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## **ALLTRONICS HOLDINGS LIMITED**

**華訊股份有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 833)**

### **ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

The board (the “Board”) of directors (“Directors”) of Alltronics Holdings Limited (the “Company”) is pleased to present the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2019 (the “Period”) together with comparative figures for the corresponding period in 2018 as follows:

#### **INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS** *For the six months ended 30 June 2019*

	<i>Notes</i>	<b>For the six months ended 30 June</b>	
		<b>2019 (Unaudited) HK\$'000</b>	<b>2018 (Unaudited) (Restated) HK\$'000</b>
<b>CONTINUING OPERATIONS</b>			
Revenue	4	<b>635,728</b>	606,123
Cost of sales		<b>(535,424)</b>	(522,167)
Gross profit		<b>100,304</b>	83,956
Distribution costs		<b>(6,958)</b>	(9,661)
Administrative expenses		<b>(46,948)</b>	(52,864)
Other operating expenses, net		<b>(3,309)</b>	(2,265)
Operating profit		<b>43,089</b>	19,166
Impairment losses on financial assets		<b>(113,550)</b>	–
Gain on deemed disposal of partial interests in an associate		–	17,639
Share of profits and losses of associates		<b>(3,773)</b>	(4,887)
Finance income		<b>2,187</b>	2,612
Finance costs	6	<b>(9,207)</b>	(6,710)

		<b>For the six months ended 30 June</b>	
	<i>Notes</i>	<b>2019 (Unaudited) HK\$'000</b>	2018 (Unaudited) (Restated) HK\$'000
(Loss)/Profit before tax from continuing operations	5	<b>(81,254)</b>	27,820
Income tax expense	7	<u><b>(9,637)</b></u>	<u>(9,265)</u>
(Loss)/Profit for the period from continuing operations		<b>(90,891)</b>	18,555
<b>DISCONTINUED OPERATION</b>			
Profit for the period from a discontinued operation	8	<u><b>73,436</b></u>	<u>18,747</u>
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<u><b>(17,455)</b></u>	<u>37,302</u>
<b>Attributable to:</b>			
Owners of the parent		<b>(16,805)</b>	35,350
Non-controlling interests		<u><b>(650)</b></u>	<u>1,952</u>
		<u><b>(17,455)</b></u>	<u>37,302</u>
<b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
	9	<i>HK cents</i>	<i>HK cents (Restated)</i>
<b>Basic</b>			
– For (loss)/profit for the period		<u><b>(1.78)</b></u>	<u>3.74</u>
– For (loss)/profit from continuing operations		<u><b>(9.54)</b></u>	<u>1.76</u>
<b>Diluted</b>			
– For (loss)/profit for the period		<u><b>(1.78)</b></u>	<u>3.74</u>
– For (loss)/profit from continuing operations		<u><b>(9.54)</b></u>	<u>1.76</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 30 June 2019*

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2019</b>	2018
	<b>(Unaudited)</b>	(Unaudited)
		(Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>(LOSS)/PROFIT FOR THE PERIOD</b>	<u><b>(17,455)</b></u>	<u>37,302</u>
<b>Other comprehensive income/(loss)</b>		
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u><b>4,539</b></u>	<u>(184)</u>
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<u><b>4,539</b></u>	<u>(184)</u>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>	<u><b>(12,916)</b></u>	<u>37,118</u>
<b>Attributable to:</b>		
Owners of the parent	<u><b>(12,922)</b></u>	34,674
Non-controlling interests	<u><b>6</b></u>	<u>2,444</u>
	<u><b>(12,916)</b></u>	<u>37,118</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2019*

	<i>Notes</i>	<b>30 June 2019 (Unaudited) HK\$'000</b>	31 December 2018 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>232,665</b>	238,660
Right-of-use assets		<b>35,157</b>	–
Prepaid land lease payments		–	1,570
Goodwill		<b>11,672</b>	11,672
Investments in associates		<b>43,407</b>	47,216
Prepayments, other receivables and other assets		<b>11,849</b>	13,110
Long term receivables	<i>11</i>	<b>4,796</b>	8,367
Equity investments designated at fair value through other comprehensive income		<b>2,273</b>	2,273
Deferred tax assets		<b>3,009</b>	2,006
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>344,828</b>	324,874
<b>CURRENT ASSETS</b>			
Inventories		<b>288,581</b>	306,213
Trade receivables	<i>12</i>	<b>193,842</b>	246,469
Long term receivables – current portion	<i>11</i>	<b>25,279</b>	23,322
Prepayments, other receivables and other assets		<b>302,421</b>	302,939
Pledged deposits		<b>6,264</b>	6,569
Cash and cash equivalents		<b>67,992</b>	64,820
		<hr/>	<hr/>
		<b>884,379</b>	950,332
Assets of a disposal group classified as held for sale		–	2,647,636
		<hr/>	<hr/>
<b>Total current assets</b>		<b>884,379</b>	3,597,968

	<i>Notes</i>	<b>30 June 2019 (Unaudited) HK\$'000</b>	31 December 2018 (Audited) HK\$'000
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	220,951	246,440
Lease liabilities		15,668	–
Other payables and accruals		74,222	63,614
Deferred revenue		1,814	2,004
Tax payable		17,351	8,767
Interest-bearing bank and other borrowings		<u>300,749</u>	<u>398,044</u>
		<b>630,755</b>	718,869
Liabilities directly associated with the assets classified as held for sale		<u>–</u>	<u>2,621,453</u>
<b>Total current liabilities</b>		<u><b>630,755</b></u>	<u>3,340,322</u>
<b>NET CURRENT ASSETS</b>		<u><b>253,624</b></u>	<u>257,646</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>598,452</b></u>	<u>582,520</u>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		18,305	–
Deferred revenue		1,102	1,951
Deferred tax liabilities		<u>743</u>	<u>789</u>
<b>Total non-current liabilities</b>		<u><b>20,150</b></u>	<u>2,740</u>
<b>Net assets</b>		<u><b>578,302</b></u>	<u>579,780</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		9,461	9,461
Reserves		<u>562,707</u>	<u>564,191</u>
		<b>572,168</b>	573,652
<b>Non-controlling interests</b>		<u><b>6,134</b></u>	<u>6,128</u>
<b>Total equity</b>		<u><b>578,302</b></u>	<u>579,780</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1 CORPORATE AND GROUP INFORMATION

Alltronics Holdings Limited was incorporated in the Cayman Islands on 24 July 2003 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company. The principal activities of the Group are the manufacturing and trading of electronic products, plastic moulds, plastic and other components for electronic products, the trading of biodiesel products and provision of energy efficient gas stoves, and the provision of energy saving business solutions. The address of its registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 15 July 2005.

The Group is controlled by Profit International Holdings Limited (incorporated in the British Virgin Islands), which owns 46.48% of the Company's issued shares as at 30 June 2019 (At 31 December 2018: 46.48%). In the opinion of the Directors, the Company's ultimate holding company is Profit International Holdings Limited and the ultimate controlling party is Mr. Lam Yin Kee.

## 2 BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

### 3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards and interpretations effective as of 1 January 2019 noted below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

In the Period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are mandatorily effective for the Period.

HKFRS 16	<i>Leases</i>
HK(IFRIC) – Int 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>

Except for the new HKFRS 16 mentioned below, the application of the above new and amendments to HKFRSs in the Period has had no material impact on the amounts and/or disclosures reported in these interim condensed consolidated financial information.

#### **HKFRS 16 Leases**

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC) – Int 15 *Operating Leases – Incentives* and HK(SIC) – Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

### New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC) – Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components as a single lease component.

### As a lessee – Leases previously classified as operating leases

#### *Nature of the effect of adoption of HKFRS 16*

The Group has lease contracts for various items of buildings and land. Before the adoption of HKFRS 16, the Group classified each of its leases (as lessee) at the inception date as operating leases. The lease payments were recognised as expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayments and other payables, respectively. Upon adoption of HKFRS 16, the Group applied a single approach to recognise and measure right-of-use assets and lease liabilities for all leases.

#### *Impacts on transition*

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the weighted average incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. The prepaid lease payments, which represent leasehold lands in Mainland China, amounting to HK\$1,570,000 was reclassified to right-of-use assets.



The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	<b>Increase/ (decrease)</b> (Unaudited) <i>HK\$'000</i>
<b>Assets</b>	
Increase in right-of-use assets	44,424
Decrease in prepaid land lease payments	<u>(1,570)</u>
Increase in total assets	<u>42,854</u>
<b>Liabilities</b>	
Increase in lease liabilities – current portion	18,527
Increase in lease liabilities – non-current portion	<u>24,327</u>
Increase in total liabilities	<u>42,854</u>

The reconciliation of the lease liabilities as at 1 January 2019 to the operating lease commitments as at 31 December 2018 is as follows:

	(Unaudited) <i>HK\$'000</i>
<b>Operating lease commitments as at 31 December 2018</b>	44,026
Weighted average incremental borrowing rate as at 1 January 2019	<u>4.54%</u>
Discounted operating lease commitments as at 1 January 2019	40,271
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(1,458)
Commitments relating to leases of low-value assets	(229)
Add: Payments for optional extension periods not recognised as at 31 December 2018	<u>4,270</u>
<b>Lease liabilities as at 1 January 2019</b>	<u>42,854</u>

## Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of HKFRS 16, which have been applied from the date of initial application:

### *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

### *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the weighted average incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

### Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew.

Amounts recognised in the unaudited interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the Period are as follow:

	<b>Right-of-use assets</b>			<b>Lease liabilities</b>
	<b>Land</b>	<b>Buildings</b>	<b>Sub-total</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>At 1 January 2019</b>	1,673	42,751	44,424	42,854
Additions	–	561	561	562
Depreciation charge	(54)	(9,896)	(9,950)	–
Interest expense	–	–	–	694
Payments	–	–	–	(10,255)
Exchange adjustments	1	121	122	118
<b>As at 30 June 2019</b>	1,620	33,537	35,157	33,973

The Group recognised rental expenses from short-term leases of HK\$529,000 and leases of low-value assets of HK\$48,000.

#### **4 OPERATING SEGMENT INFORMATION**

Management has determined the operating segments based on the reports reviewed by executive directors (“Directors”) of the Company that are used to make strategic decisions and assess performance.

For the six months ended 30 June 2019, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide.

The Group considers the business from both a geographic and product perspective. From a product perspective, management assesses the performance of:

- (i) the electronic products segment – the manufacturing and trading of electronic products, plastic moulds, plastic and other components for electronic products;
- (ii) the biodiesel products segment – the trading of biodiesel products and provision of energy efficient gas stoves in Hong Kong; and
- (iii) the energy saving business segment – the provision of energy saving business solutions to customers.

Revenue is allocated based on the places/countries in which the customers are located.

Management assesses the performance of the operating segments based on a measure of operating profit/loss (before interest and tax and unallocated operating costs). Other information provided is measured in a manner consistent with that in the interim condensed consolidated financial information.

All sales between segments are eliminated on consolidation. All segment revenue reported is derived from external parties. The revenue from external parties reported to the Directors is measured in a manner consistent with that in the interim condensed consolidated financial information.

**Six months ended 30 June 2019 (Unaudited)**

	<b>Electronic products HK\$'000</b>	<b>Biodiesel products HK\$'000</b>	<b>Energy saving business HK\$'000</b>	<b>Total HK\$'000</b>
Segment revenue:				
Sales to external customers	632,664	1,957	69	634,690
Revenue from services	—	—	1,038	1,038
	<u>632,664</u>	<u>1,957</u>	<u>1,107</u>	<u>635,728</u>
Total revenue from continuing operations	<u>632,664</u>	<u>1,957</u>	<u>1,107</u>	<u>635,728</u>

**Six months ended 30 June 2018 (Unaudited and restated)**

	Electronic products HK\$'000	Biodiesel products HK\$'000	Energy saving business HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	602,181	2,122	64	604,367
Revenue from services	—	—	1,756	1,756
	<u>602,181</u>	<u>2,122</u>	<u>1,820</u>	<u>606,123</u>
Total revenue from continuing operations	<u>602,181</u>	<u>2,122</u>	<u>1,820</u>	<u>606,123</u>

## Geographical information

### Revenue from external customers

	For the six months ended 30 June	
	2019 (Unaudited) <i>HK\$'000</i>	2018 (Unaudited) (Restated) <i>HK\$'000</i>
The United States	319,389	304,111
Hong Kong	136,012	126,137
Europe	89,644	115,996
Mainland China	63,987	38,622
Other countries	26,696	21,257
	<u>635,728</u>	<u>606,123</u>

The revenue information above is based on the locations of the customers.

For the six months ended 30 June 2019, revenues of approximately HK\$257,185,000 (30 June 2018: HK\$216,227,000) were derived from a single external customer. These revenues were attributable to the electronic products segment.

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2019 (Unaudited) <i>HK\$'000</i>	2018 (Unaudited) (Restated) <i>HK\$'000</i>
Sale of goods	634,690	604,367
Maintenance services	1,038	1,756
	<u>635,728</u>	<u>606,123</u>

**Disaggregated revenue information for revenue from contracts with customers**

**For the six months ended 30 June 2019 (Unaudited)**

Segments	Electronic products <i>HK\$'000</i>	Biodiesel products <i>HK\$'000</i>	Energy saving business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Goods transferred at a point in time	632,664	1,957	69	634,690
Services transferred over time	–	–	1,038	1,038
Total revenue from contracts with customers	<u>632,664</u>	<u>1,957</u>	<u>1,107</u>	<u>635,728</u>

**For the six months ended 30 June 2018 (Unaudited and restated)**

Segments	Electronic products <i>HK\$'000</i>	Biodiesel products <i>HK\$'000</i>	Energy saving business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Goods transferred at a point in time	602,181	2,122	64	604,367
Services transferred over time	–	–	1,756	1,756
Total revenue from contracts with customers	<u>602,181</u>	<u>2,122</u>	<u>1,820</u>	<u>606,123</u>

**5 (LOSS)/PROFIT BEFORE TAX**

The Group's (loss)/profit before tax from continuing operations is arrived at after charging/(crediting):

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2019</b>	2018
	<b>(Unaudited)</b>	(Unaudited)
		(Restated)
	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold and services provided	<b>360,162</b>	351,442
Auditors' remuneration	<b>1,042</b>	1,062
Depreciation of property, plant and equipment	<b>10,199</b>	9,333
Depreciation of right-of-use assets	<b>9,950</b>	–
Amortisation of non-current prepayments	<b>1,919</b>	2,120
Amortisation of prepaid land lease payments	–	25
Impairment of consideration receivable*	<b>113,740</b>	–
Reversal of impairment of trade receivables	<b>(190)</b>	–
Written off of inventories to net realisable value	<b>55</b>	449
Wages and salaries (including directors' emoluments)	<b>127,816</b>	140,329
Gain on disposal of property, plant and equipment	–	(36)
Foreign exchange differences, net	<b>5,428</b>	2,920
Interest income from long term receivables	<b>(1,133)</b>	(1,428)
Interest income from bank deposits	<b>(1,054)</b>	(1,184)

\* Impairment loss was recognised due to the consideration receivable was failed to be paid within the agreed settlement date, as further detailed in note 14.

## 6 FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	For the six months ended	
	30 June	
	2019	2018
	(Unaudited)	(Unaudited)
		(Restated)
	HK\$'000	HK\$'000
Interest on bank loans and bank overdrafts	8,007	6,696
Interest element of finance leases	6	14
Interest element of lease liabilities	694	–
Interest on other loan	500	–
	<u>9,207</u>	<u>6,710</u>
Total finance costs	<u>9,207</u>	<u>6,710</u>

## 7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period. Taxes on profits assessable outside Hong Kong have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. Subsidiaries in Mainland China are subject to income tax rate of 25% (2018: 25%) on tax profits generated in Mainland China.

	For the six months ended	
	30 June	
	2019	2018
	(Unaudited)	(Unaudited)
		(Restated)
	HK\$'000	HK\$'000
Current – Hong Kong	4,315	5,082
Current – Mainland China		
Charge for the period	6,284	4,501
Underprovision in prior periods	87	15
Deferred	(1,049)	(333)
	<u>9,637</u>	<u>9,265</u>
Total tax charge for the period from continuing operations	<u>9,637</u>	<u>9,265</u>



## 8 DISCONTINUED OPERATION

On 20 December 2018, the Group entered into a sale and purchase agreement (the “Sale and Purchase Agreement”) for the disposal (the “Disposal”) of the entire issued share capital of Bonroy Limited (“Bonroy”, together with its subsidiaries, the “Bonroy Group”), being an indirect wholly-owned subsidiary of the Company which carried out all of the Group’s investment properties business, at a consideration of RMB100 million (the “Consideration”). As at 31 December 2018, the Bonroy Group was classified as a disposal group held for sale and as a discontinued operation. The investment properties business segment is reported as a discontinued operation in the Group’s consolidated financial statements.

On 20 March 2019, an extraordinary general meeting of the Company was held and the resolution for the Disposal was duly approved by the shareholders of the Company.

The Disposal was completed on 15 April 2019 (the “Completion Date”) for HK\$116,836,000 (equivalent to RMB100,000,000), resulting in a pre-tax gain of HK\$44,897,000.

The consolidated results for the six months ended 30 June 2019 and 2018 from the discontinued investment properties business are set out below. The comparative figures in the consolidated statement of profit or loss have been restated to re-present the investment properties business as a discontinued operation.

The results of the Bonroy Group for the Period are presented below:

	<b>For the six months end</b>	
	<b>30 June</b>	
	<b>2019*</b>	2018
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$’000</b>	HK\$’000
Revenue	<b>71,345</b>	126,470
Gain on changes in fair value of investment properties	<b>8,601</b>	21,843
Expenses, net	<b>(6,445)</b>	(59,908)
Finance costs	<b>(36,151)</b>	(63,340)
	<u><b>37,350</b></u>	<u>25,065</u>
Profit from the discontinued operation		
	<b>37,350</b>	25,065
Profit before tax from the discontinued operation		
	<b>37,350</b>	25,065
Income tax:		
Related to pre-tax profit	<b>(2,993)</b>	(6,318)
	<u><b>34,357</b></u>	<u>18,747</u>
Profit for the period from the discontinued operation		
	<b>44,897</b>	–
Gain on sale of the discontinued operation		
Attributable tax expense	<b>(5,818)</b>	–
	<u><b>39,079</b></u>	<u>–</u>
Post-tax gain on sale of the discontinued operation		
	<b>73,436</b>	18,747
Profit after tax for the period from discontinued operation	<u><b>73,436</b></u>	<u>18,747</u>

\* Represented approximately four months of activity prior to the Completion Date.

The calculations of basic and diluted earnings per share from the discontinued operation are based on:

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2019</b>	2018
	<b>(Unaudited)</b>	(Unaudited)
Profit attributable to ordinary equity holders of the parent from the discontinued operation	<b><u>HK\$73,436,000</u></b>	<u>HK\$18,747,000</u>
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation ( <i>note 9</i> )	<b><u>946,116,360</u></b>	<u>946,116,360</u>
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation ( <i>note 9</i> )	<b><u>946,116,360</u></b>	<u>946,116,360</u>

As Bonroy Group was sold prior to 30 June 2019, the assets and liabilities classified as held for sale are no longer included in the interim condensed consolidated statement of financial position. The Group has no obligation for repay the bank borrowings of Bonroy Group.

**9 (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT**

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the period attributable to owners of the parent, and the weighted average number of ordinary shares of 946,116,360 (Six months ended 30 June 2018: 946,116,360) in issue during the Period.

The Group had no potential dilutive ordinary shares in issue for the six months ended 30 June 2019 and 2018.

## 10 DIVIDEND

	For the six months ended 30 June	
	2019 (Unaudited) <i>HK\$'000</i>	2018 (Unaudited) <i>HK\$'000</i>
2018 final dividend – HK 0.0 cents (2017: HK 5 cents) per ordinary share	–	47,306

A final dividend of HK 5 cents per ordinary share for the year ended 31 December 2017 has been approved by the shareholders at the Annual General Meeting of the Company held on 7 June 2018.

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 and 2018.

## 11 LONG TERM RECEIVABLES

	30 June 2019 (Unaudited) <i>HK\$'000</i>	31 December 2018 (Audited) <i>HK\$'000</i>
Non-current		
Gross receivables	6,581	11,305
Less: unearned income	<u>(1,785)</u>	<u>(2,938)</u>
	<u>4,796</u>	<u>8,367</u>
Current		
Gross receivables	26,653	25,645
Less: unearned income	<u>(1,374)</u>	<u>(2,323)</u>
	<u>25,279</u>	<u>23,322</u>
Total long term receivables	<u>30,075</u>	<u>31,689</u>

Long term receivables represent the present value of the income receivables under energy management contracts. The difference between the gross receivables and the present value of the receivables is recognised as unearned income.

## 12 TRADE RECEIVABLES

	<b>30 June 2019 (Unaudited) HK\$'000</b>	31 December 2018 (Audited) HK\$'000
Trade receivables	<b>194,382</b>	247,485
Less: Provision for impairment of receivables	<u>(540)</u>	<u>(1,016)</u>
	<b><u>193,842</u></b>	<b><u>246,469</u></b>

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 to 90 days. As at 30 June 2019, the Group's largest customer accounted for approximately 20.2% of total trade receivables (At 31 December 2018: 19.3%). This customer has long term trading relationship with the Group with no defaults in the past and hence the Group does not consider there is any significant credit risk in this regard. The Group's other trade receivables related to a large number of diverse customers. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>30 June 2019 (Unaudited) HK\$'000</b>	31 December 2018 (Audited) HK\$'000
Within 1 month	<b>84,832</b>	116,906
1 to 2 months	<b>58,316</b>	77,449
2 to 3 months	<b>31,628</b>	37,841
Over 3 months	<u><b>19,066</b></u>	<u>14,273</u>
Total	<b><u>193,842</u></b>	<b><u>246,469</u></b>

### 13 TRADE AND BILLS PAYABLES

The aging analysis of trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>30 June 2019 (Unaudited) HK\$'000</b>	31 December 2018 (Audited) HK\$'000
Within 1 month	<b>75,521</b>	92,005
1 to 2 months	<b>60,584</b>	93,184
2 to 3 months	<b>56,046</b>	49,829
Over 3 months	<b>28,800</b>	11,422
	<hr/>	<hr/>
Total	<b>220,951</b>	246,440

Trade payables are non-interest bearing and are normally settled on terms of 30 to 90 days.

### 14 EVENTS AFTER THE REPORTING PERIOD

Pursuant to the Sale and Purchase Agreement and two extension confirmation letters dated 15 January 2019 and 15 April 2019 respectively entered into between Sino Growth Holdings Limited (the “Vendor”, being a wholly-owned subsidiary of the Group) and Yingtai Holdings Limited (the “Purchaser”), the due date of first payment of the Consideration of RMB30 million was extended to 31 July 2019. Details of the Sale and Purchase Agreement and the two extension confirmation letters are set out in the announcements issued by the Company dated 20 December 2018, 15 January 2019 and 15 April 2019 respectively.

On 30 July 2019, the Group received a letter from the Purchaser dated 30 July 2019 that as the Purchaser requires additional time to obtain approval for outbound direct investment from the relevant regulatory authorities of the PRC for remittance of funds to pay the Consideration, the Purchaser requested to revise and extend the payment terms of the Consideration of a total amount of RMB100 million to be settled in one lump sum no later than 31 January 2020. The Board resolved that the said proposed payment terms requested by the Purchaser will not be agreed and the Group has issued a legal letter to the Purchaser to request for immediate settlement of the overdue Consideration.

Management has performed an impairment assessment on the Consideration and the debt (the “Debt”) as defined in the Sale and Purchase Agreement. Based on management’s impairment assessment and the Purchaser’s default in the first payment of the Consideration due on 31 July 2019, a full impairment charge of the Consideration of approximately HK\$113.7 million was recognised in the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2019. The due date of the Debt is 15 April 2020, which is one year after the Completion Date. Based on the review of the information currently available, management believed that the Purchaser and/or the Guarantor (as defined in the Sale and Purchase Agreement) have both the intention and ability to settle the Debt on the due date. On this basis, no impairment loss on the Debt is considered necessary in the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2019.

As at the date of this announcement, the Company is consulting its legal adviser in respect of the possible actions to be taken against the Purchaser and/or the Guarantor and will continue its negotiations with the Purchaser and/or the Guarantor as to the settlement of the Consideration. However, no agreement or material terms in relation to the settlement of the Consideration have been entered into or agreed between the Group and the Purchaser and/or the Guarantor. The Company will closely monitor the situation.

## INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 and 2018.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Revenue

Total turnover from continuing operations for the six months ended 30 June 2019 (the “Period”) had increased slightly by 4.9% to HK\$635.7 million, as compared to HK\$606.1 million for the same period in 2018. The increase in turnover was mainly due to the increase in sales of electronic products during the Period.

The turnover analysis by business segments for the two periods is as follows:

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2019</b>	2018
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Revenue from sales of electronic products	<b>632,664</b>	602,181
Revenue from biodiesel products and energy efficient gas stoves	<b>1,957</b>	2,122
Revenue from energy saving business	<b>1,107</b>	1,820
	<b><u>635,728</u></b>	<u>606,123</u>

Sales of electronic products comprise sales of finished electronic products; plastic moulds and components; and other components for electronic products. Total sales revenue from electronic products had remained stable with a slight increase of 5.1%. During the Period, sales of irrigation controller products to the largest customer of the Group in the United States had increased by HK\$41.0 million from HK\$216.2 million to HK\$257.2 million. On the other hand, sales of walkie-talkie products had also increased by approximately HK\$8.9 million.

The operations of the biodiesel products and energy efficient gas stoves business segment continued to remain at a low level during the Period with total sales revenue of approximately HK\$2.0 million.

Regarding the energy saving business segment, total revenue recognised during the Period was HK\$1.1 million, as compared to HK\$1.8 million for the same period in 2018. The revenue represented the energy saving revenue generated from retail stores of Suning.com Co., Ltd. (“Suning”) and two hotels operated by the HNA Group Co., Ltd. with LED lighting equipment installed. During the Period, the energy management contract with one of the hotels managed by HNA Group Co., Ltd. has expired.

In terms of geographical market, customers in the United States continued to be the major market for the Group’s products and services which accounted for approximately 50.2% of the total revenue for the Period (2018: 50.2%). On the other hand, sales to customers in The People’s Republic of China (the “PRC”) had increased by HK\$25.4 million and sales to customers in Europe had dropped by HK\$26.4 million. During the Period, for customers in the United States with their products subject to additional tariff imposed by the United States, the production of most of these products had been shifted to the Group’s sub-contractors in Malaysia and Philippines.

### **Gross profit**

The overall gross profit margin had increased from 13.9% for the six months period ended 30 June 2018 to 15.8% for 2019. During the six months ended 30 June 2018, certain production facilities at Yangxi were relocated to Yichun which had caused temporary production halt and interruption. The efficiency level of the new production facilities at the early stage of operations was also low. These factors had affected the average gross profit margin in the prior period. After about one year’s operation, the production efficiency of the factories at Yichun has improved. On the other hand, the production of some of the electronic products which were subject to additional tariffs imposed by the United States had been shifted to sub-contractors in Malaysia and Philippines. This has affected the margins on these products. The increase in proportion of sales to customers in the PRC had also lowered the overall gross profit margin as the margins on these products were lower than those products sold to overseas customers. In view of the challenging market conditions, the Group will continue its effort to tighten the controls over production costs and overheads, and to improve production efficiency so as to maximise the gross profit margin for the electronic product segment.

## **Expenses and finance costs**

Administrative expenses had decreased by HK\$5.9 million and distribution costs had decreased by HK\$2.7 million during the Period. The decrease in administrative expenses was mainly due to the decrease in overall staff costs as a result of reduction in number of workers. Total staff costs for the Period, including directors' emoluments, had decreased by HK\$12.5 million when compared to prior period. The decrease in distribution costs was mainly due to the reduction in sales commission by approximately HK\$1.5 million.

Total finance costs had increased by HK\$2.5 million which was mainly due to the increase in average interest rates during the Period and interest element of lease liabilities of HK\$0.7 million incurred.

## **Other operating income/expenses**

During the Period, other operating expenses has increased by HK\$1.0 million which was mainly due to the increase in exchange losses.

## **Discontinued operation**

On 15 April 2019, the disposal of the entire issued share capital of Bonroy was completed and the results of the investment properties business segment up to the disposal completion date were reported as a discontinued operation in the interim condensed consolidated statement of profit or loss of the Group for the six months ended 30 June 2019. The consideration receivable from the disposal transaction was RMB100 million and a net gain after tax on the disposal of approximately HK\$39.1 million was recognised.

However, the Purchaser has defaulted the first payment of the Consideration on the agreed payment date, further details are set out in the announcements issued by the Company dated 20 December 2018, 15 January 2019, 15 April 2019 and 30 July 2019 respectively. In view of the uncertainty on the recoverability of the Consideration, an impairment loss of approximately HK\$113.7 million was recognised.

## **Loss attributable to owners of the parent**

The loss for the Period attributable to owners of the parent was HK\$16.8 million, compared to a profit of HK\$35.4 million for the same period in 2018. The loss was mainly due to the impairment loss on the Consideration of approximately HK\$113.7 million. On the other hand, there was a net profit from a discontinued operation of HK\$73.4 million.



The loss for the Period from continuing operations attributable to owners of the parent was HK\$90.2 million. However, if the impairment loss on the Consideration of HK\$113.7 million was excluded, there would be a profit for the Period from continuing operations attributable to the owners of the parent of HK\$23.5 million, compared to a profit of HK\$16.6 million for 2018. Management has confidence that the performance of the continuing operations will remain strong in the second half of 2019.

## **PRODUCTION FACILITIES**

The Group currently has three production facilities in the PRC for the manufacturing of electronic products and components, two of which are located in Shenzhen, and one in Yichun. During the Period, the Group spent approximately HK\$4.4 million to acquire property, plant and equipment to enhance its production capacity.

The Group has set up an office with LED testing facilities in Shenzhen to carry out its energy saving business.

## **LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

At 30 June 2019, the Group's total cash and cash equivalents, net of current bank overdrafts, amounted to HK\$45.0 million. The net funds are sufficient to finance the Group's working capital and capital expenditure plans.

At 30 June 2019, total borrowings of the Group amounted to HK\$300.7 million, comprising bank overdrafts of HK\$23.0 million, bank loans of HK\$276.4 million, trust receipt loans of HK\$1.1 million and obligations under finance leases of HK\$0.2 million, out of which HK\$229.5 million were denominated in Hong Kong dollars and HK\$71.2 million were denominated in United States dollars.

The Group's trade receivable turnover, inventory turnover and trade payable turnover were approximately 63 days, 101 days and 94 days respectively for the Period. These turnover periods are consistent with the respective policies of the Group on credit terms granted to customers and obtained from suppliers.

As at 30 June 2019, the Group's total current assets were HK\$884.4 million compared to HK\$3,598.0 million as at 31 December 2018, and the Group's total current liabilities were HK\$630.8 million compared to HK\$3,340.3 million as at 31 December 2018. The current ratio (current assets/current liabilities) as at 30 June 2019 was 1.40 times, compared to 1.08 times as at 31 December 2018.

The decreases in current assets and current liabilities as at 30 June 2019 were mainly due to the exclusion of the related assets and liabilities of the discontinued operation as the disposal transaction had been completed during the Period.

During the Period, the Company had not issued any new shares and had not repurchased any of its own shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

At 30 June 2019, the Company had in issue a total of 946,116,360 ordinary shares. A new share option scheme (the “2016 Share Option Scheme”) has been adopted by the shareholders of the Company at the annual general meeting of the Company held on 7 June 2016. There were no share options granted, exercised, lapsed or cancelled since the adoption of the 2016 Share Option Scheme. As at 30 June 2019, the Company did not have any share options outstanding.

## **CASH FLOWS**

The net balance of cash, cash equivalents and bank overdrafts at 30 June 2019 was HK\$45.0 million, which had increased by HK\$7.1 million compared to the balance at 31 December 2018.

The net cash generated from operating activities for the Period was HK\$101.4 million. The net cash used in investing activities amounted to HK\$0.7 million, which was mainly due to HK\$4.4 million being paid for the acquisition of property, plant and equipment and the decrease in non-current long term receivables of HK\$3.6 million.

On the other hand, there was a net cash outflow of HK\$101.4 million from financing activities. During the Period, new borrowings of HK\$15.2 million were obtained, and HK\$106.6 million was used to repay borrowings and finance leases.

## **CAPITAL EXPENDITURE**

During the Period, the Group acquired property, plant and equipment at a total cost of HK\$4.4 million, mainly financed by internal resources of the Group.

## **PLEDGE OF ASSETS**

At 30 June 2019, the Group had total bank borrowings (excluding obligations under finance leases) of HK\$300.5 million, out of which HK\$60.8 million were secured by the buildings of HK\$170.4 million and HK\$11.8 million were secured by short-term bank deposits of HK\$6.3 million and trade receivables of HK\$0.9 million.

## **DEBT POSITION AND GEARING**

As at 30 June 2019, the Group has net debts (being total bank and other borrowings excluding trade debts and net of cash and cash equivalents) of approximately HK\$231.6 million (At 31 December 2018: HK\$330.8 million). The total equity was approximately HK\$578.3 million (At 31 December 2018: HK\$579.8 million). The gearing ratio as at 30 June 2019 was approximately 40.0% (At 31 December 2018: 57.1%).

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the maintaining appropriate debt and equity balance. The directors of the Company review the capital structure of the Group on a regular basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through various alternatives including the payment of dividends, new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

## **CONTINGENT LIABILITIES**

The Group did not have any material contingent liabilities as at both 30 June 2019 and 31 December 2018.

## **EMPLOYEES**

At 30 June 2019, the Group had 3,182 employees, of which 76 were employed in Hong Kong and 3,106 were employed in the PRC. Salaries of employees are maintained at competitive levels. The Group operates a defined contribution mandatory provident fund retirement benefits scheme for all its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations in the PRC. The Group also offers discretionary bonuses to its employees by reference to the performance of individual employees and the overall performance of the Group.

No share options had been granted, exercised, lapsed or cancelled since the adoption of the 2016 Share Option Scheme. As at 30 June 2019, there were no share options remained outstanding.

The Group did not experience any significant labour disputes or substantial changes in the number of its employees that led to any disruption of its normal business operations. The Board believes that the Group's management and employees are the most valuable asset of the Group and they have contributed to the success of the Group.

## **FOREIGN EXCHANGE EXPOSURE**

Most of the Group's sales are denominated in United States dollars and Renminbi, and most of the purchases of raw materials are denominated in Renminbi and Hong Kong dollars. Furthermore, most of the Group's monetary assets are denominated in Hong Kong dollars, United States dollars and Renminbi.

The Group's principal production facilities are located in the PRC whilst its sales proceeds are primarily settled in United States dollars, Hong Kong dollars or Renminbi. As such, management is aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates between United States dollars, Hong Kong dollars and Renminbi. Management will consider various actions to minimise the risk, including the entering into forward foreign exchange contracts with major and reputable financial institutions to hedge its foreign exchange risk exposure. These were for hedging against foreign exchange risk exposure relating to the production costs and certain outstanding payables denominated in Renminbi. As at 30 June 2019, the Group did not have any outstanding forward foreign exchange contracts. Management will continue to evaluate the Group's foreign currency exposure and take further actions as appropriate to minimise the Group's exposure whenever necessary.

## **OUTLOOK**

### **Electronic products segment**

The Group is cautiously optimistic for the second half of 2019 though the global economic environment will remain uncertain. The ongoing trade disputes between the United States and the PRC may further escalate geopolitical tensions and may lead to negative impact to the global economy. The Group is working closely with its customers affected looking for ways to mitigate any effects that the potential tariffs may have if they are fully implemented. The final outcome of these disputes may have an impact on the Group's performance in the future. However, the production of most of the Group's products affected by the tariffs have or will be shifted to the Group's sub-contractors in Malaysia and Philippines for production. The Group did not expect this will have any significant impact on the Group's revenue. On the other hand, the risk of fluctuation in exchange rate of Renminbi against United States dollars and Hong Kong dollars and the risk of fluctuation in interest rate will also affect the performance of the Group's electronic products segment. The Group will continue its efforts to manage these factors and to tighten controls over production costs and overheads, and to improve production efficiency so as to maximise the gross profit margin.

Management foresees that the demand for the Group's irrigation controllers and other major electronic products will remain stable in the second half of 2019. In addition, new products for new customers in the PRC and in Europe are expected to be launched in the fourth quarter of 2019 to provide momentum for the future growth in revenue. The Group has confidence that the overall performance of the electronic products segment will remain strong in the near future.

In terms of geographical market, the Group foresees that United States will still be the major market for its products in 2019. The Group will continue to devote efforts to explore new markets and new customers to broaden its customer base.

Yichun Yilian Print Tech. Co., Ltd. ("Yichun Yilian") is an associate of the Group, which is established in the PRC and principally engaged in the manufacturing and sale of printers and other accessory products, and the provision of on-line printing services on a charge-by-page basis. During the Period, Yichun Yilian has entered into a cooperation agreement with Huawei Technologies Co., Ltd. for the joint development of information and communications technology projects and smart education business in the PRC. Huawei Technologies Co., Ltd. is a wholly-owned subsidiary of Huawei Investment & Holdings Co., Ltd., which is a worldwide leader in the provision of information and communications business solutions. Yichun Yilian has also established new channels to sell its printers to governmental organisations in the PRC. The Group foresees that these will contribute continuing growth momentum to Yichun Yilian's business in the near future.

The Group will continue to explore opportunities for new electronic products with other potential customers so as to broaden its revenue base and to maintain its growth momentum.

### **Biodiesel products and energy saving gas stoves segment**

The Group expects that the revenue from biodiesel products and energy efficient gas stoves will remain stable during the second half of 2019.

### **Energy saving business**

As at 30 June 2019, over 650 retail stores of Suning have completed the installation work and generating energy saving revenue. During the Period, the energy management contract with one of the hotels managed by HNA Group Co., Ltd. has expired. The Group expects that the energy saving business will remain stable in the near future and the Group will continue the installation work at other retail stores of Suning during the second half of 2019.

Looking forward, the Group will continue to explore opportunities for new products and projects with other potential customers in Hong Kong, in the PRC and overseas, and will continue to look for investment opportunity to diversify its business and to provide a better return to all shareholders.

## **CORPORATE GOVERNANCE**

The Board believes that corporate governance is essential to the success of the Group. The Group keeps abreast of the best practices in the corporate governance areas and strives to implement such practices as appropriate. None of the Directors of the Company is aware of any information that would reasonably indicate that the Company or any of its Directors is not or was not at any time during the Period and up to the date of this announcement, in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), except for the limited deviation on the grounds and causes as explained below. The Board will review and update the current practices regularly to ensure compliance with the latest practices in corporate governance so as to protect and maximize the interests of shareholders.

Code Provision A.2.1 stipulates that the role of chairman and chief executive should be separated and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive and Mr. Lam Yin Kee currently holds both positions. The Board believes that vesting the roles of both Chairman and Chief Executive in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies.

## **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 of the Listing Rules as its code for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors of the Company, the Company confirms that all Directors of the Company have complied with the required standard set out in the Model Code during the Period.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “Audit Committee”) was established with written terms of reference in compliance with the Listing Rules. The Audit Committee shall meet at least twice every year and currently comprises three members being the independent non-executive Directors of the Company, namely Mr. Pang Kwong Wah (Chairman), Mr. Yau Ming Kim, Robert and Mr. Yen Yuen Ho, Tony.

The interim condensed consolidated financial statements have been reviewed by the Audit Committee at a meeting held on 30 August 2019, which is of the opinion that the interim condensed consolidated financial statements complied with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

## **REMUNERATION COMMITTEE**

The remuneration committee of the Company (the “Remuneration Committee”) was established with written terms of reference in compliance with the Listing Rules. The Remuneration Committee shall meet at least once every year and shall have a minimum of five members, comprising a majority of independent non-executive directors. The Chairman of the Remuneration Committee is Mr. Pang Kwong Wah and other current members include Mr. Lam Yin Kee, Ms. Yeung Po Wah, Mr. Yau Ming Kim, Robert and Mr. Yen Yuen Ho, Tony.

## **NOMINATION COMMITTEE**

The nomination committee of the Company (the “Nomination Committee”) was established with written terms of reference in compliance with the Listing Rules. The Nomination Committee shall meet at least once every year and shall have a minimum of five members, comprising a majority of independent non-executive directors. The Chairman of the Nomination Committee is Mr. Lam Yin Kee and other current members include Ms. Yeung Po Wah, Mr. Pang Kwong Wah, Mr. Yau Ming Kim, Robert and Mr. Yen Yuen Ho, Tony.

## **CHANGES IN INFORMATION OF DIRECTORS**

During the Period, the executive duties of Mr. Meng Fei, being an executive Director of the Company, have been suspended since 28 March 2019. As at the date of this announcement, the executive duties of Mr. Meng Fei continued to be suspended. For more details, please refer to the announcements dated 28 March 2019 and 30 July 2019 issued by the Company.

Save as disclosed above, there were no other changes in directors' information since publication of the 2018 annual report of the Company and there is no other information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

The Company has not redeemed any of its shares during the Period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the Period.

## **DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE**

This announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and our Company's website (<http://www.irasia.com/listco/hk/alltronics/index.htm>). The interim report for the period ended 30 June 2019 containing the information required by Appendix 16 of the Listing Rules will be dispatched to shareholders and published on the websites of the Company and the Stock Exchange in due course.

By order of the Board  
**Alltronics Holdings Limited**  
**Lam Yin Kee**  
*Chairman*

Hong Kong, 30 August 2019

As at the date of this announcement, the Board of the Company comprises:

### *Executive Directors*

Mr. Lam Yin Kee, Ms. Yeung Po Wah, Ms. Liu Jing, Mr. Lam Chee Tai, Eric, Mr. So Kin Hung and Mr. Meng Fei (executive duties suspended)

### *Non-executive Director*

Mr. Fan, William Chung Yue

### *Independent Non-executive Directors*

Mr. Pang Kwong Wah, Mr. Yau Ming Kim, Robert, Mr. Yen Yuen Ho, Tony and Mr. Lin Kam Sui