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 2020

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 2020 together with comparative figures in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Revenue	3	**108,945**	146,670
Cost of sales		**(74,175)**	(97,503)
Gross profit		**34,770**	49,167
Other revenue and gain	3	**6,107**	6,377
Distribution and selling expenses		**(9,736)**	(8,686)
Administrative expenses		**(36,180)**	(35,670)
Finance costs		**(24)**	-
(Loss)/Profit before income tax expense	5	**(5,063)**	11,188
Income tax expense	6	**(1,565)**	(2,600)
(Loss)/Profit for the period and attributable to owners of the Company		**(6,628)**	8,588
Other comprehensive income, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(3,054)**	(443)
Other comprehensive income for the period and attributable to owners of the Company, net of tax		**(3,054)**	(443)
Total comprehensive income for the period and attributable to owners of the Company		**(9,682)**	8,145
(Loss)/Earnings per share			
- Basic and diluted	8	**(HK$0.021)**	HK$0.027

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	**30 June 2020 (Unaudited)** ***HK$'000***	31 December 2019 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**421,775**	361,470
Investment property		**97,800**	97,800
Payment for acquisition of a land use right and a property		**-**	34,666
Prepayments for acquisition of property, plant and equipment		**4,675**	10,158
Goodwill		**9,486**	9,486
Deferred tax asset		**160**	160
		533,896	513,740
CURRENT ASSETS			
Inventories		**88,095**	79,620
Trade receivables	9	**27,882**	33,090
Amount due from ultimate holding company		**91**	91
Amount due from related companies		**203**	203
Tax prepayment		**1,197**	-
Prepayments, deposits and other receivables		**9,491**	8,231
Cash and cash equivalents		**275,098**	333,776
		402,057	455,011
CURRENT LIABILITIES			
Trade and other payables	10	**27,710**	40,500
Amount due to a related company		**-**	523
Lease liabilities		**436**	436
Current tax liabilities		**925**	3,802
		29,071	45,261
NET CURRENT ASSETS		**372,986**	409,750
TOTAL ASSETS LESS CURRENT LIABILITIES		**906,882**	923,490

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CONTINUED

AS AT 30 JUNE 2020

	Note	**30 June 2020 (Unaudited)** *HK$'000*	31 December 2019 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**644**	859
Employee benefits		**18,495**	18,806
Deferred tax liabilities		**39,685**	39,685
		58,824	59,350
NET ASSETS		**848,058**	864,140
EQUITY			
Share capital	11	**32,000**	32,000
Reserves		**816,058**	832,140
TOTAL EQUITY		**848,058**	864,140

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 2019 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 2020 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:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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.

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	
	2020	2019
	HK$’000	*HK$’000*
Bank interest income	**2,361**	**4,298**
Exchange gain, net	**-**	**381**
Income from disposal of scrap materials	**308**	**210**
Rental income	**1,488**	**1,488**
Employment support scheme	**1,950**	**-**
	6,107	**6,377**

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	
	2020	2019
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**139**	322
The PRC	**10,515**	13,143
The United States	**91,085**	128,478
European Union	**1,941**	2,249
Other countries	**5,265**	2,478
	108,806	146,348
	108,945	146,670

5. (Loss)/Profit before income tax expense

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

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Cost of inventories recognized as expenses	**74,175**	97,503
Amortisation of payment for leasehold land held for own use under operating leases	**-**	300
Depreciation charge of:		
- owned property, plant and equipment	**1,519**	3,140
- right-of-use assets included within		-
- ownership interest in leasehold land and buildings held for own use carried at fair value	**2,141**	-
- ownership interests in leasehold land held for own use carried at cost	**381**	-
- other properties leased for own use carried at cost	**224**	-
Exchange loss/(gain), net *(note 3)*	**997**	(381)

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	
	2020	2019
	HK$'000	*HK$'000*
Current tax – Hong Kong profits tax		
- provision for the period	**63**	1,023
Current tax – Overseas		
- provision for the period	**1,471**	1,475
- under provision in respect of prior years	**31**	102
	1,565	2,600

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	
	2020	2019
	HK$'000	*HK$'000*
Interim dividend declared, HK$0.01 (2019: HK$ Nil) per ordinary share	**3,200,000**	-

At the board meeting held on 21 August 2020, the Board has resolved to declare an interim dividend of HK$0.01 (2019: HK$Nil) per share in respect of the six months ended 30 June 2020, to shareholders whose names appear on the register of members of the Company on Friday, 18 September 2020.

8. (Loss)/Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2020 was based on the loss attributable to the owners of the Company of approximately HK$6,628,000 (six months ended 30 June 2019 was based on the profit attributable to the owners of the Company of approximately HK$8,588,000) and on the weighted average number of 320,000,000 (2019: 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 2020	31 December 2019
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 30 days	**16,717**	18,057
31 to 60 days	**8,778**	9,177
61 to 90 days	**2,275**	4,442
Over 90 days	**2,126**	1,931
	29,896	33,607
Less: Loss allowances for impairment	**(2,014)**	(517)
	27,882	33,090

10. Trade and other payables

	30 June 2020 (Unaudited) *HK$'000*	31 December 2019 (Audited) *HK$'000*
Trade payables	**12,673**	11,171
Other payables and accruals	**13,410**	12,450
Fee and retention payables for construction of manufacturing plants	**1,627**	16,879
	27,710	40,500

The aging analysis of trade payables is as follows:

	30 June 2020 (Unaudited) *HK$'000*	31 December 2019 (Audited) *HK$'000*
Within 30 days	**6,146**	5,795
31 to 60 days	**4,018**	3,378
61 to 90 days	**1,801**	1,062
Over 90 days	**708**	936
	12,673	11,171

11. Share capital

	Number of shares	**Amount** *HK$'000*
Authorised ordinary shares of HK$0.1 each		
At 1 January 2020 and 30 June 2020	1,000,000,000	100,000
Issued and fully paid ordinary shares of HK$0.1 each		
At 1 January 2020 and 30 June 2020	320,000,000	32,000

INTERIM DIVIDEND

At the board meeting held on 21 August 2020, the Board has resolved to declare an interim dividend of HK$0.01 (2019: HK$ Nil) per share, totaling HK$3,200,000 (2019: HK$ Nil) in respect of the six months ended 30 June 2020 to shareholders whose names appear on the register of members of the Company on Friday, 18 September 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 16 September 2020 to Friday, 18 September 2020, 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, 15 September 2020. The cheques for dividend payment will be sent on about Wednesday, 23 September 2020.

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

The worldwide outbreak of the COVID-19 during the first half of 2020 has severely impacted the already destressed economy and political tension between the US and China. In response to the pandemic outbreak in the first quarter of 2020, our production has to temporary shutdown in China and operations have been disrupted. Global demand and economic activities had continued to show sign of weakness. As a result, Datronix earnings and results had been negatively affected.

Datronix reported revenue for the first half of 2020 at HK$108.9 million, while revenue recorded HK$146.7 million for the same period of last year. Gross profit reported at HK$34.8 million compare to HK$49.2 million, for the same period of last year. Gross margin was at 31.9% for the first six months of 2020, whereas for the same period of 2019, gross margin was at 33.5%. Our result for the first half of 2020 was a loss of HK$6.6 million, compared to last year profit of HK$8.6 million. The margin was at -6.1% and 5.9% respectively for the first half of 2020 and 2019.

Our financial position remained healthy with no debt issuance for the first half of 2020.

Market Review

Communication and Networking

Communication segment contributed HK$32.1 million of sales for the first six months of 2020, reduced 21% compared to HK$40.9 million for the comparable period of last year. This segment contributed 29% of the Group’s total revenue.

Data Processing

Data processing segment contributed 7% of the Group’s revenue. Sales for this segment were HK$7.0 million for the first half of 2020, compare to HK$9.4 million for the first six months ended 2019.

Industrial Application

For the first six months of 2020, industrial application segment sales were HK$37.1 million, compared to HK$55.9 million, a decrease of 33% compare to the same period of 2019. This segment contributed 34% 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$32.7 million for first half of 2020, compared to $40.5 million for the first six months in 2019. This segment contributed 30% of our total sales.

Financial Review

For the six months period ended 30 June 2020, Group sales reported HK$$108.9 million, a decrease of HK$37.8 million, compared to same period of 2019. Our gross profit was HK$34.8 million, compared to HK$49.2 million for the first half of 2019. Gross margin decreased from 33.5% to 31.9%.

Operating result of first half of 2020 decreased from a profit of HK$11.2 million to a loss of HK$5.1 million when compared to same period of 2019. The net loss reported HK$6.6 million, compared to a net profit of HK$8.6 million for the six months period ended 30 June 2019. Loss per share for the first half of 2020 was HK2.1 cents, compared to earnings per share of HK2.7 cents for the first half of 2019.

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 2020, the Group had a total equity of approximately HK$848.1 million (31 December 2019: HK$864.1 million), and cash and cash equivalents of approximately HK$275.1 million (31 December 2019: HK$333.8 million), which were predominately denominated in US dollars and Renminbi.

For the six months ended 30 June 2020, 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$66.2 million (six months ended 30 June 2019: HK$31.4 million).

Employees and Remuneration Policies
As at 30 June 2020, the Group employed approximately 1,011 personnel around the world, with approximately 96 in Hong Kong, 794 in the People's Republic of China and 121 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 2020, the Group has capital commitment contracted but not provided for in the financial statements in respect of property, plant and equipment approximately HK$74.2 million (31 December 2019: HK$92.4 million).

Contingent Liabilities
The Group did not have any material contingent liability as at 30 June 2020 (31 December 2019: Nil).

Looking Forward
The repercussion of uncertainties on the COVID-19 pandemic and the trade war will continue to poised challenges to the Group. The timing for recovery and the resumption of normalized business activities have yet too early to be determined. Datronix is committed to stay resilient and flexible and take on any opportunities when it comes. Our challenge is to optimize our results in the face of it.

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 2020.

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, 21 August 2020

** For identification purposes only*