

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2021

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 2021 together with the comparative figures for the corresponding year of 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	5	243,601	230,806
Cost of sales		(158,192)	(150,915)
Gross profit		85,409	79,891
Other revenue and gains	6	5,504	12,791
Distribution and selling expenses		(17,604)	(17,217)
Administrative expenses		(68,601)	(63,685)
Fair value gain / (loss) on investment property		2,200	(15,800)
Finance costs		(36)	(44)
Profit / (loss) before income tax expense	7	6,872	(4,064)
Income tax expense	8		
Current tax - tax for the year		(3,992)	(3,459)
- (under) / over provision in respect of prior years, net		(31)	33
Deferred tax credit		977	582
		(3,046)	(2,844)
Profit / (loss) for the year and attributable to owners of the Company		3,826	(6,908)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
Profit / (loss) for the year and attributable to owners of the Company		<u>3,826</u>	<u>(6,908)</u>
Other comprehensive income, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		5,819	15,980
Item that will not be reclassified to profit or loss:			
Surplus on revaluation of leasehold land and buildings held for own use		<u>9,355</u>	<u>1,977</u>
Other comprehensive income for the year and attributable to owners of the Company, net of tax		<u>15,174</u>	<u>17,957</u>
Total comprehensive income for the year and attributable to owners of the Company		<u>19,000</u>	<u>11,049</u>
Earnings / (loss) per share			
- Basic and diluted	9	<u>HK\$0.012</u>	<u>(HK\$0.022)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2021

	<i>Notes</i>	2021	2020
		HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		541,076	487,073
Investment property		84,200	82,000
Payments for acquisition of properties		-	1,134
Prepayments for acquisition of property, plant and equipment		2,490	310
Goodwill		9,486	9,486
Deferred tax asset		311	137
		<u>637,563</u>	<u>580,140</u>
CURRENT ASSETS			
Inventories		106,647	83,687
Trade receivables	<i>10</i>	29,904	23,584
Prepayments, deposits and other receivables		5,578	14,121
Amount due from ultimate holding company		112	101
Amounts due from related companies		257	229
Tax prepayment		1,223	1,254
Cash and cash equivalents		208,215	256,722
		<u>351,936</u>	<u>379,698</u>
CURRENT LIABILITIES			
Trade and other payables	<i>11</i>	42,143	30,108
Amount due to a related company		423	583
Lease liabilities		576	454
Current tax liabilities		2,272	501
		<u>45,414</u>	<u>31,646</u>
NET CURRENT ASSETS			
		<u>306,522</u>	<u>348,052</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>944,085</u>	<u>928,192</u>
NON-CURRENT LIABILITIES			
Lease liabilities		690	405
Employee benefits		19,424	18,996
Retention payable	<i>11</i>	4,510	3,339
Deferred tax liabilities		41,272	39,863
		<u>65,896</u>	<u>62,603</u>
NET ASSETS			
		<u>878,189</u>	<u>865,589</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2021 (CONTINUED)

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
EQUITY		
Share capital	32,000	32,000
Reserves	<u>846,189</u>	<u>833,589</u>
TOTAL EQUITY	<u><u>878,189</u></u>	<u><u>865,589</u></u>

*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 2021

Amendment to HKFRS 16

Covid-19-Related Rent Concession

Amendments to HKAS 39, HKFRS 4,

Interest Rate Benchmark Reform – Phase 2

HKFRS 7, HKFRS 9 and HKFRS 16

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)	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Hong Kong (place of domicile)	849	398	322,421	314,857
The PRC	17,585	20,553	248,018	197,634
The US	210,198	194,303	11,765	11,394
Vietnam	-	-	55,359	56,255
European Union	4,855	5,328	-	-
Other countries	10,114	10,224	-	-
	<u>242,752</u>	<u>230,408</u>	<u>315,142</u>	<u>265,283</u>
Total	<u>243,601</u>	<u>230,806</u>	<u>637,563</u>	<u>580,140</u>

b) Disaggregated revenue information

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

	2021 HK\$'000	2020 HK\$'000
Major products		
Electronic components	<u>243,601</u>	<u>230,806</u>
Timing of revenue recognition		
At a point in time	<u>243,601</u>	<u>230,806</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:

	2021 HK\$'000	2020 HK\$'000
Trade receivables from sale of electronic components	<u>29,904</u>	<u>23,584</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	56,184	56,719
Customer B	45,258	41,673
Customer C	39,682	34,111
	<u>141,124</u>	<u>132,503</u>

6. Other Revenue and Gains

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank interest income	1,055	3,478
Changes in expected credit loss on trade receivables	255	-
Changes in expected credit loss on other receivables	2,381	-
Rental income under operating lease	1,176	3,100
Exchange gain, net	181	1,530
Government grants	70	4,391
Sundry income	386	292
	<u>5,504</u>	<u>12,791</u>

7. Profit / (Loss) Before Income Tax Expense

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Carrying amount of inventories sold	162,987	150,932
Reversal of write-down of inventories	<u>(4,795)</u>	<u>(17)</u>
Cost of inventories recognised as expenses	158,192	150,915
Auditor's remuneration	830	830
Depreciation charge of:		
- owned property, plant and equipment	6,516	4,301
- right-of-use assets included within		
- ownership interests in leasehold land and buildings held for own use carried at fair value	4,840	3,554
- ownership interests in leasehold land held for own use carried at cost	757	751
- other properties leased for own use carried at cost	529	448
Changes in expected credit loss on trade receivables	(255)	396
Changes in expected credit loss on other receivables	(2,381)	2,381
Research and development expenditure	4,818	4,111
Direct operating expense arising from investment property that generated rental income during the year	<u>444</u>	<u>464</u>

8. Income Tax Expense

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
- Provision for the year	1,139	343
- Over provision in respect of prior years	(111)	(55)
	<u>1,028</u>	<u>288</u>
Current tax – overseas		
- Provision for the year	2,853	3,116
- Under provision in respect of prior years	142	22
	<u>2,995</u>	<u>3,138</u>
Deferred tax credit	(977)	(582)
	<u>3,046</u>	<u>2,844</u>

Hong Kong Profits Tax is calculated at the rate of 16.5% (2020: 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% (2020: 25%).

The US subsidiaries are subject to US Federal Corporate Income Tax at 21% (2020: 21%).

The Vietnam subsidiary is subject to Vietnam Corporate Income Tax at 20% (2020: 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. Earnings / (Loss) Per Share

The calculation of basic earnings/(loss) per share is based on the following data:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit/(loss) attributable to owners of the Company	<u>3,826</u>	<u>(6,908)</u>
	Number s of shares	
	2021	2020
Number of ordinary shares in issue	<u>320,000,000</u>	<u>320,000,000</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	17,425	16,178
31 to 60 days	6,611	5,262
61 to 90 days	2,211	2,575
Over 90 days	4,315	482
	<u>30,562</u>	<u>24,497</u>
Less: Loss allowances for impairment	<u>(658)</u>	<u>(913)</u>
	<u>29,904</u>	<u>23,584</u>

11. Trade and Other Payables

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current liabilities		
Trade payables	11,170	11,537
Other payables and accruals	12,921	10,226
Fee payables for construction of manufacturing plants	18,052	8,345
	<u>42,143</u>	<u>30,108</u>
Non-current liabilities		
Retention payable	<u>4,510</u>	<u>3,339</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	4,523	7,320
31 to 60 days	3,681	3,327
61 to 90 days	1,570	677
Over 90 days	1,396	213
	<u>11,170</u>	<u>11,537</u>

12. Dividends

The Board proposed a final dividend of HK\$0.01 per share (2020: HK\$0.01 per share), totaling HK\$3,200,000 in respect of the year ended 31 December 2021 (2020: HK\$3,200,000). An interim dividend of HK\$0.01 per share (2020: HK\$0.01) 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 2021 subject to the approval of the shareholders at the Company's annual general meeting to be held on Wednesday, 1 June 2022 ("AGM"). The proposed final dividend is expected to be paid on Tuesday, 21 June 2022, to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 10 June 2022.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting to be held on Tuesday, 1 June 2022, the register of members of the Company will be closed from Friday, 27 May 2022 to Wednesday, 1 June 2022, 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, 26 May 2022.

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, 8 June 2022 to Friday, 10 June 2022, 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, 7 June 2022. The cheques for dividend payment will be sent on about Tuesday, 21 June 2022.

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 2021 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

As the global economy gradually recovered from the COVID-induced recession of 2020, demand for manufactured goods showed improvement along with market sentiment has become more optimistic in 2021. Yet, for manufacturing sectors to recover to pre-COVID levels rely heavily on variety of resources including raw materials, labor and transportation. For Datronix, we saw a steady recovery of demand in 2021, while offset by certain industries which were still impacted by the pandemic. For year 2021, Datronix reported revenue of HK\$243.6 million, a 5.5% of growth from HK\$230.8 million from 2020.

Our gross margin remained flat at HK\$85.4 million due to pressure from inflation, supply chain challenges, freight costs increased, and material and labor shortages. Gross profit was at 35.1% and 34.6% respectively for year 2021 and 2020. Our profit before tax was at HK\$6.9 million for the year of 2021, mainly contributed to the fair value gain on investment property, while we reported an operating loss due to factors such as fair value loss on investment property, offset by government subsidy and social insurance waived in our PRC factory in year 2020. Net profit for the year reported at HK\$3.8 million, an increase from net loss of HK\$6.9 million for 2020. Profit margin was at 1.6% for year 2021.

As of 31 December 2021, Datronix balance sheet remains stable, with cash balance at HK\$208.2 million, and no issuance of any bank loan.

Market Review

Communication and Networking

Communication segment reported HK\$64.6 million for year 2021, compared to HK\$67.5 million in 2020, down 4%. This segment contributed 26% of the Group's total revenue.

Data Processing

Sales for this segment were HK\$31.4 million in 2021, an increase of 61% from 2020. The increase is due to the successful re-captured of an electronic instruments manufacturing business in the year of 2021 and is expected to grow steadily. Data processing segment contributed 13% of the Group's revenue.

Industrial Application

Industrial application segment's customers have gradually improved after being adversely impacted in 2020. Segment sales reported at HK\$87.2 million in 2021 compared to HK\$79.2 million, an increase of 10% from 2020. The industrial application segment contributed 36% of the Group's 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\$60.4 million in 2021, compare to HK\$64.5 million in 2020. This segment contributed 25% 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

We expected the industry demands and sentiment to be cautiously optimistic as the effect for pandemic has gradually faded. Yet, we foresee significant risk and challenges due to raw material, energy, transportation, and labor costs across the globe. Datronix is increasingly concern with the continued and accelerated inflation will slow demand growth, ultimately curtailing manufacturing production and output. Ability to adjust prices is the key to preserve margin for Datronix for the coming years, and our management team will put our endeavor to achieve this.

Business and Financial Review

Revenue for year 2021 reported at HK\$243.6 million, an increase of 5.5% compared to HK\$230.8 million in same period of last year. Gross profit margin was 35.1% compared to 34.6% in 2020. Our operating profit was HK\$6.9 million, when compared to operating loss of HK\$4.1 million for the same period of last year. Profit attributable to owners of the Company was HK\$3.8 million in 2021 while we reported loss attributable to owners of the Company of HK\$6.9 million in 2020.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2021, the Group had a total equity of approximately HK\$878.2 million (2020: HK\$865.6 million), and cash and cash equivalents of approximately HK\$208.2 million (2020: HK\$256.7 million), which were predominately denominated in US dollars and Renminbi.

For the year ended 31 December 2021, 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 2021.

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 2021, the Group employed approximately 1,119 personnel around the world, with approximately 94 in Hong Kong, 601 in the PRC and 424 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 2021 (2020: 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\$4.7 million in the financial statements (2020: HK\$33.2 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 2021 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 2021 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, 30 March 2022

** For identification purposes only*