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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board of directors (the “Board”) of Datronix Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2018 together with comparative figures in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended 30 June 2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
	Note		
Revenue	3	153,831	141,268
Cost of sales		(101,337)	(104,881)
Gross profit		52,494	36,387
Other revenue and gain	3	5,936	6,819
Distribution and selling expenses		(7,548)	(6,885)
Administrative expenses		(35,239)	(30,150)
Profit before income tax expense	5	15,643	6,171
Income tax expense	6	(2,505)	(2,371)
Profit for the period and attributable to owners of the Company		13,138	3,800
Other comprehensive income, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		13	224
Other comprehensive income for the period and attributable to owners of the Company, net of tax		13	224
Total comprehensive income for the period and attributable to owners of the Company		13,151	4,024
Earnings per share			
- Basic and diluted	8	HK\$0.041	HK\$0.012

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**AS AT 30 JUNE 2018**

	Note	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		227,937	230,088
Investment property		98,500	98,500
Payment for leasehold land held for own use under operating leases		3,487	3,544
Goodwill		9,486	9,486
Deferred tax asset		2,191	2,191
		341,601	343,809
CURRENT ASSETS			
Inventories		72,944	80,682
Amount due from ultimate holding company		77	77
Amount due from related companies		151	151
Tax prepayment		171	1,573
Prepayments, deposits and other receivables		4,678	3,677
Trade receivables	9	30,097	26,526
Cash and cash equivalents		416,485	402,453
		524,603	515,139
CURRENT LIABILITIES			
Trade and other payables	10	24,426	23,143
Current tax liabilities		971	1,109
		25,397	24,252
NET CURRENT ASSETS		499,206	490,887
TOTAL ASSETS LESS CURRENT LIABILITIES		840,807	834,696
NON-CURRENT LIABILITIES			
Employee benefits		19,985	19,985
Deferred tax liabilities		32,573	32,573
		52,558	52,558
NET ASSETS		788,249	782,138
EQUITY			
Share capital	11	32,000	32,000
Reserves		756,249	750,138
TOTAL EQUITY		788,249	782,138

*Notes:***1. Basis of preparation**

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” and other relevant HKASs, Interpretations and Hong Kong Financial Reporting Standards (hereinafter collectively referred to as the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. Accounting policies

The accounting policies and basis of preparation adopted in these condensed consolidated interim financial statements are consistent with those adopted in the Group’s annual consolidated financial statements for the year ended 31 December 2017 except as described below.

In the current period, the Group has adopted, for the first time, the new/revised Hong Kong Financial Reporting Standards, which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by HKICPA, that are effective for accounting periods beginning on 1 January 2018 and which are relevant to its operations. The new/revised HKFRSs adopted by the Group in the unaudited condensed consolidated interim financial statements are set out below:

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investment in Associate and Joint Ventures
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transaction
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instrument with HKFRS 4 Insurance Contracts

The adoption of the new/revised HKFRSs had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early adopted the following new/revised HKFRSs that have been issued but not yet effective for the current accounting period.

Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
HKFRS 16	Leases ¹
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²

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

² The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group’s financial statements.

3. Revenue and other revenue**a) Revenue**

Revenue represents the net invoiced value of goods sold.

b) Other revenue and gain

	Six months ended 30 June 2018 HK\$'000	2017 HK\$'000
Bank interest income	4,169	3,625
Exchange gain, net	-	1,512
Income from disposal of scrap materials	279	267
Rental income	1,488	1,415
	5,936	6,819

4. Segment information

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group is principally engaged in manufacturing and trading of electronic components in both Hong Kong and overseas markets. The Group's chief operating decision maker regularly reviews the consolidated financial information of the Group as a whole to assess the performance and consider there is only one operating segment for the Group.

Geographical information

The Group comprises the following main geographical segments:

	Revenue from external customers Six months ended 30 June 2018 HK\$'000	2017 HK\$'000
Hong Kong (place of domicile)	363	541
The PRC	11,957	10,807
The United States	135,135	122,882
European Union	3,294	4,723
Other countries	3,082	2,315
	153,468	140,727
	153,831	141,268

5. Profit before income tax expense

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

	Six months ended 30 June 2018 HK\$'000	2017 HK\$'000
Cost of inventories recognized as expenses	101,337	104,881
Amortisation of payment for leasehold land held for own use under operating leases	59	55
Depreciation of property, plant and equipment	2,817	2,612
Exchange loss/(gain), net (note 3)	3,341	(1,512)

6. Income tax expense

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

	Six months ended 30 June 2018 HK\$'000	2017 HK\$'000
Current tax – Hong Kong profits tax - provision for the period	1,262	1,535
Current tax – Overseas - provision for the period	189	813
- under provision in respect of prior years	1,054	23
	2,505	2,371

Hong Kong profits tax was calculated at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong during the period. Overseas taxation was calculated at the rates applicable in the respective jurisdictions.

7. Interim dividend

	Six months ended 30 June 2018 HK\$'000	2017 HK\$'000
Interim dividend declared, HK\$0.01 (2017: HK\$0.02) per ordinary share	3,200	6,400

On 15 August 2018, the Board has resolved to declare an interim dividend of HK\$0.01 (2017: HK\$0.02) per share in respect of the six months ended 30 June 2018, to shareholders whose names appear on the register of members of the Company on Friday, 14 September 2018.

8. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2018 was based on the profit attributable to the owners of the Company of approximately HK\$13,138,000 (six months ended 30 June 2017: HK\$3,800,000) and on the weighted average number of 320,000,000 (2017: 320,000,000) shares in issue during the period.

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding for both periods presented.

9. Trade receivables

Customers are generally offered a credit period ranging from 30 days to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The aging analysis of trade receivables is as follows:

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Within 30 days	20,059	16,952
31 to 60 days	7,853	7,378
61 to 90 days	1,755	1,420
Over 90 days	714	1,072
	30,381	26,822
Less: Allowance for doubtful debts	(284)	(296)
	30,097	26,526

10. Trade and other payables

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Trade payables	13,851	13,334
Other payables and accruals	10,575	9,809
	24,426	23,143

The aging analysis of trade payables is as follows:

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Within 30 days	6,936	6,783
31 to 60 days	4,649	3,838
61 to 90 days	1,419	1,821
Over 90 days	847	892
	13,851	13,334

11. Share capital

	Number of shares	Amount HK\$'000
Authorised ordinary shares of HK\$0.1 each At 1 January 2018 and 30 June 2018	1,000,000,000	100,000
Issued and fully paid ordinary shares of HK\$0.1 each At 1 January 2018 and 30 June 2018	320,000,000	32,000

INTERIM DIVIDEND

At the board meeting held on 15 August 2018, the Board has resolved to declare an interim dividend of HK\$0.01 (2017: HK\$0.02) per share, totaling HK\$3,200,000 (2017: HK\$6,400,000) in respect of the six months ended 30 June 2018 to shareholders whose names appear on the register of members of the Company on Friday, 14 September 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 12 September 2018 to Friday, 14 September 2018, both dates inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with Hong Kong Registrars Limited, the Company's branch share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 11 September 2018. The cheques for dividend payment will be sent on about Monday, 24 September 2018.

MANAGEMENT DISCUSSION & ANALYSIS**Business Review**

Datronix's first half of 2018 results are rejoiced by the continuous momentum from last year. Our customers have continued to ramp up their demand and new programs has been developing. Revenue reached to HK\$153.8 million for the first six months of 2018, increase from HK\$141.3 million or 9% from comparable period of last year.

Gross profit for the first six months of 2018 reported at HK\$52.5 million, increased from HK\$36.4 million for the same period of last year. During the second quarter of 2018, Reiminbi has been pressured and Datronix reported an exchange loss of approximately HK\$3.3 million for the first six months of 2018. We believe the Renminbi depreciation will continue as long as the trade war continues. For the six months ended 30 June 2018, net profit was HK\$13.1 million, an increase of HK\$9.3 million from comparable period last year.

Our financial position remained healthy with no debt issuance for the first half of 2018. Cash generate from operations was HK\$17.6 million.

Market Review*Communication and Networking*

Communication segment contributed HK\$42.7 million of sales for the first six months of 2018, an increase of 15% compared to HK\$37.2 million for the comparable period of last year. This segment contributed 28% of the Group's total revenue.

Data Processing

Data processing segment contributed 7% of the Group's revenue. Sales for this segment were HK\$10.7 million for the first half of 2018, compare to HK\$7.1 million for the six months ended 2017.

Industrial Application

For the first six month of 2018, industrial application segment sales reached to HK\$53.9 million, compared to HK\$52.8 million in same period of 2017. This segment contributed 35% of the Group's total revenue.

High Precision and Reliability Segment

This segment demands precise technology, advance technical know-how and good workmanship by the Group. The segment reported HK\$46.5 million for the first half of 2018, an increase of 5% from the same period of 2017. This segment contributed 30% of our total sales.

Financial Review

For the six months period ended 30 June 2018, Group sales reported HK\$153.8 million, an increase of HK\$12.5 million, compared to same period of 2017. Our gross profit was HK\$52.5 million, compared to HK\$36.4 million for the first half of 2017. Gross margin increased from 25.7% to 34.1%.

Operating profit of first half of 2018 increased from HK\$6.2 million to HK\$15.6 million when compared to same period of 2017. The net profit reported HK\$13.1 million, compared to HK\$3.8 million for the six months period ended 30 June 2017. Earnings per share of the first half of 2017 was 4.1 cents, compared to 1.2 cents for the first half of 2017.

The Group maintained a healthy financial position with sufficient cash and no debt instrument was issued.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2018, the Group had a total equity of approximately HK\$788.2 million (31 December 2017: HK\$782.1 million), and cash and cash equivalents of approximately HK\$416.5 million (31 December 2017: HK\$402.5 million), which were predominately denominated in US dollars and Renminbi.

For the six months ended 30 June 2018, the Group had not arranged for any banking facilities and other resources for financing. With the above cash on hand, the Group has adequate resources to meet its working capital needs in the near future.

Capital expenditure for the period under review amounted to approximately HK\$0.7 million (six months ended 30 June 2018: HK\$0.6 million).

Employees and Remuneration Policies

As at 30 June 2018, the Group employed approximately 1,060 personnel around the world, with approximately 104 in Hong Kong, 925 in the People's Republic of China and 31 overseas. The Group has a staff education sponsorship program and also provides training courses to staff on operational system, product and technology development, and product safety.

Capital Commitments

As at 30 June 2018, the Group has capital commitment contracted but not provided for in the financial statements in respect of property, plant and equipment approximately HK\$0.4 million (31 December 2017: Nil).

Contingent Liabilities

The Group did not have any material contingent liability as at 30 June 2018 (31 December 2017: Nil).

Looking Forward

Despite the optimistic demand during the first half of 2018, management believe that our sales may be adversely impacted by the Trump Tariffs as our product demand is sensitive to any price changes. Our management will continuously monitor our pricing and other alternative strategy to mitigate the risk.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2018.

AUDIT COMMITTEE

The audit committee has reviewed the unaudited interim results and discussed with the Board the financial reporting process and internal control system of the Group.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices ("the Code") as set out in Appendix 14 to the Listing Rules throughout the accounting period covered by the interim report, except for the following deviations:

Code Provision A.2.1

Under the provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of chairman and chief executive officer of the Company have been performed by Mr. Siu Paul Y.. The Board considered that the non-segregation has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently.

Code Provision A.4.1

The non-executive directors were not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Bye-laws of the Company.

Code Provision A.4.2

Under the provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the Bye-laws of the Company, the chairman of the Company will not be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. All directors have confirmed, following specific enquiry of all directors, that they have fully complied with the required standard set out in the Model Code throughout the period under review.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of Hong Kong Exchange and Clearing Limited (“HKEx”) at www.hkex.com.hk and on the Company’s website at www.datronixhldgs.com.hk. The interim report of the Company will be dispatched to the shareholders and will be available on the websites of HKEx and the Company in due course.

DIRECTORS

As at the date of this announcement, the Board of the Company comprises Mr. Siu Paul Y. (Chairman), Ms. Shui Wai Mei (Vice-Chairman), Mr. Sheung Shing Fai and Ms. Siu Nina Margaret as Executive Directors, Mr. Chung Pui Lam, Mr. Lee Kit Wah and Mr. Wong Wah Sang, Derek as Independent Non-executive Directors.

By order of the Board

SIU Paul Y.

Chairman

Hong Kong, 15 August 2018

** For identification purposes only*