



Alltronics Holdings Limited
華訊股份有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 833



Inductors



Toroidal Winding



Plastic Molding



Audio Equipment



Electronic Products



Irrigation controller



Adaptors

Interim Report

2007

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FINANCIAL HIGHLIGHTS

The board of directors (the “Board”) 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 2007 (the “Period”).

	Unaudited consolidated		
	For the six months ended 30 June		
	2007	2006	Change
	HK\$'000	HK\$'000	%
Turnover	300,416	274,209	9.6%
Gross profit	78,944	57,776	36.6%
Net profit attributable to equity holders of the Company	32,164	22,741	41.4%
Earnings per share (<i>HK cents</i>):			
– Basic	10.7	7.6	40.8%
– Diluted	10.5	7.6	38.2%

DIVIDEND

In view of the Company’s continuing strong liquidity, the Board declared an interim dividend of HK5 cents per ordinary share for the six months ended 30 June 2007, payable on or about 1 November 2007, to the shareholders whose names appear on the register of members of the Company on 17 October 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 15 October 2007 to 17 October 2007, 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 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on 12 October 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

	Note	Six months ended 30 June	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Revenue	4	300,416	274,209
Cost of sales		(221,472)	(216,433)
Gross profit		78,944	57,776
Distribution costs		(2,834)	(2,977)
Administrative expenses		(33,379)	(22,808)
Other gains/(losses)	5	1,766	(1,399)
Operating profit	6	44,497	30,592
Finance costs – net	7	(2,311)	(2,336)
Share of loss of an associate		–	(188)
Profit before income tax		42,186	28,068
Income tax expense	8	(8,749)	(4,419)
Profit for the period		33,437	23,649
Attributable to:			
Equity holders of the Company		32,164	22,741
Minority interest		1,273	908
		33,437	23,649
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in HK cents per share)			
– Basic	9	10.7	7.6
– Diluted	9	10.5	7.6
Dividend attributable to the period:			
Interim dividend	10	15,635	9,600

The notes on pages 8 to 22 form part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007

	<i>Note</i>	As at	
		30 June	31 December
		2007	2006
		HK\$'000	HK\$'000
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	57,844	56,061
Leasehold land and land use rights	12	2,147	2,172
Intangible asset		11,672	11,672
Investment in an associate	13	–	–
Available-for-sale financial assets	18	3,347	3,238
Prepayment of non-current assets		1,665	4,822
Deferred income tax assets		53	53
Total non-current assets		76,728	78,018
Current assets			
Inventories		89,987	88,237
Trade receivables	14	98,881	84,634
Prepayments, deposits and other receivables		3,733	23,403
Amount due from an associate	13	2	2
Amount due from a related company	20(b)	370	919
Amount due from ultimate holding company	20(b)	29	29
Amount due from minority shareholders of a subsidiary	20(b)	2,185	1,640
Other financial assets at fair value through profit or loss		893	10,458
Pledged bank deposits	18	2,359	2,432
Cash and cash equivalents		70,521	55,511
Total current assets		268,960	267,265
Total assets		345,688	345,283

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007

		As at	
		30 June 2007	31 December 2006
	Note	HK\$'000 (Unaudited)	HK\$'000 (Audited)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	16	3,025	3,000
Reserves			
Proposed dividend		15,635	11,400
Others		169,199	149,444
		187,859	163,844
Minority interest		6,214	4,840
Total equity		194,073	168,684
LIABILITIES			
Non-current liabilities			
Borrowings	17	7,038	15,695
Deferred income tax liabilities		1,522	1,522
Total non-current liabilities		8,560	17,217
Current liabilities			
Trade payables	15	52,134	56,474
Accruals and other payables		23,800	18,153
Current income tax liabilities		10,902	22,912
Borrowings	17	56,219	61,843
Total current liabilities		143,055	159,382
Total liabilities		151,615	176,599
Total equity and liabilities		345,688	345,283
Net current assets		125,905	107,883
Total assets less current liabilities		202,633	185,901

The notes on pages 8 to 22 form part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Attributable to equity holders of the Company								
	Share capital	Share premium	Capital reserve	Share option reserve	Exchange reserve	Revaluation reserve	Retained earnings	Minority interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at 1 January 2006	3,000	45,810	5,799	-	557	(206)	76,854	3,258	135,072
Fair value loss on available-for-sale financial assets	-	-	-	-	-	(48)	-	(45)	(93)
Profit for the period	-	-	-	-	-	-	22,741	908	23,649
Dividend paid	-	-	-	-	-	-	(4,500)	-	(4,500)
Balance at 30 June 2006	3,000	45,810	5,799	-	557	(254)	95,095	4,121	154,128
Balance at 1 January 2007	3,000	45,810	5,799	1,614	1,117	(35)	106,539	4,840	168,684
Fair value gain on available-for-sale financial assets	-	-	-	-	-	55	-	54	109
Exercise of share options	25	3,048	-	(299)	-	-	-	-	2,774
Currency translation differences	-	-	-	-	517	-	-	47	564
Profit for the period	-	-	-	-	-	-	32,164	1,273	33,437
Dividend paid	-	-	-	-	-	-	(11,495)	-	(11,495)
Balance at 30 June 2007	3,025	48,858	5,799	1,315	1,634	20	127,208	6,214	194,073

The notes on pages 8 to 22 form part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	22,977	15,566
Net cash generated from/(used in) investing activities	8,510	(14,699)
Net cash (used in)/generated from financing	(17,493)	6,391
Net increase in cash, cash equivalents and bank overdrafts	13,994	7,258
Cash, cash equivalents and bank overdrafts at 1 January	44,859	54,238
Effect of foreign exchange rate changes	26	–
Cash, cash equivalents and bank overdrafts at 30 June	58,879	61,496
Analysis of balances of cash, cash equivalents and bank overdrafts		
Cash and cash equivalents	70,521	93,513
Bank overdrafts	(11,642)	(32,017)
	58,879	61,496

The notes on pages 8 to 22 form part of the condensed consolidated interim financial information.

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 on 17 September 2007.

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 2006 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 2006.

The unaudited Interim Financial Information has been prepared in accordance with those HKAS, Hong Kong Financial Reporting Standards (“HKFRS”), and interpretations of HKAS issued and effective as at the time of preparing the Interim Financial Information.

3 ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The following new standard, amendment to standards and interpretations are mandatory for the financial year ending 31 December 2007:

HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

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

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. Revenue recognised during the period are as follows:

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Turnover		
Sales of goods	<u>300,416</u>	274,209

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 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 the PRC. Revenue is allocated based on the places/countries in which the customers are located.

Revenue

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The United States	203,750	187,857
Hong Kong	54,829	41,258
Europe	23,049	15,535
People's Republic of China ("PRC")	9,766	14,856
Other countries	9,022	14,703
	300,416	274,209

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

Capital expenditure

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	158	2,141
PRC	8,960	11,389
	9,118	13,530

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

Total assets

	As at	
	30 June 2007	31 December 2006
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Hong Kong	194,865	151,347
PRC	150,823	193,936
	345,688	345,283

5 OTHER GAINS/(LOSSES)

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Realised gain/(loss) on financial assets		
at fair value through profit or loss	2,857	(21)
Fair value loss on financial assets		
at fair value through profit or loss	(23)	(103)
Net foreign exchange loss	(1,091)	(1,389)
Dividend received from financial assets		
at fair value through profit or loss	-	14
Other gains	23	100
	1,766	(1,399)

6 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Crediting:</i>		
Realised gain on financial assets at fair value		
through profit or loss	2,857	-
Dividend received from financial assets		
at fair value through profit or loss	-	14
<i>Charging:</i>		
Amortisation of land use rights	25	25
Depreciation		
- Owned property, plant and equipment	6,192	5,942
- Leased property, plant and equipment	1,146	1,047
Staff costs (including directors' emoluments)	46,441	39,489
Cost of inventories sold	221,451	216,431
Impairment of trade receivables	1,340	-
Fair value loss on financial assets at fair value		
through profit or loss	23	103
Realised loss on financial assets at fair value		
through profit or loss	-	21
Operating leases on rented premises	5,281	4,870
Net foreign exchange loss	1,091	1,389

7 FINANCE COSTS – NET

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank loans and overdrafts	3,661	3,793
Interest element of finance leases	187	474
Total finance costs	3,848	4,267
Less: Interest income from bank deposits	(1,537)	(1,931)
Finance costs – net	2,311	2,336

8 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax		
Hong Kong profits tax	7,420	3,655
PRC enterprise income tax (<i>Note a</i>)	1,329	815
Deferred taxation	–	(51)
	8,749	4,419

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 three principal subsidiaries operating in the PRC, namely Shenzhen Allcomm Electronic Co. Ltd. (“Shenzhen Allcomm”), Alltronics Tech. Mfg. Limited (“ATM”) and 南盈塑膠實業(深圳)有限公司(「南盈」). During the Period, Shenzhen Allcomm, ATM and 南盈 were subject to a standard income tax rate of 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 (i.e. 7.5%) for the three years ending 31 December 2008.

9 EARNINGS PER SHARE

(a) 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.

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company	32,164	22,741
Weighted average number of ordinary shares in issue (<i>thousand</i>)	301,203	300,000
Basic earnings per share (<i>HK cents per share</i>)	10.7	7.6

(b) Diluted

Diluted 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	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company	32,164	22,741
Weighted average number of ordinary shares in issue (<i>thousand</i>)	301,203	300,000
Adjustments for share options (<i>thousand</i>)	4,682	–
Weighted average number of ordinary shares for diluted earnings per share (<i>thousand</i>)	305,885	300,000
Diluted earnings per share (<i>HK cents per share</i>)	10.5	7.6

10 INTERIM DIVIDEND

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interim dividend proposed of HK\$0.05 (2006: HK\$0.032) per ordinary share	<u>15,635</u>	<u>9,600</u>

Note:

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 has been approved by the Board on 17 September 2007.

11 PROPERTY, PLANT AND EQUIPMENT

	HK\$'000
	(Audited)
Year ended 31 December 2006	
Opening net book amount as at 1 January 2006	48,361
Exchange differences	331
Additions	21,757
Disposals	(49)
Depreciation	<u>(14,339)</u>
Closing net book amount as at 31 December 2006	<u>56,061</u>
	(Unaudited)
Six months ended 30 June 2007	
Opening net book amount as at 1 January 2007	56,061
Exchange differences	538
Additions	9,118
Disposals	(535)
Depreciation	<u>(7,338)</u>
Closing net book amount as at 30 June 2007	<u>57,844</u>

The Group's buildings are situated in the PRC on a medium term lease. In 1998, the Group entered into an arrangement with two independent third parties for the development of certain manufacturing premises for the Group's use and staff quarters in Shenzhen and the Group's attributable interest in these buildings is 60%. These buildings are accounted for as jointly controlled assets of the Group. As at 30 June 2007, the net book value of the Group's share of these buildings amounted to approximately HK\$7,261,000 (As at 31 December 2006: HK\$7,347,000).

12 LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	Land use rights
	<i>HK\$'000</i>
	(Audited)
Year ended 31 December 2006	
Opening net book amount as at 1 January 2006	2,222
Amortisation charge	(50)
	<hr/>
Closing net book amount as at 31 December 2006	2,172
	<hr/>
	(Unaudited)
Six months ended 30 June 2007	
Opening net book amount as at 1 January 2007	2,172
Amortisation charge	(25)
	<hr/>
Closing net book amount as at 30 June 2007	2,147
	<hr/>

13 INVESTMENT IN AN ASSOCIATE AND AMOUNT DUE FROM AN ASSOCIATE

	As at	
	30 June 2007	31 December 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Beginning of the period/year	–	188
Share of loss	–	(188)
	<hr/>	<hr/>
End of the period/year	–	–
	<hr/>	<hr/>
Due from an associate (<i>Note a</i>)	2	2
	<hr/>	<hr/>

Notes:

- (a) The amount due from an associate is unsecured, bears interest at prime rate plus 1% and repayable on demand.
- (b) The associate has ceased business since 1 July 2006 and is in the process of voluntarily winding up.

14 TRADE RECEIVABLES

	As at	
	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
Trade receivables	105,905	90,318
Less: provision for impairment of receivables	(7,024)	(5,684)
	98,881	84,634

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 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
0 – 30 days	53,713	49,095
31 – 60 days	36,345	19,455
61 – 90 days	5,140	9,440
91 – 120 days	2,601	3,911
121 – 365 days	916	2,584
Over 365 days	166	149
	98,881	84,634

Trade receivables of HK\$1,340,000 (For the year ended 31 December 2006: HK\$5,531,000) were impaired during the period. The movements in provision for impaired receivables have been included in administrative expenses in the condensed consolidated income statement.

15 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	As at	
	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
0 – 30 days	40,300	23,551
31 – 60 days	6,857	20,122
61 – 90 days	3,007	7,911
91 – 120 days	1,384	2,570
121 – 365 days	533	2,200
Over 365 days	53	120
	52,134	56,474

16 SHARE CAPITAL

	Six months ended 30 June 2007		Year ended 31 December 2006	
	Number of shares	Amount HK\$'000 (Unaudited)	Number of shares	Amount HK\$'000 (Audited)
Authorised:				
Ordinary shares of HK\$0.01 each	10,000,000,000	100,000	10,000,000,000	100,000
Issued and fully paid:				
Beginning of the period/year	300,000,000	3,000	300,000,000	3,000
Exercise of share options	2,499,000	25	–	–
End of the period/year	302,499,000	3,025	300,000,000	3,000

Note:

- (a) Share options exercised during the six months ended 30 June 2007 resulted in 2,499,000 shares being issued (For the year ended 31 December 2006: nil), with exercise proceeds of HK\$2,773,890 (For the year ended 31 December 2006: nil). The weighted average closing market price per share immediately before the date on which the share options were exercised was HK\$3.0 (For the year ended 31 December 2006: N/A).

17 BORROWINGS

	As at	
	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
Bank loans, secured (<i>Note (a)</i>)	23,621	30,831
Obligations under finance leases (<i>Note (b)</i>)	3,933	5,568
Bills payable, secured	22,292	30,487
Trust receipt loans, secured	1,769	–
Bank overdrafts, secured	11,642	10,652
Total borrowings, wholly repayable within five years	63,257	77,538
Current portion of borrowings	(56,219)	(61,843)
Long-term borrowings	7,038	15,695

Details of the available banking facilities and securities given in respect of the above secured borrowings are set out in Note 18.

Notes:

- (a) The Group's bank loans were repayable as follows:

	As at	
	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
Within one year	18,327	17,857
In the second year	4,331	10,845
In the third to fifth year	963	2,129
Total	23,621	30,831

- (b) The Group's finance lease liabilities were repayable as follows:

	As at	
	30 June 2007 <i>HK\$'000</i> (Unaudited)	31 December 2006 <i>HK\$'000</i> (Audited)
Within one year	2,420	3,169
In the second year	1,476	2,024
In the third to fifth year	378	1,240
	4,274	6,433
Future finance charges on finance leases	(341)	(865)
Present value of finance lease liabilities	3,933	5,568

The present value of finance lease liabilities is as follows:

	As at	
	30 June 2007 <i>HK\$'000</i> (Unaudited)	31 December 2006 <i>HK\$'000</i> (Audited)
Within one year	2,189	2,847
In the second year	1,381	1,865
In the third to fifth year	363	856
	3,933	5,568

18 BANKING FACILITIES

As at 30 June 2007, the Group's total available banking facilities amounted to approximately HK\$291,507,000 (As at 31 December 2006: HK\$260,860,000). These facilities were secured by the following:

- (a) corporate guarantees given by the Company;
- (b) pledge of the Group's bank deposits of approximately HK\$2,359,000 (As at 31 December 2006: HK\$2,432,000);

- (c) available-for-sale financial assets held by the Group with carrying value of approximately HK\$3,347,000 (As at 31 December 2006: HK\$3,238,000); and
- (d) the Group's trade receivables of HK\$2,362,000 (As at 31 December 2006: HK\$815,000).

The banking facilities granted to a subsidiary, Southchina Engineering and Manufacturing Limited ("Southchina"), are guaranteed by personal guarantees given by a director, Mr. Lam Yin Kee, and other minority shareholders of Southchina.

19 COMMITMENTS

(a) Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	As at	
	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
Property, plant and equipment		
Contracted but not provided for	1,740	3,012
Authorised but not contracted for	–	716
	1,740	3,728

(b) Operating lease commitments

The Group leases various offices, warehouses and quarters under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at	
	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
Not later than one year	10,659	10,809
Later than one year and not later than five years	15,494	19,542
Later than five years	–	119
	26,153	30,470

20 RELATED PARTY TRANSACTIONS

The Group is controlled by Profit International Holdings Limited (incorporated in the British Virgin Islands), which owns 69.42% of the Company's shares as at 30 June 2007. In the opinion of the Directors, Profit International Holdings Limited is the ultimate holding company of the Company.

- (a) Significant related party transactions, which were carried out in the normal course of the Group's business and at terms negotiated between the Group and the respective parties, were as follows:

	<i>Note</i>	Six month ended 30 June	
		2007	2006
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Sales of goods to Maruman Products Co. Limited ("Maruman")	(i)	809	4,447
Rental expenses paid to Profit Home Investments Limited	(ii)	540	480
Processing fee paid to TSC Manufacturing Limited ("TSC")	(iii)	–	42
Rental income and property management fee received from TSC	(iii)	–	161
Property, plant and equipment acquired from TSC	(iii)	–	2,160

- (i) Maruman is a company incorporated in Japan and owned as to 24.7% by a director of the Company, Mr. Lam Yin Kee. Maruman is engaged in the business of trading in general merchandise.
- (ii) Ms. Yeung Po Wah, a director of the Company, is a shareholder and director of Profit Home Investments Limited and holds 60% of its issued share capital.
- (iii) TSC is a 20.4% owned associate of the Group. TSC was engaged in the business of manufacturing of plastic accessories and mould making technology development, and has ceased its business since 1 July 2006.

- (b) Period/year end balances with related parties were as follows:

		As at	
		30 June 2007	31 December 2006
	<i>Note</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Amount due from a related company	<i>(i)</i>	370	919
Amount due from ultimate holding company	<i>(ii)</i>	29	29
Amount due from minority shareholders of a subsidiary	<i>(ii)</i>	<u>2,185</u>	<u>1,640</u>

- (i) The amount due from Maruman, a related company, is aged less than one year and is unsecured, non-interest bearing and with normal credit terms of 60 days.
- (ii) The amount due from ultimate holding company and amount due from minority shareholders of a subsidiary are unsecured, interest-free and repayable on demand.

- (c) **Key management compensation**

	Six month ended 30 June	
	2007	2006
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)
Salaries and other short-term employee benefits	5,380	6,450
Post-employment benefits	<u>60</u>	<u>64</u>
	<u>5,440</u>	<u>6,514</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Review of Results

The unaudited turnover of the Group for the six months period ended 30 June 2007 (the "Period") was approximately HK\$300.4 million, representing an increase of approximately 9.6% compared with approximately HK\$274.2 million for the corresponding period in the year 2006, while the profit attributable to equity holders of the Company for the Period was approximately HK\$32.2 million, representing a sharp increase of approximately 41.4% compared with approximately HK\$22.7 million for the corresponding period last year.

During the Period, sales of electronic products amounted to approximately HK\$250.0 million compared with approximately HK\$210.5 million for the same period in 2006, representing an increase of approximately 18.8%. The increase was mainly due to the continued increase in sales of irrigation controllers. New models of irrigation controllers launched to the market are well accepted by customers. On the other hand, the orders for existing models also increased consistently during the Period. Sales of irrigation controllers have achieved a growth of 43.0% during the Period.

On the other hand, sales of components for electronic products during the Period amounted to approximately HK\$50.4 million, representing a decrease of approximately 20.9% compared with approximately HK\$63.7 million for the same period in 2006. The decrease was mainly due to the drop in demand from certain customers and the fact that the Group has put more resources on electronic products as the margin for electronic products is usually higher than the margin for component products. Based on the orders on hand and forecasts provided by major customers, the Group expects that the sales of components for electronic products will remain stable in the second half of the year.

Gross Profit

The Group recorded a gross profit of approximately HK\$78.9 million for the Period, with a gross profit margin of approximately 26.3%. The gross profit and gross profit margin for the same period in 2006 were approximately HK\$57.8 million and approximately 21.1% respectively. The improvement in gross profit margin was due to a combination of various factors, including the general increase in price for certain products sold to customers; costs for raw materials remaining at a stable level; and tighter control over production costs and overheads. The increase in proportion in sales of electronic products also resulted in an increase in gross margin for the Period.

Operating Expenses

During the Period, distribution costs have dropped slightly by approximately HK\$0.1 million. Administrative expenses have increased by approximately HK\$10.6 million. The increase was mainly due to the general increase in staff costs.

Net finance costs remained stable at approximately HK\$2.3 million.

Net Profit

The net profit margin for the Period was approximately 11.1% compared to the net profit margin of 8.6% for the corresponding period in last year. The increase in net profit margin was mainly due to the increase in gross profit margin as explained above.

LIQUIDITY AND FINANCIAL INFORMATION

The liquidity and financial resources of the Group as at 30 June 2007 were similar to those of the Group as at 31 December 2006. Most of the Group's liquid fund is placed as deposits at various banks. As at 30 June 2007, the total amount of cash and bank balances of the Group was approximately HK\$70.5 million, compared to approximately HK\$55.5 million as at 31 December 2006. As at 30 June 2007, bank deposits of approximately 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 2007 amounted to approximately HK\$63.3 million, representing a decrease of approximately HK\$14.3 million when compared to 31 December 2006. The decrease was mainly due to repayment during the Period.

As at 30 June 2007, the gearing ratio, representing total borrowings excluding trade debts divided by equity attributable to equity holders of the Company, was approximately 20.9% compared with approximately 28.7% as at 31 December 2006.

The current ratio (current assets divided by current liabilities) as at 30 June 2007 was approximately 1.88, which has improved from 1.68 as at 31 December 2006.

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 considered to be minimal.

In view of the current financial position and trade balance of operations of the Group, the management considered that it was not necessary for the Group to have any kind of sophisticated financial instruments for hedging purposes or to adopt any formal hedging policy.

CASH FLOWS

Net cash inflow of approximately HK\$23.0 million was generated from operating activities for the Period. Despite of approximately HK\$9.1 million used for the acquisition of property, plant and equipment and the payment of 2006 final dividend of HK\$11.5 million, the Group still has a net increase in cash and cash equivalents for the Period of approximately HK\$14.0 million. Bank balances and cash as at 30 June 2007 amounted to approximately HK\$70.5 million, mainly denominated in US dollars, HK dollars and Renminbi.

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 cost of approximately HK\$9.1 million to further enhance and upgrade the production capacity. These capital expenditures were financed primarily by cash flow generated from operations.

PLEDGE OF ASSETS

As at 30 June 2007, bank loans of approximately HK\$2.4 million were secured by trade receivables of approximately HK\$2.4 million. Except as disclosed above, the Group's banking facilities were secured by corporate guarantees given by the Company, bank deposits of approximately HK\$2.4 million and available-for-sale financial assets with carrying value of approximately HK\$3.3 million. The banking facilities granted to Southchina are secured by personal guarantees given by a director, Mr. Lam Yin Kee, and other minority shareholders of Southchina .

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2007.

EMPLOYEES

As at 30 June 2007, the Group has a total of 3,261 employees, of which 77 of them are employed in Hong Kong and 3,184 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 the Share Option Scheme (as defined below).

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.

OUTLOOK

The Group's primary objective is to become a leading and internationally well known manufacturer of electronic products and components for electronic products, 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.

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 profits in the second half of 2007.

In the future, the Group will continue to grow and will strive to further 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. On the other hand, the Group foresees a fast growth potential and opportunity in the development of medical health care products; environmental protection products; and energy savings products. The Group will focus more of its resources in the development of these products.

The Group is very clear about its responsibility towards shareholders and their expectations. The Group is looking into potential investment opportunities to expand its operations as well as to increase its profit.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 30 June 2007, the interests and short positions of each Director and Chief Executive in the shares and underlying shares of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange were as follows:

(a) **Ordinary shares of HK\$0.01 each of the Company**

		Number of shares held				% of the issued share capital of the Company
		Personal interests	Family interests	Corporate interests	Total	
Mr. Lam Yin Kee	Long positions	501,000	-	*210,000,000	210,501,000	69.59
Ms. Yeung Po Wah	Long positions	-	*210,000,000	-	210,000,000	69.42
Mr. Toshio Daikai	Long positions	801,000	-	-	801,000	0.26

* These shares are owned by Profit International Holdings Limited, a company incorporated in the British Virgin Islands and is owned as to 95% by Mr. Lam Yin Kee and 5% by Ms. Yeung Po Wah. Ms. Yeung Po Wah is an Executive Director of the Company and the wife of Mr. Lam Yin Kee.

(b) **Share options of the Company**

	Capacity	Number of options held	Number of underlying shares
Mr. Lam Yin Kee	Beneficial owner	3,000,000	3,000,000
Ms. Yeung Po Wah	Beneficial owner	3,000,000	3,000,000
Mr. Toshio Daikai	Beneficial owner	300,000	300,000

(c) **Interests in an associated corporation, Profit International Holdings Limited (Ordinary shares of US\$1 each)**

		Number of shares held			% of the issued share capital of the associated corporation	
		Personal interests	Family interests	Corporate interests	Total	
Mr. Lam Yin Kee	Long positions	950	-	-	950	95.00
Ms. Yeung Po Wah	Long positions	50	-	-	50	5.00

Saved as disclosed above, at no time during the Period, the Directors and Chief Executives (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations required to be disclosed pursuant to the SFO.

Other than those interests and short positions disclosed above, the Directors and Chief Executives also hold shares of certain subsidiaries solely for the purpose of ensuring that the relevant subsidiary has more than one member.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that at 30 June 2007, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executives of the Company.

Name		Number of shares			% of the issued share capital of the Company
		Personal interests	Nature of interest	Total	
Profit International Holdings Limited	Long positions	210,000,000	Beneficially owned	210,000,000	69.42
Galaxy China Opportunities Funds	Long positions	29,317,000	Beneficially owned	29,317,000	9.69

Save as disclosed above and so far as the Directors and Chief Executives of the Company are aware of, at 30 June 2007, there were no other person, other than the Directors or Chief Executives of the Company, who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

Pursuant to a written resolution of the shareholders of the Company passed on 22 June 2005, a share option scheme (the “Share Option Scheme”) was approved and adopted. The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentive or rewards for their contributions or potential contributions to the Group.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing from 22 June 2005, being the date on which the Share Option Scheme was adopted.

Details of the share options granted and a summary of the movements of the outstanding share options during the Period are as follows:

	Number of share options				Held at 30 June 2007	Exercise price per share (HK\$)
	Held at 1 January 2007	Granted during the Period	Exercised during the Period	Cancelled or lapsed during the Period		
<i>(Note 1)</i>						
Executive Directors						
Mr. Lam Yin Kee	3,000,000	-	-	-	3,000,000	1.11
Ms. Yeung Po Wah	3,000,000	-	-	-	3,000,000	1.11
Mr. Toshio Daikai	300,000	-	-	-	300,000	1.11
	6,300,000	-	-	-	6,300,000	
Other employees	7,200,000	-	(2,499,000)	-	4,701,000	1.11
	13,500,000	-	(2,499,000)	-	11,001,000	

Notes:

- (1) The above share options were granted on 27 September 2006 with an exercisable period of two years from 27 September 2006 to 26 September 2008. There are no vesting periods for these share options. The closing market price per share at the date preceding the date on which the share options were granted was HK\$1.13.
- (2) During the six months ended 30 June 2007, 2,499,000 share options granted to employees were exercised. The weighted average closing market price per share immediately before the date on which the share options were exercised was HK\$3.00.
- (3) Subsequent to 30 June 2007, an aggregate of 10,191,000 share options were exercised by certain Directors and employees. The weighted average closing market price per share immediately before the date on which the share options were exercised was HK\$3.33.
- (4) On 6 July 2007, 600,000 share options were granted to certain employees at an exercise price of HK\$2.94 per share with an exercisable period of two years from 6 July 2007 to 5 July 2009.
- (5) Save as disclosed above, no option has been cancelled or lapsed during the Period.

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 report, in compliance with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 to 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 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 was established with written terms of reference in compliance with the Code. 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 14 September 2007, 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. 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.

SUPPLEMENTARY INFORMATION

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

The electronic version of this report will be published on the websites of the Company (<http://www.alltronics.com.hk>) and of The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>).

APPRECIATION

The Board would like to thank the Company's shareholders and the Group's business partners for their continuous support and to extend its sincere appreciation to all of the Group's management and staff for their dedication and contribution throughout the Period.

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

Hong Kong, 17 September 2007

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

Executive Directors

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

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

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. LAM Yin Kee (*Chairman*)

Ms. YEUNG Po Wah

Mr. Toshio DAIKAI

Non-executive Director

Mr. FAN, William Chung Yue

Independent Non-executive Directors

Mr. Barry John BUTTIFANT

Mr. LEUNG Kam Wah

Ms. YEUNG Chi Ying

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Shau Kei Wan

Hong Kong

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. LEUNG Fuk Cheung, FCPA, FCCA

LEGAL ADVISER

Kirkpatrick & Lockhart Preston Gates Ellis

INDEPENDENT AUDITOR

PricewaterhouseCoopers

AUDIT COMMITTEE

Mr. Barry John BUTTIFANT (*Chairman*)

Mr. LEUNG Kam Wah

Ms. YEUNG Chi Ying

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited

Hang Seng Bank Limited

Standard Chartered Bank (Hong Kong) Limited

SHARE REGISTRARS AND TRANSFER OFFICE

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STOCK CODE

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