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 2019

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 2019 together with comparative figures in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Revenue	3	**146,670**	153,831
Cost of sales		**(97,503)**	(101,337)
Gross profit		**49,167**	52,494
Other revenue and gain	3	**6,377**	5,936
Distribution and selling expenses		**(8,686)**	(7,548)
Administrative expenses		**(35,670)**	(35,239)
Profit before income tax expense	5	**11,188**	15,643
Income tax expense	6	**(2,600)**	(2,505)
Profit for the period and attributable to owners of the Company		**8,588**	13,138
Other comprehensive income, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(443)**	13
Other comprehensive income for the period and attributable to owners of the Company, net of tax		**(443)**	13
Total comprehensive income for the period and attributable to owners of the Company		**8,145**	13,151
Earnings per share			
- Basic and diluted	8	**HK$0.027**	HK$0.041

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	**30 June 2019 (Unaudited)** *HK$'000*	31 December 2018 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**279,832**	278,481
Investment property		**103,800**	103,800
Payment for leasehold land held for own use under operating leases		**29,556**	3,311
Payment for acquisition of a land use right		**-**	12,190
Payment for acquisition of a property		**35,060**	11,002
Goodwill		**9,535**	9,486
Deferred tax asset		**1,173**	1,166
		458,956	419,436
CURRENT ASSETS			
Inventories		**75,815**	76,186
Amount due from ultimate holding company		**84**	84
Amount due from related companies		**174**	174
Tax prepayment		**-**	800
Prepayments, deposits and other receivables		**5,928**	8,608
Trade receivables	9	**37,783**	37,133
Cash and cash equivalents		**374,233**	404,991
		494,017	527,976
CURRENT LIABILITIES			
Trade and other payables	10	**25,345**	23,882
Current tax liabilities		**2,977**	2,057
		28,322	25,939
NET CURRENT ASSETS		**465,695**	502,037
TOTAL ASSETS LESS CURRENT LIABILITIES		**924,651**	921,473

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

AS AT 30 JUNE 2019

	Note	**30 June 2019 (Unaudited)** ***HK$'000***	31 December 2018 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Employee benefits		**19,278**	19,450
Deferred tax liabilities		**41,246**	41,241
		60,524	60,691
NET ASSETS		**864,127**	860,782
EQUITY			
Share capital	11	**32,000**	32,000
Reserves		**832,127**	828,782
TOTAL EQUITY		**864,127**	860,782

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 2018 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 2019 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:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatment
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes

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 HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 3	Definition of a Business[2]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for transactions that occur on or after 1 January 2020

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	
	2019	2018
	HK$'000	*HK$'000*
Bank interest income	**4,298**	4,169
Exchange gain, net	**381**	-
Income from disposal of scrap materials	**210**	279
Rental income	**1,488**	1,488
	6,377	5,936

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	
	2019	2018
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**322**	363
The PRC	**13,143**	11,957
The United States	**128,478**	135,135
European Union	**2,249**	3,294
Other countries	**2,478**	3,082
	146,348	153,468
	146,670	153,831

5. Profit before income tax expense

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Cost of inventories recognized as expenses	**97,503**	101,337
Amortisation of payment for leasehold land held for own use under operating leases	**300**	59
Depreciation of property, plant and equipment	**3,140**	2,817
Exchange loss/(gain), net *(note 3)*	**(381)**	3,341

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	
	2019	2018
	HK$'000	*HK$'000*
Current tax – Hong Kong profits tax		
- provision for the period	**1,023**	1,262
Current tax – Overseas		
- provision for the period	**1,475**	189
- under provision in respect of prior years	**102**	1,054
	2,600	2,505

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	
	2019	2018
	HK$'000	*HK$'000*
Interim dividend declared, HK$Nil (2018: HK$0.01) per ordinary share	**-**	3,200

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: HK$0.01).

8. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2019 was based on the profit attributable to the owners of the Company of approximately HK$8,588,000 (six months ended 30 June 2018: HK$13,138,000) and on the weighted average number of 320,000,000 (2018: 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 2019	31 December 2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 30 days	**21,673**	21,629
31 to 60 days	**12,145**	10,893
61 to 90 days	**3,882**	4,216
Over 90 days	**544**	854
	38,244	37,592
Less: Allowance for doubtful debts	**(461)**	(459)
	37,783	37,133

10. Trade and other payables

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Trade payables	**14,194**	13,524
Other payables and accruals	**11,151**	10,358
	25,345	23,882

The aging analysis of trade payables is as follows:

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Within 30 days	**8,444**	6,448
31 to 60 days	**3,324**	4,340
61 to 90 days	**1,538**	1,858
Over 90 days	**888**	878
	14,194	13,524

11. Share capital

	Number of shares	**Amount** *HK$'000*
Authorised ordinary shares of HK$0.1 each		
At 1 January 2019 and 30 June 2019	1,000,000,000	100,000
Issued and fully paid ordinary shares of HK$0.1 each		
At 1 January 2019 and 30 June 2019	320,000,000	32,000

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: HK$0.01 per share, totaling HK$3,200,000).

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

The first half of 2019 was a tough year to begin with. US economic growth has showed signs of slow down. The ongoing trade dispute the US and China has cut back on many investments. After a solid growth in year 2018, signs of slowdown due to economic and political changes had affected our customers' demand. Datronix reported revenue for the first half of 2019 at HK$ 146.7 million, while revenue reached HK$153.8 million for the same period of last year. Gross profit reported at HK$49.2 million compare to HK$52.5 million, for the same period of last year. As numerous factors affecting the manufacturing cost increase, gross margin was at 33.5% for the first six months of 2019 from 34.1% for comparable period in 2018.

Datronix had put effort in exploring opportunities in the Asia region in the first half of 2019. As a result, the operating costs for marketing and traveling expenses increased during this period. With the various manufacturing costs and operating expenses rose, our profit for the first half of 2019 was HK$8.6 million, compared to last year HK$13.1 million. Profit margin was at 5.9% and 8.5% respectively for the first half of 2019 and 2018.

Our financial position remained healthy with no debt issuance for the first half of 2019. Cash generate from operations was HK$13.3 million.

Market Review

Communication and Networking

Communication segment contributed HK$40.9 million of sales for the first six months of 2019, reduced 4% compared to HK$42.7 million for the comparable period of last year. This segment contributed 28% of the Group's total revenue.

Data Processing

Data processing segment contributed 6% of the Group's revenue. Sales for this segment were HK$9.4 million for the first half of 2019, compare to HK$10.7 million for the first six months ended 2018.

Industrial Application

For the first six months of 2019, industrial application segment sales reached to HK$55.9 million, compared to HK$53.9 million, an increase of 4% compare to the same period of 2018. This segment contributed 38% of the Group's total revenue.

High Precision and Reliability Segment

This segment demands precise technology, advance technical know-how and good workmanship by the Group. The segment reported HK$40.5 million for first half of 2019, compared to $46.5 million for the first six months in 2018. This segment contributed 28% of our total sales.

Financial Review

For the six months period ended 30 June 2019, Group sales reported HK$$146.7 million, a decrease of HK$7.2 million, compared to same period of 2018. Our gross profit was HK$49.2 million, compared to HK$52.5 million for the first half of 2018. Gross margin decreased from 34.1% to 33.5%.

Operating profit of first half of 2019 decreased from HK$15.6 million to HK$11.2 million when compared to same period of 2018. The net profit reported HK$8.6 million, compared to HK$13.1 million for the six months period ended 30 June 2018. Earnings per share of the first half of 2019 was 2.7 cents, compared to 4.1 cents for the first half of 2018.

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 2019, the Group had a total equity of approximately HK$864.1 million (31 December 2018: HK$860.8 million), and cash and cash equivalents of approximately HK$374.2 million (31 December 2018: HK$405.0 million), which were predominately denominated in US dollars and Renminbi.

For the six months ended 30 June 2019, the Group had not arranged any banking facilities and other resources for financing. With the above cash on hand, the Group has adequate resources to meet its working capital needs in the near future.

Capital expenditure for the period under review amounted to approximately HK$31.4 million (six months ended 30 June 2018: HK$0.7 million).

Employees and Remuneration Policies
As at 30 June 2019, the Group employed approximately 1,076 personnel around the world, with approximately 96 in Hong Kong, 949 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 2019, the Group has capital commitment contracted but not provided for in the financial statements in respect of property, plant and equipment approximately HK$136.7 million (31 December 2018: 139.9 million).

Contingent Liabilities
The Group did not have any material contingent liability as at 30 June 2019 (31 December 2018: Nil).

Looking Forward
The weakening global economy and rising trade tensions had added a lot of uncertainties in our forecast on our customer spending. Yet, our management is working closely with our customers with all possible endeavors to minimize the impact of tariff for both of us.

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 2019.

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, 8 August 2019

* *For identification purposes only*