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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 2023

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 2023 together with comparative figures in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2023

| | | Six months ended 30 June | |
|--|--------|--------------------------|-----------------|
| | | 2023 | 2022 |
| | | (Unaudited) | (Unaudited) |
| | | HK\$'000 | HK\$'000 |
| Revenue | Note 3 | 110,233 | 127,261 |
| Cost of sales | | (79,979) | (103,530) |
| Gross profit | | 30,254 | 23,731 |
| Other revenue and gain | Note 3 | 3,880 | 3,168 |
| Distribution and selling expenses | | (7,706) | (8,406) |
| Administrative expenses | | (38,828) | (36,378) |
| Finance costs | | (19) | (16) |
| Loss before income tax expense | Note 5 | (12,419) | (17,901) |
| Income tax expense | Note 6 | (1,559) | (763) |
| Loss for the period and attributable to owners of the Company | | (13,978) | (18,664) |
| Other comprehensive income, net of tax | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Changes in fair value of equity instruments designated at fair value through other comprehensive income | | 4,473 | (95) |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translating foreign operations | | (10,431) | (12,352) |
| Other comprehensive income for the period and attributable to owners of the Company, net of tax | | (5,958) | (12,447) |
| Total comprehensive income for the period and attributable to owners of the Company | | (19,936) | (31,111) |
| Loss per share | | | |
| - Basic and diluted | Note 8 | (HK\$0.044) | (HK\$0.058) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**AS AT 30 JUNE 2023**

| | Note | 30 June 2023 (Unaudited) <i>HK\$'000</i> | 31 December 2022 (Audited) <i>HK\$'000</i> |
|---|------|--|--|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 479,728 | 492,866 |
| Investment property | | 113,700 | 113,700 |
| Equity instruments designated at fair value through other comprehensive income | | 23,233 | 16,745 |
| Prepayments for acquisition of property, plant and equipment | | 189 | 189 |
| Goodwill | | 9,486 | 9,486 |
| Deferred tax asset | | 272 | 272 |
| | | 626,608 | 633,258 |
| CURRENT ASSETS | | | |
| Inventories | | 96,889 | 108,629 |
| Trade receivables | 9 | 31,945 | 33,769 |
| Prepayments, deposits and other receivables | | 4,115 | 6,341 |
| Amount due from ultimate holding company | | 122 | 122 |
| Amount due from related companies | | 286 | 286 |
| Tax prepayment | | 2,420 | - |
| Financial assets at fair value through profit or loss | | 5,698 | 7,904 |
| Cash and cash equivalents | | 140,681 | 136,772 |
| | | 282,156 | 293,823 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 10 | 22,587 | 19,781 |
| Amount due to a related company | | 830 | 1,055 |
| Lease liabilities | | 297 | 584 |
| Current tax liabilities | | 1,553 | 363 |
| | | 25,267 | 21,783 |
| NET CURRENT ASSETS | | 256,889 | 272,040 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 883,497 | 905,298 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CONTINUED**AS AT 30 JUNE 2023**

| | | 30 June 2023 | 31 December 2022 |
|--------------------------------|------|------------------------|------------------------|
| | | (Unaudited) | (Audited) |
| | Note | <i>HK\$'000</i> | <i>HK\$'000</i> |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | | 834 | 834 |
| Employee benefits | | 17,696 | 18,279 |
| Retention payable | | 2,326 | 3,608 |
| Deferred tax liabilities | | 32,299 | 32,299 |
| | | <u>53,155</u> | <u>55,020</u> |
| NET ASSETS | | <u>830,342</u> | <u>850,278</u> |
| EQUITY | | | |
| Share capital | 11 | 32,000 | 32,000 |
| Reserves | | 798,342 | 818,278 |
| TOTAL EQUITY | | <u>830,342</u> | <u>850,278</u> |

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 2022 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 2023 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 HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to HKAS 8 | Definition of Accounting Estimates |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |

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 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|---|-------------------------|
| Bank interest income | 1,416 | 362 |
| Fair value change of financial assets at fair value through profit or loss | 151 | - |
| Rental income under operating lease | 1,080 | 889 |
| Exchange gain, net | 531 | - |
| Government grants | - | 1,512 |
| Dividend income arising from equity instruments designated at fair value through other comprehensive income | 293 | - |
| Sundry income | 409 | 405 |
| | 3,880 | 3,168 |

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 | 2022 |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Hong Kong (place of domicile) | <u>303</u> | <u>178</u> |
| The PRC | 4,690 | 8,205 |
| The United States | 85,776 | 109,754 |
| European Union | 1,629 | 3,352 |
| Other countries | 17,835 | 5,772 |
| | <u>109,930</u> | <u>127,083</u> |
| | <u>110,233</u> | <u>127,261</u> |

5. Loss before income tax expense

Loss before income tax expense is stated after charging the following:

| | Six months ended 30 June | 2022 |
|---|---------------------------------|-----------------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Cost of inventories recognized as expenses | 79,979 | 103,530 |
| Depreciation charge of: | | |
| - owned property, plant and equipment | 2,419 | 2,252 |
| - right-of-use assets included within | | |
| - ownership interest in leasehold land and buildings held for own use carried at fair value | 6,108 | 3,655 |
| - ownership interests in leasehold land held for own use carried at cost | 367 | 378 |
| - other properties leased for own use carried at cost | 284 | 285 |
| Exchange loss, net | <u>-</u> | <u>201</u> |

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 2023 HK\$'000 | 2022 HK\$'000 |
|--|--|------------------|
| Current tax – Hong Kong profits tax | | |
| - provision for the period | 1,315 | 392 |
| - over provision in respect of prior years | - | (10) |
| Current tax – Overseas | | |
| - provision for the period | (342) | 424 |
| - (over) / under provision in respect of prior years | 586 | (43) |
| | <u>1,559</u> | <u>763</u> |

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 2023 HK\$'000 | 2022 HK\$'000 |
|---|--|------------------|
| Interim dividend declared, HK\$Nil (2022: HK\$0.01) per ordinary share | <u>-</u> | <u>3,200</u> |

The Board does not recommend the payment of an interim dividend for the six months period ended 30 June 2023 (2022: HK\$3,200,000).

8. Loss per share

The calculation of basic loss per share for the six months ended 30 June 2023 was based on the loss attributable to the owners of the Company of approximately HK\$13,978,000 (six months ended 30 June 2022: HK\$18,664,000) and on the weighted average number of 320,000,000 (2022: 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 2023 (Unaudited) HK\$'000 | 31 December 2022 (Audited) HK\$'000 |
|--------------------------------------|---|---|
| Within 30 days | 17,284 | 15,034 |
| 31 to 60 days | 7,940 | 9,728 |
| 61 to 90 days | 3,400 | 5,118 |
| Over 90 days | 4,152 | 4,720 |
| | <u>32,776</u> | <u>34,600</u> |
| Less: Loss allowances for impairment | (831) | (831) |
| | <u>31,945</u> | <u>33,769</u> |

10. Trade and other payables

| | 30 June 2023 (Unaudited) HK\$'000 | 31 December 2022 (Audited) HK\$'000 |
|--|--|---|
| Trade payables | 10,748 | 8,618 |
| Other payables and accruals | 11,304 | 10,604 |
| Fee and retention payables for construction of manufacturing plants | 535 | 559 |
| | <u>22,587</u> | <u>19,781</u> |

The aging analysis of trade payables is as follows:

| | 30 June 2023 (Unaudited) HK\$'000 | 31 December 2022 (Audited) HK\$'000 |
|----------------|--|---|
| Within 30 days | 4,890 | 3,916 |
| 31 to 60 days | 2,862 | 3,022 |
| 61 to 90 days | 1,516 | 1,046 |
| Over 90 days | 1,480 | 634 |
| | <u>10,748</u> | <u>8,618</u> |

11. Share capital

| | Number of shares | Amount HK\$'000 |
|---|-----------------------------|----------------------------|
| Authorised ordinary shares of HK\$0.1 each At 1 January 2023 and 30 June 2023 | <u>1,000,000,000</u> | <u>100,000</u> |
| Issued and fully paid ordinary shares of HK\$0.1 each At 1 January 2023 and 30 June 2023 | <u>320,000,000</u> | <u>32,000</u> |

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months period ended 30 June 2023 (2022: HK\$3,200,000).

MANAGEMENT DISCUSSION & ANALYSIS**Business Review**

The global economy experienced mixed sentiment. Though the impact of pandemic had passed, we still faced issues with high interest rate and inflation, consumer demands shrinking, and backlog increases. These factors all led to Datronix to face challenging environment in the first half of 2023. For the first six months of 2023, Datronix reported revenue of HK\$110.2 million, a decrease of 13% from the comparable period of 2022. The worst scenario during the pandemic experienced in early 2022 in China negatively impacted the operation and affected our gross margin. The situation had been resumed stable and operations have been back on track, and we reported a 27% gross margin, with HK\$30.3 million gross profit, an increase of 27%, or HK\$6.6 million from 2022.

Datronix operating loss was reported at HK\$12.5 million, with an improvement of HK\$5.4 million compared with the first six months of 2022. Net loss for the first half of 2023 was at HK\$14.0 million, an improvement of HK\$4.7 million, from the same period of 2022.

As of 30 June 2023, cash balance for the Group was at HK\$140.7 million, and no issuance of any bank loan.

Market Review*Communication and Networking*

Communication segment contributed HK\$21.9 million of sales for the first six months of 2023, a decrease of 22% compared to HK\$28.0 million for the comparable period of last year. This segment contributed 20% of the Group's total revenue.

Data Processing

Data processing segment contributed 20% of the Group's revenue. Sales increased 20% for this segment were HK\$21.6 million for the first half of 2023, compare to HK\$18.1 million for the six months ended 2022.

Industrial Application

For the first six months of 2023, industrial application segment sales were HK\$34.0 million, compared to HK\$48.6 million, a decrease of 30% compared to the same period of 2022. This segment contributed 30% 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\$32.7 million for the first half of 2023, compared to HK\$32.6 million for the first six months in 2022. This segment contributed 30% of our total sales.

Financial Review

For the six months period ended 30 June 2023, Group sales reported HK\$110.2 million, a decrease of 13%, compared to same period of 2022. Our gross profit was HK\$30.3 million, compared to HK\$23.7 million for the first half of 2022. Gross margin increased from 19% to 27%.

Operating result of first half of 2023 improved from net loss of HK\$17.9 million to HK\$12.5 million when compared to same period of 2022, an improvement of HK\$5.4 million. The net loss reported HK\$14.0 million, compared to a net loss of HK\$18.7 million for the six months period ended 30 June 2022. Loss per share for the first half of 2023 was HK4.4 cents, compared to loss per share of HK5.8 cents for the first half of 2022.

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 2023, the Group had a total equity of approximately HK\$830.3 million (31 December 2022: HK\$850.3 million), and cash and cash equivalents of approximately HK\$140.7 million (31 December 2022: HK\$136.8 million), which were predominately denominated in US dollars and Renminbi.

For the six months ended 30 June 2023, 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\$4.8 million (six months ended 30 June 2022: HK\$5.1 million).

Employees and Remuneration Policies

As at 30 June 2023, the Group employed approximately 1,035 personnel around the world, with approximately 94 in Hong Kong, 550 in the People's Republic of China and 391 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 2023, the Group has capital commitment contracted but not provided for in the financial statements in respect of property, plant and equipment approximately HK\$4.2 million (31 December 2022: HK\$6.9 million).

Contingent Liabilities

The Group did not have any material contingent liability as at 30 June 2023 (31 December 2022: Nil).

Looking Forward

Notwithstanding the challenges ahead, Datronix is exploring various opportunities in every aspect. We are actively pursuing to invest in automation on our production process to alleviate the reliance on labor and improve efficiencies. In addition, we are diversifying our product lines from our existing component line to consumer lines of business. Hence, Datronix is eager to continue to remain competitiveness in the long run.

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 2023.

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. Siu Ronald (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 Ronald

Executive Director

Hong Kong, 23 August 2023

** For identification purposes only*