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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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 together with the comparative figures for the corresponding year of 2019 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Revenue</b>	5	<b>230,806</b>	284,225
Cost of sales		(150,915)	(179,599)
<b>Gross profit</b>		<b>79,891</b>	104,626
Other revenue and gains	6	12,791	11,255
Distribution and selling expenses		(17,217)	(17,748)
Administrative expenses		(63,685)	(68,750)
Fair value loss on investment property		(15,800)	(6,000)
Finance costs		(44)	(30)
<b>(Loss) / profit before income tax expense</b>	7	<b>(4,064)</b>	23,353
Income tax expense	8		
Current tax - tax for the year		(3,459)	(4,751)
- over / (under) over provision in respect of prior years, net		33	(20)
Deferred tax credit / (expense)		582	(939)
		<b>(2,844)</b>	(5,710)
<b>(Loss) / profit for the year and attributable to owners of the Company</b>		<b>(6,908)</b>	17,643

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
(CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	<i>Notes</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>(Loss) / profit for the year and attributable to owners of the Company</b>		<u><b>(6,908)</b></u>	<u>17,643</u>
<b>Other comprehensive income, net of tax</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		<b>15,980</b>	(1,637)
Item that will not be reclassified to profit or loss:			
Surplus / (deficit) on revaluation of leasehold land and buildings held for own use		<u><b>1,977</b></u>	<u>(7,848)</u>
<b>Other comprehensive income for the year and attributable to owners of the Company, net of tax</b>		<u><b>17,957</b></u>	<u>(9,485)</u>
<b>Total comprehensive income for the year and attributable to owners of the Company</b>		<u><b>11,049</b></u>	<u>8,158</u>
<b>(Loss) / earnings per share</b>			
- Basic and diluted	9	<u><b>(HK\$0.022)</b></u>	<u>HK\$0.055</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2020**

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	<b>2019</b> <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>487,073</b>	361,470
Investment property		<b>82,000</b>	97,800
Payments for acquisition of properties		<b>1,134</b>	34,666
Prepayments for acquisition of property, plant and equipment		<b>310</b>	10,158
Goodwill		<b>9,486</b>	9,486
Deferred tax asset		<b>137</b>	160
		<b>580,140</b>	513,740
<b>CURRENT ASSETS</b>			
Inventories		<b>83,687</b>	79,620
Trade receivables	<i>10</i>	<b>23,584</b>	33,090
Prepayments, deposits and other receivables		<b>14,121</b>	8,231
Amount due from ultimate holding company		<b>101</b>	91
Amounts due from related companies		<b>229</b>	203
Tax prepayment		<b>1,254</b>	-
Cash and cash equivalents		<b>256,722</b>	333,776
		<b>379,698</b>	455,011
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>11</i>	<b>30,108</b>	40,500
Amount due to a related company		<b>583</b>	523
Lease liabilities		<b>454</b>	436
Current tax liabilities		<b>501</b>	3,802
		<b>31,646</b>	45,261
<b>NET CURRENT ASSETS</b>			
		<b>348,052</b>	409,750
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>928,192</b>	923,490
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>405</b>	859
Employee benefits		<b>18,996</b>	18,806
Retention payable	<i>11</i>	<b>3,339</b>	-
Deferred tax liabilities		<b>39,863</b>	39,685
		<b>62,603</b>	59,350
<b>NET ASSETS</b>			
		<b>865,589</b>	864,140

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2020 (CONTINUED)**

	<i>Notes</i>	<b>2020</b>	<b>2019</b>
		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>EQUITY</b>			
Share capital		<b>32,000</b>	32,000
Reserves		<b>833,589</b>	832,140
<b>TOTAL EQUITY</b>		<b>865,589</b>	864,140

*Notes:***1. Statement of Compliance**

The consolidated financial statements have been prepared in accordance with all 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/amended HKFRSs – effective 1 January 2020

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

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 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.

### 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)	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Hong Kong (place of domicile)	398	970	314,857	335,862
The People's Republic of China ("PRC")	20,553	22,610	197,634	116,011
The United States of America ("US")	194,303	250,102	11,394	11,828
Vietnam	-	-	56,255	50,039
European Union	5,328	4,441	-	-
Other countries	10,224	6,102	-	-
	<u>230,408</u>	<u>283,255</u>	<u>265,283</u>	<u>177,878</u>
Total	<u>230,806</u>	<u>284,225</u>	<u>580,140</u>	<u>513,740</u>

### b) Disaggregated revenue information

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

	2020 HK\$'000	2019 HK\$'000
<b>Major products</b>		
Electronic components	<u>230,806</u>	<u>284,225</u>
<b>Timing of revenue recognition</b>		
At a point in time	<u>230,806</u>	<u>284,225</u>

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:

	2020 HK\$'000	2019 HK\$'000
Trade receivables from sale of electronic components	<u>23,584</u>	<u>33,090</u>

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	56,719	58,905
Customer B	41,673	50,125
Customer C	34,111	45,985
	<u>132,503</u>	<u>155,015</u>

**6. Other Revenue and Gains**

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	3,478	7,912
Gain on disposal of property, plant and equipment, net	-	42
Rental income under operating lease	3,100	2,976
Exchange gain, net	1,530	-
Government grants	4,391	-
Sundry income	292	325
	<u>12,791</u>	<u>11,255</u>

**7. (Loss) / Profit Before Income Tax Expense**

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Carrying amount of inventories sold	150,932	180,281
Reversal of write-down of inventories	<u>(17)</u>	<u>(682)</u>
Cost of inventories recognised as expenses	150,915	179,599
Auditor's remuneration	830	810
Depreciation charge of:		
- owned property, plant and equipment	4,301	2,730
- right-of-use assets included within		
- ownership interests in leasehold land and buildings held for own use carried at fair value	3,554	3,445
- ownership interests in leasehold land held for own use carried at cost	751	710
- other properties leased for own use carried at cost	448	405
Exchange (gain)/loss, net	(1,530)	15
Expected credit loss on trade and other receivables	2,777	117
Research and development expenditure	4,111	5,424
Direct operating expense arising from investment property that generated rental income during the year	<u>464</u>	<u>471</u>

**8. Income Tax Expense**

	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
- Provision for the year	<b>343</b>	1,521
- Over provision in respect of prior years	<b>(55)</b>	(81)
	<u><b>288</b></u>	<u>1,440</u>
Current tax – overseas		
- Provision for the year	<b>3,116</b>	3,230
- Under provision in respect of prior years	<b>22</b>	101
	<u><b>3,138</b></u>	<u>3,331</u>
Deferred tax (credit) / expense	<u><b>(582)</b></u>	<u>939</u>
	<u><b>2,844</b></u>	<u><b>5,710</b></u>

Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 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 two-tiered profits tax rates regime.

The PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2019: 25%).

The US subsidiaries are subject to US Federal Corporate Income Tax at 21% (2019: 21%).

The Vietnam subsidiary is subject to Vietnam Corporate Income Tax at 20% (2019: 20%). No provision for Vietnam Corporate Income Tax has been made as the Vietnam subsidiary has no assessable profits for the years.

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

**9. (Loss) / Earnings Per Share**

The calculation of basic (loss) / earnings per share is based on the loss attributable to the owners of the Company of HK\$6,908,000 (2019: profit attributable to the owners of the Company of HK\$17,643,000) and on the 320,000,000 (2019: 320,000,000) ordinary shares in issue during the year.

Diluted (loss) / earnings per share is the same as basic (loss) / 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:

	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
Within 30 days	<b>16,178</b>	18,057
31 to 60 days	<b>5,262</b>	9,177
61 to 90 days	<b>2,575</b>	4,442
Over 90 days	<b>482</b>	1,931
	<u><b>24,497</b></u>	<u>33,607</u>
Less: Loss allowances for impairment	<u><b>(913)</b></u>	<u>(517)</u>
	<u><b>23,584</b></u>	<u><b>33,090</b></u>



**11. Trade and Other Payables**

	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>Current liabilities</b>		
Trade payables	<b>11,537</b>	11,171
Other payables and accruals	<b>10,226</b>	12,450
Fee and retention payables for construction of manufacturing plants	<b>8,345</b>	16,879
	<b>30,108</b>	40,500
<b>Non-current liabilities</b>		
Retention payable	<b>3,339</b>	-

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

	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Within 30 days	<b>7,320</b>	5,795
31 to 60 days	<b>3,327</b>	3,378
61 to 90 days	<b>677</b>	1,062
Over 90 days	<b>213</b>	936
	<b>11,537</b>	11,171

**12. Dividends**

The Board proposed a final dividend of HK\$0.01 per share (2019: HK\$0.02 per share), totaling HK\$3,200,000 in respect of the year ended 31 December 2020 (2019: HK\$6,400,000). An Interim dividend of HK\$0.01 per share (2019: HK\$ Nil) was paid during the year.

**FINAL DIVIDEND**

The Board proposed a final dividend of HK\$0.01 per share in respect of the year ended 31 December 2020 subject to the approval of the shareholders at the Company's annual general meeting to be held on Thursday, 3 June 2021 ("AGM"). The proposed final dividend is expected to be paid on Wednesday, 23 June 2021, to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 11 June 2021.

**CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 28 May 2021 to Thursday, 3 June 2021, 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 Thursday, 27 May 2021.

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, 9 June 2021 to Friday, 11 June 2021, 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, 8 June 2021. The cheques for dividend payment will be sent on about Wednesday, 23 June 2021.

**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 2020 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

The economic and financial impact of the coronavirus pandemic created a severe and extensive shock globally. Given lasting changes in consumer and business preferences driven by the pandemic, as well as a global economy still running below potential, Datronix continues to face challenging outlook.

For year 2020, as a result of the pandemic, Datronix's business had been impacted negatively from the stressed economy and constrained in demand from our customers. Datronix revenue reported at HK\$230.8 million in 2020, compared to HK\$284.2 million for year 2019. Gross margin has dropped to 35.0%, with gross profit of HK\$79.9 million for year 2020.

We reported an operating loss of HK\$4.1 million due to impact on pandemic has slowed down our operation as well as increased our overhead costs, revaluation loss on our investment property; offset by the exchange rate gain and government subsidy.

Net loss reported at HK\$6.9 million for year 2020, compare to net profit of HK\$17.6 million last year. As of 31 December 2020, Datronix balance sheet remains stable, with cash balance at HK\$256.7 million, no issuance of any bank loan.

### Market Review

#### Communication and Networking

Communication segment reported HK\$67.5 million for year 2020, compared to HK\$71.5 million in 2019, down 6%. This segment contributed 29% of the Group's total revenue.

#### Data Processing

Sales for this segment were HK\$19.6 million in 2020, was flat compare to the sales in 2019. Data processing segment contributed 9% of the Group's turnover.

#### Industrial Application

Industrial application segment has been impacted hardly in 2020 due to projects and investment of our customers had been stagnant. Segment sales reported at HK\$ 79.2 million compared to HK\$ 112.6 million in 2019. The industrial application segment contributed 34% 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\$ 64.5 million in 2020, compare to HK\$ 80.4 million in 2019. This segment contributed 28% of the Group's revenue.

### Achievement and Awards

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

Reduced production as well as demand amid the coronavirus crisis affected the electronics industry in 2020. However, there is hope that the industry will recover quickly thereafter. With the anticipation of COVID-19 vaccines launches, we can expect the global economy will gradually resume its normal activities. We saw sign of positive demands in certain segment of industries we served. In the meantime, we will prudently manage our cost structure as well as identifying new opportunities.

**Business and Financial Review**

Revenue for year 2020 reported at HK\$230.8 million, a decrease of 18.8% compared to HK\$284.2 million in same period of last year. Gross profit margin was 34.6% compared to 36.8% in 2019. Our operating loss was HK\$4.1 million, when compared to operating profit of HK\$23.4 million for the same period of last year. Loss attributable to shareholders was HK\$6.9 million in 2020 while we reported profit attributable to shareholders of HK\$17.6 million in 2019.

**Liquidity, Financial Resources and Capital Structure**

As at 31 December 2020, the Group had a total equity of approximately HK\$865.6 million (2019: HK\$864.1 million), and cash and cash equivalents of approximately HK\$256.7 million (2019: HK\$333.8 million), which were predominately denominated in US dollars and Renminbi.

For the year ended 31 December 2020, 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 2020.

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 2020, the Group employed approximately 1,013 personnel around the world, with approximately 99 in Hong Kong, 674 in the PRC and 240 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 2020 (2019: 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\$33.2 million in the financial statements (2019: HK\$92.4 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 2020 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](http://www.hkex.com.hk) and on the Company’s website at [www.datronixhldgs.com.hk](http://www.datronixhldgs.com.hk). The annual report 2020 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 2021

*\* For identification purposes only*