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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 2020

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 2020 (the “**Period**”) together with comparative figures for the corresponding period in 2019 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		For the six months ended 30 June	
	<i>Notes</i>	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
CONTINUING OPERATIONS			
Revenue	4	722,812	635,728
Cost of sales		<u>(575,530)</u>	<u>(535,424)</u>
Gross profit		147,282	100,304
Distribution costs		(13,653)	(6,958)
Administrative expenses		(42,733)	(46,948)
Other operating gains/(losses) – net		<u>3,783</u>	<u>(3,309)</u>
Operating profit		94,679	43,089
Impairment losses on financial assets, net		(19,717)	(113,550)
Written-off of long term receivables		(5,213)	–
Share of profits and losses of associates		(2,052)	(3,773)
Finance income		1,690	2,187
Finance costs	6	<u>(8,021)</u>	<u>(9,207)</u>

		For the six months ended 30 June	
	<i>Notes</i>	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Profit/(Loss) before tax from continuing operations	5	61,366	(81,254)
Income tax expense	7	<u>(17,273)</u>	<u>(9,637)</u>
Profit/(Loss) for the period from continuing operations		44,093	(90,891)
DISCONTINUED OPERATION			
Profit for the period from a discontinued operation	8	<u>–</u>	<u>73,436</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>44,093</u>	<u>(17,455)</u>
Attributable to:			
Owners of the parent		42,325	(16,805)
Non-controlling interests		<u>1,768</u>	<u>(650)</u>
		<u>44,093</u>	<u>(17,455)</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
	9	<i>HK cents</i>	<i>HK cents</i>
Basic			
– For profit/(loss) for the period		<u>4.47</u>	<u>(1.78)</u>
– For profit/(loss) from continuing operations		<u>4.47</u>	<u>(9.54)</u>
Diluted			
– For profit/(loss) for the period		<u>4.47</u>	<u>(1.78)</u>
– For profit/(loss) from continuing operations		<u>4.47</u>	<u>(9.54)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	44,093	(17,455)
Other comprehensive income/(loss)		
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	6,034	4,539
Share of other comprehensive loss of an associate	(682)	–
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	5,352	4,539
<i>Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:</i>		
Equity investment designated at fair value through other comprehensive income	(655)	–
Total other comprehensive income for the period, net of tax	4,697	4,539
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	48,790	(12,916)
Attributable to:		
Owners of the parent	46,895	(12,922)
Non-controlling interests	1,895	6
	48,790	(12,916)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	<i>Notes</i>	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		216,895	224,026
Right-of-use assets		73,098	19,795
Goodwill		11,672	11,672
Investments in associates		37,326	40,060
Prepayments, other receivables and other assets		2,543	2,058
Long term receivables	<i>11</i>	–	624
Equity investment designated at fair value through other comprehensive income		1,144	1,831
Deferred tax assets		9,526	9,515
Total non-current assets		352,204	309,581
CURRENT ASSETS			
Inventories		255,747	276,890
Trade receivables	<i>12</i>	303,827	210,364
Long term receivables – current portion	<i>11</i>	14,272	20,253
Prepayments, other receivables and other assets		96,670	52,389
Pledged deposits		4,794	5,259
Cash and cash equivalents		184,267	61,381
Total current assets		859,577	626,536

	<i>Notes</i>	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
CURRENT LIABILITIES			
Trade and bills payables	13	307,204	232,331
Other payables and accruals		151,201	73,672
Deferred revenue		946	1,463
Tax payable		28,266	23,029
Interest-bearing bank and other borrowings		270,041	254,199
Lease liabilities		16,882	9,679
Total current liabilities		774,540	594,373
NET CURRENT ASSETS			
		85,037	32,163
TOTAL ASSETS LESS CURRENT LIABILITIES			
		437,241	341,744
NON-CURRENT LIABILITIES			
Lease liabilities		55,976	8,804
Deferred revenue		589	958
Deferred tax liabilities		2,741	2,837
Total non-current liabilities		59,306	12,599
Net assets		377,935	329,145
EQUITY			
Equity attributable to owners of the parent			
Share capital		9,461	9,461
Reserves		358,569	311,674
		368,030	321,135
Non-controlling interests		9,905	8,010
Total equity		377,935	329,145

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 2020 (At 31 December 2019: 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 2020 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 on the Stock Exchange (the "Listing Rules").

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 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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 2019, except for the adoption of new and amended standards and interpretations effective as of 1 January 2020 noted below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3.1 New and amended standards adopted by the Group

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

The adoption of these new and amended standards has had no material impact on the Group's financial position and performance for the current and prior periods and/or on the disclosures set out in the interim condensed consolidated financial information.

3.2 Impact of standards issued but not yet applied by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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 2020, 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 2020 (Unaudited)

	Electronic products <i>HK\$'000</i>	Biodiesel products <i>HK\$'000</i>	Energy saving business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:				
Sales to external customers	720,999	993	–	721,992
Revenue from services	–	–	820	820
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue from continuing operations	720,999	993	820	722,812

Six months ended 30 June 2019 (Unaudited)

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

Geographical information

Revenue from external customers

	For the six months ended 30 June	
	2020 (Unaudited) <i>HK\$'000</i>	2019 (Unaudited) <i>HK\$'000</i>
The United States	488,827	319,389
Hong Kong	87,213	136,012
Europe	80,874	89,644
Mainland China	49,725	63,987
Other countries	16,173	26,696
	<hr/>	<hr/>
	722,812	635,728

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

For the six months ended 30 June 2020, revenues of approximately HK\$256,713,000 (30 June 2019: HK\$257,185,000) 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	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Sale of goods	721,992	634,690
Maintenance services	820	1,038
	<u>722,812</u>	<u>635,728</u>

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2020 (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	720,999	993	–	721,992
Services transferred over time	–	–	820	820
	<u>720,999</u>	<u>993</u>	<u>820</u>	<u>722,812</u>
Total revenue from contracts with customers	<u>720,999</u>	<u>993</u>	<u>820</u>	<u>722,812</u>

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
	<u>632,664</u>	<u>1,957</u>	<u>1,107</u>	<u>635,728</u>
Total revenue from contracts with customers	<u>632,664</u>	<u>1,957</u>	<u>1,107</u>	<u>635,728</u>

5 PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold and services provided	427,243	360,162
Auditors' remuneration	1,030	1,042
Depreciation of property, plant and equipment	10,208	10,199
Depreciation of right-of-use assets	11,271	9,950
Amortisation of non-current prepayments	634	1,919
Impairment of consideration receivable*	–	113,740
Impairment/(Reversal of impairment) of trade receivables	8,202	(190)
Impairment of amounts due from associates	11,515	–
Written-off of long term receivables	5,213	–
(Written-back)/written-off of inventories to net realisable value	(7,167)	55
Wages and salaries (including directors' emoluments)	111,306	127,816
Foreign exchange differences, net	(2,584)	5,428
Interest income from long term receivables	(1,115)	(1,133)
Interest income from bank deposits	(67)	(76)
Other interest income	(508)	(978)

* Impairment loss was recognised due to the consideration receivable from a discontinued operation was failed to be paid within the agreed settlement date.

6 FINANCE COSTS

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

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans and bank overdrafts	6,615	8,007
Interest element of finance leases	–	6
Interest element of lease liabilities	1,318	694
Interest on other loans	88	500

Total finance costs	8,021	9,207
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7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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% (2019: 25%) on tax profits generated in Mainland China.

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong	7,847	4,315
Current – Mainland China		
Charge for the period	9,574	6,284
(Over)/under-provision in prior periods	(41)	87
Deferred	(107)	(1,049)
	<hr/>	<hr/>
Total tax charge for the period from continuing operations	17,273	9,637

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**”). 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 results of the Bonroy Group for the six months ended 30 June 2019 are presented below:

	For the six months ended 30 June	
	2020	2019*
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	–	71,345
Gain on changes in fair value of investment properties	–	8,601
Expenses, net	–	(6,445)
Finance costs	–	(36,151)
	<hr/>	<hr/>
Profit from the discontinued operation	–	37,350
	<hr/>	<hr/>
Profit before tax from the discontinued operation	–	37,350
Income tax:		
Related to pre-tax profit	–	(2,993)
	<hr/>	<hr/>
Profit for the period from the discontinued operation	–	34,357
Gain on sale of the discontinued operation	–	44,897
Attributable tax expense	–	(5,818)
	<hr/>	<hr/>
Post-tax gain on sale of the discontinued operation	–	39,079
	<hr/>	<hr/>
Profit after tax for the period from discontinued operation	–	73,436
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* 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:

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Profit attributable to ordinary equity holders of the parent from the discontinued operation	<u>–</u>	<u>HK\$73,436,000</u>
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation (<i>note 9</i>)	<u>946,116,360</u>	<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>)	<u>946,116,360</u>	<u>946,116,360</u>

As Bonroy Group was sold prior to 31 December 2019, the assets and liabilities of Bonroy Group are no longer included in the consolidated statement of financial position.

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

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) 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 2019: 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 2020 and 2019.

10 INTERIM DIVIDEND

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend, proposed, of HK\$0.015 (2019: HK\$Nil) per ordinary share	<u>14,192</u>	<u>–</u>

The Board recommends the payment of an interim dividend of HK\$0.015 per ordinary share for the six months ended 30 June 2020. The interim condensed consolidated financial information does not reflect the above proposed dividend as dividend payable but account for it as proposed dividend from the reserves. The declaration of the interim dividend for the six months ended 30 June 2020 has been approved by the Board on 28 August 2020.

11 LONG TERM RECEIVABLES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Non-current		
Gross receivables	–	791
Less: unearned income	–	(167)
	<u>–</u>	<u>624</u>
Current		
Gross receivables	14,272	22,726
Less: unearned income	–	(2,473)
	<u>14,272</u>	<u>20,253</u>
Total long term receivables	<u>14,272</u>	<u>20,877</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. During the Period, the Group has agreed with the customer to settle all long term receivables within one year at a discount.

12 TRADE RECEIVABLES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Trade receivables	316,850	215,185
Less: Provision for impairment of receivables	<u>(13,023)</u>	<u>(4,821)</u>
	<u>303,827</u>	<u>210,364</u>

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 2020, the Group's largest customer accounted for approximately 18.7% of total trade receivables (At 31 December 2019: 22.1%). 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:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 1 month	207,821	133,396
1 to 2 months	66,090	42,631
2 to 3 months	25,359	19,652
Over 3 months	4,557	14,685
	<hr/>	<hr/>
Total	303,827	210,364
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As at 30 June 2020, the Group's trade receivables of approximately HK\$6.2 million (as at 31 December 2019: HK\$0.6 million) were pledged with banks to secure banking facilities granted to the Group.

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:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 1 month	107,799	105,930
1 to 2 months	148,234	86,161
2 to 3 months	38,068	33,550
Over 3 months	13,103	6,690
	<hr/>	<hr/>
Total	307,204	232,331
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Trade payables are non-interest bearing and are normally settled on terms of 30 to 90 days.

INTERIM DIVIDEND

The Board declared an interim dividend of HK1.5 cents per ordinary share for the six months ended 30 June 2020, payable on or about 29 October 2020, to the shareholders whose names appear on the register of members of the Company on 30 September 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 28 September 2020 to 30 September 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 25 September 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Revenue

Total turnover from continuing operations for the six months ended 30 June 2020 (the "Period") had grown by 13.7% to HK\$722.8 million, as compared to HK\$635.7 million for the same period in 2019. The increase in turnover was 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:

	For the six months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
Revenue from sales of electronic products	720,999	632,664
Revenue from biodiesel products and energy efficient gas stoves	993	1,957
Revenue from energy saving business	820	1,107
	<u>722,812</u>	<u>635,728</u>

Sales of electronic products comprise sales of finished electronic products; plastic moulds and components; and other components for electronic products. During the Period, the global economy was adversely affected by the outbreak of the new coronavirus (the “**COVID-19**”). A number of provinces and municipalities in The People’s Republic of China (the “**PRC**”) have taken emergence public health measures and actions to prevent the spread of the COVID-19. The government of the PRC has also issued notices which extend the period of Chinese New Year holidays in the PRC. As part of the Group’s efforts to facilitate the prevention and control of the COVID-19 and to ensure the health and safety of the Group’s employees in the PRC, the Group has extended the Chinese New Year holidays of its employees in the PRC and the operation of the Group’s factories at Shenzhen and Yichun had further suspended temporarily for approximately two weeks in February. The Group had also implemented various safety protocols throughout all manufacturing operations and offices. The operation of the Group’s factories had resumed gradually by end of February. Though the production and sale revenue during the first quarter of the year have been significantly affected by the COVID-19, the manufacturing operation had quickly resumed to normal during the second quarter and the demand from customers had increased consistently, especially the demand for the Group’s electrostatic disinfectant sprayers.

Total sales revenue from electronic products had increased by 14.0% from HK\$632.7 million to HK\$721.0 million. The demand for the Group’s irrigation controller products had remained stable when compared to the same period in 2019, with total sales of approximately HK\$256.7 million, compared to HK\$257.2 million for the same period in 2019. On the other hand, the demand for the Group’s electrostatic disinfectant sprayers has surged to a total sales revenue of approximately HK\$144.5 million during the Period. Management expects that the demand for these products will remain strong and the sale revenue from these products will dominant the income stream of the Group in the second half of the year. Sales of walkie-talkie products had dropped by approximately HK\$19.3 million during the Period.

The operation of the biodiesel products and energy efficient gas stoves business segment in Hong Kong had been significantly affected by the COVID-19 and total sales revenue dropped from approximately HK\$2.0 million to approximately HK\$1.0 million.

Regarding the energy saving business segment, total revenue recognised during the Period was HK\$0.8 million, as compared to HK\$1.1 million in 2019. The revenue mainly represented the energy saving revenue generated from retail stores of Suning.com Co., Ltd. (“**Suning**”). During the Period, with a view to focus more of its resources on the core manufacturing business, the Group has agreed with Suning to cease the installation work at retail stores of Suning. The Group has also offered a discount to Suning to secure a prompt settlement of all energy saving revenue receivable from Suning by the end of this year. The discontinuance of the installation work at Suning stores will not result in any significant impact on the overall operation and performance of the Group.

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 67.6% of the total revenue for the Period (2019: 50.2%). The increase in sales to the United States was mainly due to the increase in sales of electrostatic disinfectant sprayers to a customer located at the United States. On the other hand, sales to customers in all other locations had dropped during the Period.

Gross profit

The overall gross profit margin had increased from 15.8% for the six months period ended 30 June 2019 to 20.4% for 2020. The increase in overall gross profit margin was mainly due to the change in product mix and the consistent effort of the Group to tighten controls over production costs and overheads, and to improve production efficiency to improve the overall gross profit margin.

Expenses and finance costs

Administrative expenses had decreased by HK\$4.2 million and distribution costs had increased by HK\$6.7 million during the Period. The reduction in administrative expenses was mainly due to the decrease in overall administrative staff costs as a result of certain measures implemented by the Group in March and April to combat the adverse effect of the COVID-19. Total administrative staff costs for the Period, including directors' emoluments, had decreased by approximately HK\$3.2 million when compared to prior period. The increase in distribution costs was mainly due to the increase in sales volume and increase in sales commission by approximately HK\$6.7 million.

Total finance costs had decreased by HK\$1.2 million which was mainly due to the decrease in bank borrowings when compared to prior period.

Other operating income/expenses

During the Period, other operating gain amounted to approximately HK\$3.8 million which was mainly due to exchange gains.

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 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 in the prior period.

However, the purchaser has defaulted the first payment of the Consideration on the agreed due date and full impairment loss of approximately HK\$113.7 million was recognised in the interim condensed consolidated statement of profit or loss for the six months ended 30 June 2019.

Profit/(Loss) attributable to owners of the parent

The profit for the Period attributable to owners of the parent was HK\$42.3 million, compared to a loss of HK\$16.8 million for the same period in 2019. The loss in 2019 was mainly due to the impairment loss on the consideration for disposal of a discontinued operation of approximately HK\$113.7 million and the net profit from a discontinued operation of HK\$73.4 million. However, there were no such impairment loss or profit during the Period.

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\$3.3 million to acquire property, plant and equipment to enhance its production capacity.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At 30 June 2020, the Group's total cash and cash equivalents, net of current bank overdrafts, amounted to HK\$169.4 million. The net funds are sufficient to finance the Group's working capital and capital expenditure plans.

At 30 June 2020, total borrowings of the Group amounted to HK\$270.0 million, comprising bank overdrafts of HK\$14.8 million, bank loans of HK\$253.9 million and trust receipt loans of HK\$1.3 million, of which HK\$43.7 million were denominated in United States dollars, HK\$171.9 million were denominated in Hong Kong dollars and HK\$54.4 million were denominated in Renminbi respectively.

The Group's trade receivable turnover, inventory turnover and trade payable turnover were approximately 65 days, 84 days and 93 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 2020, the Group's total current assets were HK\$859.6 million compared to HK\$626.5 million as at 31 December 2019, and the Group's total current liabilities were HK\$774.5 million compared to HK\$594.4 million as at 31 December 2019. The current ratio (current assets/current liabilities) as at 30 June 2020 was 1.11 times, compared to 1.05 times as at 31 December 2019.

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 2020, 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 2020, the Company did not have any share options outstanding.

CASH FLOWS

The net balance of cash, cash equivalents and bank overdrafts at 30 June 2020 was HK\$169.4 million, which had increased by HK\$132.1 million compared to the balance at 31 December 2019.

The net cash generated from operating activities for the Period was HK\$120.4 million. The net cash used in investing activities amounted to HK\$2.7 million, which was mainly due to HK\$3.3 million being paid for the acquisition of property, plant and equipment.

On the other hand, there was a net cash inflow of HK\$14.4 million from financing activities. During the Period, new borrowings of HK\$64.1 million were obtained, and HK\$50.1 million was used to repay borrowings and principal repayment of lease liabilities.

CAPITAL EXPENDITURE

During the Period, the Group acquired property, plant and equipment at a total cost of HK\$3.3 million, mainly financed by internal resources of the Group.

PLEDGE OF ASSETS

At 30 June 2020, the Group had total bank borrowings of HK\$270.0 million, out of which HK\$104.0 million were secured by the land and buildings and right-of-use assets of HK\$170.7 million in aggregate, HK\$3.9 million were secured by short-term bank deposits of HK\$4.8 million, HK\$2.9 million were secured by accounts receivable of HK\$6.2 million and HK\$3.3 million were secured by plant and machinery of HK\$13.1 million.

DEBT POSITION AND GEARING

As at 30 June 2020, the Group has net debts (being total bank and other borrowings excluding trade debts and net of cash and cash equivalents) of approximately HK\$84.5 million (At 31 December 2019: HK\$191.4 million). The total equity was approximately HK\$377.9 million (At 31 December 2019: HK\$329.1 million). The gearing ratio as at 30 June 2020 was approximately 22.4% (At 31 December 2019: 58.2%).

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 2020 and 31 December 2019.

UPDATE ON SETTLEMENT OF OVERDUE CONSIDERATION AND DEBT

On 15 July 2020, the Group has engaged a solicitor firm at Beijing to commence arbitration proceedings against the purchaser and the guarantor in relation to the collection of the overdue Consideration and accrued interests thereon pursuant to the Sale and Purchase Agreement. As at the date of this announcement, the arbitration proceedings are still in progress and no agreement or material terms in relation to the settlement of the Consideration and the accrued interests thereon have been entered into or agreed between the Group and the purchaser and/or the guarantor. Full impairment loss on the Consideration has been made in the Group's audited consolidated financial statements for the year ended 31 December 2019.

On 2 January 2020, the Group has commenced civil action in the PRC by filing an official civil complaint (民事起訴狀) (the “**Complaint**”) at the Shenzhen Intermediate People’s Court (深圳市中級人民法院) to recover the overdue debt due from Beijing Wan Heng Da Investment Company Limited (北京萬恒達投資有限公司). The Complaint is currently being processed by the Shenzhen Intermediate People’s Court and no date for hearing has been fixed nor any judgement obtained as at the date of this announcement.

The Company will closely monitor the situation and further announcement(s) will be made by the Company to keep its shareholders and potential investors informed of any material development as and when appropriate.

EMPLOYEES

At 30 June 2020, the Group had 3,419 employees, of which 68 were employed in Hong Kong and 3,351 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 2020, 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 2020, 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 on the performance for the second half of 2020 though the impacts of the COVID-19 and global economy instability will continue to pose threats to the Group. 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 effects of the various sanctions imposed or to be imposed on Hong Kong by the United States and other countries are still uncertain. 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 management of the Group is of the view that the difficult business environment may last for some time. 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.

The COVID-19 has led to significant increase in demand for the Group's electrostatic disinfectant sprayers and management has strong confidence that the demand for the Group's electrostatic disinfectant sprayers and irrigation controllers will remain strong in the second half of 2020. In particular, management expects the demand for electrostatic disinfectant sprayers may experience dominant growth in the second half of 2020 and in the year 2021. Furthermore, new products for customers in the PRC and in Europe are expected to be launched to provide momentum for further growth in revenue. The Group expects the overall performance of the electronic products segment in the year 2020 will perform much better, both in terms of sales revenue and profit, when compared to the year 2019.

In terms of geographical market, the Group foresees that United States will continue to be the major market for its products in 2020, as the customers for electrostatic disinfectant sprayers and irrigation controllers are both located in the United States.

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, the operation of Yichun Yilian has been affected by the COVID-19 in the PRC. However, management expects the sale of printers to governmental organisations in the PRC will commence in the fourth quarter of the year.

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 foresees that the revenue from biodiesel products and energy efficient gas stoves will remain at existing level during the second half of 2020.

Energy saving business

The Group foresees that the revenue from the energy saving business will remain at a low level during the second half of 2020 as the Group has already ceased the installation work at Suning stores.

Looking forward, the Group will focus on its core electronic products segment and will continue to explore opportunities for new products and projects with existing and potential customers in Hong Kong, in the PRC and overseas to provide a better return to all shareholders. The Group is well positioned to deliver a much stronger performance in the second half of 2020.

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. Mr. Lam Yin Kee previously held both positions until 12 June 2020. On 12 June 2020, Mr. Lam Chee Tai, Eric, an executive Director of the Company, was appointed as the Chief Executive of the Company and Mr. Lam Yin Kee continued to be the Chairman of the Company.

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 28 August 2020, 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 and up to the date of this announcement, the changes in directors’ information since publication of the 2019 annual report of the Company are as follows:

- (a) At the annual general meeting of the Company held on 5 June 2020, Ms. Liu Jing and Mr. Meng Fei, being executive Directors of the Company who retired by rotation in accordance with the articles of association of the Company, were not re-elected as executive directors by the shareholders at the annual general meeting. They retired as directors of the Company with effect from the close of the annual general meeting;
- (b) Ms. Lam Oi Yan, Ivy was appointed as an executive director of the Company with effect from 12 June 2020; and
- (c) Mr. Lam Yin Kee, being an executive Director of the Company, has resigned as the Chief Executive of the Company and Mr. Lam Chee Tai, Eric, being an executive Director of the Company, was appointed as the Chief Executive of the Company with effect from 12 June 2020.

Save as disclosed above, there were no other changes in directors’ information since publication of the 2019 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 2020 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, 28 August 2020

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

Executive Directors

Mr. Lam Yin Kee, Mr. Lam Chee Tai, Eric, Ms. Yeung Po Wah, Mr. So Kin Hung and Ms. Lam Oi Yan, Ivy

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