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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 2024

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 2024 together with comparative figures in 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2024

		Six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	96,759	110,233
Cost of sales		(71,078)	(79,979)
Gross profit		25,681	30,254
Other revenue and gains, net	3	4,195	3,880
Distribution and selling expenses		(7,452)	(7,706)
Administrative expenses		(35,662)	(38,828)
Finance costs		(77)	(19)
Loss before income tax expense	5	(13,315)	(12,419)
Income tax expense	6	(1,748)	(1,559)
Loss for the period and attributable to owners of the Company		(15,063)	(13,978)
Other comprehensive income, net of tax			
Item that will not be reclassified to profit or loss:			
Changes in fair value of equity instruments designated at fair value through other comprehensive income		4,274	4,473
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(10,425)	(10,431)
Other comprehensive loss for the period and attributable to owners of the Company, net of tax		(6,151)	(5,958)
Total comprehensive loss for the period and attributable to owners of the Company		(21,214)	(19,936)
Loss per share			
- Basic and diluted	8	(HK\$0.047)	(HK\$0.044)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**AS AT 30 JUNE 2024**

		30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		453,107	467,492
Investment property		98,100	98,100
Equity instruments designated at fair value through other comprehensive income		38,431	29,656
Prepayments for acquisition of property, plant and equipment		-	339
Goodwill		9,486	9,486
Deferred tax asset		272	272
		599,396	605,345
CURRENT ASSETS			
Inventories		82,286	88,119
Trade receivables	9	16,756	31,783
Prepayments, deposits and other receivables		5,675	5,905
Amount due from ultimate holding company		137	137
Amount due from related companies		322	322
Tax prepayment		518	589
Cash and cash equivalents		154,792	145,176
		260,486	272,031
CURRENT LIABILITIES			
Trade and other payables	10	24,506	20,605
Amount due to a related company		1,084	832
Lease liabilities		1,028	1,029
Current tax liabilities		544	204
		27,162	22,670
NET CURRENT ASSETS		233,324	249,361
TOTAL ASSETS LESS CURRENT LIABILITIES		832,720	854,706

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CONTINUED**AS AT 30 JUNE 2024**

		30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
	Notes		
NON-CURRENT LIABILITIES			
Lease liabilities		922	1,430
Employee benefits		12,822	13,086
Deferred tax liabilities		26,908	26,908
		40,652	41,424
NET ASSETS			
		792,068	813,282
EQUITY			
Share capital	11	32,000	32,000
Reserves		760,068	781,282
TOTAL EQUITY		792,068	813,282

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 2023 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 2024 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 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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 gains, net

	Six months ended 30 June 2024 HK\$'000	2023 HK\$'000
Bank interest income	2,035	1,416
Fair value change in financial assets at fair value through profit or loss	-	151
Rental income under operating lease	1,080	1,080
Exchange gain, net	-	531
Dividend income arising from equity instruments designated at fair value through other comprehensive income	837	293
Sundry income	243	409
	4,195	3,880

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 2024	2023
	HK\$'000	HK\$'000
Hong Kong (place of domicile)	321	303
The PRC	5,261	4,690
The United States	84,621	95,557
European Union	1,328	1,629
Other countries	5,228	8,054
	96,438	109,930
	96,759	110,233

5. Loss before income tax expense

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

	Six months ended 30 June 2024	2023
	HK\$'000	HK\$'000
Cost of inventories recognised as expenses	71,078	79,979
Depreciation charge of:		
- owned property, plant and equipment	2,417	2,419
- right-of-use assets included within		
- ownership interest in leasehold land and buildings held for own use carried at fair value	5,607	6,108
- ownership interests in leasehold land held for own use carried at cost	341	367
- other properties leased for own use carried at cost	519	284
Exchange loss / (gain), net	159	(531)

6. Income tax expense

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

	Six months ended 30 June 2024 HK\$'000	2023 HK\$'000
Current tax – Hong Kong profits tax - provision for the period	928	1,315
Current tax – Overseas - provision for the period	1,084	(342)
- (over) / under provision in respect of prior years	(264)	586
	1,748	1,559

Hong Kong profits tax was calculated at the rate of 16.5% (2023: 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

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (2023: Nil).

8. Loss per share

The calculation of basic loss per share for the six months ended 30 June 2024 was based on the loss attributable to the owners of the Company of approximately HK\$15,063,000 (six months ended 30 June 2023: HK\$13,978,000) and on the weighted average number of 320,000,000 (2023: 320,000,000) shares in issue during the period.

Diluted loss per share is the same as basic loss 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 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Within 30 days	9,567	13,643
31 to 60 days	6,089	13,414
61 to 90 days	872	2,921
Over 90 days	1,710	3,287
	18,238	33,265
Less: Loss allowances for impairment	(1,482)	(1,482)
	16,756	31,783

10. Trade and other payables

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Trade payables	10,050	7,132
Other payables and accruals	14,055	11,204
Fee payables for construction of manufacturing plants	401	2,269
	24,506	20,605

The aging analysis of trade payables is as follows:

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Within 30 days	4,710	3,407
31 to 60 days	3,416	2,427
61 to 90 days	1,217	946
Over 90 days	707	352
	10,050	7,132

11. Share capital

	Number of shares	Amount HK\$'000
Authorised ordinary shares of HK\$0.1 each At 1 January 2024 and 30 June 2024	1,000,000,000	100,000
Issued and fully paid ordinary shares of HK\$0.1 each At 1 January 2024 and 30 June 2024	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 2024 (2023: Nil).

MANAGEMENT DISCUSSION & ANALYSIS**Business Review**

In the first half of 2024, Datronix's revenue was adversely affected by a combination of consumer and business spending trends, coupled with global inflationary pressures. The Group reported sales of HK\$96.8 million, down from HK\$110.2 million in the same period of 2023. Despite this revenue decline, the Group made concerted efforts to manage costs and mitigate the impact of inflation. As a result, the gross margin for the first six months of 2024 stood at 26.5%, a slight decrease from 27.4% in the comparable period of 2023.

Our operating performance was further impacted by softening demand, leading to a reported loss before income tax of HK\$13.3 million, a 7% increase. Moving forward, we remain committed to strategic cost management and operational efficiency to navigate these economic challenges.

Datronix operating loss was reported at HK\$13.3 million, with an increase of HK\$0.9 million compared with the first six months of 2023. Net loss for the first half of 2024 was at HK\$15.1 million, an increase of HK\$1.1 million, from the same period of 2023.

As of 30 June 2024, cash balance for the Group was at HK\$154.8 million, and no issuance of any bank loan.

Market Review*Communication and Networking*

Communication segment contributed HK\$18.9 million of sales for the first six months of 2024, a decrease of 14% compared to HK\$21.9 million for the comparable period of last year. This segment contributed 20% of the Group's total revenue.

Data Processing

Data processing segment contributed 17% of the Group's revenue. Sales decreased 22% for this segment were HK\$16.8 million for the first half of 2024, compare to HK\$21.6 million for the six months ended 2023.

Industrial Application

For the first six months of 2024, industrial application segment sales were HK\$32.2 million, compared to HK\$34.0 million, a decrease of 5% compare to the same period of 2023. This segment contributed 33% of the Group's total revenue.

High Precision and Reliability Segment

This segment demands precise technology, advanced technical know-how and good workmanship by the Group. The segment reported HK\$28.9 million for the first half of 2024, compared to HK\$32.7 million for the first six months in 2023. This segment contributed 30% of our total sales.

Financial Review

For the six months ended 30 June 2024, Group sales reported HK\$96.8 million, a decrease of 12%, compared to same period of 2023. Our gross profit was HK\$25.7 million, compared to HK\$30.3 million for the first half of 2023. Gross margin decreased slightly from 27.4% to 26.5%.

Operating result of first half of 2024 increased from a loss of HK\$12.4 million to HK\$13.3 million when compared to same period of 2023, an increase of HK\$0.9 million. The net loss reported HK\$15.1 million, compared to a net loss of HK\$14.0 million for the six months ended 30 June 2023. Loss per share for the first half of 2024 was HK4.7 cents, compared to loss per share of HK4.4 cents for the first half of 2023.

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 2024, the Group had a total equity of approximately HK\$792.1 million (31 December 2023: HK\$813.3 million), and cash and cash equivalents of approximately HK\$154.8 million (31 December 2023: HK\$145.2 million), which were predominately denominated in US dollars, HK dollars and Renminbi.

For the six months ended 30 June 2024, 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\$4.2 million (six months ended 30 June 2023: HK\$4.8 million).

Employees and Remuneration Policies

As at 30 June 2024, the Group employed approximately 830 personnel around the world, with approximately 90 in Hong Kong, approximately 400 in the People's Republic of China and approximately 340 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 2024, the Group has capital commitment contracted but not provided for in the financial statements in respect of property, plant and equipment approximately HK\$2.6 million (31 December 2023: HK\$1.6 million).

Contingent Liabilities

The Group did not have any material contingent liability as at 30 June 2024 (31 December 2023: Nil).

Looking Forward

Datronix Management remains cautious regarding the impact of inflation on commodity prices, political dynamics, and the interest rate outlook for the second half of the year. In response, we are proactively diversifying our revenue streams and implementing strategies to mitigate cost impacts. By staying agile and adaptive, we aim to navigate these economic challenges effectively.

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 2024.

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 provisions set out in the Corporate Governance Code (the "Code") as set out in Appendix C1 of the Listing Rules throughout the accounting period covered by the interim report, except for the following deviations:

Code Provision C.2.1

Under the provision C.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.. Given that all major decisions of the Company would be decided after thorough discussions by the Board (including Independent Non-executive Directors), the Board is of the view that there is sufficient balance of power and the current arrangement maintains a strong management position and consistent leadership of the Company.

Code Provision B.2.2

Under the provision B.2.2, 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 C3 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. Siu Ronald (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 Ronald

Vice Chairman

Hong Kong, 16 August 2024

** For identification purposes only*