



# 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 2006

The board (the "Board") of directors ("Directors") of Alltronics Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2006 together with comparative figures for the corresponding period in 2005 as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006

	Note	Six months ended 30 June	
		2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Turnover	4	274,209	164,595
Cost of goods sold		(216,433)	(116,633)
Gross profit		57,776	47,962
Distribution costs		(2,977)	(2,251)
Administrative expenses		(22,808)	(19,638)
Other operating (expenses)/income, net		(1,399)	2,171
Operating profit	5	30,592	28,244
Finance costs, net		(2,336)	(1,272)
Share of (loss)/profit of an associated company		(188)	356
Profit before taxation		28,068	27,328
Taxation	6	(4,419)	(5,024)
Profit for the period		23,649	22,304
Attributable to:			
Equity holders of the Company		22,741	22,304
Minority interest		908	-
		23,649	22,304
Earnings per share for profit attributable to equity holders of the Company (expressed in HK cents per share)			
- Basic	8	7.6	7.4
- Diluted	8	N/A	N/A

#### Dividend attributable to the period:

Interim dividends	7	9,600	10,500
-------------------	---	-------	--------

#### CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2006

	Note	As at	
		30 June 2006 HK\$'000 (Unaudited)	31 December 2005 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		54,902	48,361
Land use rights		2,197	2,222
Goodwill		11,672	11,672
Interest in an associated company		-	188
Available-for-sale financial assets		2,810	2,903
Deferred tax assets		322	331
<b>Total non-current assets</b>		71,903	65,677
<b>Current assets</b>			
Inventories		82,804	74,401
Account receivables	9	90,384	62,607
Prepayments, deposits and other receivables		25,282	9,375
Due from an associated company		-	91
Due from a related company		-	807
Due from ultimate holding company		29	29
Due from minority shareholders of a subsidiary		2,064	1,340
Financial assets at fair values through profit or loss		13,648	9,627
Pledged bank deposits		3,445	4,933
Bank balances and cash		93,513	91,052
<b>Total current assets</b>		311,169	254,262
<b>Total assets</b>		383,072	319,939
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital		3,000	3,000
Reserves		147,007	128,814
		150,007	131,814
Minority interest		4,121	3,258
<b>Total equity</b>		154,128	135,072
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term borrowings		17,620	10,704
Deferred taxation liabilities		1,513	1,573
<b>Total non-current liabilities</b>		19,133	12,277
<b>Current liabilities</b>			
Account payables	10	52,455	44,501
Accruals and other payables		11,382	15,034
Due to an associated company		870	650
Taxation payable		21,547	17,552
Current portion of borrowings		123,557	94,853
<b>Total current liabilities</b>		209,811	172,590
<b>Total liabilities</b>		228,944	184,867
<b>Total equity and liabilities</b>		383,072	319,939
<b>Net current assets</b>		101,358	81,672
<b>Total assets less current liabilities</b>		173,261	147,349

#### 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 shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 15 July 2005.

The principal activities of the Group are the manufacturing and trading of electronic products, plastic moulds, plastic and other components for electronic products. The principle 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 condensed consolidated interim financial information ("Interim Financial Information") is presented in Hong Kong ("HK") dollars, unless otherwise stated. The Interim Financial Information has been approved for issue by the Board of Directors on 19 September 2006.

##### 2 BASIS OF PREPARATION

The unaudited 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 2005 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 2005.

##### 3 CHANGES IN ACCOUNTING POLICIES

In 2006, the Group adopted the new and revised HKASs listed below, which are relevant to its operation.

- HKAS 19 (revised) Actuarial gains and losses, group plans and disclosures
- HKAS 21 (revised) Net investment in a foreign operation
- HKAS 39 (revised) The fair value option
- HKAS 39 (revised) Cash flow hedge accounting of forecast intragroup transactions
- HKAS 39 and HKFRS 4 (revised) Financial guarantee contracts
- HK(IFRIC)-Int 4 Determining whether an arrangement contains a lease
- HK(IFRIC)-Int 6 Liabilities arising from participating in a specific market - waste electrical and electronic equipment

The adoption of these new and revised HKASs by the Group did not have any significant impact on its results of operations and financial position.

No early adoption of the following new standards or interpretations that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new standards and interpretations but is not yet in a position to state whether these new standards and interpretations would have a significant impact of its results in operations and financial position.

- HK(IFRIC)-Int 7, Applying the Restatement Approach under IFRS/HKFRS 29
- HK(IFRIC)-Int 8, Scope of IFRS/HKFRS 2
- HK(IFRIC)-Int 9, Reassessment of Embedded Derivatives
- HKFRS 7, Financial instruments: Disclosures
- HKAS 1, Amendments to capital disclosures

##### 4 TURNOVER 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	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Turnover		
Sale of goods	274,209	164,595

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.

##### (a) Business segment

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) Geographical segment

In presenting information on the basis of geographical segments, segment revenue is based on the geographical presence of customers. Segment assets and capital expenditures are based on the geographical location of the assets.

	Six months ended 30 June	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
<b>Turnover</b>		
The United States	187,857	115,193
Hong Kong	41,258	19,975
Europe	15,535	11,911
The People's Republic of China ("PRC")	14,856	57
Other countries	14,703	17,459
	274,209	164,595

	As at	
	30 June 2006 HK\$'000 (Unaudited)	31 December 2005 HK\$'000 (Audited)
<b>Total Assets</b>		
Hong Kong	237,455	189,397
PRC	145,617	130,542
	383,072	319,939

	Six months ended 30 June	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
<b>Capital expenditures</b>		
Hong Kong	2,141	170
PRC	11,389	3,375
	<u>13,530</u>	<u>3,545</u>

## 5 Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30 June	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
<b>Crediting:</b>		
Gain on disposal of property, plant and equipment	–	71
Unrealised gain on financial assets at fair value through profit or loss	–	4
Realised gain on financial assets at fair value through profit or loss	–	2,067
Dividend received from financial assets at fair value through profit or loss	14	21
	<u>14</u>	<u>21</u>
<b>Charging:</b>		
Amortisation of land use rights	25	25
Depreciation		
– Owned fixed assets	5,942	3,355
– Leased fixed assets	1,047	290
Staff costs (including directors' emoluments)	39,489	22,800
Cost of inventories sold	216,431	116,631
Unrealised loss on financial assets at fair value through profit or loss	103	–
Realised loss on financial assets at fair value through profit or loss	21	–
Operating leases on rented premises	4,870	2,337
Net exchange loss	1,389	246
	<u>1,389</u>	<u>246</u>

## 6 Taxation

The amount of taxation charged to the unaudited condensed consolidated income statement represents:

	Six months ended 30 June	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
<b>Current income tax</b>		
Hong Kong profits tax (Note (a))	3,655	4,869
PRC enterprise income tax (Note (b))	815	445
Deferred taxation	(51)	(290)
	<u>4,419</u>	<u>5,024</u>

### (a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the period.

### (b) PRC enterprise income tax

PRC enterprise income tax has been calculated on the estimated assessable profits at the rates of taxation prevailing in the PRC. The Group has three principal subsidiaries operating in the PRC, namely Southchina Engineering and Manufacturing Limited ("Southchina"), Shenzhen Allcomm Electronic Co. Ltd. ("Shenzhen Allcomm") and 南盈塑膠實業(深圳)有限公司("南盈"). During the period, Southchina, Shenzhen Allcomm and 南盈 were subject to an applicable tax rate of 15% in accordance with the relevant tax laws.

However, as 南盈 is entitled to full exemption from PRC income tax for the two years ended 31 December 2005, and followed by a 50% reduction of PRC income tax (i.e. 7.5%) for the three years ending 31 December 2008, the applicable tax rate for 南盈 for the six months ended 30 June 2006 is 7.5%.

## 7 Interim dividends

	Six months ended 30 June	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Interim dividend proposed of HK\$0.032 (2005: HK\$0.02) per ordinary share (Note (a))	9,600	6,000
Special interim dividend proposed of HK\$Nil (2005: HK\$0.015) per ordinary share (Note (b))	–	4,500
	<u>9,600</u>	<u>10,500</u>

Note (a) The Interim Financial Information does not reflect the above proposed dividends as dividend payable but account for them as proposed dividend from the reserves. The declaration of the interim dividend for the six months ended 30 June 2006 has been approved by the Board on 19 September 2006.

Note (b) In recognition of the continued support from the shareholders and the successful listing of the Company's shares on the Main Board of the Stock Exchange on 15 July 2005, the Board declared a special interim dividend of HK\$0.015 per ordinary share.

## 8 Earnings per share

### Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. For the six months ended 30 June 2005, the weighted average number of ordinary shares in issue is deemed to be as if the share capital of the Company outstanding immediately after the share exchange in connection with the reorganisation and the related subsequent capitalisation issue, as described in the prospectus dated 30 June 2005 issued by the Company, had been in existence throughout the period.

	Six months ended 30 June	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Profit attributable to equity holders of the Company	22,741	22,304
Weighted average number of ordinary shares in issue (thousands)	300,000	300,000
Basic earnings per share (HK cents per share)	7.6	7.4

### Diluted

No diluted earnings per share is presented as no diluting event existed during the period (2005: Nil).

## 9 Account receivables

The Group's sales to customers are normally entered into on credit terms ranging from 30 to 90 days. As at 30 June 2006 and 31 December 2005, the ageing analysis of account receivables is as follows:

	As at	
	30 June 2006 HK\$'000 (Unaudited)	31 December 2005 HK\$'000 (Audited)
0 – 30 days	52,193	29,904
31 – 60 days	20,666	22,475
61 – 90 days	10,513	5,459
91 – 120 days	2,417	3,097
121 – 365 days	4,472	1,441
Over 365 days	1,004	1,112
	<u>91,265</u>	<u>63,488</u>
Less: Provision for doubtful debts	(881)	(881)
Account receivables, net	<u>90,384</u>	<u>62,607</u>

## 10 Account payables

As at 30 June 2006 and 31 December 2005, the ageing analysis of account payables is as follows:

	As at	
	30 June 2006 HK\$'000 (Unaudited)	31 December 2005 HK\$'000 (Audited)
0 – 30 days	25,220	22,022
31 – 60 days	20,212	18,514
61 – 90 days	5,861	2,420
91 – 120 days	541	372
121 – 365 days	74	818
Over 365 days	547	355
	<u>52,455</u>	<u>44,501</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Review of results

The unaudited turnover of the Group for the six months period ended 30 June 2006 (the "Period") was approximately HK\$274.2 million, representing an increase of approximately 66.6% compared with approximately HK\$164.6 million for the corresponding period in the year 2005, while the profit attributable to equity holders of the Company for the period was approximately HK\$22.7 million, representing a slight increase of approximately 2.0% compared with approximately HK\$22.3 million for the corresponding period last year.

During the Period, sales of electronic products amounted to approximately HK\$210.5 million compared with approximately HK\$137.2 million for the same period in 2005, representing an increase of approximately 53.4%. The increase was mainly due to the increases in sales of irrigation controllers, audio equipment and carbon monoxide detectors. Certain new models of irrigation controllers have been launched to the market and the sales of irrigation controllers have recovered from last year's downturn to achieve a growth of 34.6% to approximately HK\$106.5 million for the Period. The demand for audio equipment and carbon monoxide detectors remained strong and the sales for these products have increased by approximately 91.3% and 99.5% respectively during the Period.

On the other hand, sales of components for electronic products during the Period amounted to approximately HK\$63.7 million, representing an increase of approximately 1.3 times compared with approximately HK\$27.4 million for the same period in 2005. The increase was mainly due to the continuous increase in the demand from customers. During the Period, certain new customers have been secured and the business volume with existing customers has also increased. The expansion in production facilities since November 2005 as a result of relocation of the factory for production of transformers, solenoids and chargers has also enabled to Group to cope with increasing demand from customers and to increase the overall turnover. Based on the orders on hand and forecasts provided by major customers, the Group expects that the sales of electronic product components will continue to grow at a fast pace in the second half of the year.

Out of the total turnover of HK\$274.2 million for the Period, HK\$58.4 million was contributed by Southchina and its subsidiaries, which have become subsidiaries of the Group since December 2005. There was no contribution to turnover from Southchina and its subsidiaries to the results of the Group during the same period in 2005.

#### Gross profit

The Group recorded a gross profit of approximately HK\$57.8 million for the Period, with a gross profit margin of approximately 21.1%. The gross profit and gross profit margin for the same period in 2005 were approximately HK\$48.0 million and approximately 29.1% respectively. The decrease in gross profit margin was mainly due to the combination of certain external factors and the change in product mix during the Period. External factors such as rising oil prices and raw material costs, and the increase in minimum wages for workers in the PRC have led to a drop in the gross profit margin. On the other hand, some models of component products of the Group have a lower gross profit margin than other products of the Group. The increase in proportion of sales of these products during the Period has resulted in a decrease in overall gross profit margin.

#### Operating expenses

During the Period, distribution costs have increased by approximately HK\$0.7 million as a result of the increase in turnover. Administrative expenses have increased by approximately HK\$3.2 million. The increase was mainly due to the inclusion of the administrative expenses of the Southchina Group in the consolidated income statement, which amounted to approximately HK\$3.3 million.

Finance costs have increased by approximately HK\$2.8 million, of which approximately HK\$1.3 million being interest expenses incurred by Southchina. The increase in finance costs was due to a combination of the general increases in effective interest rates and the increase in utilisation of banking facilities to finance the expanded operations of the Group. As at 30 June 2006, total borrowings amounted to approximately HK\$141.2 million as compared to approximately HK\$105.6 million as at 31 December 2005.

#### Net profit

The net profit margin for the Period was approximately 8.6% compared to the net profit margin of 13.6% for the corresponding period in last year. The reduction in net profit margin was mainly due to the decrease in gross profit margin as a result of consistent increases in raw material prices and the change in product mix as explained above.

### LIQUIDITY AND FINANCIAL INFORMATION

The Group continues to adhere to prudent treasury policies. Most of the Group's liquid fund is placed as deposits at various banks. As at 30 June 2006, the total amount of cash and bank balances of the Group was approximately HK\$93.5 million, compared to approximately HK\$91.1 million as at 31 December 2005. As at 30 June 2006, bank deposits of approximately HK\$3.4 million were pledged to banks as securities for banking facilities granted to Southchina. The total bank and other borrowings as at 30 June 2006 amounted to approximately HK\$141.2 million, representing an increase of approximately HK\$35.6 million when compared to 31 December 2005. The increase was mainly due to new borrowings obtained to finance the expanded operations of the Group during the Period.

As at 30 June 2005, the gearing ratio, representing total borrowings excluding trade debts divided by equity attributable to equity holders of the Company, was approximately 46.1% compared with approximately 46.7% as at 31 December 2005.

The current ratio (current assets divided by current liabilities) as at 30 June 2006 was approximately 1.48, which has improved from 1.47 as at 31 December 2005.

As most of the Group's operating activities, monetary assets and liabilities are denominated in US dollars, HK dollars and Renminbi and those currencies remained relatively stable during the Period, the Group was not exposed to any significant exchange risk.

The Group has not used any financial instrument for hedging purpose or adopted any particular hedging policy.

### OUTLOOK

The Group's primary objective is to become a leading and internationally well known manufacturer of electronic products and electronic product components, and a "total solution provider" to its customers. The Group will continue its "one product, one customer" policy as it is well accepted by customers and has proven to be one of the key factors contributing to the Group's success.

In the future, the Group foresees a fast growth potential and opportunity in the production of components for electronic products and will therefore focus more of its resources in expanding the production facilities for these products. The Group expects that the sales of components for electronic products for the whole year of 2006 will at least double the amount of sales of component products for the year 2005. The performance of Southchina and its subsidiaries are improving since they have become subsidiaries of the Group in December 2005. The Group expects that the contribution from Southchina and its subsidiaries to the Group's profitability will increase steadily in the future. Although the Group shall continue to face challenging market conditions, based on the current orders on hand and forecasts provided by major customers, and barring unforeseen circumstances, the Group has strong confidence to deliver satisfactory results in sales and profit in the second half of 2006.

The Group will continue to make prudent investments in research and development to meet customers' needs and to develop new products. The Group is also looking into potential investment opportunities in the electronic industry to expand its operations as well as to increase its profit. The target of the Group is to increase the net profit attributable to equity holders of the Company.

#### **DIVIDEND**

In view of the Company's continuing strong liquidity, the Board declared an interim dividend of HK3.2 cents per ordinary share for the six months ended 30 June 2006 payable on or about 2 November 2006 to the shareholders whose names appear on the register of members of the Company on 19 October 2006.

#### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 17 October 2006 to 19 October 2006, 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 registrars in Hong Kong, Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on 16 October 2006.

#### **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as at 30 June 2006.

#### **EMPLOYEES**

As at 30 June 2006, the Group has a total of 3,051 employees (including those at the processing factories for the manufacturing of components for electronic products), of which 80 of them are employed in Hong Kong and 2,971 of them are employed in the PRC. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. Other employee benefits include provident fund and options granted under Share Option Scheme.

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.

#### **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.

#### **CORPORATE GOVERNANCE**

The Board believes that corporate governance is essential to the success of the Company. 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 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 OF SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its code for dealing in securities of the Company by the Directors (the "Code"). 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 Code of Best Practice as set out in Appendix 14 of 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 18 September 2006, who is 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 Code of Best Practice as set out in Appendix 14 of 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.

#### **DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE**

The electronic version of this announcement will be published on the website of the Stock Exchange (<http://www.hkex.com.hk>). An interim report for the six months ended 30 June 2006 containing the information required by Appendix 16 to the Listing Rules will be despatched to shareholders and published on the website of the Stock Exchange in due course.

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

##### *Executive Directors:*

Mr. Lam Yin Kee, Ms. Yeung Po Wah, Mr. Toshio Daikai and Mr. William Peter Shelley

##### *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

By order of the Board  
**Lam Yin Kee**  
Chairman