# 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 2008

The board (the "Board") of directors ("Directors") of Alltronics Holdings Limited (the "Company") is pleased to present the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008 (the "Period") together with comparative figures for the corresponding period in 2007 as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT**
*For the six months ended 30 June 2008*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2008** | 2007 |
| | *Note* | ***HK$'000*** | *HK$'000* |
| | | **(Unaudited)** | (Unaudited) |
| **Revenue** | *4* | **228,378** | 300,416 |
| Cost of sales | *5* | **(203,885)** | (221,472) |
| **Gross profit** | | **24,493** | 78,944 |
| Distribution costs | *5* | **(2,246)** | (2,834) |
| Administrative expenses | *5* | **(27,855)** | (33,379) |
| Other gains – net | | **295** | 1,766 |
| **Operating (loss)/profit** | | **(5,313)** | 44,497 |
| Finance costs – net | | **(844)** | (2,311) |
| **(Loss)/Profit before income tax** | | **(6,157)** | 42,186 |
| Income tax credit/(charge) | *6* | **56** | (8,749) |
| **(Loss)/Profit for the period** | | **(6,101)** | 33,437 |
| **Attributable to:** | | | |
| Equity holders of the Company | | **(6,341)** | 32,164 |
| Minority interest | | **240** | 1,273 |
| | | **(6,101)** | 33,437 |
| **(Loss)/Earnings per share for (loss)/profit attributable to equity holders of the Company during the period (expressed in HK cents per share)** | | | |
| – basic | *7* | **(2.0)** | 10.7 |
| – diluted | *7* | **(2.0)** | 10.5 |
| **Dividend attributable to the period:** | | | |
| Interim dividend | *8* | **–** | 15,635 |

## CONDENSED CONSOLIDATED BALANCE SHEET

*As at 30 June 2008*

| | Note | As at 30 June 2008 HK$'000 (Unaudited) | 31 December 2007 HK$'000 (Audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **58,065** | 57,528 |
| Leasehold land and land use rights | | **2,097** | 2,122 |
| Intangible asset | | **11,672** | 11,672 |
| Available-for-sale financial assets | | **3,439** | 3,482 |
| Prepayment for non-current assets | | **934** | 1,683 |
| Deferred income tax assets | | **430** | 54 |
| **Total non-current assets** | | **76,637** | 76,541 |
| **Current assets** | | | |
| Inventories | | **82,694** | 83,447 |
| Trade receivables | *9* | **71,025** | 64,516 |
| Prepayments, deposits and other receivables | | **9,373** | 3,774 |
| Amount due from a related company | | **6,968** | 509 |
| Amount due from ultimate holding company | | **29** | 29 |
| Amount due from minority shareholders of a subsidiary | | **2,738** | 1,522 |
| Pledged bank deposits | | **2,391** | 2,376 |
| Cash and cash equivalents | | **61,503** | 104,634 |
| **Total current assets** | | **236,721** | 260,807 |
| **Total assets** | | **313,358** | 337,348 |
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | | **3,130** | 3,130 |
| Reserves | | | |
| Proposed dividend | | **–** | 12,520 |
| Others | | **181,948** | 187,668 |
| | | **185,078** | 203,318 |
| **Minority interest** | | **7,405** | 6,956 |
| **Total equity** | | **192,483** | 210,274 |

| | Note | As at 30 June 2008 HK$'000 (Unaudited) | As at 31 December 2007 HK$'000 (Audited) |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Long-term borrowings | | **5,149** | 7,205 |
| Deferred income tax liabilities | | **85** | 1,568 |
| **Total non-current liabilities** | | **5,234** | 8,773 |
| **Current liabilities** | | | |
| Trade payables | *10* | **44,692** | 51,253 |
| Accruals and other payables | | **24,299** | 24,261 |
| Current income tax liabilities | | **2,643** | 1,983 |
| Borrowings | | **44,007** | 40,804 |
| **Total current liabilities** | | **115,641** | 118,301 |
| **Total liabilities** | | **120,875** | 127,074 |
| **Total equity and liabilities** | | **313,358** | 337,348 |
| **Net current assets** | | **121,080** | 142,506 |
| **Total assets less current liabilities** | | **197,717** | 219,047 |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

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

The principal activities of the Company and its subsidiaries (together the "Group") are the manufacturing and trading of electronic products, plastic moulds, plastic and other components for electronic products. The principal place of business of the Company is at Room 1108, 11/F, Eastwood Centre, No. 5 A Kung Ngam Village Road, Shau Kei Wan, Hong Kong.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The condensed consolidated interim financial information ("Interim Financial Information") is presented in Hong Kong ("HK") dollars, unless otherwise stated. This Interim Financial Information has been approved for issue by the Board of Directors on 25 September 2008.

## 2 BASIS OF PREPARATION

The Interim Financial Information 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.

The accounting policies used in the preparation of the Interim Financial Information are consistent with those of the annual financial statements of the Company for the year ended 31 December 2007 and the new accounting policies as set out in Note 3 below. The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued and effective as at the time of preparing the Interim Financial Information.

## 3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Group:

- HK(IFRIC) – Int 11, "HKFRS 2 – Group and treasury share transactions"
- HK(IFRIC) – Int 12, "Service concession arrangements"
- HK(IFRIC) – Int 14, "HKAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction"

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- HKFRS 8, "Operating segments", effective for annual periods beginning on or after 1 January 2009. HKFRS 8 replaces HKAS 14, "Segment reporting", and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail by the Group.

- HKAS 23 (amendment), "Borrowing costs", effective for annual periods beginning on or after 1 January 2009. The expected impact is still being assessed in detail by the Group.

- HKFRS 2 (amendment), "Share-based payment", effective for annual periods beginning on or after 1 January 2009. The Group is assessing the impact of changes to vesting conditions and cancellations on the Group's share option scheme.

- HKFRS 3 (amendment), "Business combinations" and consequential amendments to HKAS 27, "Consolidated and separate financial statements", HKAS 28, "Investments in associates" and HKAS 31, "Interests in joint ventures", effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The Group is assessing the impact of the new requirements regarding consolidation on the Group. The Group does not have any associates or joint ventures.

- HKAS 1 (amendment), "Presentation of financial statements", effective for annual periods beginning on or after 1 January 2009. The Group is in the process of developing proforma accounts under the revised disclosure requirements of this standard.

- HKAS 32 (amendment), "Financial instruments: presentation", and consequential amendments to HKAS 1, "Presentation of financial statements", effective for annual periods beginning on or after 1 January 2009. This is not relevant to the Group, as the Group does not have any puttable instruments.

- HK(IFRIC) – Int 13, "Customer loyalty programmes", effective for annual periods beginning on or after 1 July 2008. This is not relevant to the Group, as the Group does not have any customer loyalty programmes.

## 4 REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and trading of electronic products, plastic moulds, plastic and other components for electronic products. Revenues recognised during the Period are as follows:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Turnover | | |
| Sale of goods | **228,378** | 300,416 |

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format in the Interim Financial Information because this is more relevant to the Group in making operating and financial decisions.

### (a) Primary reporting segment – business segment

During the interim period ("Period"), the Group has been operating in one single business segment, namely the manufacturing and trading of electronic products, plastic moulds, plastic and other components for electronic products.

### (b) Secondary reporting segment – geographical segment

The Group's business segment operates in five main geographical areas, even though they are managed on a worldwide basis.

The Group's revenue arises mainly in places/countries within Hong Kong, the United States, Europe and PRC. Revenue is allocated based on the places/countries in which the customers are located.

**Revenue**

| | Six months ended 30 June | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| The United States | **97,572** | 203,750 |
| Hong Kong | **72,367** | 54,829 |
| Europe | **29,590** | 23,049 |
| People's Republic of China ("PRC") | **7,585** | 9,766 |
| Other countries | **21,264** | 9,022 |
| | **228,378** | 300,416 |

Capital expenditure is allocated based on where the assets are located.

**Capital expenditure**

| | Six months ended 30 June | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Hong Kong | **727** | 158 |
| PRC | **5,536** | 8,960 |
| | **6,263** | 9,118 |

Total assets are allocated based on where the assets are located.

**Total assets**

| | As at | |
|---|---|---|
| | **30 June 2008** | 31 December 2007 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Hong Kong | **158,886** | 148,029 |
| PRC | **154,472** | 189,319 |
| | **313,358** | 337,348 |

## 5 EXPENSES BY NATURE

| | Six months ended 30 June 2008 HK$'000 (Unaudited) | 2007 HK$'000 (Unaudited) |
|---|---|---|
| Amortisation of land use rights | **25** | 25 |
| Depreciation | | |
| – Owned property, plant and equipment | **6,981** | 6,192 |
| – Leased property, plant and equipment | **851** | 1,146 |
| Staff costs (including directors' emoluments) | **51,346** | 46,441 |
| Cost of inventories sold | **133,963** | 157,500 |
| Provision for impairment of receivables | **–** | 1,340 |
| Impaired receivables written off | **589** | – |
| Operating leases on rented premises | **5,739** | 5,281 |
| Other expenses | **34,492** | 39,760 |
| Total of cost of sales, distribution costs and administrative expenses | **233,986** | 257,685 |

## 6 INCOME TAX (CREDIT)/CHARGE

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (2007: 17.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively.

| | Six months ended 30 June 2008 HK$'000 (Unaudited) | 2007 HK$'000 (Unaudited) |
|---|---|---|
| Current income tax | | |
| Hong Kong profits tax | **370** | 7,420 |
| PRC enterprise income tax *(Note a)* | **1,403** | 1,329 |
| Under-provision in prior years | **30** | – |
| Deferred taxation | **(1,859)** | – |
| Income tax (credit)/charge | **(56)** | 8,749 |

*Note:*

(a) PRC enterprise income tax has been calculated on the estimated assessable profits at the rates of taxation prevailing in the PRC. The Group has four principal subsidiaries operating in the PRC, namely Shenzhen Allcomm Electronic Co. Ltd. ("Shenzhen Allcomm"), Alltronics Tech. Mftg. Limited ("ATM"), Southchina Engineering and Manufacturing Limited ("Southchina") and 南盈科技發展(深圳)有限公司 ("南盈"). During the Period, Shenzhen Allcomm, ATM, Southchina and 南盈 were subject to a standard income tax rate of 18% (2007:15%) in accordance with the relevant applicable tax laws. 南盈 is entitled to full exemption of PRC enterprise income tax for the two years ended 31 December 2005, followed by a 50% reduction of PRC enterprise income tax for the three years ending 31 December 2008.

## 7 (LOSS)/EARNINGS PER SHARE

*(a) Basic*

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the Period.

| | Six months ended 30 June | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| (Loss)/Profit attributable to equity holders of the Company | **(6,341)** | 32,164 |
| Weighted average number of ordinary shares in issue *(thousand)* | **312,990** | 301,203 |
| Basic (loss)/earnings per share *(HK cents per share)* | **(2.0)** | 10.7 |

*(b) Diluted*

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares: share options. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the Period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

| | Six months ended 30 June | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| (Loss)/Profit attributable to equity holders of the Company | **(6,341)** | 32,164 |
| Weighted average number of ordinary shares in issue *(thousand)* | **312,990** | 301,203 |
| Adjustments for share options *(thousand)* | **213** | 4,682 |
| Weighted average number of ordinary shares for diluted earnings per share *(thousand)* | **313,203** | 305,885 |
| Diluted (loss)/earnings per share *(HK cents per share)* | **(2.0)** | 10.5 |

## 8 INTERIM DIVIDEND

| | Six months ended 30 June | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Interim dividend proposed of HK$Nil (2007: HK$0.05) per ordinary share | **–** | 15,635 |

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2008.

For the six months ended 30 June 2007, the Board of Directors recommended the payment of an interim dividend of HK$0.05 each. The Interim 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 2007 was approved by the Board of Directors on 17 September 2007.

## 9 TRADE RECEIVABLES

The Group's sales to corporate customers are entered into on credit terms of up to 90 days, except for certain credit worthy customers to whom a longer credit period is allowed. The ageing analysis of trade receivables at the balance sheet dates is as follows:

| | **As at** | |
|---|---|---|
| | **30 June 2008** | 31 December 2007 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| 0 – 30 days | **36,291** | 36,203 |
| 31 – 60 days | **21,903** | 16,787 |
| 61 – 90 days | **10,110** | 5,657 |
| 91 – 120 days | **1,587** | 4,310 |
| 121 – 365 days | **789** | 1,116 |
| Over 365 days | **345** | 443 |
| | **71,025** | 64,516 |

## 10 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

| | **As at** | |
|---|---|---|
| | **30 June 2008** | 31 December 2007 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| 0 – 30 days | **21,995** | 24,154 |
| 31 – 60 days | **18,171** | 19,777 |
| 61 – 90 days | **2,942** | 5,649 |
| 91 – 120 days | **369** | 941 |
| 121 – 365 days | **948** | 587 |
| Over 365 days | **267** | 145 |
| | **44,692** | 51,253 |

## 11 ULTIMATE HOLDING COMPANY

The Group is controlled by Profit International Holdings Limited (incorporated in the British Virgin Islands), which owns 67.1% of the Company's issued shares as at 30 June 2008. In the opinion of the Directors, Profit International Holdings Limited is the ultimate holding company of the Company.

## INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2008.

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Review of Results

During the six months period ended 30 June 2008 (the "Period"), the Group was faced with a number of challenges. These challenges, most of them were out of the Group's control, included the consistent appreciation of Renminbi ("RMB") and weakening of United States ("US") dollars, increases in wages pursuant to the new Labour Contract Law in the PRC, increases in global oil prices and raw material prices, and the general downturn in the US consumption and property market. As a result of these factors, the Group's performance during the Period was adversely affected. The turnover and gross profit for the Period had dropped by 24.0% and 69.0% to HK$228.4 million and HK$24.5 million respectively. The Group had experienced a loss attributable to equity holders of the Company of HK$6.3 million during the Period. This is the first time that the Group had suffered a loss since its formation.

During the Period, sales of electronic products amounted to HK$162.6 million, representing a decrease of 35.0% compared to HK$250.0 million for the same period in 2007. The decrease was due to the drop in sales to the US market, mainly as a result of the fall in demand for the Group's irrigation controllers. On the other hand, demand for the Group's components for electronic products remained strong with total sales of HK$46.2 million for the Period, representing an increase of 46.5% compared to the same period in 2007. Sales of plastic components and moulds remained fairly stable at approximately HK$19 million.

### Gross Profit

The Group recorded a gross profit of HK$24.5 million for the Period, with a gross profit margin of 10.7%. The gross profit and gross profit margin for the same period in 2007 were HK$78.9 million and 26.3% respectively. The significant deterioration in gross profit and gross profit margin was due to increasing costs and expenses incurred during the Period as a result of price commitment made to customers. In other words, the Group failed to pass on the increased costs and expenses to its customers during the Period. The reduction in the proportion of sales of electronic products from 83.2% in 2007 to 71.2% for the Period had also lowered the overall gross profit margin of the Group as electronic products usually have a higher margin than other products.

### Operating expenses

During the Period, distribution costs have dropped by 20.7% as a result of the reduced turnover. Administrative expenses have also decreased by HK$5.5 million or 16.5% as a result of management effort to cut cost.

Net finance costs dropped by HK$1.5 million as a result of reduction in bank loan balances and obligations under finance leases during the Period.

## Net profit

The Group had a loss of HK$6.1 million for the Period due to the significant drop in gross profit margin as explained above.

## LIQUIDITY AND FINANCIAL INFORMATION

The liquidity position of the Group remained healthy as at 30 June 2008. Most of the Group's liquid fund is placed as deposits at various banks. As at 30 June 2008, the total amount of cash and cash equivalents of the Group was HK$61.5 million, compared to HK$104.6 million as at 31 December 2007. The drop was mainly due to funds used to finance the operations of the Group during the Period and the payment of final dividend of HK$12.5 million for the year 2007. As at 30 June 2008, bank deposits of HK$2.4 million were pledged to banks as securities for banking facilities granted to Southchina. The total bank and other borrowings as at 30 June 2008 amounted to HK$49.2 million, representing a slight increase of HK$1.1 million when compared to 31 December 2007.

As at 30 June 2008, the gearing ratio, representing total borrowings excluding trade debts divided by equity attributable to equity holders of the Company, was 14.5% as compared to 16.7% as at 31 December 2007. The lower gearing ratio is due to repayment of bank loans and obligations under finance leases during the Period.

The current ratio (current assets divided by current liabilities) as at 30 June 2008 was 2.0, which has reduced slightly from 2.2 as at 31 December 2007.

Most of the Group's sales are denominated in United States dollars and Hong Kong dollars and most of the purchases of raw materials are denominated in United States dollars, Hong Kong dollars and Renminbi. Furthermore, as most of the Group's monetary assets are denominated in Hong Kong dollars, United States dollars and Renminbi, the exchange rate risk of the Group for the time being is not considered to be significant.

However, in view of the consistent appreciation in the value of Renminbi, the management is considering making arrangement to hedge against fluctuation in the value of Renminbi. Other than this, it is not necessary for the Group to have any kind of financial instruments for hedging purposes or to adopt any formal hedging policy.

## CASH FLOWS

Net cash outflow from operating activities for the Period was HK$20.3 million. This is mainly due to the funds used to finance the operations during the Period and the increases in trade receivables and amount due from a related company. In addition, HK$6.3 million had been used for the acquisition of property, plant and equipment, HK$10.6 million had been used to repay bank loans, HK$1.3 million had been used to repay obligations under finance leases and HK$12.5 million had been used to pay for the 2007 final dividend. New bank loans obtained by the Group during the Period were HK$5.3 million. The net decrease in cash and cash equivalents for the Period was HK$43.2 million. Cash and cash equivalents, net of bank overdrafts, as at 30 June 2008 amounted to HK$52.5 million, which were mainly denominated in US dollars, Hong Kong dollars and RMB.

The Group has maintained an adequate level of cash flows for its business operations and capital expenditures.

## CAPITAL EXPENDITURE

During the Period, the Group acquired property, plant and equipment at a total cost of HK$6.3 million to further enhance and upgrade its production capacity. These capital expenditures were financed by internal resources of the Group.

## PLEDGE OF ASSETS

As at 30 June 2008, bank loans of approximately HK$3.3 million were secured by trade receivables of approximately HK$3.3 million. Except as disclosed above, the Group's banking facilities were secured by corporate guarantees given by the Company, fixed deposits of approximately HK$2.4 million and available-for-sale financial assets with carrying value of approximately HK$3.4 million. The banking facilities granted to a subsidiary are secured by personal guarantees given by a director, Mr. Lam Yin Kee and other minority shareholders of that subsidiary.

## CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2008.

## EMPLOYEES

As at 30 June 2008, the Group had a total of 3,407 employees, of which 73 of them were employed in Hong Kong and 3,334 of them were employed in the PRC. Salaries of employees are maintained at competitive levels. Other employee benefits include provident fund and options granted under the share option scheme of the Company.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme for all of its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulation of the PRC. The Group also offers discretionary bonuses to its employees by reference to individual performance and the performance of the Group.

## PROSPECTS

Management expects that the global economic environment and the operating conditions for its manufacturing facilities in the PRC will remain to be tough for the rest of 2008. However, management is cautiously optimistic in its performance for 2009. The Group has focused on ways to cut costs and to streamline its organizational structure during the Period so as to put itself in a better position to meet all challenges and adverse factors. The full effect for these changes and strategies will lead to more efficiency and better performance in the second half of 2008 and in 2009 onward. Furthermore, the Group has negotiated with most of its customers to raise the selling prices for its products. The recent decrease in the oil and commodity prices may also mean a corresponding decrease in the prices of raw materials for the Group's production. Management therefore has strong confidence that the performance in the second half of the year will show some improvement in terms of turnover and gross profit.

The Group has maintained excellent business relationships with its major customers and is in negotiations with various potential new customers in order to expand its customer base and global sales network. The Group will continue to make prudent investments in research and development to meet customers' needs and to develop new products. Management expects the electronic products business to regain its growth momentum in 2009 or early 2010.

Regarding the component products business, management expects their demand will remain strong. In order to cope with the increasing orders from customers, the Group has set up a new factory in Yangxi (陽西), the PRC. The new factory has commenced operations in August 2008. The wages rate and production overhead at the Yangxi factory are comparatively lower than those of the Group's existing factory at Shenzhen, the PRC.

The Group has recently acquired a 51% equity interest in Dynamic Progress International Limited ("Dynamic"). Dynamic is engaged in biodiesel business with manufacturing facilities in Hong Kong. It is the first and currently the only company in Hong Kong with all relevant licences granted by the government to engage in the manufacturing of biodiesel in Hong Kong. Management believes that the acquisition is a step forward in diversification of the Group's income stream and in turn broadens the sources of the Group's revenue and a key development in the Group's business strategy. Management also expects that the demand for biodiesel in Hong Kong will grow rapidly and Dynamic will bring additional earnings and long term value to the Group. As Dynamic is still in its preliminary stage of production, its earnings contribution to the Group for the current year will not be significant. However, management expects that the contribution from Dynamic will increase steadily and may eventually become the major source of income for the Group in the future.

## 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 Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, except for the deviation as mentioned below.

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

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "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 Code during the Period.

## AUDIT COMMITTEE

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 comprises three Independent Non-executive Directors, namely Mr. Barry John Buttifant (chairman), Mr. Leung Kam Wah and Ms. Yeung Chi Ying.

The Interim Financial Information has been reviewed by the Audit Committee at a meeting held on 23 September 2008, which was of the opinion that the Interim Financial Information complied with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

## REMUNERATION COMMITTEE

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. Lam Yin Kee and other current members include Ms. Yeung Po Wah, Mr. Barry John Buttifant, Mr. Leung Kam Wah and Ms. Yeung Chi Ying.

## 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.

## PUBLICATION OF INTERIM REPORT

This announcement is published on the website of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) and our Company's website (http://www.irasia.com/listco/hk/alltronics/index.htm). An interim report for the six months ended 30 June 2008 containing the information required by Appendix 16 of the Listing Rules will be despatched to shareholders and published on the above websites in due course.

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

Hong Kong, 25 September 2008

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

*Executive Directors*
Mr. Lam Yin Kee, Ms. Yeung Po Wah, Mr. Toshio Daikai and Mr. So Kin Hung

*Non-executive Director*
Mr. Fan, William Chung Yue

*Independent Non-executive Directors*
Mr. Barry John Buttifant, Mr. Leung Kam Wah and Ms. Yeung Chi Ying