shunde Factory once it is ready. The Company expects the new operating factory to be located at the newly acquired property (the "**New Shunde Factory**") subsequent to the completion of which is expected to take place in around March 2020, while the management do not foresee any impact to the Company's operation.

LETTER FROM THE BOARD

In order to cope with the increasing demand of the Group's products, the Group seeks to expand its production capacity and efficiency. The Board is of the view that the Acquisition and the Proposed Development provides a convenient location for the Group to develop a new manufacturing plant, the Zhongshan Factory is expected to operate in conjunction with the New Shunde Factory as the management considers a dual factory model serves as a contingency plan for the Group to minimize any disruption arise in the future. It is also believed that a dual factory model would increase the customers' confidence in the Group.

The Directors consider that the Acquisition and the Proposed Development are in the interests of the Company and the Shareholders as a whole and the terms thereof are on normal commercial terms, which are fair and reasonable.

INFORMATION ON THE PARTIES

Datatronic Zhongshan is an indirect wholly-owned subsidiary of the Company and is principally engaged in the design, manufacture and sales of electronic components.

The Land Resources Bureau is a PRC Governmental Body and the seller of the Land. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Land Resources Bureau and its ultimate beneficial owners are third parties independent of the Group and its connected persons.

FINANCIAL EFFECTS OF THE ACQUISITION AND THE PROPOSED DEVELOPMENT

Immediately upon completion of the Acquisition and as the Consideration was financed by the Group's existing internal resources, the financial effects upon the Group are: (i) an increase of the payment for leasehold land and buildings held for own use under operating leases of the Group by approximately HK\$11,983,833; (ii) a decrease of the Group's net cash position by approximately HK\$11,983,833; and (iii) an immaterial effect on the earnings of the Group.

During the process of the Proposed Development and assuming the investment of the Proposed Development will be financed by the Group's existing internal resources, the financial effects upon the Group are, depending on the Company's plan on the construction of the manufacturing plant on the Land and the allocation of investment amount of approximately HK\$113.0 million (equivalent to approximately RMB100 million, excluding the Consideration): (i) an increase of construction-in-progress of the Group for the structure of the manufacturing plant and facilities to be constructed by the Group and will be re-classified to the leasehold land and buildings held for own use upon completion; (ii) an increase in property, plant and equipment for machinery and equipment upon acquisition; (iii) a decrease of the Group's net cash position; and (iv) an increase in the expenses arising in the process of the Proposed Development to be incurred by the Group such as transportation and testing fees.

LETTER FROM THE BOARD

IMPLICATION UNDER THE LISTING RULES

As one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition together with the financial commitment under the Proposed Development exceeds 25% but is less than 100%, the Acquisition together with the Proposed Development constitutes a major acquisition under Chapter 14 of the Listing Rules and is therefore subject to the requirements of announcement, reporting and Shareholders' approval under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition and the Proposed Development. Written Shareholder's approval has been obtained from Onboard Technology Limited, being a Shareholder which holds 231,302,000 shares of the Company (representing 72.28% of the voting rights) as at the date of this circular, in lieu of holding a special general meeting to approve the Acquisition and the Proposed Development in accordance with Rule 14.44 of the Listing Rules.

RECOMMENDATIONS

The Directors consider the terms of the Acquisition and the Proposed Development are on normal commercial terms and are fair and reasonable and in the interests of the Group and the Shareholders as a whole and recommend the Shareholders to vote in favour of the resolutions if the Company were to convene a special general meeting to approve the Acquisition and the Proposed Development.

GENERAL

Your attention is drawn to the financial information of the Group and general information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
SIU Paul Y.
Chairman

1. CONSOLIDATED FINANCIAL STATEMENTS

Details of the financial information of the Group for each of the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 and the six months period ended 30 June 2018 are disclosed in the following documents which have been published on both the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (<http://www.datronixhldgs.com.hk>):

- interim report of the Company for the six months ended 30 June 2018 published on 30 August 2018 (pages 7 to 17);
- annual report of the Company for the year ended 31 December 2017 published on 24 April 2018 (pages 45 to 102);
- annual report of the Company for the year ended 31 December 2016 published on 26 April 2017 (pages 40 to 98); and
- annual report of the Company for the year ended 31 December 2015 published on 22 April 2016 (pages 33 to 85).

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 January 2019, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, apart from intra-group liabilities, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are satisfied after due and careful consideration and taking into account the present internal financial resources available to the Group, the effect of the Acquisition, the financial commitment under the Proposed Development and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements for at least twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited consolidated accounts of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS

As disclosed in the interim report of the Company dated 30 August 2018, the Group's sales reported approximately HK\$153.8 million for the six months ended 30 June 2018. The Group's gross profit and net profit amounted to approximately HK\$52.5 million and HK\$13.1 million, respectively, for the six months ended 30 June 2018. The Group's total assets and total equity amounted to approximately HK\$866.2 million and HK\$788.2 million, respectively as at 30 June 2018.

The Group's liquidity remained on a healthy level and financial resources were also reasonably distributed. As at 30 June 2018, the Group's cash and cash equivalents amounted to approximately HK\$416.5 million, which were predominated in US dollars and Renminbi. For the six months ended 30 June 2018, the Group had not arranged 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.

Due to the increasing awareness of quality control and risk management raised by its top management and customers, the Group decided the necessity to build a second facility in order to have a more concrete contingency plan for the Group and as well as for its customers. With dual factory, risks of labor shortage, unforeseen weather conditions and miscellaneous manufacturing issues may be mitigated. With the Proposed Development, we can enhance our manufacturing capabilities to build a more advanced research and development center and more sophisticated manufacturing section for high end medical devices which in turn may increase our competitiveness in the industry in the long run.

Save and except for the transactions already disclosed in announcements and circulars of the Company prior to the Latest Practicable Date, the Company did not have any intention, negotiation, agreement, arrangement and understanding (concluded or otherwise) about (i) the acquisition of any new business; (ii) any disposal, scaling-down and/or termination of its existing business and/or major operating assets; and (iii) the injection of any new business to the Group.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV to the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, were as follows:

(i) *The Company*

Name	Ordinary shares of HK\$0.1 each				Total no. of shares	Percentage in total share capital
	Personal interests	Family interests	Corporate interests			
Mr. Siu Paul Y.	–	–	231,302,000		231,302,000	72.28%
			(note 1)			

(ii) *Associated corporation*

Name	Name of corporation	Non-voting deferred shares of HK\$1.00 each			Total no. of shares
		Personal interests	Family interests	Corporate interests	
Mr. Siu Paul Y.	Datatronic Limited	1	–	199,999	200,000
				(note 2)	

Notes:

1. These shares are held by Onboard Technology Limited, a company incorporated in the British Virgin Islands, and in which Mr. Siu Paul Y. and Ms. Shui Wai Mei beneficially own 90% and 10% of its issued share capital respectively, representing 72.28% of the issued share capital of the Company.
2. These shares are held by Data Express Limited, a company incorporated in the Republic of Liberia, whose entire issued share capital is beneficially owned by Mr. Siu Paul Y.

(b) Substantial Shareholders

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other person who has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

3. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors, controlling or substantial Shareholders or any of their respective associates had an interest in a business which competes or may compete with the business of the Group or had any other conflict of interest which any such person has or may have with the Group.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors has any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any members of the Group since 31 December 2017, being the date to which the latest published audited financial statements of the Group were made up.

As at the Latest Practicable Date, there is no contract or arrangement subsisting as at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

Amongst the executive Directors, Mr. Siu Paul Y., Ms. Shui Wai Mei and Mr. Sheung Shing Fai have each entered into a service contract with the Company for an initial fixed term of three years commencing from 22 June 2001. While Ms. Siu Nina Margaret has entered into a service contract with the Company for an initial fixed term of three years commencing from 1 January 2013. Such contracts will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of the executive Directors is entitled to a basic salary, which is determined on the basis of his/her qualification, experience, involvement in and contribution to the Company and by reference to the market rate. In addition, the executive Directors are also entitled to a management bonus of a sum at the discretion of the Directors. An executive Director may not vote on any resolution of the Directors regarding the amount of the management bonus payable to him.

Save as disclosed above, none of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. MATERIAL CONTRACTS

The Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular which is or may be material:

- (a) the purchase agreement dated 13 November 2018 entered into between 廣東保發珠寶產業園開發有限公司, and 連達(廣東)電子有限公司 in relation to the sale and purchase of a property located in 1st to 3rd Levels of 倫敦街道辦事處羊額村委會翡翠路1號保發珠寶產業中心;
- (b) the Agreement; and
- (c) the Land Use Rights Grant Contract.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor its subsidiaries was involved in any material litigation or arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

8. EXPERT QUALIFICATION AND CONSENT

The following is the expert, and its qualification, who has given opinion contained in this circular:

Name	Qualification
Assets Appraisal Limited	Qualified Property Valuer
Hills & Co.	Legal adviser of the Company in PRC law

Each expert has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or reports and/or the references to its name in the form and context in which they respectively appeared herein.

As at the Latest Practicable Date, each expert was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interests, either direct or indirect, in any assets which have been, since 31 December 2017 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. MISCELLANEOUS

- (a) The secretary of the Company is Leung Sau Fong, ACIS, LLB (Hons).
- (b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (c) The head office and principal place of business of the Company is situated at 19th Floor, North Point Industrial Building, 499 King's Road, North Point, Hong Kong.
- (d) The branch share registrar of the Company in Hong Kong is Hong Kong Registrars Limited at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the place of business of the Company in Hong Kong unless (i) a tropic cyclone warning signal number 8 or above is hoisted, or (ii) a black rainstorm warning signal is issued, except public holidays, for a period of 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the three years ended 31 December 2015, 2016 and 2017;
- (c) the interim report of the Company for the six months ended 30 June 2018;
- (d) the material contracts referred to in the section headed "Material contracts" in this appendix;
- (e) the service contracts referred to in the paragraph headed "Directors' service contracts" in this appendix;
- (f) the property valuation report prepared by Asset Appraisal Limited, the text of which is set out in Appendix III to this circular;
- (g) the PRC legal opinion issued by Hills & Co., the legal adviser of the Company in PRC law in respect of the title and other legal matters relation to the Land;
- (h) the written consents referred to in the section headed "Expert qualification and consent" in this appendix; and
- (i) this circular.

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 31 December 2018 of the Land Parcel.



Asset Appraisal Limited
中誠達資產評值顧問有限公司

Rm 802 8/F On Hong Commercial Building
No.145 Hennessy Road Wanchai HK
香港灣仔軒尼詩道145號安康商業大廈8樓802室
Tel: (852) 2529 9448 Fax: (852) 3521 9591

Date: 22 March 2019

The Board of Directors
Datronix Holdings Limited

19/Floor,
499 King's Road,
North Point Industrial Building,
Hong Kong

Dear Sirs,

Re: Valuation of an industrial land parcel situated at Banfu Village, Banfu Town, Zhongshan City, Guangdong Province, the People's Republic of China (the "PRC")

In accordance with the instructions from **Datronix Holdings Limited** (the "**Company**") to value the captioned land parcel (the "**Land Parcel**"), we confirm that we have inspected the Land Parcel, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Land Parcel as at 31 December 2018 (the "**valuation date**").

BASIS OF VALUATION

The valuation is our opinion of the market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

TITLESHIP

We have been provided with copies of legal documents regarding title to the Land Parcel. However, we have not verified ownership of the Land Parcel and to ascertain any amendment which may not appear on the copies handed to us.

We have also relied upon the legal opinion provided by the PRC legal advisers, namely Hills and Co. 廣東君道律師事務所 (the "**PRC Legal Opinion**"), to the Company on the title and other legal matters relation to the Land Parcel.

VALUATION METHODOLOGY

In valuing the Land Parcel, we have adopted the Market Approach by making use of the Comparison Method where comparison based on price information of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market values.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner sell the Land Parcel on the market in its existing states without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the Land Parcel.

As the Land Parcel is held by the owner by means of long term land use rights granted by the Government, we have assumed that the owner has good legal title to the Land Parcel and has free and uninterrupted rights to occupy, use, transfer, lease or assign the Land Parcel for the whole of its unexpired land use right term.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the Land Parcel nor for any expenses or taxation which may be incurred in holding it. Unless otherwise stated, it is assumed that the Land Parcel is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have not carried out detailed site measurement to verify the correctness of the site area in respect of the Land Parcel but have assumed that the site area shown on the legal documents handed to us are correct. All documents of the Land Parcel have been used as reference only and all dimensions, measurements and areas are approximations.

The Land Parcel was last inspected by Chen Nelson Chun Kin, who is a holder of master degree of science in construction and real estate awarded by the Hong Kong Polytechnic University, on 12 February 2019. However, no site investigation has been carried out to determine the suitability of ground conditions or the services for any property development to be carried out on the Land Parcel. Our valuation has been made on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction period.

The market value estimate contained within this report specifically excludes the impact of environmental contamination resulting from earthquakes or other causes. It is recommended that the reader of this report consult a qualified environmental auditor for the evaluation of possible environmental defects, the existence of which could have a material impact on market value.

No soil analysis or geological studies were ordered or made in conjunction with this report, nor were any water, oil, gas, or other subsurface minerals use rights or conditions investigated.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the Land Parcel, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors.

All monetary sums stated in this report are in Renminbi (RMB).

Our valuation certificate is attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited

Tse Wai Leung
MFin BSc MRICS MHKIS RPS(GP)
Director

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor in General Practice and a qualified real estate appraiser in the PRC.. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and has over 10 years' experience in valuation of properties, ports and logistics facilities in the PRC.

VALUATION CERTIFICATE

Property interests held for future development

Property	Description and Tenure	Particulars of occupancy	Market value of the Land Parcel in existing state as at 31 December 2018
An industrial land parcel (namely Lot No. W30-18-0060) at Banfu Village (板芙村) Banfu Town (板芙鎮) Zhongshan City Guangdong Province the PRC	<p>The Land Parcel has a total land area of 15,369.8 square metres which is falling within a new industrial area.</p> <p>It is planned for the development of an industrial compound with a total gross floor area of approximately 46,032.96 square metres and the construction is scheduled to be kicked off in mid-2019 and to be completed by end of 2020.</p> <p>The land use rights of the Land Parcel have been granted for a term of 50 years (for industrial use) commencing on 21 December 2018.</p>	The property was vacant as at the valuation date.	RMB10,605,162

Notes:

- (1) Pursuant to the State Owned Construction Land Use Right Grant Contract (Contract No. 442000-2018-002069, referred to as the “**Land Grant Contract**”) entered into between the Zhongshan City Bureau of Land and Resources (中山市國土資源局) (the “**Grantor**”) and Dataronic (Zhongshan) Technology Limited (連達(中山)科技有限公司) (the “**Grantee**”) on 21 December 2018, the land use rights of the Land Parcel with an area of 15,369.8 square metres were granted by the Grantor to the Grantee. A Real Estate Title Certificate (Ref. Yue 2019 Zhong Shan Shi Bu Dong Chan Quan No. 0029806) dated 24 January 2019 was issued by the Zhongshan City Bureau of Land and Resources in the name of the Grantee. As mentioned in the said title certificate, the land use rights of the Land Parcel have been granted for a term of 50 years commencing on 21 December 2018 for industrial uses.
- (2) As mentioned in proviso 8 of the Land Grant Contract, the Land Parcel has been granted at a land premium of RMB10,605,162 which has been settled in full by the Grantee.
- (3) As mentioned in proviso 16 of the Land Grant Contract, the construction of the proposed development on the Land Parcel shall commence on or before 19 February 2020 and the entire development shall be fully completed on or before 18 February 2023. The Grantee is required to gain prior approval from the Grantor if there is delay in construction work start or deferral in development completion and in any event, such delay or deferral shall not be more than 1 year.
- (4) As mentioned in the Zhongshan City Construction Land Planning Conditions annexed to the Land Grant Contract, the Land Parcel is subject to the following planning conditions:

Site Area:	15,369.8 square metres
Land Use:	Type 1 Industrial (M1)
Gross Floor Area:	Plot ratio countable gross floor area shall not be less than 15,369.8 square metres and not more than 53,794.3 square metres
Site Coverage:	Between 35% and 60%
Building Height:	Not exceeding 50 metres
Green Area Ratio:	10% to 15% in term of land area
- (5) As revealed from the Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 151212019020002) issued by the Zhongshan Town and Rural Planning Bureau on 25 February 2019, the development scheme of the Land Parcel having a total gross floor area of 46,032.96 square metres (comprising workshop area of 37,418.12 square metres, ancillary office area of 4,667.82 square metres, garage area of 3,367.48 square metres and basement workshop area of 579.54 square metres) has been approved. According to the Company, the budgeted development costs (excluding land costs) of the proposed development is approximately RMB100 million.

- (6) Opinion of the PRC Lawyer on the Land Parcel is summarized as follows:
- 6.1 連達(中山)科技有限公司 (“**Datatronic Zhongshan**”) has acquired the land use rights of the Land Parcel (namely Lot No. W30-18-0060) through an open bidding and executed the Land Grant Contract with the Zhongshan City Bureau of Land and Resources on 21 December 2018. The Land Grant Contract is legal and valid and is enforceable in law by both parties.
 - 6.2 As provided in the Land Grant Contract, the Land Parcel has a land area of 15,369.8 square metres and is permitted for industrial use. The land grant premium of the Land Parcel is RMB10,605,162 payable within 30 days from the date of the Land Grant Contract. Construction work of the Land Parcel shall commence on or before 19 February 2020 and shall be fully completed by 18 February 2023. Subject to the consent of the land use right grantor, the building covenant can be extended for not more than 1 year.
 - 6.3 Datatronic Zhongshan has fully settled the land grant premium and relevant charges and levies in accordance with the terms and conditions of the Land Grant Contract and the relevant PRC laws. Datatronic Zhongshan is the legal land use right holder of the Land Parcel and is entitled to use, transfer, lease or mortgage or otherwise dispose of the Land Parcel during the unexpired land use right term subject to the planning controls as imposed to the Land Parcel.
 - 6.4 The Construction Land Use Planning Permit (建設用地規劃許可證, Ref Di Zhi No. 151122018120005) was issued by the Zhongshan Town and Rural Planning Bureau to the Land Parcel on 28 December 2018. As mentioned in the permit, the permitted land use of the Land Parcel is M1 Type 1 Industrial.
 - 6.5 As revealed from the Real Property Registration Search Results (中山市不動產登記資料查詢結果, Ref No. 2019022802298) issued by the Zhongshan Land Resources Administration Bureau on 28 February 2019, the Land Parcel was not subject to any mortgage, closure and seizure order.