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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)

**INDEPENDENT SHAREHOLDERS' APPROVAL FOR CONTINUING
CONNECTED TRANSACTIONS**

Independent financial adviser to the Independent Board Committee



大有融資有限公司

MESSIS CAPITAL LIMITED

A letter from the Board is set out on pages 3 to 11 of this circular. A letter from the Independent Board Committee is set out on page 12 of this circular. A letter from Messis Capital Limited, containing its advice to the Independent Board Committee and Independent Shareholders is incorporated and set out on pages 13 to 22 of this circular.

A notice convening the Special General Meeting to be held at 19th Floor, North Point Industrial Building, 499 King's Road, North Point, Hong Kong on 5 December 2016 at 3:00 p.m. is set out on page 28 of this circular. Whether or not you are able to attend the Special General Meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to Hong Kong Registrars Limited at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding such meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

* For identification purposes only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following words and expressions shall have the following meanings:

“6th Datatronic Master Supply Agreement”	the agreement entered into by Datatronic and Datatronics Romoland on 3 September 2013
“Board”	the board of directors of the Company
“Cap Amount”	the annual limit of the aggregate consideration of the Continuing Connected Transactions
“Company”	Datronix Holdings Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Continuing Connected Transactions”	the transactions under the Datronix Master Supply Agreement
“Datatronic”	Datatronic Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Datatronic Continuing Connected Transactions”	the transactions under the 6th Datatronic Master Supply Agreement
“Datatronics Romoland”	Datatronics Romoland, Inc., a company incorporated in the US with limited liability and is a company wholly owned by Mr. Siu Paul Y.
“Datronix Master Supply Agreement”	the agreement entered into by the Group and Datatronics Romoland on 7 October 2016
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s)
“Independent Board Committee”	an independent board committee of the Company comprising Mr. Chung Pui Lam, Mr. Lee Kit Wah and Mr. Wong Wah Sang, Derek
“Independent Shareholders”	shareholders other than Mr. Siu Paul Y. and his associates as defined in the Listing Rules
“IPI”	Innovative Power, Inc., a company incorporated in the State of California, US, with limited liability and is a wholly-owned subsidiary of the Company

DEFINITIONS

“IPI Continuing Connected Transactions”	the transactions under the IPI Master Supply Agreement
“IPI Master Supply Agreement”	the agreement entered into by IPI and Datatronics Romoland on 3 September 2013
“Latest Practicable Date”	15 November 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Supply Agreement”	the agreement entered into by Datatronic and Datatronics Romoland on 6 June 2001
“Mr. Siu Paul Y.”	Mr. Siu Paul Y., the chairman and the controlling shareholder of the Company who together with his spouse hold 72.28% of the issued shares of the Company through Onboard Technology Limited
“Previous Master Supply Agreements”	previous master supply agreements for the supply for magnetic products entered into by the Group and Datatronics Romoland including the 6th Datatronic Master Supply Agreement and IPI Master Supply Agreement
“SFO”	Securities and Futures Ordinance of Hong Kong, Chapter 571 of the laws of Hong Kong
“Shareholder(s)”	holder(s) for the time being of the share(s) of the Company
“Special General Meeting”	the special general meeting of the Company to be convened on 5 December 2016 for the purpose of considering and approving the Continuing Connected Transactions and the respective Cap Amounts for the three years ending 31 December 2017, 2018 and 2019
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“subsidiary”	shall have the meaning as defined in the Companies Ordinance of Hong Kong, Chapter 622 of the laws of Hong Kong
“US”	the United States of America

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:

SIU Paul Y. (Chairman)

SHUI Wai Mei (Vice Chairman)

SHEUNG Shing Fai

SIU Nina Margaret

Registered Office:

Clarendon House

Hamilton HM11

Bermuda

Independent Non-executive Directors:

CHUNG Pui Lam

LEE Kit Wah

WONG Wah Sang, Derek

Principal place of business

in Hong Kong:

19th Floor

North Point Industrial Building

499 King's Road

North Point

Hong Kong

18 November 2016

To the Shareholders

Dear Sir or Madam,

INDEPENDENT SHAREHOLDERS' APPROVAL FOR CONTINUING CONNECTED TRANSACTIONS

1. INTRODUCTION

Reference is made to the announcement of the Company dated 3 September 2013 and the circular of the Company dated 21 November 2013 in relation to the 6th Datatronic Master Supply Agreement entered into by Datatronic and Datatronics Romoland on 3 September 2013 and the IPI Master Supply Agreement entered into by IPI and Datatronics Romoland on 3 September 2013 both for the term of three years up to 31 December 2016. It is expected that further Continuing Connected Transactions between Datatronics Romoland and the Group will continue in the three years ending 31 December 2017, 2018 and 2019 for the sale of magnetic components to Datatronics Romoland. Such Continuing Connected Transactions are subject to Independent Shareholder's approval.

2. BACKGROUND

The Group is principally engaged in the manufacturing and trading of magnetic components. Datatronics Romoland is a supplier of high reliability magnetics to the medical and aerospace industries in the US. The Group and Datatronics Romoland have entered into the Datatronix Master Supply Agreement on 7 October 2016 for a term of three years from 1 January 2017 and on effectively the same terms and conditions of the Previous Master Supply Agreements (which includes the 6th Datatronic Master Supply Agreement and the IPI Master Supply Agreement).

* For identification purposes only

LETTER FROM THE BOARD

Datatronics Romoland is wholly owned by Mr. Siu Paul Y., the chairman and controlling shareholder of the Company, who together with his spouse holding approximately 72.28% of the entire issued shares of the Company through Onboard Technology Limited as at the Latest Practicable Date. Datatronics Romoland is an associate of Mr. Siu Paul Y. and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Datronix Master Supply Agreement constitute Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules.

The Company has made disclosure by announcement dated 3 September 2013 of the Continuing Connected Transactions to be taken place in the three years ending 31 December 2014, 2015 and 2016 for the Cap Amounts of HK\$100 million, HK\$110 million and HK\$120 million respectively under Datatronic Continuing Connected Transactions and the Cap Amounts of HK\$9 million, HK\$10 million and HK\$11 million respectively under IPI Continuing Connected Transactions.

3. THE CONTINUING CONNECTED TRANSACTIONS

Terms of the Continuing Connected Transactions

The major terms and conditions of the Previous Master Supply Agreements are all for an initial term of three years and shall continue thereafter until terminated by either party giving to the other party no less than three months' written notice. Pursuant to the Master Supply Agreement, the selling prices of the magnetics under the Master Supply Agreement are to be agreed between the Group and Datatronics Romoland.

In order to obtain a reasonable profit margin, the Group will determine the sale price of the magnetic products required by Datatronics Romoland according to the Group's pricing policy based on a cost-plus pricing basis, which takes into account the sum of all direct and indirect manufacturing costs and overhead such as raw materials costs, labor time costs and quantities of products. Due to the stringent requirements of Datatronic Romoland's products, involvement of the Group's top management and more experienced senior engineers would be required to provide engineering support and to resolve technical difficulties in the manufacturing process. Workers of higher ability or skill would also be assigned to handle the manufacturing process for Datatronic Romoland's products, whereas the products sold to other customers would carry less complications and complexity and thus require less technical and engineering support in their manufacturing procedures. As a result, the mark up margin based on the time cost and pay rate scale incurred by top management, senior engineers and skilled workers for Datatronic Romoland's products would yield a higher mark up than that of the products sold to other customers. When a new program or product is launched during a bid, this bidding process serves as an indication on the price in which the customers would be willing to pay. This also serves as a guidance for determining the Group's mark up margin in respect of products sold to Datatronic Romoland. For existing products sold to Datatronics Romoland, the Group's quotations issued to Datatronic Romoland would be based on historical prices quoted, adjustments based on current direct and indirect costs, and a mark up margin. Furthermore, end customers are price sensitive to the economy and their behavior may affect the purchase sentiment hence having an effect on the price quoted. Thus, the Group would also consider such aforementioned factors based on the prevailing market conditions to determine the mark up margin.

LETTER FROM THE BOARD

The Group is granted a right of first refusal by Datatronics Romoland under the Master Supply Agreement to the effect that only if the Group declines to supply the magnetics, Datatronics Romoland may source the same from any third-party supplier, provided that the terms of such purchase shall not be more favourable to Datatronics Romoland than those offered by the Group.

The Datronix Master Supply Agreement is on substantially the same terms as those in the Previous Master Supply Agreements pursuant to which the Group has agreed to sell magnetic products to Datatronics Romoland for a term of three years up to 31 December 2019 and subject to the terms and conditions set out therein at a price to be determined by the parties.

The sales transaction between the Group and Datatronic Romoland are under normal commercial terms in which the Group currently offers credit sales to Datatronics Romoland with a term of payment of 30 days, while the payment term offered to other customers of the Group varies from 30 to 90 days. The payment term and other terms of the Continuing Connected Transactions offered by the Group are no less favourable to the Group than those offered to other customers of the Group.

4. REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

As far as the Board is aware, Datatronics Romoland is one of the few reputable suppliers of high reliability magnetics to the US medical and aerospace industries and the Group is the sole supplier of high reliability magnetic components to Datatronics Romoland. As the products sourced by Datatronics Romoland are tailor-made and require more advanced and sophisticated technology and skills to manufacture than the products required by other customers of the Group, the Group can obtain a higher profit margin. According to the historical records of the transactions between the Group and Datatronics Romoland, the profit margin for the sales of such high reliability magnetic components to Datatronics Romoland was substantially higher than those for sales to other customers. Moreover, Datatronics Romoland has a good track record for making payment to the Group on a timely basis. Furthermore, Datatronics Romoland is the supplier to the end customers in the US aerospace and medical-related markets. The end customers recognize the Group as the manufacturer of the magnetic products supplied by Datatronics Romoland. In order to minimize the insurance, transportation and customer service costs as well as the related time costs which would be incurred in the direct sales by the Group from Hong Kong to the end customers in the US, the Group has elected to sell the products to various end customers in the US via Datatronics Romoland.

Based on the above reasons, the Directors (including the independent non-executive Directors) consider that entering into the Datronix Master Supply Agreement would constitute a good opportunity for the Company to generate more income by carrying out the sales transactions to satisfy Datatronics Romoland's orders and the pricing term under the Datronix Master Supply Agreement is considered to be fair, reasonable and beneficial to the Group.

LETTER FROM THE BOARD

5. PROPOSED CAP AMOUNTS AND BASIS FOR DETERMINATION

Set out below are the amounts of the Datatronic Continuing Connected Transactions for the years 2013, 2014 and 2015 and the six months ended 30 June 2016.

	Financial year ended 31 December 2013 HK\$'000	Financial year ended 31 December 2014 HK\$'000	Financial year ended 31 December 2015 HK\$'000	Six months ended 30 June 2016 HK\$'000
Aggregate consideration of the Datatronic Continuing Connected Transactions	64,709	63,120	45,004	22,516
Total revenue of the Group	284,038	301,593	279,696	135,425
Percentage of aggregate consideration of the Datatronic Continuing Connected Transactions to total revenue of the Group	23%	21%	16%	17%
Annual Cap Amount	160,000	100,000	110,000	120,000

Set out below are the amounts of the IPI Continuing Connected Transactions for the years 2014 and 2015 and the six months ended 30 June 2016.

	Financial year ended 31 December 2014 HK\$'000	Financial year ended 31 December 2015 HK\$'000	Six months ended 30 June 2016 HK\$'000
Aggregate consideration of the IPI Continuing Connected Transactions	213	114	–
Total revenue of the Group	301,593	279,696	135,425
Percentage of aggregate consideration of the IPI Continuing Connected Transactions to total revenue of the Group	>1 %	>1%	0%
Annual Cap Amount	9,000	10,000	11,000

LETTER FROM THE BOARD

According to historical records of the transactions made pursuant to the Previous Master Supply Agreements between the Group and Datatronics Romoland, the Board expects that further Continuing Connected Transactions between Datatronics Romoland and the Group will continue in the three years ending 31 December 2017, 2018 and 2019. The Group shall seek to continue to expand its market share with new and existing customers and shall keep the proportion of sales to Datatronics Romoland at an optimal level that the Board will ensure that not too much reliance shall be placed upon one particular customer.

In addition to the historical records of the Cap Amounts, the Group has also considered the forecasts provided by Datatronics Romoland. According to Datatronics Romoland, its forecasts are based on following factors:

- a. Growth in the existing and new product development programs with existing Datatronics Romoland customers.
- b. New product development programs with new customers.
- c. The established relationships between Datatronics Romoland and its existing customers having remained stable.
- d. Although opportunities for new product development programs will continue to arise, Datatronics Romoland customers' drive for price reduction will also have an effect on the revenue of Datatronics Romoland.
- e. Macroeconomic conditions and the perspective markets that Datatronics Romoland has served in the US.

Although the Group has no influence on Datatronics Romoland's forecasts as Datatronics Romoland operates independently as a separate entity, the Group has assessed the historical figures of the Datatronics Romoland's forecasts and considers the forecasts to be reasonable.

The proposed annual Cap Amounts are determined as follows:

- a. Given that the aggregate consideration of the Datatronic Continuing Connected Transactions for the six months ended 30 June 2016 amounted to approximately HK\$23 million, the Group expects that the aggregate consideration would amount to approximately HK\$60 million for the year ended 31 December 2016.
- b. With reference to the historical records, Datatronics Romoland's sales had been in line with the Group's revenue. The general economy has experienced a softening, and thus Datatronics Romoland's performance has also been affected accordingly.
- c. The volume demand from Datatronics Romoland has not been much affected, whilst cost pressure from end customers of Datatronics Romoland has been experienced and therefore sales has been significantly reduced since year 2015. The Group and Datatronics Romoland anticipated major price negotiation and price reduction has indeed been reflected and will be offset by new development programs from the Group's new and existing customers.

LETTER FROM THE BOARD

Based on the above, the projected amounts of the Continuing Connected Transactions for three years are as follows:

Projection for the year ending 31 December 2017 HK\$'000	Projection for the year ending 31 December 2018 HK\$'000	Projection for the year ending 31 December 2019 HK\$'000
100,000	110,000	120,000

The Board is of the view that the Datronix Master Supply Agreement has been entered into on normal commercial terms, in the ordinary and usual course of business of the Company and the Group with terms no less favourable to the Company and the Group than those offered to other customers of the Group and is fair and reasonable to the Shareholders taken as a whole and it is in the interest of the Company and the Group to continue the Continuing Connected Transactions upon the terms and conditions set out in the Datronix Master Supply Agreement. Based on the above projection, the Board proposes that the Cap Amounts of the Continuing Connected Transactions for the three years ending 31 December 2017, 2018 and 2019 be HK\$100 million, HK\$110 million and HK\$120 million respectively. The Board considers that the Cap Amounts are fair and reasonable.

Up to the Latest Practicable Date, the utilization rate of the Group's existing production capacity is approximately at 65%. The Group has sufficient equipment, machinery and production set-ups and regularly manages its production capacity. The Board is of the view that the Group's existing production capacity is able to cope with any increase of the purchase orders for the three years ending 31 December 2017, 2018 and 2019.

6. PRICING POLICIES

The Group's pricing policies have taken into account of the factors mentioned in section 3 above. The sale prices offered to Datatronics Romoland are in support of, inter alia, the engineering efforts and technical skills involved with the production of the products supplied to Datatronics Romoland. Pricing of new programs or products of the Group are generally determined through bidding processes. However, as the magnetics components sold to Datatronics Romoland pursuant to the Datronix Master Supply Agreement are existing products sold to Datatronics Romoland and would not be done through bidding processes. On the other hand, new programs or products, if required by Datatronics Romoland, would be done through bidding processes, where a losing bid would serve as a benchmark and guideline for our maximum suggested price offered to Datatronics Romoland.

Factors determining our pricing in relation to the products supplied to Datatronics Romoland include, inter alia, the engineering efforts required, raw materials required, labor skills and time involved, and the quantity and historical price quoted in view of the Group's pricing policies. Upon receipt of a customer's quotation request for certain products, the drawings, requirements and specifications of the products required will be reviewed by the Company's engineers. The engineers will prepare bill of the materials (having regard to the quantities and types of raw materials required) necessary for the product

LETTER FROM THE BOARD

manufacturing base in relation to the customer's requirements (having considered to the engineering efforts and time required). Production time for manufacturing will be estimated by the Company's production managers and engineers (to determine the estimated labor time required for the manufacturing process). Historical price quotations, along with the above considerations, will be presented to the Company's Managing Director or General Manager for consideration in generating a quotation to be issued to a customer.

Datatronics Romoland end customers have stringent requirements for the products required to be manufactured by the Company. Applications and uses of Datatronics Romoland products are highly sophisticated and applied on aerospace and medical related industries. As discussed, the quotations must be approved by the Company's Managing Director or General Manager, who would be well aware of the special nature and requirements of Datatronics Romoland products and would take into consideration the historical differences in the gross margin between Datatronics Romoland products and other products. Normally, therefore, quotations issued to Datatronics Romoland would bear a higher gross margin than the historical gross margins for products sold to other customers. In addition, the general economic condition of the market would also be taken into consideration by the Group. Such condition may provide guidance on pricing direction and strategy to be employed by the Group.

7. INTERNAL CONTROL AND MONITOR

In order to ensure that the transactions would be conducted in accordance with the Group's pricing policies described above, any quotation issued by the Group would be approved by the Company's Managing Director or General Manager. All sales transactions of the Group with Datatronics Romoland would be reported to the management of the Company and the Group on a monthly basis. To ensure the transactions are in the interests of the Group and its shareholders, monthly reviews of sales transactions and gross margin will be conducted to ensure that the terms of the transactions are no less favorable than those available to other customers.

Analysis of sales by customers and by region and end application markets analysis would be made quarterly to enable the management of the Group to closely monitor and ensure that the Continuing Connected Transactions would comply with all requirements. The sales administration team of the Group would closely monitor the sales under the Continuing Connected Transactions and report to the management of the Company and the Group on a monthly basis to ensure that the pricing policies, terms of the Continuing Connected Transactions and the Cap Amounts would be complied with. In addition, the Group will continually explore and diversify its market base in other parts of the global market with the aim to minimize the Group's reliance on Datatronics Romoland.

Internal audit of the Continuing Connected Transactions was reviewed by the audit committee and the external auditor would be carried out to scrutinize the Continuing Connected Transactions to ensure that respective Cap Amounts of the Continuing Connected Transactions are not exceeded and that over-reliance by the Group on the Continuing Connected Transactions would be prevented. Auditors of the Group would review annually to confirm that the transactions are conducted in accordance with the Group's pricing policies as described above.

LETTER FROM THE BOARD

8. IMPLICATIONS UNDER THE LISTING RULES

As Datatronics Romoland is wholly owned by Mr. Siu Paul Y., the chairman and the controlling shareholder of the Company, Datatronics Romoland is an associate of Mr. Siu Paul Y. and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Datronix Master Supply Agreement constitute Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the proposed Cap Amount under the Datronix Master Supply Agreement are more than 5%, the transactions contemplated thereunder are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

9. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all independent non-executive Directors, namely, Mr. Chung Pui Lam, Mr. Lee Kit Wah, Mr. Wong Wah Sang, Derek, has been formed to advise the Independent Shareholders in relation to the proposed Cap Amounts in respect of the transactions contemplated under the Datronix Master Supply Agreement for each of the three years ending 31 December 2017, 2018 and 2019.

Messis Capital Limited has been appointed as its independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard under the Listing Rules.

10. RECOMMENDATIONS

The Board has appointed the Independent Board Committee to consider and advise the Independent Shareholders on the terms of the Continuing Connected Transactions and the respective Cap Amounts for the three years ending 31 December 2017, 2018 and 2019.

The Independent Board Committee, having taken into account the advice of Mesis Capital Limited, considers that the terms of the Continuing Connected Transactions and the respective Cap Amounts are fair and reasonable insofar as the Independent Shareholders are concerned. Accordingly, it recommends that the Independent Shareholders vote in favour of the resolution to approve the Continuing Connected Transactions and the respective Cap Amounts.

11. SPECIAL GENERAL MEETING

The Special General Meeting will be convened for the purpose of considering and, if thought fit, among other matters, approving the respective Cap Amounts in respect of the Continuing Connected Transactions for the three years ending 31 December 2017, 2018 and 2019. Mr. Siu Paul Y. together with his spouse hold 231,302,000 shares, being 72.28%, of the issued share capital of the Company and Mr. Siu Paul Y. and his associates have abstained from voting on the Board Meeting and shall abstain from voting at the Special General Meeting on the relevant resolution(s) to be put forward to vote at the Special General Meeting.

LETTER FROM THE BOARD

Pursuant to Bye-law 66 of the Company, a poll may be demanded by the chairman of the meeting or by at least three (3) members present in person (or in case of a member being a corporation by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting or by a member or members present in person (or in case of a member being a corporation by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting or by a member or members present in person (or in case of a member being a corporation by its duly authorized representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right. The vote will be taken by poll.

A notice convening the Special General Meeting to be held at 19th Floor, North Point Industrial Building, 499 King's Road, North Point, Hong Kong on 5 December 2016 at 3:00 p.m. is set out on page 28 of this circular. Whether or not you would be able to attend the Special General Meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to Hong Kong Registrars Limited at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding such meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

Yours faithfully,
By order of the Board
Sheung Shing Fai
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



DATRONIX HOLDINGS LIMITED

連達科技控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 889)

18 November 2016

To the Independent Shareholders

Dear Sir or Madam,

APPROVAL FOR CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated 18 November 2016 (the “Circular”), of which this letter forms part. Terms defined therein shall have the same meaning when used in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of agreements for the Continuing Connected Transactions and the respective cap amounts for the three years ending 31 December 2017, 2018 and 2019 are fair and reasonable so far as the Independent Shareholders are concerned. Details of the Continuing Connected Transactions and the respective cap amounts of the Continuing Connected Transactions are set out in the letter from the Board contained in the Circular on pages 3 to 11. Messis Capital Limited has been appointed as the independent financial adviser to advise us in respect of the Continuing Connected Transactions. We wish to draw your attention to the letter of advice from Messis Capital Limited dated 18 November 2016, which is incorporated and set out on pages 13 to 22 of the Circular.

Having considered the terms of the Continuing Connected Transactions and the respective cap amounts, and having taken into account the advice and recommendations of Messis Capital Limited contained in its letter, we are of the opinion that the Continuing Connected Transactions are in the ordinary and usual course of business of the Company and the terms and conditions of the agreement for the Continuing Connected Transactions, including the respective cap amounts for the three years ending 31 December 2017, 2018 and 2019, are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Independent Shareholders as a whole. We therefore advise and recommend that the Independent Shareholders should vote in favour of the resolution to approve the Continuing Connected Transactions and the respective cap amounts of the Continuing Connected Transactions to be proposed at the Special General Meeting.

Yours faithfully,
For and on behalf of
the Independent Board Committee
Chung Pui Lam
Lee Kit Wah
Wong Wah Sang, Derek
Independent Non-executive Directors

* For identification purposes only

LETTER FROM MESSIS CAPITAL LIMITED

The following is the full text of the letter from the independent financial adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.



大有融資有限公司
MESSIS CAPITAL LIMITED

18 November 2016

*To: The Independent Board Committee and the Independent Shareholders
of Datronix Holdings Limited*

Dear Sir/Madam,

INDEPENDENT SHAREHOLDERS' APPROVAL FOR CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions (including the Cap Amounts), details of which are set out in the letter from the Board (the "Letter from the Board") contained in the circular (the "Circular") issued by the Company to the Shareholders dated 18 November 2016 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Reference is made to the announcement dated 3 September 2013 and the circular dated 21 November 2013 in relation to the 6th Datatronic Master Supply Agreement entered into by Datatronic and Datatronics Romoland on 3 September 2013 and the IPI Master Supply Agreement entered into by IPI and Datatronics Romoland on 3 September 2013 both for the term of three years up to 31 December 2016.

On 7 October 2016, the Group entered into the Datronix Master Supply Agreement with Datatronics Romoland for the sale of magnetic products. The Datronix Master Supply Agreement shall be effective from 1 January 2017 upon the obtaining of the approval of the Independent Shareholders at the Special General Meeting and shall expire on 31 December 2019.

Datatronics Romoland is wholly owned by Mr. Siu Paul Y., the chairman and controlling Shareholder of the Company, who together with his spouse holding approximately 72.28% of the entire issued shares of the Company through Onboard Technology Limited as at the Latest Practicable Date. Datatronics Romoland is an associate of Mr. Siu Paul Y. and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Datronix Master Supply Agreement constitute Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM MESSIS CAPITAL LIMITED

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) for the proposed Cap Amounts under the Datronix Master Supply Agreement are more than 5%, the transactions contemplated thereunder are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all independent non-executive Directors, namely, Mr. Chung Pui Lam, Mr. Lee Kit Wah, Mr. Wong Wah Sang, Derek, has been formed to advise the Independent Shareholders in relation to the proposed Cap Amounts in respect of the transactions contemplated under the Datronix Master Supply Agreement for each of the three years ending 31 December 2017, 2018 and 2019, in particular as to whether the terms of the Datronix Master Supply Agreement are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

We, Messis Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the Continuing Connected Transactions and the proposed Cap Amounts are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the proposed resolutions relating to the Continuing Connected Transactions and the proposed Cap Amounts at the Special General Meeting.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interests in the Company, or any other parties, that could reasonably be regarded to compromise our independence. In the past two years, we had not acted as an independent financial adviser of the Company's other transactions. Apart from normal professional fee received by us for opining on the Continuing Connected Transactions, no arrangements exist or remained in existence whereby we had received or will receive any fees or benefits from the Company or any other parties. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the representations made to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Company, the Directors and the management of the Company, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us.

LETTER FROM MESSIS CAPITAL LIMITED

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any statement contained in the Circular, including this letter, incorrect or misleading.

We consider that we have received sufficient information to enable us to reach an informed view and to justify our reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our view and recommendation. We have no reason to suspect that any material information has been withheld by the Company or by the Directors. We have not, however, carried out any independent investigation into the business and affairs of the Group.

We have taken all reasonable steps which include the following:

- (a) obtaining all the information and documents relevant to an assessment of the fairness and reasonableness of the terms of the Continuing Connected Transactions and their respective Cap Amounts, including but not limited to, the Letter from the Board, the Previous Master Supply Agreements, the Datronix Master Supply Agreement dated 7 October 2016 the analysis of the transactions of the magnetic products including both to Datatronics Romoland and to independent third parties in 2013, 2014, 2015 and 2016 (the “**Sales Analysis**”), the annual report of the Company for the year ended 31 December 2015 (the “**AR2015**”) and the interim report of the Company for six months ended 30 June 2016 (the “**IR2016**”) respectively;
- (b) reviewing the performance and financial situation of the Company as well as the reasons and background of the Continuing Connected Transactions;
- (c) reviewing the terms of the Datronix Master Supply Agreement;
- (d) reviewing the projected amounts of the Continuing Connected Transactions provided by Datatronics Romoland for those three years ending 31 December 2019; and
- (e) reviewing the Sales Analysis of the magnetic products relevant to the Continuing Connected Transactions.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Continuing Connected Transactions, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM MESSIS CAPITAL LIMITED

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding whether the Continuing Connected Transactions are in the interest of the Company and the Independent Shareholders as a whole and whether the terms of each of the Continuing Connected Transactions and the their respective Cap Amounts are fair and reasonable, we have considered the following principal factors and reasons:

1. Reasons for the Continuing Connected Transactions

The Group is principally engaged in the design, manufacture and sale of magnetics used in consumer electronics, data processing appliances and other electronics systems for coupling, isolation, filtering, interfacing and timing control applications. Datatronics Romoland is a supplier of high reliability magnetics to the medical and aerospace industries in the US.

The Group considers that (i) it is in its best interests to generate more income by carrying out the sales transaction to satisfy Datatronics Romoland's orders; and (ii) the pricing terms under the Datronix Master Supply Agreement are fair, reasonable and beneficial to the Group.

As far as the Board is aware, Datatronics Romoland is one of the few reputable suppliers of high reliability magnetics to the US medical and aerospace industries and the Group is the sole supplier of high reliability magnetic components to Datatronics Romoland. As the products sourced by Datatronics Romoland are tailor-made and require more advanced and sophisticated technology and skills to manufacture than the products required by other customers of the Group, the Group can obtain a higher profit margin. According to the historical records of the transactions between the Group and Datatronics Romoland, the profit margin for the sales of such high reliability magnetic components to Datatronics Romoland was substantially higher than those for sales to other customers. Moreover, Datatronics Romoland has a good track record for making payment to the Group on a timely basis. Furthermore, Datatronics Romoland is the supplier to the end customers in the US aerospace and medical-related markets. The end customers recognize the Group as the manufacturer of the magnetic products supplied by Datatronics Romoland. In order to minimize the insurance, transportation and customer service costs as well as the related time costs which would be incurred in the direct sales by the Group from Hong Kong to the end customers in the US, the Group has elected to sell the products to various end customers in the US via Datatronics Romoland. Based on the above reasons, the Group entered into the Continuing Connected Transactions.

We have reviewed the nature of business of the Group set out in the AR2015 and the IR2016 and note that the manufacturing and trading of the magnetic components is the main business of the Group. We have also reviewed the Company's initial public offering prospectus in 2001 in relation to the business of the magnetic products and note that the Continuing Connected Transactions have been commenced for years before the new listing of the shares of the Company in 2001. Accordingly, we are of the view that the Continuing Connected Transactions, to be commenced during 2017, 2018 and 2019, are within the ordinary and usual course of business of the Company.

LETTER FROM MESSIS CAPITAL LIMITED

Based on the Sales Analysis, the AR2015 and the IR2016, we note that (i) the Continuing Connected Transactions were approximately 23%, 21%, 16% and 17% of the total revenue of the Group for the financial years ended 31 December 2013, 2014, 2015 and the six months ended 30 June 2016 respectively with the range of profit margins being substantially higher than those of sales to other customers; and (ii) the Continuing Connected Transactions are expected to contribute to both the revenue and the net profit of the Group for the financial years ending 31 December 2017, 2018 and 2019. Accordingly, we are of the view that the Continuing Connected Transactions are in the interest of the Group and the Shareholders as a whole.

2. Terms of the Continuing Connected Transactions

We have reviewed the major terms and conditions of the Datronix Master Supply Agreement and the Previous Master Supply Agreements. The major terms and conditions of the Previous Master Supply Agreements are all for an initial term of three years and shall continue thereafter until terminated by either party giving to the other party not less than three months' written notice. Pursuant to the Master Supply Agreement, the selling prices of the magnetics are to be agreed between the Group and Datatronics Romoland.

As mentioned in the Letter from the Board, in order to obtain a reasonable profit margin, the Group will determine the sale price of the magnetic products required by Datatronics Romoland according to the Group's pricing policy based on a cost-plus pricing basis having regard to factors including but not limited to raw material costs, labor time costs, quantities of products and the time required for quality control reports with added engineering efforts, technical skill and know-how involved in the product manufacturing process and special requirements to fulfill the stringent requirements of the product. Workers of higher ability or skill would also be assigned to handle the manufacturing process for Datatronic Romoland's products, whereas the products sold to other customers would carry less complications and complexity and thus require less technical and engineering support in their manufacturing procedures. As a result, the mark up margin based on the time cost and pay rate scale incurred by top management, senior engineers and skilled workers for Datatronic Romoland's products would yield a higher mark up than that of the products sold to other customers.

We have attended a meeting and have had subsequent telephone discussions with the management of the Company and are given to understand that the products supplied by the Group are specially customized for Datatronics Romoland and that in determining the selling price offered to Datatronics Romoland, in addition to the factors mentioned in the Letter from the Board, the management of the Company will also consider the following factors, including (i) the estimation of selling prices quoted by the Group's competitors during the bidding process; and (ii) the historical bidding price whereby the Group have lost the bids.

As stated in the Letter from the Board, the Group currently offers credit sales to Datatronics Romoland with a payment term of payment of 30 days, while the payment term offered to other customers of the Group varies from 30 to 90 days. As such, the payment terms under the Continuing Connected Transactions offered to Datatronics Romoland by the Group are more favourable to the Group as compared to those payment terms offered to other customers of the Group.

LETTER FROM MESSIS CAPITAL LIMITED

We have reviewed the Sales Analysis obtained from the management of the Company in relation to the sales of the magnetic products to both Datatronics Romoland and independent third parties during the respective years of 2013, 2014, 2015 and 2016 with the breakdown of the direct costs of these transactions, including the raw material and labor time costs. Based on the information provided in the Sales Analysis, we are of the view that (i) the profit margin of the sales to Datatronics Romoland were generally substantially higher than the sales to independent third parties; and (ii) the sales transaction between the Group and Datatronic Romoland are under normal commercial terms and the payment terms offered to Datatronics Romoland are more favourable to the Group as compared to those payment terms offered to other customers of the Group, as the Group currently offers credit sales to Datatronics Romoland with a term of payment term of 30 days, while the payment term offered to other customers of the Group varies from 30 to 90 days.

The Group is granted a right of first refusal by Datatronics Romoland under the Master Supply Agreement to the effect that only if the Group declines to supply the magnetics, Datatronics Romoland may source the same from any third-party supplier, provided that the terms of such purchase shall not be more favourable to Datatronics Romoland than those offered by the Group.

The Datronix Master Supply Agreement is on substantially the same terms as those in the Previous Master Supply Agreements pursuant to which the Group has agreed to sell magnetic products for a term of three years up to 31 December 2019 and subject to the terms and conditions set out therein at a price to be determined by the parties.

Having considered that (i) no irregular terms are noted in the Master Supply Agreement; (ii) the Group being granted a first refusal right by Datatronics Romoland; and (iii) the profit margin and the payment term of the Continuing Connected Transactions are more favourable to the Group as compared to those payment terms offered in the sales to other customers of the Group, we are of the view that the terms of the Datronix Master Supply Agreement are on normal commercial basis and fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM MESSIS CAPITAL LIMITED

PROPOSED CAP AMOUNTS AND BASIS FOR DETERMINATION

Set out below are the amounts of Datatronic Continuing Connected Transactions for the years 2013, 2014 and 2015 and six months ended 30 June 2016.

	Financial year ended 31 December 2013 <i>HK\$'000</i>	Financial year ended 31 December 2014 <i>HK\$'000</i>	Financial year ended 31 December 2015 <i>HK\$'000</i>	Six months ended 30 June 2016 <i>HK\$'000</i>
Aggregate consideration of the Datatronic Continuing Connected Transactions	64,709	63,120	45,004	22,516
Total revenue of the Group	284,038	301,593	279,696	135,425
Percentage of aggregate consideration of the Datatronic Continuing Connected Transactions to total revenue of the Group	23%	21%	16%	17%
Annual Cap amount	160,000	100,000	110,000	120,000

Set out below are the amounts of the IPI Continuing Connected Transactions for the years 2014 and 2015 and the six months ended 30 June 2016.

	Financial year ended 31 December 2013 <i>HK\$'000</i>	Financial year ended 31 December 2014 <i>HK\$'000</i>	Financial year ended 31 December 2015 <i>HK\$'000</i>	Six months ended 30 June 2016 <i>HK\$'000</i>
Aggregate consideration of the IPI Continuing Connected Transaction	N/A	213	114	–
Total revenue of the Group	N/A	301,593	279,696	135,425
Percentage of aggregate consideration of the IPI Continuing Connected Transactions to total revenue of the Group	N/A	>1 %	>1%	0%
Annual Cap Amount	N/A	9,000	10,000	11,000

LETTER FROM MESSIS CAPITAL LIMITED

Although the Group has no influence on Datatronics Romoland's forecasts as Datatronics Romoland operates independently as a separate entity, the Group has assessed the historical figures of the Datatronics Romoland's forecasts.

Up to the Latest Practicable Date, the utilization rate of the Group's existing production capacity is approximately at 65%. The Group has sufficient equipment, machinery and production set-ups and regularly manages its production capacity. The Board is of the view that the Group's existing production capacity is able to cope with any increase of the purchase orders for the three years ending 31 December 2017, 2018 and 2019.

Based on the above, the projected amounts of the Continuing Connected Transactions for three years are as follows:

	Projection for the year ending 31 December 2017 <i>HK\$'000</i>	Projection for the year ending 31 December 2018 <i>HK\$'000</i>	Projection for the year ending 31 December 2016 <i>HK\$'000</i>
Projected amounts	100,000	110,000	120,000

The Board is of the view that the Datronix Master Supply Agreement has been entered into on normal commercial terms, in the ordinary and usual course of business of the Company and the Group with terms more favourable to the Company and the Group than those offered to other customers of the Group and is fair and reasonable to the Shareholders taken as a whole and it is in the interest of the Company and the Group to continue the Continuing Connected Transactions upon the terms and conditions set out in the Datronix Master Supply Agreement. Based on the above projection, the Board proposes that the Cap Amounts of the Continuing Connected Transactions for the three years ending 31 December 2017, 2018 and 2019 be HK\$100 million, HK\$110 million and HK\$120 million respectively. The Board considers that the Cap Amounts are fair and reasonable.

We have discussed with the Board in relation to the basis of the Cap Amounts of the Continuing Connected Transactions with reference to various factors, including (i) the transaction volume in the past; (ii) the value of purchase orders on hands provided by Datatronics Romoland; (iii) the forecast provided by Datatronics Romoland, based on following grounds, namely: (a) growth in the existing and new development programs with existing Datatronics Romoland customers; (b) new product development programs with new customers; (c) the established relationship between Datatronics Romoland and its existing customers having remained stable; (d) although opportunities for new product development programs will continue to arise, Datatronics Romoland customers' drive for price reduction will also have an effect on the revenue of Datatronics Romoland; (e) Macro-economic condition and the perspective markets that Datatronics Romoland served in the US, we are of the view that the Cap Amounts of the Continuing Connected Transactions proposed by the Board are based on reasonable grounds as well as are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM MESSIS CAPITAL LIMITED

INTERNAL CONTROL AND MONITOR

As set out in the Board Letter that (i) all sales transactions of the Group with Datatronics Romoland would be reported to the management of the Company and the Group on a monthly basis; (ii) internal audit of the Continuing Connected Transactions was reviewed by the audit committee and the external auditor would be carried out to scrutinize the Continuing Connected Transactions to ensure that respective Cap Amounts of the Continuing Connected Transactions are not exceeded and that over-reliance by the Group on the Continuing Connected Transactions would be prevented; (iii) auditors of the Group would review annually to confirm that the transactions are conducted in accordance with the Group's pricing policies; (iv) analyses of sales by customers and by region and end application markets analysis would be made quarterly to enable the management to closely monitor and ensure that the Continuing Connected Transactions would comply with all requirements; (v) the sales administration team of the Group would closely monitor the sales under the Continuing Connected Transactions and send reports to the management of the Group on a monthly basis to ensure that the pricing policies, terms of the Continuing Connected Transactions and the Cap Amounts would be complied with; and (vi) the Group will continually explore and diversify its market base in other parts of the global market with the aim to minimize the Group's reliance on Datatronics Romoland.

In light of the above, we are of the view that the Company has appropriate internal control procedures in place to monitor the operation of and safeguard the Continuing Connected Transactions.

Internal audit of the Continuing Connected Transactions by the audit committee and review by the external auditor would help to ensure that respective cap amounts of the Continuing Connected Transactions are not exceeded and that over-reliance by the Group on the Continuing Connected Transactions is prevented. Auditors of the Group would review annually to confirm that the transactions were approved by the Board, conducted in accordance with the pricing policies and have not exceeded the respective cap amounts.

We have obtained and reviewed (i) the sample records of monthly sales analysis under the Continuing Connected Transactions; (ii) the monthly internal reports in relation to the actual transaction amounts of the Continuing Connected Transactions prepared by the sales administration team which is responsible for monitoring and reviewing of the actual amount of the annual caps for the Continuing Connected Transactions; and (iii) the internal records in relation to the monthly sales analysis which have been reviewed by the audit committee of the Company. We also note that the auditor of the Company provided letters to the Board and confirmed that no abnormality has come to its attention.

Having considered (i) the internal policies and procedures to monitor the Continuing Connected Transactions; (ii) the monthly sales analysis and annual reviews by the audit committee of the Company; and (iii) the annual review by the auditor of the Company, we are of view that the Company has appropriate measures to govern future execution of such transactions and to safeguard the interest of the Group and the Shareholders as a whole.

LETTER FROM MESSIS CAPITAL LIMITED

RECOMMENDATION

Having taken into account of the factors and reasons set out in the above sections, we are of the view that (i) the entering into of the Datronix Master Supply Agreement together with the Continuing Connected Transactions contemplated thereunder are in the interest of the Group and the Shareholders as a whole; (ii) the Datronix Master Supply Agreement are entered into on normal commercial terms and within the Company's ordinary and usual course of business; (iii) the terms of the Continuing Connected Transactions, including the respective Cap Amounts for the Continuing Connected Transactions for the three years ending 31 December 2017, 2018 and 2019, are fair and reasonable so far as the Independent Shareholders are concerned and (iv) the internal control and monitoring for the Continuing Connected Transactions are sufficient.

Accordingly, we recommend the Independent Board Committee and the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the Special General Meeting to approve the Continuing Connected Transactions and Cap Amounts for the three years ending 31 December 2017, 2018, and 2019.

Yours faithfully,
For and on behalf of
Messis Capital Limited

Robert Siu
Managing Director

Erica Law
Associate Director

Mr. Robert Siu is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of MESSIS Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in corporate finance industry.

Ms. Erica Law is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of MESSIS Capital Limited to carry out type 6 (advising on corporate finance) regulatory activity under the SFO and has over 5 years of experience in corporate finance industry.

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 Group. 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 in share capital

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

(i) The Company

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

(ii) Associated corporation – Datatronic

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

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, spouse of Mr. Siu Paul Y., hold 90% and 10% of its issued share capital respectively.
2. These shares are held by Data Express Limited, a company incorporated in the Republic of Liberia, whose entire issued share capital is owned by Mr. Siu Paul Y.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company or their respective associates had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

(b) Substantial Shareholders

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.

Under the Company's share option scheme adopted in 2001, the Company may grant options to executive directors and full-time employees of the Group to subscribe for shares in the Company, subject to a maximum of 10% of the issued share capital of the Company, from time to time, excluding for this purpose shares issued on exercise of share options. The subscription price is to be determined by directors, and is not to be less than the higher of (i) the nominal value of the Company's shares, and (ii) 80% of the average of the closing price of the Company's shares quoted on the Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of grant. Upon acceptance of options, the grantee shall pay HK\$1 to the Company as consideration for the grant.

No options have been granted since the adoption of the share option scheme.

3. DIRECTORS' INTERESTS IN CONTRACTS

- (a) 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 month's notice in writing served by either party on the other. Each of

these 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. The current basic annual salaries of the Executive Directors under their service contracts as follows:

Name of Director	Annual basic salary
Mr. Siu Paul Y.	HK\$3,000,000.00
Ms. Shui Wai Mei	HK\$300,000.00
Mr. Sheung Shing Fai	HK\$1,200,000.00
Ms. Siu Nina Margaret	HK\$600,000.00

Save as aforesaid, 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)).

- (b) Mr. Siu Paul Y. is interested in the Continuing Connected Transactions as disclosed in this circular.
- (c) Save as disclosed in 3(b) above, as at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which have been, since 31 December 2015, the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by, or leased to the Company or any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (d) Save as disclosed in 3(a) and 3(b) above, as at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at the date of the circular and which is significant in relation to the business of the Group.

4. CONSENT AND QUALIFICATION OF EXPERT

- (a) Messis Capital Limited is a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under SFO.
- (b) As at the Latest Practicable Date, Messis Capital Limited has no shareholding interest, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.
- (c) Messis Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which they respectively appear.

- (d) As at the Latest Practicable Date, Messis Capital Limited did not have any interest, direct or indirect, in any asset which since 31 December 2015, the date to which the latest published audited financial statements of the Group were made, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company during normal business hours from the date of this circular up to and including 5 December 2016:

- (a) the Master Supply Agreement;
- (b) the 2nd Master Supply Agreement;
- (c) the 3rd Master Supply Agreement;
- (d) the 4th Master Supply Agreement;
- (e) the 5th Master Supply Agreement;
- (f) the 6th Datatronic Master Supply Agreement;
- (g) the IPI Master Supply Agreement;
- (h) the Datronix Master Supply Agreement;
- (i) the service agreements with the Directors referred to in section 3(a) of this appendix;
- (j) the letter from the Independent Board Committee as set out in this circular;
- (k) the letter from Messis Capital Limited as set out in this circular;
- (l) the written consent of Messis Capital Limited referred to in section 4(c) of this appendix;
and
- (m) the circular dated 18 November 2016 in relation to the Continuing Connected Transactions.

7. 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.

NOTICE OF SPECIAL GENERAL MEETING



DATRONIX HOLDINGS LIMITED

連達科技控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 889)

NOTICE IS HEREBY GIVEN that a special general meeting of the shareholders of Datronix Holdings Limited (the “Company”) will be held at 19th Floor, North Point Industrial Building, 499 King’s Road, North Point, Hong Kong on Monday, 5 December 2016 at 3:00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions, with or without modification, as ordinary resolutions of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the Continuing Connected Transactions (as defined in a circular dated 18 November 2016 of the Company (the “Circular”)) and the cap amounts of the Continuing Connected Transactions for the three years ending 31 December 2017, 2018 and 2019 be and are hereby approved and confirmed; and
- (b) the board of directors of the Company be and is hereby authorized to do all such further acts and things and execute such further documents and take all such steps which in its opinion may be necessary, desirable and expedient to implement and/or give effect to the Continuing Connected Transactions (as defined in the Circular). For the avoidance of doubt, all such further acts and things and such further documents and all such steps to be done, executed or taken are limited to acts, things, documents and steps that are ancillary to the Datronix Master Supply Agreement (as defined in the Circular) and of administrative nature”

By order of the Board
Leung Sau Fong
Company Secretary

Hong Kong, 18 November 2016

Notes:

- 1. A member who is the holder of two or more shares in the Company may appoint one or more proxies. A proxy need not be a member of the Company but must be present to represent the member.
- 2. In the case of the joint holders of shares in the Company, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation, either under seal, or under the hand of an officer or attorney or other person duly authorised, and must be deposited with the Hong Kong branch share registrar of the Company, Hong Kong Registrars Limited at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) not less than 48 hours before the time fixed for holding of the special general meeting or any adjournment thereof.
- 3. A form of proxy for use at the special general meeting is enclosed.

* For identification purposes only