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ALLTRONICS HOLDINGS LIMITED

華訊股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 833)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Alltronics Holdings Limited (the “**Company**”) is pleased to present the unaudited interim condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022 (the “**Period**”) together with comparative figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	<i>Notes</i>	For the six months ended	
		2022	2021
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue	4	857,505	860,382
Cost of sales		(726,544)	(718,772)
Gross profit		130,961	141,610
Distribution costs		(10,960)	(14,318)
Administrative expenses		(39,927)	(43,496)
Other operating income/(expenses), net		799	(12,665)
Operating profit		80,873	71,131
Impairment losses on financial assets, net		(14,266)	(7)
Share of losses of associates		(5,829)	(920)
Finance income		1,112	699
Finance costs	6	(6,928)	(5,725)

		For the six months ended	
		30 June	
	<i>Notes</i>	2022	2021
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Profit before tax	5	54,962	65,178
Income tax expense	7	(10,754)	(17,663)
PROFIT FOR THE PERIOD		<u>44,208</u>	<u>47,515</u>
Attributable to:			
Owners of the Company		40,442	48,072
Non-controlling interests		3,766	(557)
		<u>44,208</u>	<u>47,515</u>
EARNINGS PER SHARE			
 ATTRIBUTABLE TO ORDINARY EQUITY			
 HOLDERS OF THE COMPANY	8	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted		<u>4.27</u>	<u>5.08</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	<u>44,208</u>	<u>47,515</u>
Other comprehensive income		
<i>Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	974	19,680
Share of other comprehensive (loss)/income of an associate	<u>(82)</u>	<u>746</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>892</u>	<u>20,426</u>
Other comprehensive income for the period, net of tax	<u>892</u>	<u>20,426</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>45,100</u>	<u>67,941</u>
Attributable to:		
Owners of the Company	41,854	68,676
Non-controlling interests	<u>3,246</u>	<u>(735)</u>
	<u>45,100</u>	<u>67,941</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Notes</i>	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		195,086	203,025
Right-of-use assets		72,887	86,277
Investments in associates		197	6,108
Goodwill		11,672	11,672
Financial assets at fair value through profit or loss ("FVTPL")		22,099	21,780
Deferred tax assets		18,704	14,245
		<hr/>	<hr/>
Total non-current assets		320,645	343,107
CURRENT ASSETS			
Inventories		443,342	452,679
Trade receivables	<i>10</i>	318,995	342,856
Prepayments, other receivables and other assets		86,995	64,450
Pledged deposits		3,763	3,759
Restricted deposits		12,657	13,246
Cash and cash equivalents		152,871	138,422
		<hr/>	<hr/>
Total current assets		1,018,623	1,015,412

	<i>Notes</i>	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
CURRENT LIABILITIES			
Trade and bills payables	<i>11</i>	310,497	318,246
Other payables and accruals		107,267	131,887
Interest-bearing bank and other borrowings		241,491	265,619
Lease liabilities		28,080	27,780
Tax payable		33,331	27,948
Total current liabilities		720,666	771,480
NET CURRENT ASSETS		297,957	243,932
TOTAL ASSETS LESS CURRENT LIABILITIES		618,602	587,039
NON-CURRENT LIABILITIES			
Lease liabilities		49,094	62,767
Deferred tax liabilities		6,070	5,934
Total non-current liabilities		55,164	68,701
NET ASSETS		563,438	518,338
EQUITY			
Share capital		9,461	9,461
Reserves		539,879	498,025
Equity attributable to owners of the Company		549,340	507,486
Non-controlling interests		14,098	10,852
TOTAL EQUITY		563,438	518,338

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE AND GROUP INFORMATION

Alltronics Holdings Limited was incorporated in the Cayman Islands on 24 July 2003 as an exempted company with limited liability under the Companies Law. 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 the 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 30 June 2022 (At 31 December 2021: 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.

The interim condensed consolidated financial information for the six months ended 30 June 2022 were approved for issue by the Board on 30 August 2022.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new and amended standards and interpretations effective as of 1 January 2022 noted below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3.1 New and amended standards adopted by the Group

Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to HKFRS 3 Amendments HKAS 16	<i>Reference to the Conceptual Framework Property, Plant and Equipment-Proceeds before Intended Use</i>
Amendments to HKAS 37 Amendments to HKFRSs	<i>Onerous Contracts-Cost of Fulfilling a Contract Annual Improvements to HKFRS Standards 2018-2020</i>
Accounting Guideline 5 (Revised)	<i>Merger Accounting for Common Control Combination</i>

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

3.2 Issued but not yet effective HKFRSs

At the date of authorisation of these interim condensed consolidated financial information, 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 amendments¹</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture²</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)¹</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies¹</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates¹</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction¹</i>

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

² Effective date not yet determined

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. The 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 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). Other information provided is measured in a manner consistent with that in the interim condensed consolidated financial information.

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

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.

Period ended 30 June 2022 (Unaudited)

	Electronic products HK\$'000	Biodiesel products HK\$'000	Energy saving business HK\$'000	Total HK\$'000
Segment revenue				
Sales to external customers	<u>857,351</u>	<u>154</u>	<u>–</u>	<u>857,505</u>
Segment results				
Operating profit/(loss) before interest and tax	69,951	(42)	(936)	68,973
Share of losses of associates	(5,829)	–	–	(5,829)
Finance costs (other than interests on lease liabilities)	(4,965)	–	–	(4,965)
Finance income	1,086	–	26	1,112
Income tax expense	<u>(10,754)</u>	<u>–</u>	<u>–</u>	<u>(10,754)</u>
	49,489	(42)	(910)	48,537
Unallocated operating costs				<u>(4,329)</u>
Profit for the year				<u>44,208</u>
Segment assets	1,297,488	866	17,024	1,315,378
Unallocated:				
Cash and cash equivalents				310
Prepayments and deposits				1,481
Financial asset at FVTPL				<u>22,099</u>
Total assets				<u>1,339,268</u>
Segment liabilities	768,268	264	240	768,772
Unallocated:				
Other payables and accruals				<u>7,058</u>
Total liabilities				<u>775,830</u>

Period ended 30 June 2021 (Unaudited)	Electronic products HK\$'000	Biodiesel products HK\$'000	Energy saving business HK\$'000	Total HK\$'000
Segment revenue				
Sales to external customers	<u>859,944</u>	<u>241</u>	<u>197</u>	<u>860,382</u>
Segment results				
Operating profit/(loss) before interest and tax	75,268	(340)	(2,591)	72,337
Share of losses of associates	(920)	–	–	(920)
Finance costs (other than interests on lease liabilities)	(3,611)	–	–	(3,611)
Finance income	672	–	27	699
Income tax expense	<u>(17,663)</u>	<u>–</u>	<u>–</u>	<u>(17,663)</u>
	53,746	(340)	(2,564)	50,842
Unallocated operating costs				<u>(3,327)</u>
Profit for the year				<u>47,515</u>
At 31 December 2021 (Audited)				
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				<u>21,780</u>
Total assets				<u>1,358,519</u>
Segment liabilities	831,992	268	240	832,500
Unallocated:				
Other payables and accruals				<u>7,681</u>
Total liabilities				<u>840,181</u>

Geographical information

(a) Revenue from external customers

	For the six months ended	
	30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The United States	550,445	555,690
Hong Kong	83,077	63,987
Europe	129,462	127,517
The Peoples' Republic of China (the "PRC")	69,352	79,488
Other overseas countries	25,169	33,700
	<u>857,505</u>	<u>860,382</u>

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

(b) Non-current assets

	30 June	31 December
	2022	2021
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Hong Kong	174,175	191,089
The PRC	105,667	115,993
	<u>279,842</u>	<u>307,082</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 six months ended 30 June 2022, revenues from customers which individually contributed over 10% of the Group's revenue is as follows:

	For the six months ended	
	30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Customer A	362,036	295,423
Customer B (note a)	N/A	151,158
Customer C (note b)	89,572	N/A
	<u>451,612</u>	<u>446,581</u>

These revenues were attributable to the electronic products segment.

Note: a) The Group did not have transaction with this customer for the period ended 30 June 2022.

b) The Group had transactions with this customer but the amount of the transactions was less than 10% of the Group's revenue for the period ended 30 June 2021.

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2022 (Unaudited)

Segments	Electronic products <i>HK\$'000</i>	Biodiesel products <i>HK\$'000</i>	Energy saving business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Type of goods or services				
Sale of industrial products	<u>857,351</u>	<u>154</u>	<u>–</u>	<u>857,505</u>
Timing of revenue recognition				
Goods transferred at a point in time	<u>857,351</u>	<u>154</u>	<u>–</u>	<u>857,505</u>

For the six months ended 30 June 2021 (Unaudited)

Segments	Electronic products <i>HK\$'000</i>	Biodiesel products <i>HK\$'000</i>	Energy saving business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Type of goods or services				
Sale of industrial products	<u>859,944</u>	<u>241</u>	<u>197</u>	<u>860,382</u>
Timing of revenue recognition				
Goods transferred at a point in time	<u>859,944</u>	<u>241</u>	<u>197</u>	<u>860,382</u>

5 PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold and services provided	527,981	509,895
Auditors' remuneration	970	931
Depreciation of property, plant and equipment	9,675	10,322
Depreciation of right-of-use assets	14,301	11,832
Amortisation of prepayments	–	741
Provision of warranty	–	8,631
Fair value (gain)/loss on financial assets at fair value through profit or loss	(319)	3,579
Impairment of trade receivables	14,266	7
Provision/(Reversal) of slow-moving and obsolete inventories	24,201	(1,938)
Wages and salaries (including directors' emoluments)	140,427	127,566
Foreign exchange differences, net	(371)	10,409
Loss/(Gain) on disposal of property, plant and equipment	59	(335)
Interest income from bank deposits	(128)	(158)
Other interest income	(984)	(541)

6 FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans and bank overdrafts	4,965	3,611
Interest on lease liabilities	1,963	2,114
Total finance costs	6,928	5,725

7 INCOME TAX EXPENSE

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% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period, 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 (2021: 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 2021.

Pursuant to the PRC Income Tax Law and the respective regulations, the subsidiaries which operate in the PRC are subject to Corporate Income Tax at a rate of 25% (2021: 25%) on the taxable income.

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current – Hong Kong	11,500	7,830
Current – PRC	3,930	6,333
Over-provision in prior periods	–	(103)
Deferred	(4,676)	3,603
	<u>10,754</u>	<u>17,663</u>
Total tax charge for the period	<u>10,754</u>	<u>17,663</u>

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to owners of the Company of HK\$40,442,000 (Six months ended 30 June 2021: HK\$48,072,000), and the weighted average number of ordinary shares of 946,116,360 (Six months ended 30 June 2021: 946,116,360) in issue during the six months ended 30 June 2022.

The Group had no potential dilutive ordinary shares in issue for the six months ended 30 June 2022 and 2021 and therefore, diluted earnings per share equals to basic earnings per share.

9 INTERIM DIVIDEND

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Interim dividend, proposed, of HK\$0.01 (2021: HK\$0.01) per ordinary share	<u>9,461</u>	<u>9,461</u>

The Board recommends the payment of an interim dividend of HK\$0.01 per ordinary share for the six months ended 30 June 2022. The interim condensed consolidated financial information does not reflect the above proposed dividend as dividend payable but account for it as proposed dividend from the reserves. The declaration of the interim dividend for the six months ended 30 June 2022 has been approved by the Board on 30 August 2022.

10 TRADE RECEIVABLES

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade receivables	354,946	364,541
Less: ECL allowances	<u>(35,951)</u>	<u>(21,685)</u>
	<u>318,995</u>	<u>342,856</u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 to 90 days. As at 30 June 2022, the Group's largest customer accounted for approximately 20.5% of total trade receivables (At 31 December 2021: 27.6%). 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 aging analysis of trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 1 month	185,762	174,552
1 to 2 months	70,841	107,204
2 to 3 months	43,171	30,317
Over 3 months	<u>19,221</u>	<u>30,783</u>
Total	<u>318,995</u>	<u>342,856</u>

11 TRADE AND BILLS PAYABLES

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Within 1 month	143,004	143,238
1 to 2 months	94,668	125,070
2 to 3 months	49,528	37,762
Over 3 months	23,297	12,176
	<hr/>	<hr/>
Total	310,497	318,246
	<hr/>	<hr/>

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

INTERIM DIVIDEND

The Board declared an interim dividend of HK1.0 cent per ordinary share for the six months ended 30 June 2022, payable on or about 28 October 2022, to the shareholders whose names appear on the register of members of the Company on 30 September 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 28 September 2022 to 30 September 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on 27 September 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Revenue

Total turnover for the six months ended 30 June 2022 (the "Period") had decreased slightly by 0.3% to HK\$857.5 million, as compared to HK\$860.4 million for the same period in 2021. The drop in turnover was due to the decrease in sales of electronic products during the Period.

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

	For the six months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
Revenue from sales of electronic products	857,351	859,944
Revenue from biodiesel products and energy efficient gas stoves	154	241
Revenue from energy saving business	–	197
	<u>857,505</u>	<u>860,382</u>

Sales of electronic products comprise sales of finished electronic products; plastic moulds and components; and other components for electronic products. Although the global economy continued to be affected by the new coronavirus (the “**COVID-19**”), total sales revenue from electronic products during the Period had remained stable. The sales of the Group’s irrigation controller products had increased by approximately HK\$66.6 million to HK\$362.0 million, as compared to HK\$295.4 million for the same period in 2021. Sales of walkie-talkie products had increased by approximately HK\$12.9 million to HK\$81.5 million. On the other hand, sales of electronic component products had increased by approximately HK\$65.3 million to HK\$183.7 million. During the Period, there were no sales of electrostatic disinfectant sprayers.

The operation of the biodiesel products and energy efficient gas stoves business segment in Hong Kong continued to be affected by the COVID-19 and had remained at a low level during the Period, with total revenue of approximately HK\$0.2 million.

Regarding the energy saving business segment, as the installation work at the retail stores of Suning.com Co., Ltd. (“**Suning**”) had ceased since last year, there were no sales revenue from this business segment for the Period.

In terms of geographical market, customers in the United States continued to be the major market for the Group’s products which accounted for approximately 64.2% of the total revenue for the Period (2021: 64.6%). Management expected that United States will continue to be the dominant market for the Group’s products during the second half of the year.

Gross profit

The overall gross profit margin had reduced from 16.5% for the six months period ended 30 June 2021 to 15.3% for the Period. The drop was mainly due to the increase in unit costs of certain raw materials including chips and plastic resins, the provision of slow-moving and obsolete inventories and the increase in average labour costs due to annual adjustment in wages level in the PRC. Production overheads had also increased as a result of general inflationary increase.

Expenses and finance costs

Distribution costs had decreased by HK\$3.4 million mainly due to the reduction in sales commission on sales of electrostatic disinfectant sprayers. Total administrative expenses were comparable to prior period and had decreased by HK\$3.6 million. The total administrative staff costs for the Period, including directors’ emoluments, had decreased by approximately HK\$1.2 million mainly due to the reduction in headcount of administrative staff during the Period.

Finance costs had increased by HK\$1.2 million which was mainly due to the increase in interests on bank loans and overdraft as a result of increase in interest rates when compared to prior period.

Other operating income/expenses

During the Period, there was a net other operating income of approximately HK\$0.8 million which was mainly due to exchange gain and changes in fair value of financial assets at FVTPL.

Profit attributable to owners of the Company

The profit for the Period attributable to owners of the Company was HK\$40.4 million, compared to HK\$48.1 million for the same period in 2021. The drop in net profit was mainly due to the reduction in gross profit margin and the impairment losses on trade receivables of HK\$14.3 million incurred during the Period.

PRODUCTION FACILITIES

The Group currently has three production facilities in the PRC for the manufacturing of electronic products and components, two of which are located in Shenzhen, and one in Yichun. During the Period, the Group spent approximately HK\$2.2 million to acquire property, plant and equipment to enhance its production capacity.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At 30 June 2022, the Group's total cash and cash equivalents, net of current bank overdrafts, amounted to HK\$149.5 million. The net funds are sufficient to finance the Group's working capital and capital expenditure plans.

At 30 June 2022, total borrowings of the Group amounted to HK\$241.5 million, comprising bank loans of HK\$237.0 million, trust receipt loans of HK\$1.2 million and bank overdraft of HK\$3.3 million, of which HK\$39.2 million were denominated in United States dollars, HK\$158.2 million were denominated in Hong Kong dollars and HK\$44.1 million were denominated in Renminbi respectively.

The Group's trade receivable turnover, inventory turnover and trade payable turnover were approximately 70 days, 112 days and 106 days respectively for the Period. These turnover periods are consistent with the respective policies of the Group on credit terms granted to customers and obtained from suppliers.

As at 30 June 2022, the Group's total current assets were HK\$1,018.6 million compared to HK\$1,015.4 million as at 31 December 2021, and the Group's total current liabilities were HK\$720.7 million compared to HK\$771.5 million as at 31 December 2021. The current ratio (current assets/current liabilities) as at 30 June 2022 was 1.41 times, compared to 1.32 times as at 31 December 2021.

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

At 30 June 2022, 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 30 June 2022, the Company did not have any share options outstanding.

CASH FLOWS

The net balance of cash, cash equivalents and bank overdrafts at 30 June 2022 was HK\$149.5 million, which had increased by HK\$16.6 million compared to the balance at 31 December 2021.

The net cash generated from operating activities for the Period was HK\$57.0 million. The net cash used in investing activities amounted to HK\$2.2 million, which was mainly due to HK\$2.2 million being paid for the acquisition of property, plant and equipment.

On the other hand, there was a net cash outflow of HK\$35.7 million from financing activities. During the Period, new borrowings of HK\$44.2 million were obtained, and HK\$79.9 million was used to repay borrowings and principal repayment of lease liabilities. There was no dividend paid during the Period.

CAPITAL EXPENDITURE

During the Period, the Group acquired property, plant and equipment at a total cost of HK\$2.2 million, mainly financed by internal resources of the Group.

PLEDGE OF ASSETS

At 30 June 2022, the Group had total bank borrowings of HK\$241.5 million, out of which HK\$87.1 million were secured by the land and buildings and right-of-use assets of HK\$157.8 million in aggregate, HK\$5.2 million were secured by short-term bank deposits of HK\$3.8 million and HK\$6.0 million were secured by plant and machinery of HK\$9.8 million.

DEBT POSITION AND GEARING

As at 30 June 2022, 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\$164.6 million (At 31 December 2021: HK\$216.7 million). The total equity was approximately HK\$563.4 million (At 31 December 2021: HK\$518.3 million). The gearing percentage as at 30 June 2022 was approximately 29.2% (At 31 December 2021: 41.8%).

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

CONTINGENT LIABILITIES

(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. As at the date of this announcement, the Court Order is still being executed by the bank.

The Plaintiff is a designated supplier chosen and introduced to the Group by the Customer 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 held 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. The second court hearing of the Litigation was held on 29 April 2022 and the Legal Advisor has also attended the second hearing. As at the date of this announcement, the Court has not rendered any judgement on the Litigation. 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 Period and as at 30 June 2022 and 31 December 2021.

Save as disclosed above, the Group did not have any other material contingent liabilities as at both 30 June 2022 and 31 December 2021.

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. However, the Borrower and the Guarantor have not settled the Debt 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.

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. As at the date of this announcement, the bankruptcy administrator of the Guarantor is still analysing and assessing the assets and liabilities of the Guarantor and the bankruptcy liquidation against the Guarantor is still in progress.

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.

As at the date of this announcement, the Group has not received the overdue Consideration and the Debt from the Guarantor and the Borrower. 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 30 June 2022, the Group had 3,362 employees, of which 67 were employed in Hong Kong and 3,295 were employed in the PRC. Salaries of employees are maintained at competitive levels. The Group operates a defined contribution mandatory provident fund retirement benefits scheme for all its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations in the PRC. The Group also offers discretionary bonuses to its employees by reference to the performance of individual employees and the overall performance of the Group.

No share options had been granted, exercised, lapsed or cancelled since the adoption of the 2016 Share Option Scheme. As at 30 June 2022, there were no share options remained outstanding.

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

FOREIGN EXCHANGE EXPOSURE

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

The Group's principal production facilities are located in the PRC whilst its sales proceeds are primarily settled in United States dollars, Hong Kong dollars or Renminbi. As such, management is aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates between United States dollars, Hong Kong dollars and Renminbi. Management will consider various actions to minimise the risk, including the entering into forward foreign exchange contracts with major and reputable financial institutions to hedge its foreign exchange risk exposure. These were for hedging against foreign exchange risk exposure relating to the production costs and certain outstanding payables denominated in Renminbi. As at 30 June 2022, 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 overall performance of the Group's electronic products segment during the first half of the year 2022 has remained stable when compared to prior year. The total revenue has decreased slightly by HK\$2.9 million to HK\$857.5 million, compared to HK\$860.4 million for the same period in 2021. However, the impacts of the COVID-19 continue to pose threats to the global economy as a result of the emergence of new variants. Management will keep alert and has to remain cautious on the performance in the second half of the year. It is anticipated that the shortage of raw materials and components for electronic products will remain unabated within this year, and the global economy may take longer-than-expected before returning to full speed. 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 high inflation and 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, irrigation controllers have remained as the Group's core electronic products during the first half of the year 2022 and management expects that irrigation controllers will continue to be the core products of the Group's electronic products segment in the near future. Management also expects that the performance of the Group's irrigation controller products will remain strong with steady growth. On the other hand, management is 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 during the second half of 2022.

The COVID-19 pandemic has affected the business operations of the Group's associated companies and management expects that their business operations will continue to incur losses during the second half of the year.

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

Biodiesel products and energy saving gas stoves segment

The Group foresees that the revenue from biodiesel products and energy efficient gas stoves will remain at existing level and will not be significant during the second half of 2022.

Energy saving business

The Group foresees that the revenue from the energy saving business will remain at a low level during the second half of 2022 as the Group has already ceased all installation work at Suning stores since 2021.

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 of the Company is aware of any information that would reasonably indicate that the Company or any of its Directors is not or was not at any time during the Period and up to the date of this announcement, in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules. The Board will review and update the current practices regularly to ensure compliance with the latest practices in corporate governance so as to protect and maximize the interests of shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its code for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors of the Company, the Company confirms that all Directors of the Company have complied with the required standard set out in the Model Code during the Period.

AUDIT COMMITTEE

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

The interim condensed consolidated financial statements have been reviewed by the Audit Committee at a meeting held on 30 August 2022, which is of the opinion that the interim condensed consolidated financial statements complied with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CHANGES IN INFORMATION OF DIRECTORS

There were no changes in directors' information since publication of the 2021 annual report of the Company and there is no other information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

This announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and our Company's website (<http://www.irasia.com/listco/hk/alltronics/index.htm>). The interim report for the period ended 30 June 2022 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 August 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