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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 2021**

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 2021, 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 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

		2021	2020
	Notes	HK\$'000	HK\$'000
Revenue	4	1,656,388	2,203,761
Cost of sales		<u>(1,396,183)</u>	<u>(1,788,903)</u>
Gross profit		260,205	414,858
Distribution costs		(24,288)	(61,690)
Administrative expenses		(93,125)	(100,239)
Other operating expenses, net		(4,547)	(17,294)
Share of losses of associates		(27,029)	(9,057)
Loss on deemed disposal of partial interests in an associate	5	(60)	(207)
Impairment losses on financial assets, net	5	(4,867)	(34,415)
Finance income	5	2,133	4,771
Finance costs	6	<u>(13,107)</u>	<u>(16,127)</u>
Profit before tax	5	95,315	180,600
Income tax expense	7	<u>(28,173)</u>	<u>(52,099)</u>
PROFIT FOR THE YEAR		<u>67,142</u>	<u>128,501</u>
Attributable to:			
Owners of the Company		69,347	122,444
Non-controlling interests		<u>(2,205)</u>	<u>6,057</u>
		<u>67,142</u>	<u>128,501</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		2021	2020
		HK cents	HK cents
Basic and diluted	8	<u>7.33</u>	<u>12.94</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>67,142</u>	<u>128,501</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	13,383	22,139
Share of other comprehensive income of an associate	<u>551</u>	<u>1,851</u>
	<u>13,934</u>	<u>23,990</u>
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of financial assets at fair value through other comprehensive income	<u>–</u>	<u>(1,799)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>13,934</u>	<u>22,191</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>81,076</u>	<u>150,692</u>
Attributable to:		
Owners of the Company	83,834	145,092
Non-controlling interests	<u>(2,758)</u>	<u>5,600</u>
	<u>81,076</u>	<u>150,692</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		203,025	214,023
Right-of-use assets		86,277	93,975
Investments in associates		6,108	32,647
Goodwill		11,672	11,672
Financial assets at fair value through profit or loss ("FVTPL")		21,780	6,021
Deferred tax assets		14,245	16,487
		<hr/>	<hr/>
Total non-current assets		343,107	374,825
CURRENT ASSETS			
Inventories		452,679	337,739
Trade receivables	<i>10</i>	342,856	346,139
Prepayments, other receivables and other assets		64,450	103,524
Pledged deposits		3,759	4,805
Restricted deposits		13,246	–
Cash and cash equivalents		138,422	189,991
		<hr/>	<hr/>
Total current assets		1,015,412	982,198

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
CURRENT LIABILITIES			
Trade and bills payables	<i>11</i>	318,246	305,445
Other payables and accruals		131,887	214,170
Interest-bearing bank and other borrowings		265,619	232,256
Lease liabilities		27,780	21,258
Tax payable		27,948	39,272
Total current liabilities		771,480	812,401
NET CURRENT ASSETS		243,932	169,797
TOTAL ASSETS LESS CURRENT LIABILITIES		587,039	544,622
NON-CURRENT LIABILITIES			
Lease liabilities		62,767	74,253
Deferred tax liabilities		5,934	4,724
Total non-current liabilities		68,701	78,977
NET ASSETS		518,338	465,645
EQUITY			
Share capital		9,461	9,461
Reserves		498,025	442,574
Equity attributable to owners of the Company		507,486	452,035
Non-controlling interests		10,852	13,610
TOTAL EQUITY		518,338	465,645

NOTES TO THE 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. 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 Company is an investment holding company. The principal activities of the Company and its subsidiaries 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 the Company's registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Unit 408, 4/F, Citicorp Centre, 18 Whitfield Road, Hong Kong.

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 2021 (2020: 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 were approved and authorised for issue by the Board of Directors on 30 March 2022.

2 BASIS OF PREPARATION

These annual consolidated financial statements have been prepared in accordance with HKFRSs which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong.

These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

These consolidated financial statements have been prepared under the historical cost convention, except for unlisted convertible bond and investments in life insurance plans 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 ADOPTION OF NEW AND AMENDED HKFRSs

Amended HKFRSs that are effective for annual periods beginning on 1 January 2021

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2021:

Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>

The adoption of the amended HKFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	<i>Insurance Contracts and related amendments²</i>
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework⁴</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021⁵</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)²</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies²</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates²</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transactions²</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use¹</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract¹</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRS Standards 2018-2020¹</i>
Accounting Guideline 5 (Revised)	<i>Merger Accounting for Common Control Combination⁴</i>

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ Effective date not yet determined

⁴ Effective for business combination/common control for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁵ Effective for annual periods beginning on or after 1 April 2021

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. These new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

4 OPERATING SEGMENT INFORMATION

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

- (i) the electronic products segment – the manufacture 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.

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 financial assets at FVTPL as these assets are managed on a group basis.

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

Year ended 31 December 2021

	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	1,654,180	477	1,091	1,655,748
Revenue from services	–	–	640	640
Total revenue	<u>1,654,180</u>	<u>477</u>	<u>1,731</u>	<u>1,656,388</u>
Segment results				
Operating profit/(loss) before interest and tax	138,012	(292)	(3,771)	133,949
Share of losses of associates	(27,029)	–	–	(27,029)
Loss on deemed disposal of partial interests in an associate	(60)	–	–	(60)
Finance costs (other than lease liabilities)	(8,811)	–	–	(8,811)
Finance income	2,078	–	55	2,133
Income tax expense	(28,173)	–	–	(28,173)
	<u>76,017</u>	<u>(292)</u>	<u>(3,716)</u>	<u>72,009</u>
Unallocated operating costs				(4,867)
Profit for the year				<u>67,142</u>
Segment assets	1,310,077	900	24,192	1,335,169
Unallocated:				
Cash and cash equivalents				224
Prepayments and deposits				1,346
Financial asset at FVTPL				21,780
Total assets				<u>1,358,519</u>
Segment liabilities	831,992	268	240	832,500
Unallocated:				
Other payables and accruals				7,681
Total liabilities				<u>840,181</u>
Other segment information:				
Investments in associates	6,108	–	–	6,108
Depreciation and amortisation	(46,999)	–	(1,541)	(48,540)
Additions to non-current assets*	24,947	–	–	24,947
Loss on deemed disposal of partial interests in an associate	(60)	–	–	(60)
Provision of impairment of				
– trade receivables, net	(2,012)	–	–	(2,012)
– amount due from an associate	(1,701)	–	–	(1,701)
– other receivables, net	(1,154)	–	–	(1,154)
Write-down of inventories to net realisable value	(1,300)	–	–	(1,300)
Reversal of warranties	848	–	–	848

* Additions to non-current assets consist of additions of property, plant and equipment and right-of-use assets.

Year ended 31 December 2020

	Electronic products HK\$'000	Biodiesel products HK\$'000	Energy saving business HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	2,199,775	1,344	1,352	2,202,471
Revenue from services	–	–	1,290	1,290
Total revenue	<u>2,199,775</u>	<u>1,344</u>	<u>2,642</u>	<u>2,203,761</u>
Segment results				
Operating profit/(loss) before interest and tax	233,471	(1,661)	235	232,045
Share of losses of associates	(9,057)	–	–	(9,057)
Loss on deemed disposal of partial interests in an associate	(207)	–	–	(207)
Finance costs (other than lease liabilities)	(12,537)	–	–	(12,537)
Finance income	1,824	–	2,947	4,771
Income tax expense	(44,608)	–	(7,491)	(52,099)
	<u>168,886</u>	<u>(1,661)</u>	<u>(4,309)</u>	<u>162,916</u>
Unallocated operating costs				<u>(34,415)</u>
Profit for the year				<u>128,501</u>
Segment assets				
	1,308,978	1,024	39,374	1,349,376
Unallocated:				
Cash and cash equivalents				773
Prepayments and deposits				853
Financial asset at FVTPL				6,021
Total assets				<u>1,357,023</u>
Segment liabilities				
	882,501	625	477	883,603
Unallocated:				
Other payables and accruals				7,775
Total liabilities				<u>891,378</u>
Other segment information:				
Investments in associates	32,647	–	–	32,647
Depreciation and amortisation	(43,656)	(275)	(2,990)	(46,921)
Additions to non-current assets*	101,533	–	6	101,539
Loss on deemed disposal of partial interests in an associate	(207)	–	–	(207)
Impairment of				
– trade receivables, net	(13,505)	(1,347)	–	(14,852)
– amounts due from associates	(11,515)	–	–	(11,515)
– other receivables	(1,682)	–	–	(1,682)
– long term receivables	–	–	(6,366)	(6,366)
Write-down of inventories to net realizable value	(2,061)	–	–	(2,061)
Provision of warranty	(57,399)	–	–	(57,399)

* Additions to non-current assets consist of additions of property, plant and equipment and right-of-use assets.

Geographical information

(a) *Revenue from external customers*

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
The United States	1,226,183	1,759,050
Hong Kong	128,641	161,444
Europe	100,745	101,197
The People's Republic of China ("PRC")	189,451	146,488
Other overseas countries	11,368	35,582
	<u>1,656,388</u>	<u>2,203,761</u>

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

(b) *Non-current assets*

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	191,089	207,037
PRC	115,993	145,280
	<u>307,082</u>	<u>352,317</u>

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

Information about major customers

For the year ended 31 December 2021, revenues from customers which individually contributed over 10% of the Group's revenue is as follow:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	608,346	496,577
Customer B	160,534	972,286
Customer C (<i>note</i>)	173,560	N/A

Note: The Group had transactions with this customer but the amount of the transactions was less than 10% of the Group's revenue for 2020.

These revenues were attributable to the electronic products segment.

Revenue from contracts with customers

(i) *Disaggregated revenue information*

For the year ended 31 December 2021

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>
Type of goods or services				
Sale of industrial products	1,654,180	477	1,091	1,655,748
Maintenance services	–	–	640	640
	<u>1,654,180</u>	<u>477</u>	<u>1,731</u>	<u>1,656,388</u>
Total revenue from contracts with customers	<u>1,654,180</u>	<u>477</u>	<u>1,731</u>	<u>1,656,388</u>
Timing of revenue recognition				
Goods transferred at a point in time	1,654,180	477	1,091	1,655,748
Services transferred over time	–	–	640	640
	<u>1,654,180</u>	<u>477</u>	<u>1,731</u>	<u>1,656,388</u>
Total revenue from contracts with customers	<u>1,654,180</u>	<u>477</u>	<u>1,731</u>	<u>1,656,388</u>

For the year ended 31 December 2020

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>
Type of goods or services				
Sale of industrial products	2,199,775	1,344	1,352	2,202,471
Maintenance services	–	–	1,290	1,290
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	<u>2,199,775</u>	<u>1,344</u>	<u>2,642</u>	<u>2,203,761</u>
Timing of revenue recognition				
Goods transferred at a point in time	2,199,775	1,344	1,352	2,202,471
Services transferred over time	–	–	1,290	1,290
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	<u>2,199,775</u>	<u>1,344</u>	<u>2,642</u>	<u>2,203,761</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 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 PROFIT BEFORE TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories sold and services provided	996,360	1,353,906
Write-down of inventories to net realisable value	1,300	2,061
Depreciation of property, plant and equipment	20,528	20,732
Depreciation of right-of-use assets	26,528	23,221
Amortisation of prepayments	1,484	2,968
Auditors' remuneration		
– Audit services	1,890	1,800
– Non-audit services	257	–
(Reversal)/provision of warranty	(848)	57,399
Changes in fair value of financial assets at FVTPL	3,151	–
Lease payments not included in the measurement of lease liabilities	195	140
Provision of impairment of:		
– trade receivables, net	2,012	14,852
– amounts due from associates	1,701	11,515
– other receivables, net	1,154	1,682
– long term receivables	–	6,366
Loss on deemed disposal of partial interests in an associate (<i>note (i)</i>)	60	207
(Gain)/loss on disposal of property, plant and equipment	(383)	474
Foreign exchange differences, net	12,813	21,693
Interest income from bank deposits	(801)	(1,137)
Interest income from associates	(367)	(728)
Interest income from loan receivables	(515)	–
Interest income from a convertible bond	(450)	–
Interest income from long term receivables	–	(2,906)
Rental income	(898)	(898)
Government grants (<i>note (ii)</i>)	(8,267)	(3,686)
Directors' and chief executive's remuneration	17,612	21,178
Employee benefit expense (excluding Directors' and chief executive's remuneration):		
Wages and salaries	224,515	224,589
Pension scheme contributions (<i>note (iii)</i>)	4,824	2,894
Staff welfare and allowances	6,419	10,903
	235,758	238,386

Notes:

- (i) Loss on deemed disposal of partial interests in an associate has been recorded as HK\$60,000 (2020: HK\$207,000) due to the new investment in P2 Mobile Technologies Limited from other investors in 2021.
- (ii) During the year ended 31 December 2021, the Group received unconditional subsidies HK\$8,267,000 from PRC local government authorities (2020: the Group received funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees).
- (iii) During the year ended 31 December 2020, a number of policies including the relief of social insurance have been promulgated by the PRC government to expedite resumption of economic activities due to the impact of COVID-19, which resulted in the relief of certain contributions to defined contribution scheme.

6 FINANCE COSTS

An analysis of finance costs is as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans	8,811	12,537
Interest on lease liabilities	4,296	3,590
	<hr/>	<hr/>
Total finance costs	13,107	16,127
	<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% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is qualifying entity under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of qualifying entity is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong profits tax for this subsidiary was calculated at the same basis in 2020.

Pursuant to the PRC Income Tax Law and the respective regulations, the subsidiaries which operate in PRC are subject to Corporate Income Tax at a rate of 25% (2020: 25%) on the taxable income.

	2021	2020
	HK\$'000	HK\$'000
Current – PRC	9,312	25,379
Current – Hong Kong	16,101	31,605
Overprovision in prior years	(822)	–
Deferred	3,582	(4,885)
	<u>28,173</u>	<u>52,099</u>
Total tax charge for the year	<u>28,173</u>	<u>52,099</u>

8 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculations of basic earnings per share are based on:

	2021	2020
	HK\$'000	HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the Company	<u>69,347</u>	<u>122,444</u>
	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>946,116,360</u>	<u>946,116,360</u>

Diluted earnings per share was the same as basic earnings per share for the year ended 31 December 2021 and 2020 as the Group had no potentially dilutive ordinary shares in existence during the years.

9 DIVIDENDS

Dividends attributable to the year:

	2021	2020
	HK\$'000	HK\$'000
Interim dividend of HK1.0 cent per ordinary share (2020: HK1.5 cents)	9,461	14,192
Proposed final dividend of HKNil cent per ordinary share (2020: HK2.0 cents)	–	18,922
	<u>9,461</u>	<u>33,114</u>

The Board does not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: Final dividend of HK2.0 cents per ordinary share).

10 TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	364,541	365,812
Less: ECL allowance	<u>(21,685)</u>	<u>(19,673)</u>
	<u>342,856</u>	<u>346,139</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 2021, the Group's largest customer accounted for approximately 27.6% of the total trade receivables (2020: 33.0%). The 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 relate 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	174,552	152,750
1 to 2 months	107,204	129,258
2 to 3 months	30,317	51,903
Over 3 months	<u>30,783</u>	<u>12,228</u>
	<u>342,856</u>	<u>346,139</u>

11 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	143,238	110,644
1 to 2 months	125,070	110,300
2 to 3 months	37,762	73,717
Over 3 months	<u>12,176</u>	<u>10,784</u>
	<u>318,246</u>	<u>305,445</u>

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

12 CONTINGENT LIABILITIES

(a) Potential litigation related to a fire incidence in the United States

During the year ended 31 December 2020, the Group was informed by the customer of its electrostatic disinfectant sprayer products that a fire was occurred at a school in the United States involving an electrostatic disinfectant sprayer manufactured by the Group. Based on preliminary investigations subsequently conducted by the insurance company, the customer and some experts, and other information currently available, the Group believes that the root cause of the fire is most likely the defective design and manufacturing of the lithium-ion battery pack which powers the sprayer. The battery pack was designed and manufactured by a supplier designated by the customer. However, not all the electrostatic disinfectant sprayers sold by the customer were embedded with the subject lithium-ion battery pack. The customer also informed the Group that there were some other reports of property damage but no reports of injury involving the subject lithium-ion battery pack. In February 2021, in view of the potential risk that the battery pack can overheat and melt and potentially causing a fire or an explosion, the customer decided to recall voluntarily in the market four models of electrostatic sprayers embedded with the subject lithium-ion battery pack.

Management currently is of the view that the issue is the direct result of the defective design and manufacturing of the lithium-ion battery pack and the customer is well aware that the Group had no involvement with the design and manufacturing of the subject battery pack. The supplier of the subject battery pack was chosen and introduced to the Group by the customer and the Group cannot change the supplier of the subject battery pack unless written consent from the customer is obtained. Management believes that the Group does not have any responsibility or significant potential liability on this issue. The Group has engaged a lawyer firm and a cause and origin expert in the United States to handle the issue.

(b) Litigation related to alleged non-payment of four purchase orders

During the year ended 31 December 2021, Shenzhen Allcomm Electronic Co., Ltd. (“Shenzhen Allcomm”), a wholly-owned subsidiary of the Group, received a Writ of Summons from a supplier of Shenzhen Allcomm in relation to alleged non-payment of four purchase orders amounting approximately RMB9,996,000 and penalty claim related to interest of non-payment, storage cost and profit margin amounting approximately RMB806,000, totalling approximately RMB10,802,000 (equivalent to HK\$13,246,000). The supplier had also obtained a property preservation order from the court to freeze deposit balances of Shenzhen Allcomm at a bank, amounting to approximately RMB10,802,000 (equivalent to HK\$13,246,000), for a period of one year. Management is currently of the view that the supplier failed to deliver the ordered goods within the delivery date specified in the purchase orders, Shenzhen Allcomm had instructed the supplier to cancel these purchase orders.

The Group’s legal counsel is of the opinion that the likelihood of outcome of the litigation is uncertain and the amount of claim cannot be reliably measured. As at 31 December 2021, the Group did not recognise any liability in relation to the claim. The Directors considered that the litigation would not have any material adverse effect on the Group.

DIVIDENDS

In order to retain more cash to finance the working capital requirements and future development of the Group, the Board does not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: Final dividend of HK2.0 cents per ordinary share). An interim dividend of HK1.0 cent per ordinary share for the year ended 31 December 2021 was paid in October 2021. The Board will consider future dividend distribution in due course according to dividend policy.

ANNUAL GENERAL MEETING

The Annual General Meeting 2022 (the “AGM”) of the Company will be held at Unit 408, 4/F, Citicorp Centre, 18 Whitfield Road, Hong Kong on 2 June 2022 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 30 May 2022 to 2 June 2022 (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 Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on 27 May 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group is principally engaged in 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 revenue from sales of electronic products is the major source of income of the Group, which comprises sales of finished electronic products, plastic moulds and components, and other components for electronic products.

Revenue

Total turnover for the year ended 31 December 2021 had dropped by 24.8% to HK\$1,656.4 million, as compared to HK\$2,203.8 million for the year 2020. The decrease in turnover was mainly due to the decrease in sales of electronic products.

The turnover analysis by business segments for the two years ended 31 December 2021 and 2020 respectively is as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from sales of electronic products	1,654,180	2,199,775
Revenue from biodiesel products and energy efficient gas stoves	477	1,344
Revenue from energy saving business	1,731	2,642
	<u>1,656,388</u>	<u>2,203,761</u>

During the year, the new coronavirus (the “COVID-19”) pandemic continued to disrupt economies across the globe. Total sales revenue from electronic products during the year had decreased by 24.8% from HK\$2,199.8 million to HK\$1,654.2 million. The decrease was mainly due to the significant drop in sales of electrostatic disinfectant sprayer products, which had decreased from HK\$972.3 million in 2020 to HK\$160.5 million in 2021. There were sudden and huge demand for electrostatic disinfectant sprayer products at the early stage of the COVID-19 pandemic in last year, but demand for these products had dropped significantly this year. On the other hand, demand for irrigation controller products had increased steadily with total sales revenue increased by approximately HK\$111.7 million to HK\$608.3 million, as compared to HK\$496.6 million in the year 2020. Management expects that the sales revenue from irrigation controller products will continue to dominate the income stream of the Group in the year ahead. Sales of walkie-talkie products had decreased slightly by approximately HK\$7.3 million. Total revenue from sales of components for electronic products, including transformers, adapters and solenoids, had increased by approximately HK\$120.9 million and sales of plastic moulds and plastic components had also increased by approximately HK\$9.9 million.

The operation of the biodiesel products and energy efficient gas stoves business segment in Hong Kong continued to be affected by the COVID-19 pandemic and had remained at a low level during the year, with total revenue of approximately HK\$0.5 million.

Regarding the energy saving business segment, total sales revenue for the year were HK\$1.7 million, representing mainly sales revenue from trading of LED lighting equipment. There was no energy saving sharing revenue during the year, as the installation work at the retail stores of Suning.com Co., Ltd. (“Suning”) had ceased since last year.

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 74.0% of the total revenue for the year (2020: 79.8%). The decrease in percentage of sales to customers in the United States was due to the decrease in sales of electrostatic disinfectant sprayers to a customer located in the United States. On the other hand, sales to customers in the PRC had increased by approximately HK\$43.0 million during the year.

Gross profit

Total gross profit for the year had dropped by HK\$154.7 million mainly due to the decrease in total sales revenue. The overall gross profit margin had also reduced from 18.8% for the year 2020 to 15.7% for the year 2021. The COVID-19 pandemic had led to rising raw material prices, including chips and plastic resins, and global shortage of shipping containers as well as increases in average labour costs and overheads. The appreciation of RMB against USD had also resulted in increases in labour costs and production overheads. During the year, the Group had experienced increasing difficulty in recruiting sufficient number of skilled workers to cope with production needs.

Expenses and finance costs

Distribution costs had decreased significantly from HK\$61.7 million in the year 2020 to HK\$24.3 million in the year 2021. The decrease was mainly due to the reduction in sales commission paid for the sales of electrostatic disinfectant sprayers.

Administrative expenses had decreased by HK\$7.1 million during the year. The decrease was mainly due to the decrease in overall administrative staff costs. Total administrative staff costs for the year, including directors' emoluments, had decreased by approximately HK\$5.8 million when compared to prior year.

Total finance costs had decreased by HK\$3.0 million which was mainly due to the decrease in bank interest rates when compared to prior year.

Other operating expense, net

During the year, the net other operating expenses amounted to approximately HK\$4.5 million which was mainly due to exchange losses of HK\$12.8 million, net off with government subsidies of HK\$8.3 million received from PRC local government authorities.

Share of losses of associates

Share of losses of associates for the year amounted to HK\$27.0 million as the associate at Yichun was still operating at loss due to the impact of COVID-19 in the PRC and there were impairment losses made by the associate during the year.

Profit attributable to owners of the Company

The profit for the year attributable to owners of the Company was HK\$69.3 million, compared to a profit of HK\$122.4 million for the year 2020. The drop in profit was mainly due to the decrease in sales revenue and the reduction in gross profit margin during the year. On the other hand, the impairment losses on financial assets had reduced by HK\$29.5 million.

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 spent approximately HK\$8.4 million to acquire property, plant and equipment to enhance its production capacity.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At 31 December 2021, the Group's total cash and cash equivalents, net of current bank overdrafts amounted to HK\$132.9 million. The net funds are sufficient to finance the Group's working capital and capital expenditure plans.

At 31 December 2021, total borrowings of the Group amounted to HK\$265.6 million, comprising bank overdrafts of HK\$5.5 million, bank loans of HK\$259.1 million and trust receipt loans of HK\$1.0 million, out of these HK\$55.9 million were denominated in United States dollars, HK\$148.4 million were denominated in Hong Kong dollars and HK\$61.3 million were denominated in Renminbi respectively.

The Group's trade receivable turnover, inventory turnover and trade payable turnover were approximately 76 days, 103 days and 76 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 2021, the Group's total current assets were HK\$1,015.4 million compared to HK\$982.2 million as at 31 December 2020, and the Group's total current liabilities were HK\$771.5 million compared to HK\$812.4 million as at 31 December 2020. The current ratio (current assets/current liabilities) as at 31 December 2021 was 1.32 times, compared to 1.21 times as at 31 December 2020.

During the year, the Company had not issued any new shares and had not repurchased any of its own shares on the Stock Exchange.

At 31 December 2021, the Company had in issue a total of 946,116,360 ordinary shares. A 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 2021, the Company did not have any share options outstanding.

CASH FLOWS

The net balance of cash, cash equivalents and bank overdrafts at 31 December 2021 was HK\$132.9 million, which had decreased by HK\$56.1 million compared to the balance at 31 December 2020.

The net cash generated from operating activities for the year was HK\$14.7 million. The net cash used in investing activities amounted to HK\$45.8 million, which was mainly due to HK\$8.4 million being paid for the acquisition of property, plant and equipment; HK\$ 13.0 million being placed as restricted deposits and HK\$18.9 million being paid for the purchase of financial asset at FVTPL.

On the other hand, there was a net cash outflow of HK\$28.6 million from financing activities. During the year, new borrowings of HK\$359.7 million were obtained, and HK\$355.6 million was used to repay borrowings and principal repayment of lease liabilities. During the year, the Company paid dividend of HK\$28.4 million to its shareholders.

CAPITAL EXPENDITURE

During the year, the Group acquired property, plant and equipment at a total cost of HK\$8.4 million, mainly financed by internal resources of the Group.

SIGNIFICANT INVESTMENT AND MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the year, the Group did not have any significant investment nor any material acquisition or disposal of subsidiaries.

PLEDGE OF ASSETS

At 31 December 2021, the Group had total bank borrowings of HK\$265.6 million, out of which HK\$107.0 million were secured by the land and buildings and right-of-use assets of HK\$161.0 million in aggregate, HK\$7.6 million were secured by short-term bank deposits of HK\$3.8 million and HK\$6.1 million were secured by plant and machinery of HK\$11.1 million.

DEBT POSITION AND GEARING

As at 31 December 2021, the Group has net debts (being total bank and other borrowings and lease liabilities excluding trade debts and net of cash and cash equivalents) of approximately HK\$216.7 million (At 31 December 2020: HK\$135.7 million). The total equity was approximately HK\$518.3 million (At 31 December 2020: HK\$465.6 million). The gearing percentage as at 31 December 2021 was approximately 41.8% (At 31 December 2020: 29.2%).

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 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 associated 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

(a) Potential litigation related to a fire incidence in the United States

During the fourth quarter of 2020, the Group was informed by a customer (the “Customer”) that a fire was occurred at a school in the United States involving an electrostatic disinfectant sprayer manufactured by the Group. Based on preliminary investigations subsequently conducted by the insurance company, the Customer and some experts, and other information available, the Group believes that the root cause of the fire is most likely the defective design and manufacturing of the lithium-ion battery pack which powers the sprayer. The battery pack was designed and manufactured by a supplier designated by the Customer. However, not all the electrostatic disinfectant sprayers sold by the Customer were embedded with the subject lithium-ion battery pack. The Customer also informed the Group that there were some other reports of property damage but no reports of injury involving the subject lithium-ion battery pack. In February 2021, in view of the potential risk that the battery pack can overheat and melt and potentially causing a fire or an explosion, the Customer decided to recall voluntarily in the market four models of electrostatic sprayers embedded with the subject lithium-ion battery pack.

Management currently is of the view that the issue is the direct result of the defective design and manufacturing of the lithium-ion battery pack and the Customer understands that the Group was not involved with the design and manufacturing of the subject battery pack. The supplier of the subject battery pack was chosen and introduced to the Group by the Customer and the Group cannot change the supplier of the subject battery pack unless written consent from the Customer is obtained. Management believes that the Group does not have any responsibility or significant potential liability on this issue. The Group has engaged a lawyer firm and a cause and origin expert in the United States to handle the issue. The Company will closely monitor the situation and announcement(s) will be made by the Company to keep its shareholders and potential investors informed of any material development as and when appropriate.

(b) Litigation related to alleged non-payment of four purchase orders

Shenzhen Allcomm Electronic Co., Ltd. (“Shenzhen Allcomm”), being a wholly-owned subsidiary established by the Group in the PRC, received a “Writ of Summons” (傳票) attaching a “Civil Complaint” (民事起訴狀) (the “Litigation”) from the Dongguan No. 3 People’s Court* (東莞市第三人民法院) (the “Court”) in relation to the claims made by Dongguan Hongjun Packaging Products Co., Ltd.* (東莞市宏俊包裝製品有限公司) (the “Plaintiff”), a supplier of Shenzhen Allcomm, against Shenzhen Allcomm as the defendant for the alleged non-payment of four purchase orders (the “Purchase Orders”) for purchase of components for the Group’s electrostatic disinfectant sprayer products. The Plaintiff seeks for court order for payment of the purchase costs under the Purchase Orders and other related costs and costs incurred in connection with the Litigation amounting to approximately RMB10.8 million in aggregate. The Plaintiff has also obtained a property preservation order (the “Court Order”) from the Court to freeze deposit balances of Shenzhen Allcomm at a bank, amounting to approximately RMB10.8 million, for a period of one year.

The Plaintiff is a designated supplier chosen and introduced to the Group by the Customer of the Group's electrostatic disinfectant sprayer products and the Purchase Orders were placed with the Plaintiff under the instructions of the Customer. The Customer subsequently requested the Group to terminate the Purchase Orders with the Plaintiff. The plaintiff also failed to deliver the ordered goods within the delivery dates as specified in the purchase orders. The first court hearing of the Litigation was scheduled on 24 February 2022. Shenzhen Allcomm has engaged a law office in Shenzhen (the "Legal Advisor") to handle the Litigation and the Legal Advisor has attended the first hearing held on 24 February 2022. As at the date of this announcement, the Court has not rendered any judgement on the first hearing. The Company believes that the Litigation and the Court Order will not have any material adverse effect on the Group and the business and operations of the Group remain normal. The Company will keep the shareholders and potential investors of the Company informed of any further material development by way of announcement as and when appropriate.

Save for the Litigation as disclosed above, the Group was not a defendant in any other legal proceedings against the Group during the year ended 31 December 2021 and as at 31 December 2021 and 31 December 2020.

Save as disclosed above, the Group did not have any other material contingent liabilities as at both 31 December 2021 and 31 December 2020.

UPDATE ON SETTLEMENT OF OVERDUE CONSIDERATION AND DEBT

On 15 April 2019, the Group has completed a very substantial disposal transaction (the “VSD Transaction”) in relation to the disposal of the Group’s investment properties business segment. On 15 July 2020, the Group has engaged a solicitor firm at Beijing to commence arbitration proceedings against the purchaser (the “Purchaser”) and the guarantor (the “Guarantor”) for collection of the overdue consideration of RMB100 million (the “Consideration”) and accrued interests in relation to the VSD Transaction. On 12 March 2021, the arbitration hearing was conducted at the Beijing Arbitration Commission (the “BAC”) and the arbitral award has been issued by the BAC on 5 August 2021. Under the arbitral award, it was decided by the BAC that, amongst other things, (i) the Purchaser and the Guarantor pay the overdue Consideration and accrued interests thereon to the Group, (ii) the Purchaser and the Guarantor bear the arbitration fees and the legal and other costs related to the arbitration, and (iii) the Purchaser and the Guarantor should settle all the amounts due to the Group within fifteen days from the date the arbitral award is delivered to the Purchaser and the Guarantor. As at the date of this announcement, the Group has not received the overdue Consideration and accrued interests thereon from the Purchaser and the Guarantor.

Alltronics Energy Saving (Shenzhen) Limited (“Alltronics Energy Saving”, being an indirect wholly-owned subsidiary of the Group) has filed 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 “Shenzhen court”) on 2 January 2020. Under the Complaint, Alltronics Energy Saving requested for immediate settlement of the debt of approximately RMB212 million (the “Debt”) and accrued interests thereon from the borrower (the “Borrower”) and the Guarantor in relation to the VSD Transaction.

On 28 April 2021, Alltronics Energy Saving has entered into a settlement agreement (the “Settlement Agreement”) with the Borrower and the Guarantor. Pursuant to the Settlement Agreement, the Borrower and the Guarantor have agreed to settle the Debt in accordance with the following schedule:

- (a) RMB20,000,000 on or before 31 May 2021;
- (b) RMB80,000,000 on or before 30 June 2021; and
- (c) the remaining balance on or before 31 December 2021.

Alltronics Energy Saving has submitted the Settlement Agreement to the Shenzhen Court for judicial recognition and confirmation. On 28 May 2021, the Shenzhen Court has delivered its judgement on the Settlement Agreement and it has become effective and legally binding on all parties. As at the date of this announcement, the Borrower and the Guarantor have not settled the first payment of RMB20,000,000 and the second payment of RMB80,000,000 in accordance with the repayment terms in the Settlement Agreement. The full amount of the Debt and the accrued interests thereon became due immediately. On 15 July 2021, Alltronics Energy Saving has applied to the Shenzhen Court for execution of the Settlement Agreement and the Shenzhen Court has accepted the application for execution of the Settlement Agreement. As at the date of this announcement, the Group has not received the overdue Debt and accrued interests thereon from the Borrower and the Guarantor.

The Group’s legal advisers in Beijing and Shenzhen advised that Henan Luohe Intermediate People’s Court * (河南省漯河市中级人民法院) (the “Henan Court”) has accepted an application for bankruptcy liquidation against the Guarantor and a bankruptcy administrator of the Guarantor has been appointed by the Henan Court on 5 July 2021. The Group’s legal advisers in Beijing and Shenzhen have already filed the relevant documents for the declaration of creditor’s right to the bankruptcy administrator of the Guarantor to declare and to register all the amounts due from the Guarantor to the Group so as to protect the interests of the Group. The first creditors’ meeting of the Guarantor was held on 31 August 2021.

As at the date of this announcement, the bankruptcy administrator of the Guarantor is still reviewing and verifying the declared debts of the Guarantor. Depending on the determination of the bankruptcy liquidation, it is uncertain whether the Group can recover the full amount of the Consideration and the Debt or can only recover a portion of these. The bankruptcy liquidation process may take some time, or years, to complete and the distribution plans to be proposed by the bankruptcy administrator are subject to approval at the creditors' meeting. The Group has also applied for a freezing order on the investment properties held by the Borrower. However, other creditors of the Borrower, including the two mortgage banks lending a total of RMB1.5 billion to the Borrower, have also applied for freezing orders on these investment properties, and their claims rank ahead of the Group's claim on the investment properties. The Group is advised by the Group's lawyer at Shenzhen that these investment properties will most likely be sold through public auction and the proceeds from public auction will be distributed to the creditors in accordance with the relevant PRC laws. As the Group is not a priority creditor of the Borrower, it is uncertain whether the Group will receive any significant distribution from the proceeds of the public auction of these investment properties.

The Group is in discussion with its legal advisers in Beijing and Shenzhen to consider the further actions available against the Purchaser, the Borrower and the Guarantor to recover the overdue Consideration and the Debt and accrued interests thereon.

Full impairment losses on the Consideration and the Debt have been made in the Group's audited consolidated financial statements for the year ended 31 December 2019. 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 31 December 2021, the Group had 2,944 employees, of which 66 were employed in Hong Kong and 2,878 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 2021, 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 assets 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 2021, 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

Although most of the countries worldwide have implemented COVID-19 vaccination programs since the beginning of 2021, the global market is expected to be continuously unpredictable and challenging with the new COVID-19 variants it is expected that the impacts of the COVID-19 will continue to pose threats to the global economy in 2022. Depending on the spread or containment of COVID-19, the pace of vaccine dissemination, and the level of global stress, the global economy activities are still uncertain and difficult to predict. It is also anticipated that the shortage of electronic raw materials will remain unabated within this year, and the global economy may take longer-than-expected before returning to full speed. Management will keep alert and will remain cautious on the performance in 2022. Besides the uncertainties on the impacts of the COVID-19, 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 challenging. 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 to maximise the gross profit margin.

In terms of products, management expects that irrigation controllers will remain to be the core product of the Group's electronic product segment, and expects that the performance of the Group's irrigation controller products will remain strong with steady growth. The demand for other electronic products will also remain stable. On the other hand, management is also striving to launch new products to provide new momentum for growth in revenue.

In terms of geographical market, the Group foresees that United States will continue to be the major market for its products in the year ahead.

The COVID-19 pandemic has affected the business operations of the Group's associated companies. Management expects that the share of profits or loss from associated companies in the coming year will not be significant when compare to the results of the core electronic business of the Group.

The Group will continue to explore opportunities for new electronic products with other potential customers 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 year 2022.

Energy saving business

The Group foresees that the revenue from the energy saving business will remain at a low level during the year 2022 as the Group has already ceased the installation work at Suning stores.

Going forward, we see both challenges and opportunities. 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.

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 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 Listing Rules. The Board will review and update the current practices regularly to ensure compliance with the latest practices in corporate governance to protect and maximize the interests of shareholders.

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, the Company confirms that all Directors have complied with the required standard set out in the Model Code during the year ended 31 December 2021.

CHANGES IN INFORMATION OF DIRECTORS

During the year ended 31 December 2021 and up to the date of this announcement, the changes in directors’ information since publication of the 2020 annual report of the Company are as follows:

- (a) Mr. Yen Yuen Ho, Tony, ceased to be an independent non-executive director of Beijing Energy International Holding Co., Ltd. (stock code: 686), which is listed on the Main Board of the Stock Exchange, with effect from 18 June 2021.

Save as disclosed above, there were no other changes in directors’ information since publication of the 2020 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, 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 2021 at a meeting held on 30 March 2022, 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.

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.

SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group’s auditors, Grant Thornton Hong Kong Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance conclusion has been expressed by Grant Thornton Hong Kong Limited on the preliminary announcement.

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 2021. 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 2021 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.

* *For identification purpose only*

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

Hong Kong, 30 March 2022

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