DATRONIX HOLDINGS LIMITED
連達科技控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 889)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors (the "Board") of Datronix Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019 together with the comparative figures for the corresponding year of 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Revenue	*5*	**284,225**	312,644
Cost of sales		**(179,599)**	(189,298)
Gross profit		**104,626**	123,346
Other revenue and gain	*6*	**11,255**	13,247
Distribution and selling expenses		**(17,748)**	(16,195)
Administrative expenses		**(68,750)**	(73,098)
Fair value (loss) / gain on investment property		**(6,000)**	5,300
Finance costs		**(30)**	-
Profit before income tax expense	*7*	**23,353**	52,600
Income tax expense	*8*		
Current tax - tax for the year		**(4,751)**	(4,968)
- (under) / over provision in respect of prior years, net		**(20)**	969
Deferred tax expense		**(939)**	(632)
		(5,710)	(4,631)
Profit for the year and attributable to owners of the Company		**17,643**	47,969

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Profit for the year and attributable to owners of the Company		**17,643**	47,969
Other comprehensive income, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(1,637)**	(2,759)
Item that will not be reclassified to profit or loss:			
(Deficit) / surplus on revaluation of leasehold land and buildings held for own use		**(7,848)**	43,674
Other comprehensive income for the year and attributable to owners of the Company, net of tax		**(9,485)**	40,915
Total comprehensive income for the year and attributable to owners of the Company		**8,158**	88,884
Earnings per share - Basic and diluted	*9*	**HK$0.055**	HK$0.150

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

	Notes	**2019**	2018
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**361,470**	278,481
Investment property		**97,800**	103,800
Payment for leasehold land held for own use under operating leases		**-**	3,311
Payments for acquisition of land use right and a property		**34,666**	23,192
Payments for acquisition of property, plant and equipment		**10,158**	-
Goodwill		**9,486**	9,486
Deferred tax asset		**160**	1,166
		513,740	419,436
CURRENT ASSETS			
Inventories		**79,620**	76,186
Trade receivables	*10*	**33,090**	37,133
Prepayments, deposits and other receivables		**8,231**	8,608
Amount due from ultimate holding company		**91**	84
Amounts due from related companies		**203**	174
Tax prepayment		**-**	800
Cash and cash equivalents		**333,776**	404,991
		455,011	527,976
CURRENT LIABILITIES			
Trade and other payables	*11*	**40,500**	23,882
Amount due to a related company		**523**	-
Lease liabilities		**436**	-
Current tax liabilities		**3,802**	2,057
		45,261	25,939
NET CURRENT ASSETS		**409,750**	502,037
TOTAL ASSETS LESS CURRENT LIABILITIES		**923,490**	921,473
NON-CURRENT LIABILITIES			
Lease liabilities		**859**	-
Employee benefits		**18,806**	19,450
Deferred tax liabilities		**39,685**	41,241
		59,350	60,691
NET ASSETS		**864,140**	860,782

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019 (Continued)

	2019	2018
	HK$'000	***HK$'000***
EQUITY		
Share capital	**32,000**	32,000
Reserves	**832,140**	828,782
TOTAL EQUITY	**864,140**	860,782

Notes:

1. Statement of Compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rule").

2. Basis of Measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain leasehold land and buildings and investment property, which are measured at revalued amounts or fair values as explained in the accounting policies set out in the annual report.

3. Functional and Presentation Currency

The functional currency of the Company is Hong Kong dollars ("HK$"). Each entity in the Group maintains its books and records in its own functional currency. The consolidated financial statements are presented in HK$. The Board considered that it is more appropriate to present the financial statements in HK$ as the shares of the Company are listed on the Main Board of the Stock Exchange of Hong Kong Limited.

4. Adoption of HKFRSs

Adoption of new/revised HKFRSs – effective 1 January 2019

HKFRS 16	Leases
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015-2018 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

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

5. Segment Information

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

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

a) Geographical information

The following table sets out the information about the geographical location of the Group's revenue from external customers and non-current assets other than financial instruments ("Specified non-current assets").

The Group comprises the following main geographical segments:

	Revenue from contracts with external customers (by customers' location)		Specified non-current assets (by assets' location)	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**970**	743	**335,862**	354,352
The People's Republic of China ("PRC")	**22,610**	25,889	**116,011**	53,900
The United States of America ("US")	**250,102**	273,487	**11,828**	11,184
Vietnam	**-**	-	**50,039**	-
European Union	**4,441**	5,891	**-**	-
Other countries	**6,102**	6,634	**-**	-
	283,255	311,901	**177,878**	65,084
Total	**284,225**	312,644	**513,740**	419,436

b) Disaggregated revenue information

In the following table, revenue is disaggregated by major products and timing of revenue recognition.

	2019	2018
	HK$'000	*HK$'000*
Major products		
Electronic components	**284,225**	312,644
Timing of revenue recognition		
At a point in time	**284,225**	312,644

Disaggregation of revenue from contracts with customers by geographical markets is disclosed in note (a) above.

The following table provides information about trade receivables from contracts with customers:

	2019	2018
	HK$'000	*HK$'000*
Trade receivables from sales of electronic components	**33,090**	37,133

As at 31 December 2019, there was no contract assets as the Group has no unbilled revenue or retention money retained by its customers at the end of the reporting period.

Under HKFRS 15, advance receipts from customers in respect of the Group's sale contracts included in trade and other payables shall be reclassified to contract liabilities. The Group considers the amount of advance receipts from customers is immaterial to the financial statements and therefore the amount is not separately disclosed as contract liabilities.

5. Segment Information (continued)

c) Information about major customers

Revenue from contract with external customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2019	2018
	HK$'000	*HK$'000*
Customer A	**58,905**	71,111
Customer B	**50,125**	64,112
Customer C	**45,985**	39,037
	155,015	174,260

6. Other Revenue and Gain

	2019	2018
	HK$'000	*HK$'000*
Bank interest income	**7,912**	9,806
Income from disposal of scrap materials	**-**	244
Gain on disposal of property, plant and equipment, net	**42**	-
Rental income under operating lease	**2,976**	2,976
Sundry income	**325**	221
	11,255	13,247

7. Profit Before Income Tax Expense

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

	2019	2018
	HK$'000	*HK$'000*
Carrying amount of inventories sold	**180,281**	191,173
Reversal of write-down of inventories	**(682)**	(1,875)
Cost of inventories recognised as expenses	**179,599**	189,298
Auditor's remuneration	**810**	965
Amortisation of payments for leasehold land held for own use under operating leases	**-**	115
Depreciation charge of:		
- owned property, plant and equipment	**2,730**	5,656
- right-of-use assets included within		-
- ownership interests in leasehold land and buildings held for own use carried at fair value	**3,445**	-
- ownership interests in leasehold land held for own use carried at cost	**710**	-
- other properties leased for own use carried at cost	**405**	-
Exchange loss, net	**15**	10,852
(Gain) / loss on disposal of property, plant and equipment, net	**(42)**	5
Expected credit loss on trade receivables	**117**	175
Reversal of provision for impairment loss on trade receivables	**-**	(12)
Research and development expenditure	**5,424**	5,380
Direct operating expense arising from investment property that generated rental income during the year	**471**	465

8. Income Tax Expense

	2019	2018
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
- Provision for the year	**1,521**	2,782
- Over provision in respect of prior years	**(81)**	(566)
	1,440	2,216
Current tax – overseas		
- Provision for the year	**3,230**	2,186
- Under / (over) provision in respect of prior years	**101**	(403)
	3,331	1,783
Deferred tax expense	**939**	632
	5,710	4,631

Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits arising in Hong Kong, except for the first HK$2,000,000 of qualified entity's assessable profit is calculated at 8.25%, which is in accordance with the new two-tiered profits tax rates regime with effect from the year of assessment 2018/19.

The PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2018: 25%).

The US subsidiaries are subject to US Federal Corporate Income Tax at 21% (2018: 21%).

The Vietnam subsidiary is subject to Vietnam Corporate Income Tax at 20%. No provision for Vietnam Corporate Income Tax has been made as the Vietnam subsidiary has no assessable profits for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company of HK$17,643,000 (2018: HK$47,969,000) and on the 320,000,000 (2018: 320,000,000) ordinary shares in issue during the year.

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

10. Trade Receivables

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

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

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**18,057**	21,629
31 to 60 days	**9,177**	10,893
61 to 90 days	**4,442**	4,216
Over 90 days	**1,931**	854
	33,607	37,592
Less: Loss allowances for impairment	**(517)**	(459)
	33,090	37,133

11. Trade and Other Payables

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**11,171**	13,524
Other payables and accruals	**12,450**	10,358
Fee and retention payables for construction of manufacturing plants	**16,879**	-
	40,500	23,882

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

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**5,795**	6,448
31 to 60 days	**3,378**	4,340
61 to 90 days	**1,062**	1,858
Over 90 days	**936**	878
	11,171	13,524

12. Retained Earnings

The Group's profit after the proposed final dividend, of approximately HK$564,607,000 (2018: HK$553,364,000) is retained and carried forward.

13. Dividends

The Board proposed a final dividend of HK$0.02 per share (2018: HK$0.015 per share), totaling HK$6,400,000 in respect of the year ended 31 December 2019 (2018: HK$4,800,000). No interim dividend was paid during the year (2018: HK$0.01 per share).

14. Events After The Reporting Date

The Coronavirus outbreak poses a serious public health threat. In response, the China Government has taken a number of actions, including the isolation of certain cities in areas most significantly affected, an extension of public holidays, and restrictions on the movement of people. The operation of factory located in Shunde has been affected and suspended for a period of time in February 2020. Up to the date of approval of these financial statements, the operation of factory has been resumed.

FINAL DIVIDEND

The Board proposed a final dividend of HK$0.02 per share in respect of the year ended 31 December 2019 subject to the approval of the shareholders at the Company's annual general meeting to be held on Wednesday, 3 June 2020 ("AGM"). The proposed final dividend is expected to be paid on Tuesday, 23 June 2020, to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 12 June 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 28 May 2020 to Wednesday, 3 June 2020, both dates inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with Hong Kong Registrars Limited, the Company's branch share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 27 May 2020.

The proposed final dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting. The register of members of the Company will be closed from Wednesday, 10 June 2020 to Friday, 12 June 2020, both dates inclusive, during which period no transfer of shares will be registered. To qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with Hong Kong Registrars Limited, the Company's branch share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 9 June 2020. The cheques for dividend payment will be sent on about Tuesday, 23 June 2020.

SCOPE OF WORK OF BDO LIMITED

The figures in respect the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

MANAGEMENT DISCUSSION & ANALYSIS

Overview

Datronix has faced numerous challenges in the year of 2019. Having experienced the trade war in early 2019, it then came to the Coronavirus outbreak. Both factors have diminished the optimism about prospects of an incipient stabilization of global growth for year 2019 and moving forward to year 2020. With the virus continuing to spread, it is still too early to make a final assessment of the impact on the global economy.

As a result, Datronix revenue recorded HK$284.2 million in year 2019, a decrease of 9.1% from year 2018 during this distressed period. Gross margin remains stable at 36.8%, totalled at HK$104.6 million, compared to last year at HK$123.3 million. Operating profit was HK$23.4 million due to revaluation loss on our investment property of HK$6 million during the year.

For the year 2019, net profit reported HK$17.6 million, compared with last year HK$48.0 million. Net profit margin at 6.2%. As at 31 December 2019, Datronix balance sheet remains stale, with cash balance at HK$333.8 million, no issuance of any bank loan.

Market Review

Communication and Networking

Communication segment reported HK$71.5 million for year 2019, compared to HK$ 85.7 million in 2018, a decrease of 17%. This segment contributed 25% of the Group's total turnover. This segment showed a steady performance for year 2019.

Data Processing

Sales for this segment were HK$19.7 million in 2019, a decrease of 16% from HK$23.5 million in 2018. Data processing segment contributed 7% of the Group's turnover.

Industrial Application

Industrial application segment sales reported at HK$112.6 million in 2019 compared to HK$111.3 million in 2018, an improvement of 1%. The industrial application segment contributed 39% of the Group revenue.

High Precision and Reliability Segment

This segment demands precise technology, advance technical know-how and good workmanship by the Group. The sophistication of workmanship aids the Group to achieve a higher margin on our products. Sales on high reliability segment reported HK$80.4 million in 2019, compare to HK$92.1 million in 2018, a decrease of 13%. This segment contributed 29% of the Group's revenue.

Achievement and Awards

Datronix was honoured to receive the "Supplier Excellence Award" in recognition of the Group's outstanding performance for the past 20 years presented by Micro Systems Engineering during this year. In recognition of our quality, value of our products and of the Group's service and performance, Datronix has to date received 42 awards from our customers.

Looking Forward

The impact on the Coronavirus outbreak has been devastating. The fear of contagious has led to temporary shutdown of factories around the world, which also hurt our supply chain. This led to more disruption to our manufacturing and operations globally. Yet, the Group has solid financial background to weather during the difficult period and we have tried to capture this outbreak as opportunities to capture and market to our customers which our competitors were not able to survive.

Datronix is engaging to explore more opportunities during the downside of the economy. We hope the epidemic situation around the globe can come to an end and the economy can resume as soon as possible.

Business and Financial Review
Revenue for year 2019 reported at HK$284.2 million, a decrease of 9.1% compared to HK$312.6 million in same period of last year. Gross profit margin was 36.8% compared to 39.5% in 2018. Our operating profit was HK$23.4 million, a decrease of 55.6% when compared to the same period of last year. Profit attribute to shareholders was HK$17.6 million in 2019 while we reported HK$48.0 million in 2018.

Liquidity, Financial Resources and Capital Structure
As at 31 December 2019, the Group had a total equity of approximately HK$864.1 million (2018: HK$860.8 million), and cash and cash equivalents of approximately HK$333.8 million (2018: HK$405.0 million), which were predominately denominated in US dollars and Renminbi.

For the year ended 31 December 2019, the Group had not arranged for any banking facilities and other resources for financing. With the above cash on hand, the Group has adequate resources to meet its working capital needs in the near future.

The Group has strong financial position. There were no bank and other loan for the year ended 31 December 2019.

The Group had limited exposure to foreign exchange fluctuations in normal business transactions as most of its accounts receipts and payments are in US dollars.

Employees and Remuneration Policy
As at 31 December 2019, the Group employed approximately 1,018 personnel around the world, with approximately 99 in Hong Kong, 877 in the PRC and 42 overseas. The Group has a staff education sponsorship program and also provides training courses to staff on operation system, product and technology development, and product safety.

The remuneration policy for the Group's employees is reviewed by management on a regular basis. Competitive remuneration packages will be offered to employees based on business performance, market practices and the performance of individual employees. The Group has adopted a mandatory provident fund scheme for its Hong Kong employees.

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

Capital Commitments
The Group has capital commitment outstanding at the year end and contracted but not provided for property, plant and equipment of HK$92.4 million in the financial statement (2018: HK$139.9 million).

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES
Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year.

AUDIT COMMITTEE
The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2019 and discussed with the Board the financial reporting process and internal control system of the Group.

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

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

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

Code Provision A.4.1
The non-executive directors were not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Bye-laws of the Company.

Code Provision A.4.2

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of Hong Kong Exchange and Clearing Limited ("HKEx") at www.hkex.com.hk and on the Company's website at www.datronixhldgs.com.hk. The annual report 2019 of the Company will be dispatched to the shareholders and will be available on the websites of HKEx and the Company in due course.

DIRECTORS

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

By order of the Board
SIU Paul Y.
Chairman

Hong Kong, 25 March 2020

** For identification purposes only*