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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 FINAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

The board (the “Board”) of directors (“Directors”) of Alltronics Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2019, prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by The Hong Kong Institute of Certified Public Accountants (“HKICPA”), together with comparative figures for the corresponding year in 2018 as follows:

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the year ended 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
<b>CONTINUING OPERATIONS</b>			
Revenue	4	1,260,847	1,284,813
Cost of sales		<u>(1,077,272)</u>	<u>(1,098,871)</u>
Gross profit		183,575	185,942
Distribution costs		(12,955)	(18,648)
Administrative expenses		(93,206)	(96,921)
Other operating income, net		4,478	8,707
Share of profits and losses of associates		(6,077)	(1,750)
(Loss)/gain on deemed disposal of partial interests in an associate	5	(397)	17,963
Realised gain on disposal of partial interests in an associate	5	–	18,406
Impairment losses on financial assets, net	5	(382,624)	(328)
Finance income	5	4,442	3,728
Finance costs	6	<u>(17,266)</u>	<u>(15,618)</u>
(Loss)/profit before tax from continuing operations	5	(320,030)	101,481
Income tax expense	7	<u>(13,422)</u>	<u>(22,561)</u>
<b>(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>(333,452)</b>	78,920
<b>DISCONTINUED OPERATION</b>			
Profit for the year from a discontinued operation	8	<u>73,435</u>	<u>28,813</u>
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<b><u>(260,017)</u></b>	<b><u>107,733</u></b>
<b>Attributable to:</b>			
Owners of the parent		(262,040)	104,241
Non-controlling interests		<u>2,023</u>	<u>3,492</u>
		<b><u>(260,017)</u></b>	<b><u>107,733</u></b>
<b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
		HK\$	HK\$
<b>Basic</b>			
– For (loss)/profit for the year	9	<u>(27.70) cents</u>	<u>11.02 cents</u>
– For (loss)/profit from continuing operations	9	<u>(35.46) cents</u>	<u>7.97 cents</u>
<b>Diluted</b>			
– For (loss)/profit for the year	9	<u>(27.70) cents</u>	<u>11.02 cents</u>
– For (loss)/profit from continuing operations	9	<u>(35.46) cents</u>	<u>7.97 cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>(LOSS)/PROFIT FOR THE YEAR</b>	<b>(260,017)</b>	107,733
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	(963)	(29,507)
Reclassification adjustments for a foreign operation disposed of during the year	<b>11,438</b>	–
	<b>10,475</b>	(29,507)
Share of other comprehensive loss of an associate	<b>(682)</b>	–
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<b>9,793</b>	(29,507)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income	<b>(411)</b>	–
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	<b>(411)</b>	–
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX</b>	<b>9,382</b>	(29,507)
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>	<b>(250,635)</b>	78,226
<b>Attributable to:</b>		
Owners of the parent	(252,517)	74,222
Non-controlling interests	<b>1,882</b>	4,004
	<b>(250,635)</b>	78,226

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>224,026</b>	238,660
Prepaid land lease payments		–	1,570
Right-of-use assets		<b>19,795</b>	–
Goodwill		<b>11,672</b>	11,672
Investments in associates		<b>40,060</b>	47,216
Prepayments, other receivables and other assets		<b>2,058</b>	13,110
Long term receivables	<i>11</i>	<b>624</b>	8,367
Equity investments designated at fair value through other comprehensive income		<b>1,831</b>	2,273
Deferred tax assets		<b>9,515</b>	2,006
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>309,581</b>	324,874
<b>CURRENT ASSETS</b>			
Inventories		<b>276,890</b>	306,213
Trade receivables	<i>12</i>	<b>210,364</b>	246,469
Long term receivables – current portion	<i>11</i>	<b>20,253</b>	23,322
Prepayments, other receivables and other assets		<b>52,389</b>	302,939
Pledged deposits		<b>5,259</b>	6,569
Cash and cash equivalents		<b>61,381</b>	64,820
		<hr/>	<hr/>
		<b>626,536</b>	950,332
Assets of a disposal group classified as held for sale	<i>8</i>	–	2,647,636
		<hr/>	<hr/>
<b>Total current assets</b>		<b>626,536</b>	3,597,968

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>13</i>	<b>232,331</b>	246,440
Other payables and accruals		<b>73,672</b>	63,614
Deferred revenue		<b>1,463</b>	2,004
Tax payable		<b>23,029</b>	8,767
Interest-bearing bank and other borrowings		<b>254,199</b>	398,044
Lease liabilities		<b>9,679</b>	–
		<b>594,373</b>	718,869
Liabilities directly associated with the assets classified as held for sale	<i>8</i>	–	2,621,453
<b>Total current liabilities</b>		<b>594,373</b>	3,340,322
<b>NET CURRENT ASSETS</b>			
		<b>32,163</b>	257,646
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>341,744</b>	582,520
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>8,804</b>	–
Deferred revenue		<b>958</b>	1,951
Deferred tax liabilities		<b>2,837</b>	789
<b>Total non-current liabilities</b>		<b>12,599</b>	2,740
<b>NET ASSETS</b>			
		<b>329,145</b>	579,780
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		<b>9,461</b>	9,461
Reserves		<b>311,674</b>	564,191
		<b>321,135</b>	573,652
Non-controlling interests		<b>8,010</b>	6,128
<b>TOTAL EQUITY</b>		<b>329,145</b>	579,780

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 CORPORATE AND GROUP INFORMATION**

Alltronics Holdings Limited (the “Company”) 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 Company and its subsidiaries (together the “Group”) are the manufacture 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 have been 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 31 December 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.

These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2020.

### **2 BASIS OF PREPARATION**

These consolidated financial statements have been prepared in accordance with HKFRSs (which include all HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements have been prepared under the historical cost convention, except for certain equity investments and investment properties which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

### 3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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

In the current year, the Group has applied, for the first time, the above new and amendments to HKFRSs issued by the HKICPA that are mandatorily effective for the year. The adoption of HKFRS 16 *Leases* has resulted in a change of accounting policy and the Group recognised right-of-use assets of HK\$45,922,000 and lease liabilities of HK\$44,052,000 on 1 January 2019. Other than that, the new and revised standards have no material effect on the Group's consolidated financial statements.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	<i>Definition of a Business<sup>1</sup></i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform<sup>1</sup></i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
HKFRS 17	<i>Insurance Contracts<sup>2</sup></i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2022

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group has expected that these standards will not have a significant effect on the Group's financial statement.

#### 4 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (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.

On 15 April 2019, the Group has completed the disposal of its entire investment properties business which is regarded as a discontinued operation in these consolidated financial statements. The segment information of the discontinued operation is set out in Note 8.

Management assesses the performance of the operating segments based on a measure of operating profit/loss (before interest and tax and unallocated operating costs).

All sales between segments are eliminated on consolidation. All segment revenue reported is derived from external parties.

Segment assets exclude cash and cash equivalents, prepayments and deposits and tax recoverable as these assets are managed on a group basis.

Segment liabilities exclude accruals and other payables as these liabilities are managed on a group basis.



**Year ended 31 December 2019**

	Electronic products <i>HK\$'000</i>	Continuing operations		Total <i>HK\$'000</i>
		Biodiesel products <i>HK\$'000</i>	Energy saving business <i>HK\$'000</i>	
<b>Segment revenue:</b>				
Sales to external customers	1,255,843	3,431	39	1,259,313
Revenue from services	–	–	1,534	1,534
Revenue from continuing operations	<u>1,255,843</u>	<u>3,431</u>	<u>1,573</u>	<u>1,260,847</u>
<b>Segment results</b>				
Operating profit/(loss) before interest and tax	100,437	(1,224)	(18,764)	80,449
Share of profits and losses of associates	(6,077)	–	–	(6,077)
Loss on deemed disposal of partial interests in an associate	(397)	–	–	(397)
Finance costs (other than lease liabilities)	(15,897)	–	–	(15,897)
Finance income	1,648	–	2,794	4,442
Income tax expense	(21,018)	–	7,596	(13,422)
	<u>58,696</u>	<u>(1,224)</u>	<u>(8,374)</u>	49,098
Unallocated operating costs				<u>(382,550)</u>
Loss for the year from continuing operations				<u>(333,452)</u>
<b>Segment assets</b>	<b>881,923</b>	<b>2,914</b>	<b>40,561</b>	<b>925,398</b>
Unallocated:				
Cash and cash equivalents				95
Prepayments and deposits				<u>10,624</u>
Total assets				<u>936,117</u>
<b>Segment liabilities</b>	<b>582,720</b>	<b>1,015</b>	<b>3,206</b>	<b>586,941</b>
Unallocated:				
Other payables and accruals				8,845
Tax payable				<u>11,186</u>
Total liabilities				<u>606,972</u>
<b>Other segment information:</b>				
Investments in associates	40,060	–	–	40,060
Depreciation and amortisation	(39,912)	(275)	(5,537)	(45,724)
Capital expenditure*	7,824	–	2	7,826
Loss on deemed disposal of partial interests in an associate	<u>(397)</u>	<u>–</u>	<u>–</u>	<u>(397)</u>

\* Capital expenditure consists of additions of property, plant and equipment.

**Year ended 31 December 2018**

	Electronic products HK\$'000	Continuing operations Biodiesel products HK\$'000	Energy saving business HK\$'000	Total HK\$'000
<b>Segment revenue:</b>				
Sales to external customers	1,277,160	4,161	992	1,282,313
Revenue from services	–	–	2,500	2,500
Revenue from continuing operations	<u>1,277,160</u>	<u>4,161</u>	<u>3,492</u>	<u>1,284,813</u>
<b>Segment results</b>				
Operating profit/(loss) before interest and tax	94,430	402	(9,120)	85,712
Share of profits and losses of associates	(1,750)	–	–	(1,750)
Gain on deemed disposal of partial interests in an associate	17,963	–	–	17,963
Realised gain on disposal of partial interests in an associate	18,406	–	–	18,406
Finance costs	(15,613)	–	(5)	(15,618)
Interest income	1,317	–	2,411	3,728
Income tax expense	(22,561)	–	–	(22,561)
	<u>92,192</u>	<u>402</u>	<u>(6,714)</u>	<u>85,880</u>
Unallocated operating costs				<u>(6,960)</u>
Profit for the year from continuing operations				<u>78,920</u>
<b>Segment assets</b>	970,186	3,308	70,582	1,044,076
Unallocated:				
Cash and cash equivalents				827
Prepayments and deposits				230,303
Assets related to a discontinued operation				<u>2,647,636</u>
Total assets				<u>3,922,842</u>
<b>Segment liabilities</b>	716,100	196	4,336	720,632
Unallocated:				
Other payables and accruals				977
Liabilities related to a discontinued operation				<u>2,621,453</u>
Total liabilities				<u>3,343,062</u>
<b>Other segment information:</b>				
Investments in associates	47,216	–	–	47,216
Depreciation and amortisation	(18,765)	(170)	(14)	(18,949)
Capital expenditure*	24,096	–	69	24,165
Gain on deemed disposal of partial interests in an associate	17,963	–	–	17,963
Realised gain on disposal of partial interests in an associate	<u>18,406</u>	<u>–</u>	<u>–</u>	<u>18,406</u>

\* Capital expenditure consists of additions of property, plant and equipment.

## Geographical information

### *Continuing operations*

(a) Revenue from external customers

	<b>2019</b>	2018
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
The United States	<b>601,445</b>	608,175
Hong Kong	<b>260,501</b>	307,000
Europe	<b>190,177</b>	228,146
Mainland China	<b>156,733</b>	100,008
Other overseas countries	<b>51,991</b>	41,484
	<b><u>1,260,847</u></b>	<u>1,284,813</u>

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

(b) Non-current assets

	<b>2019</b>	2018
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Hong Kong	<b>226,356</b>	255,608
Mainland China	<b>73,710</b>	67,260
	<b><u>300,066</u></b>	<u>322,868</u>

The non-current assets information above is based on the locations of the assets and excludes deferred tax assets.

## Information about major customers

For the year ended 31 December 2019, revenues of approximately HK\$457,685,000 (2018: HK\$433,643,000) were derived from a single external customer. These revenues were attributable to the electronic products segment.

## Analysis of revenue

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Sale of industrial products	<b>1,259,313</b>	1,282,313
Maintenance service income	<b>1,534</b>	2,500
	<b><u>1,260,847</u></b>	<u>1,284,813</u>

## Revenue from contracts with customers

### (i) Disaggregated revenue information

#### For the year ended 31 December 2019

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>
<b>Type of goods or services</b>				
Sale of industrial products	1,255,843	3,431	39	1,259,313
Maintenance services	–	–	1,534	1,534
	<u>1,255,843</u>	<u>3,431</u>	<u>1,573</u>	<u>1,260,847</u>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	1,255,843	3,431	39	1,259,313
Services transferred over time	–	–	1,534	1,534
	<u>1,255,843</u>	<u>3,431</u>	<u>1,573</u>	<u>1,260,847</u>
Total revenue from contracts with customers	<u>1,255,843</u>	<u>3,431</u>	<u>1,573</u>	<u>1,260,847</u>

**For the year ended 31 December 2018**

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>
<b>Type of goods or services</b>				
Sale of industrial products	1,277,160	4,161	992	1,282,313
Maintenance services	–	–	2,500	2,500
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	<u>1,277,160</u>	<u>4,161</u>	<u>3,492</u>	<u>1,284,813</u>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	1,277,160	4,161	992	1,282,313
Services transferred over time	–	–	2,500	2,500
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	<u>1,277,160</u>	<u>4,161</u>	<u>3,492</u>	<u>1,284,813</u>

(ii) *Performance obligations*

Information about the Group's performance obligations is summarised below:

**Sale of industrial products**

The performance obligation is satisfied upon delivery of the industrial products and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

**Maintenance services**

Maintenance service income is recognised on a straight-line basis over the terms of the maintenance contracts.

## 5 (LOSS)/PROFIT BEFORE TAX

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

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold and services provided	<b>723,889</b>	748,796
Depreciation of property, plant and equipment	<b>20,469</b>	18,949
Depreciation of right-of-use assets (2018: amortisation of prepaid land lease payments)	<b>20,487</b>	50
Auditors' remuneration	<b>2,035</b>	2,148
Amortisation of prepayments	<b>4,768</b>	4,038
Write-down of prepayments	<b>5,270</b>	–
Write-down/(write-back) of inventories to net realisable value	<b>16,224</b>	(8,945)
Minimum lease payments under operating leases	–	16,230
Lease payments not included in the measurement of lease liabilities	<b>959</b>	–
Directors' and chief executive's remuneration	<b>15,359</b>	15,847
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	<b>220,582</b>	257,385
Pension scheme contributions	<b>1,047</b>	1,059
Staff welfare and allowances	<b>11,431</b>	14,412
	<b>233,060</b>	272,856
Impairment of consideration receivable from a related party which is the purchaser of a disposal group*	<b>113,740</b>	–
Impairment of other receivables from a related party which is a former subsidiary group*	<b>255,439</b>	–
Impairment of other receivable from a related party which is the purchaser of a disposal group*	<b>5,985</b>	–
Gain on disposal of a subsidiary group	<b>44,896</b>	–
Impairment of long term receivables	<b>3,368</b>	–
Loss/(gain) on deemed disposal of partial interests in an associate^	<b>397</b>	(17,963)
Realised gain on disposal of partial interests in an associate#	–	(18,406)
Gain on disposal of property, plant and equipment	<b>(18)</b>	(36)
Foreign exchange differences, net	<b>(4,451)</b>	(7,163)
Impairment of trade receivables, net	<b>4,092</b>	328
Interest income from bank deposits	<b>(2,119)</b>	(1,346)
Interest income from long term receivables	<b>(2,323)</b>	(2,382)
Rental income	<b>(898)</b>	(748)

\* The consideration and other receivable due from the purchaser of a disposal group and the balances due from this former subsidiary group had been overdue. The purchaser and this former subsidiary group are related parties (see note 14), had defaulted in repayment of the consideration according to the terms as set out in the respective agreement and defaulted in repayment of the balances due to the Group, respectively (see notes 8 and 14 for details of the disposal). The Group is undergoing legal proceeding to recover these balances in full and in the discussion with its legal counsel to execute the guarantee. However, considering the recent financial position of the purchaser and this former subsidiary group, the Group had made full impairment provision against these balances at 31 December 2019.

^ Loss on deemed disposal of partial interests in an associate has been recorded as HK\$397,000 due to the new investment in P2 Mobile Technologies Limited from other investors in 2019.

Gain on deemed disposal of partial interests in an associate has been recorded as HK\$17,963,000 due to the new investment in Yichun Yilian Print Tech Co., Ltd. from other investors in 2018.

# Realised gain on disposal of partial interests in an associate has been recorded as HK\$18,406,000 due to the sale of 3,000 shares in P2 Mobile Technologies Limited in 2018.

## 6 FINANCE COSTS

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

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans	<b>15,897</b>	15,594
Interest on lease liabilities/finance liabilities	<b>1,369</b>	24
	<hr/>	<hr/>
Total finance costs	<b>17,266</b>	15,618
	<hr/>	<hr/>

## 7 INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

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 year, except for subsidiaries of the Group which are qualifying entities under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 (2018: HK\$2,000,000) of assessable profits of these subsidiaries is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Pursuant to the PRC Income Tax Law and the respective regulations, the subsidiaries which operate in Mainland China are subject to Corporate Income Tax at a rate of 25% (2018: 25%) on the taxable income.

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current – Mainland China	<b>11,673</b>	10,553
Current – Hong Kong	<b>8,066</b>	11,050
Overprovision in prior years	<b>(751)</b>	(263)
Deferred	<b>(5,566)</b>	1,221
	<hr/>	<hr/>
Total tax charge for the year from continuing operations	<b>13,422</b>	22,561
	<hr/>	<hr/>
Total tax charge for the year from a discontinued operation	<b>8,811</b>	65,899
	<hr/>	<hr/>
Total tax charge for the year	<b>22,233</b>	88,460
	<hr/>	<hr/>

## 8 DISCONTINUING OPERATION

On 20 December 2018, the Group entered into a sale and purchase agreement for the disposal of the entire issued share capital of Bonroy Limited at a consideration of RMB100 million. Bonroy Limited was an indirect wholly-owned subsidiary of the Company which recorded all of the Group's investment properties business. The investment properties business segment was reported as a discontinued operation in the Group's consolidated financial statements in the prior year.

On 20 March 2019, an extraordinary general meeting of the Company was held and the resolution for the disposal transaction of Bonroy Limited was duly approved by the shareholders of the Company. The disposal of the Bonroy Limited and its subsidiaries (the "Bonroy Group") was completed on 15 April 2019. Accordingly, as at 31 December 2019, the Group did not record any balance relating to disposal group held for sale. (As at 31 December 2018, the Bonroy Group was classified as a disposal group held for sale and as a discontinued operation.)

The consolidated results for the period from 1 January 2019 to the date of disposed and for the year ended 31 December 2018 from the discontinued investment properties business and the gain recognised from the disposal of Bonroy Group are set out below.

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	<b>71,345</b>	249,339
Gain on changes in fair value of investment properties	<b>8,601</b>	89,550
Expenses	<b>(6,445)</b>	(126,996)
Finance costs	<b>(36,151)</b>	(117,181)
	<hr/>	<hr/>
Profit from the discontinued operation	<b>37,350</b>	94,712
Gain recognised on disposal of discontinued operation	<b>44,896</b>	–
	<hr/>	<hr/>
Profit before tax from the discontinued operation	<b>82,246</b>	94,712
Income tax:		
Related to pre-tax profit	<b>(2,993)</b>	(65,899)
Related to gain recognised on disposal of discontinued operation	<b>(5,818)</b>	–
	<hr/>	<hr/>
Profit for the year from the discontinued operation	<b>73,435</b>	28,813
	<hr/>	<hr/>



The major classes of assets and liabilities of the Bonroy Group classified as held for sale as at 31 December are as follows:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Assets</b>		
Property, plant and equipment	–	117
Investment properties	–	2,314,214
Cash and cash equivalents	–	649
Trade receivables	–	241,618
Prepayments, other receivables and other assets	–	91,038
	<hr/>	<hr/>
Assets classified as held for sale	–	2,647,636
	<hr/>	<hr/>
<b>Liabilities</b>		
Other payables and accruals	–	(141,361)
Due to the Group	–	(237,965)
Interest-bearing bank and other borrowings	–	(1,707,067)
Deferred tax liabilities	–	(535,060)
	<hr/>	<hr/>
Liabilities directly associated with the assets classified as held for sale	–	(2,621,453)
	<hr/>	<hr/>
Net assets directly associated with the disposal group	–	26,183
	<hr/>	<hr/>
Profit per share:		
Basic, from the discontinued operation	<b>HK7.76 cents</b>	HK3.05 cents
Diluted, from the discontinued operation	<b>HK7.76 cents</b>	HK3.05 cents
	<hr/>	<hr/>

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

	<b>2019</b>	2018
Profit attributable to ordinary equity holders of the parent from the discontinued operation	<b>HK\$73,435,000</b>	HK\$28,813,000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation ( <i>note 9</i> )	<b>946,116,360</b>	946,116,360
Weighted average number of ordinary shares used in the diluted earnings per share calculation ( <i>note 9</i> )	<b>946,116,360</b>	946,116,360
	<hr/>	<hr/>

As Bonroy Group was disposed of prior to 31 December 2019, the assets and liabilities classified as held for sale are no longer included in the consolidated statement of financial position as at 31 December 2019. The Group has no obligation to repay the bank borrowings of Bonroy Group.

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

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

The calculations of basic and diluted (loss)/earnings per share are based on:

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
<b>(Loss)/earnings</b>		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation:		
From continuing operations	<b>(335,475)</b>	75,428
From a discontinued operation	<b>73,435</b>	28,813
	<u>(262,040)</u>	<u>104,241</u>
(Loss)/profit attributable to ordinary equity holders of the parent	<b>(262,040)</b>	104,241
	<b>Number of shares</b>	
	<b>2019</b>	2018
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	<b>946,116,360</b>	946,116,360

**10 DIVIDEND**

The Board does not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

## 11 LONG TERM RECEIVABLES

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Non-current</b>		
Gross receivables	<b>791</b>	11,305
Less: unearned income	<b>(167)</b>	(2,938)
	<u><b>624</b></u>	<u>8,367</u>
<b>Current</b>		
Gross receivables	<b>22,726</b>	25,645
Less: unearned income	<b>(2,473)</b>	(2,323)
	<u><b>20,253</b></u>	<u>23,322</u>
Total receivables	<u><b>20,877</b></u>	<u>31,689</u>

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

## 12 TRADE RECEIVABLES

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Trade receivables</b>	<b>215,185</b>	247,485
Impairment	<b>(4,821)</b>	(1,016)
	<u><b>210,364</b></u>	<u>246,469</u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 to 90 days. As at 31 December 2019, the Group's largest customer accounted for approximately 22.1% of total trade receivables (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 diversified customers. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the year, based on the invoice date, is as follows:

	<b>2019</b>	2018
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 1 month	<b>133,396</b>	116,906
1 to 2 months	<b>42,631</b>	77,449
2 to 3 months	<b>19,652</b>	37,841
Over 3 months	<b>14,685</b>	14,273
	<b><u>210,364</u></b>	<u>246,469</u>

As at 31 December 2019, the Group's trade receivables of approximately HK\$0.6 million (2018: HK\$0.8 million) were pledged with banks to secure banking facilities granted to the Group.

### **13 TRADE AND BILLS PAYABLES**

An ageing analysis of the trade and bills payables as at the end of the year, based on the invoice date, is as follows:

	<b>2019</b>	2018
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 1 month	<b>105,930</b>	92,005
1 to 2 months	<b>86,161</b>	93,184
2 to 3 months	<b>33,550</b>	49,829
Over 3 months	<b>6,690</b>	11,422
	<b><u>232,331</u></b>	<u>246,440</u>

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

### **14 RELATED PARTY TRANSACTIONS AND BALANCES**

During the year, the Group disposed of the Bonroy Group to Yingtai Holdings Limited (as "Purchaser") which is a related party. Pursuant to the relevant agreement, the disposal was guaranteed by Luohe Yinge Industrial Group Company Limited (as "Guarantor") which is also a related party. These two related parties have the same controlling shareholder who is the family member of Mr. Meng Fei, the executive director of the Company but whose duties were suspended on 28 March 2019.

As at 31 December 2019, the Group had the following balances due from the Purchaser and the Bonroy Group:

<b>As at 31 December</b>		<b>2019</b>
		<b>HK\$'000</b>
Receivable relating to the consideration for the disposal of Bonroy Limited	<i>Note (i)</i>	<b>111,857</b>
Other receivables due from the former subsidiary group, Bonroy Group	<i>Note (ii)</i>	<b>237,194</b>
Other receivable due from a related party, the Purchaser of Bonroy	<i>Note (iii)</i>	<b>5,985</b>
		<hr/>
Aggregate amounts due from these related parties		<b>355,036</b>
Less: provision for impairment		<b>(375,164)</b>
Effect of exchange rate changes		<b>20,128</b>
		<hr/>
Net exposure:		<b>–</b>
		<hr style="border-top: 3px double black;"/>

*Notes:*

- (i) It represents the consideration for the disposal of Bonroy Limited payable by the Purchaser to the Group. The balance has been overdue.
- (ii) These represent the outstanding balances due from the former subsidiary group, Bonroy Group, which have been overdue.
- (iii) It represents the income tax related to gain recognised on disposal of Bonroy Limited born by the Purchaser to the Group according to the sale and purchase agreement (see note 8), which was fully impaired together with the consideration (Note (i)).

The Purchaser had defaulted in repayment of the consideration according to the terms as set out in the respective agreement. The balances due from this former subsidiary group, Bonroy Group, had been overdue. The Group is undergoing legal proceeding to recover these balances in full and in the discussion with its legal counsel to execute the guarantee. However, considering the recent financial position of the Purchaser and this former subsidiary group, the Group had made full impairment provision against these balances at 31 December 2019.

## 15 EVENTS AFTER THE REPORTING PERIOD

- (1) On 2 January 2020, Alltronics Energy Saving (Shenzhen) Limited (“Alltronics Energy Saving”), being a wholly-owned subsidiary of the Company, as the plaintiff, 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). The defendants of the Complaint were Beijing Wan Heng Da Investment Limited (“Beijing Wan Heng Da”, being a subsidiary of the Bonroy Group), the Guarantor and the sole tenant of the investment properties held by Beijing Wan Heng Da. Under the Complaint, Alltronics Energy Saving claimed against the defendants for immediate settlement of all overdue debt (the “Debt”) due from Beijing Wan Heng Da, and for enforcement of a pledge agreement dated 20 September 2019 entered into between Alltronics Energy Saving and Beijing Wan Heng Da. The Complaint is currently being processed by the Shenzhen Intermediate People’s Court and no date for hearing has been fixed as at the date of this announcement.
- (2) The outbreak of novel coronavirus (COVID-19) continues to spread throughout China and to countries across the world.

The COVID-19 has certain impact on the business operations of the Group in particular the electronic products operations. In adherence to the guidelines of the Chinese government and to protect the employees from infection, the Group has temporarily suspended the operations of its factories in Shenzhen and Yichun for about three weeks since the end of January. These factories have gradually resumed operation since 24 February 2020. The degree of the impact depends on the situation of the epidemic preventive measures and the duration of the epidemic. The Group has implemented various cost-cutting measures to minimise the adverse effects due to the COVID-19.

The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of the announcement, the assessment is still in progress.

Given the dynamic nature of these circumstances, the related impact on our Group’s consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group’s 2020 interim and annual financial statements.

## **DIVIDEND**

The Board does not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

## **ANNUAL GENERAL MEETING**

The Annual General Meeting 2020 (the “AGM”) of the Company will be held at Unit 408, 4/F, Citicorp Centre, 18 Whitfield Road, Hong Kong on 5 June 2020 at 11:00 a.m.. The notice of the AGM will be posted on the respective websites of the Company (<http://www.irasia.com/listco/hk/alltronics/index.htm>) and the Stock Exchange (<http://www.hkexnews.hk>) and dispatched to the shareholders in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 2 June 2020 to 5 June 2020 (both dates inclusive), during which period no share transfers will be effected. In order to qualify for attending and voting at the AGM, all share transfers must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited, at 54/F, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on 1 June 2020.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

#### **Revenue**

Total turnover from continuing operations for the year ended 31 December 2019 had decreased slightly by 1.9% to HK\$1,260.8 million, as compared to HK\$1,284.8 million for the year 2018. The decrease in turnover was mainly due to the decrease in revenue from sales of electronic products during the year.

The turnover analysis by business segments for the two years ended 31 December 2019 and 2018 respectively are as follows:

	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from sales of electronic products	<b>1,255,843</b>	1,277,160
Revenue from biodiesel products and energy efficient gas stoves	<b>3,431</b>	4,161
Revenue from energy saving business	<b>1,573</b>	3,492
	<b><u>1,260,847</u></b>	<u>1,284,813</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 finished electronic products had remained stable with a slight decrease by HK\$4.0 million. During the year, sales of irrigation controller products to the largest customer of the Group in the United States had increased by HK\$24.1 million, from HK\$433.6 million in 2018 to HK\$457.7 million in 2019. Sales of walkie-talkie products had also increased by approximately HK\$31.3 million. On the other hand, total revenue from sales of components for electronic products, including transformers, adapters and solenoids, had decreased by approximately HK\$40.7 million and sales of plastic moulds and plastic components had increased by approximately HK\$23.3 million.

The operations of the biodiesel products and energy efficient gas stoves business segment continued to remain at a low level during the year with total sales revenue of approximately HK\$3.4 million.

Regarding the energy saving business segment, total revenue recognised during the year was HK\$1.6 million, as compared to HK\$3.5 million 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 year, 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 47.7% of the total revenue for the year (2018: 47.3%). On the other hand, sales to customers in The People's Republic of China (the "PRC") had increased by HK\$56.7 million. Sales to customers in Hong Kong and Europe had dropped by HK\$46.5 million and HK\$38.0 million respectively during the year. 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. The Group will continue its efforts to secure new customers in different markets so that the revenue by geographical location can be spread more evenly.

### **Gross profit**

The overall gross profit margin from continuing operations had increased slightly from 14.5% for the year 2018 to 14.6% for the year 2019. During the year 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 year 2018. 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 the Group's 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 meet any unexpected challenges and to maximise the gross profit margin for the electronic product segment.

### **Expenses and finance costs**

Administrative expenses had decreased by HK\$3.7 million and distribution costs had decreased by HK\$5.7 million when compared to prior year. The decrease in administrative expenses was mainly due to decrease in overall administrative staff costs as a result of reduction in headcount during the year. Total administrative staff costs for the year, including directors' emoluments, had decreased by HK\$4.7 million when compared to prior year. The decrease in distribution costs was mainly due to the reduction in sales commission by approximately HK\$3.4 million.

Total finance costs had increased by HK\$1.6 million which was mainly due to the increase in interest element of lease liabilities/finance lease of HK\$1.3 million.

## **Other operating income/expenses**

During the year, the net other operating income has decreased by HK\$4.2 million which was mainly due to the decrease in exchange gains.

## **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 (together with its subsidiaries, the “Bonroy Group”), being an indirect wholly-owned subsidiary of the Company which recorded all of the Group’s investment properties business, at a consideration (the “Consideration”) of RMB100 million.

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”) and the results of the investment properties business segment up to the Completion Date were reported as a discontinued operation in the consolidated statement of profit or loss for the year ended 31 December 2019.

Despite extensions were granted to the purchaser (the “Purchaser”) of Bonroy for settlement of the Consideration, the Purchaser has defaulted the repayment of the Consideration on the agreed due date. On 14 November 2019, the Group has served a statutory demand against the Purchaser for the immediate settlement of the overdue Consideration and interests thereon. In view of the uncertainty on the recoverability of the Consideration, full impairment loss of approximately HK\$113.7 million was recognised in the consolidated statement profit or loss.

The debt (the “Debt”) due from a disposed subsidiary of the Bonroy Group (the “Borrower”) was overdue and remained unsettled despite the efforts made by the Group to recover the debt, including legal proceedings implemented against the Borrower. The Company is of the view that recovery of the full amount of the debt in the foreseeable future is not likely and full impairment loss of approximately HK\$255.4 million was recognised in the consolidated statement profit or loss.

As at the date of this announcement, the Group is consulting its legal advisers in respect of the possible further actions to be taken against the Purchaser, the Borrower and the guarantor pursuant to the Sale and Purchase Agreement to recover the Consideration and the Debt.

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

There was a loss for the year attributable to owners of the parent of HK\$262.0 million, compared to a profit of HK\$104.2 million in the year 2018. The loss was mainly due to the impairment losses on the Consideration and the Debt of approximately HK\$113.7 million and HK\$255.4 million respectively. On the other hand, there was a net profit from a discontinued operation of HK\$73.4 million.

The loss for the year from continuing operations attributable to owners of the parent was HK\$335.5 million. However, if the impairment losses on the Consideration and the Debt of HK\$113.7 million and HK\$255.4 million respectively were excluded, there would be a profit for the year from continuing operations attributable to the owners of the parent of HK\$33.6 million, compared to a profit of HK\$75.4 million for the year 2018.

## **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 year, the Group incurred approximately HK\$7.8 million to acquire property, plant and equipment to enhance its production capacity.

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

At 31 December 2019, the Group's total cash and cash equivalents, net of current bank overdrafts, amounted to HK\$37.3 million. The net funds are sufficient to finance the Group's working capital and capital expenditure plans.

At 31 December 2019, total borrowings of the Group amounted to HK\$254.2 million, comprising bank overdrafts of HK\$24.1 million, bank loans of HK\$228.7 million and trust receipt loans of HK\$1.4 million, of which HK\$197.6 million were denominated in Hong Kong dollars, HK\$23.0 million were denominated in RMB and HK\$33.6 million were denominated in USD respectively.

The Group's trade receivable turnover, inventory turnover and trade payable turnover for the year were approximately 66 days, 99 days and 91 days respectively. These turnover periods are consistent with the respective policies of the Group on credit terms granted to customers and obtained from suppliers.

As at 31 December 2019, the Group's total current assets were HK\$626.5 million compared to HK\$3,598.0 million as at 31 December 2018, and the Group's total current liabilities were HK\$594.4 million compared to HK\$3,340.3 million as at 31 December 2018. The current ratio (current assets/current liabilities) as at 31 December 2019 was 1.05 times, compared to 1.08 times as at 31 December 2018.

During the year, 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 31 December 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 31 December 2019, the Company did not have any share options outstanding.

## **CASH FLOWS**

The net balance of cash, cash equivalents and bank overdrafts at 31 December 2019 was HK\$37.3 million, which had decreased by HK\$0.6 million compared to the balance at 31 December 2018.

The net cash generated from operating activities for the year was HK\$150.9 million. The net cash generated from investing activities amounted to HK\$0.3 million, which was mainly due to HK\$8.1 million being paid for the acquisition of property, plant and equipment and the decrease in non-current long term receivables of HK\$7.7 million.

On the other hand, there was a net cash outflow of HK\$157.3 million from financing activities. During the year, new borrowings of HK\$109.6 million were obtained, HK\$19.7 million was used to pay for principal portion of leases and finance lease rental and HK\$248.5 million was used to repay bank and other borrowings.

## **CAPITAL EXPENDITURE**

During the year, the Group acquired property, plant and equipment at a total cost of HK\$7.8 million, mainly financed by internal resources of the Group.

## **PLEDGE OF ASSETS**

At 31 December 2019, the Group had total bank borrowings (excluding obligations under finance leases) of HK\$254.2 million, out of which HK\$82.4 million were secured by the land and buildings of HK\$173.9 million and HK\$7.5 million were secured by short-term bank deposits of HK\$5.3 million and trade receivables of HK\$0.6 million.

## **DEBT POSITION AND GEARING**

As at 31 December 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\$191.4 million (At 31 December 2018: HK\$330.8 million). The total equity was approximately HK\$329.1 million (At 31 December 2018: HK\$579.8 million). The gearing ratio as at 31 December 2019 was approximately 58.2% (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.

## **LITIGATIONS AND CONTINGENT LIABILITIES**

During the year ended 31 December 2019 and as at 31 December 2019 and 2018, the Group was not a defendant in any of the legal proceedings against the Group. The Group did not have any material contingent liabilities as at both 31 December 2019 and 31 December 2018.

## **EMPLOYEES**

At 31 December 2019, the Group had 2,854 employees, of which 71 were employed in Hong Kong and 2,783 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 31 December 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 31 December 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 year 2020 though the global economic environment will remain uncertain due to a number of factors. The recent outbreak of the new coronavirus pneumonia ("COVID-19") in January 2020 had led to temporary suspension of operation of the Group's factories in China for about three weeks. The factories had resumed operations gradually since 24 February 2020 and shipments to customers had been delayed. The COVID-19 has adverse impacts on the business operation and overall economy in China and worldwide. The Group has implemented various cost-cutting measures to minimise the adverse effects due to the COVID-19. It is difficult to estimate the full impact in the coming months given the dynamic nature of these circumstances. The Group will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts, and will try its best to meet the needs of its customers as much as possible.

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 production 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 final outcome of these disputes may have an impact on the Group's performance in the future.

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 year 2020. In addition, new products for new customers in the PRC and in Europe are expected to be launched in 2020 to provide momentum for the continuing growth in revenue. The Group has confidence that the overall performance of the electronic products segment will remain stable 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 2020. 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 year, Yichun Yilian was approved as a qualified supplier of printers to governmental organisations in the PRC and 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 business of biodiesel products and energy efficient gas stoves will remain stable in the year 2020.



## **Energy saving business**

As at 31 December 2019, over 650 retail stores of Suning have completed the installation work and generating energy saving revenue. During the year, 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.

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 year 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 maximise 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 year ended 31 December 2019.



## **CHANGES IN INFORMATION OF DIRECTORS**

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 respectively 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.

## **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 Audit Committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2019 at a meeting held on 30 March 2020, which is of the opinion that the consolidated financial statements complied with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit of loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

## **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.

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

The Company has not redeemed any of its shares during the year ended 31 December 2019. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the year.

## **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 annual report for the year ended 31 December 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 March 2020

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