

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. LAM Yin Kee (*Chairman*)
Ms. YEUNG Po Wah
Mr. Toshio DAIKAI
Mr. William Peter SHELLEY

Non-executive Director

Mr. FAN, William Chung Yue

Independent Non-executive Directors

Mr. Barry John BUTTIFANT
Mr. LEUNG Kam Wah
Ms. YEUNG Chi Ying

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town, Grand Cayman
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1108, 11/F
Eastwood Centre
No. 5 A Kung Ngam Village Road
Shau Kei Wan
Hong Kong

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. LEUNG Fuk Cheung

LEGAL ADVISORS

Preston Gates & Ellis

AUDITORS

PricewaterhouseCoopers

AUDIT COMMITTEE

Mr. Barry John BUTTIFANT (*Chairman*)
Mr. LEUNG Kam Wah
Ms. YEUNG Chi Ying

REMUNERATION COMMITTEE

Mr. LAM Yin Kee (*Chairman*)
Ms. YEUNG Po Wah
Mr. Barry John BUTTIFANT
Mr. LEUNG Kam Wah
Ms. YEUNG Chi Ying

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited

SHARE REGISTRARS AND TRANSFER OFFICE

In Hong Kong

Tengis Limited
G/F, BEA Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

In Cayman Islands

Butterfield Bank (Cayman) Limited
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Butterfield House
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Grand Cayman, Cayman Islands
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WEBSITE

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STOCK CODE

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CHAIRMAN'S STATEMENT

The year 2005 is a year of milestone for Alltronics Holdings Limited (the "Company"). On 15 July 2005, the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing").

I am pleased to present the first interim results of the Company and its subsidiaries (the "Group") to our shareholders after the Listing. Being a listed company, the Company has set up goals to uplift its corporate identity to investors and the public and to maintain a high standard of corporate governance.

BUSINESS OVERVIEW

The sales of home improvement electronic products had decreased slightly by approximately 4.4% to approximately HK\$132.1 million in the first six months of 2005, mainly due to the delay in certain shipments upon the request from the customer and the delay in receipt of certain raw materials for production. The continuing rise in raw material costs in recent months has also resulted in the slow down of orders from some customers. However, the Group expects the demand for its home improvement electronic products will regain the growth momentum in the second half of 2005. The demand for the Group's electronic product components increased continuously with total sales of approximately HK\$27.4 million in the first six months of 2005, representing an increase of approximately 29.2% compared to the same period in 2004.

The long-term objective of the Group is to become a leading and internationally renowned manufacturer of home improvement electronic products and electronic product components. Since its establishment, the Group has a commitment to provide high quality products to its customers. The Group believes that satisfying customers' needs and providing high quality products are the most important ways to maintain long-term business relationships with customers and to attract new customers. The Group will utilise part of the net proceeds from the Listing to further expand its production capacity, primarily for the manufacture of home improvement electronic products. Recently the Group has leased new factory premises with a total gross floor area of approximately 9,300 square metres for the production of electronic products. The new factory premises are located adjacent to the existing Allcomm Factory and the Group expects the new factory premises to commence production in November 2005.

United States is the major market of the Group's products in the past and is still the major target market of the Group in the near future. However, the Group will also strengthen and expand its market in other areas by providing high quality products to its customers.

Research and development will remain as the Group's top priority and core competence. As of 30 June 2005, the Group has over 60 engineers and technicians who possess the necessarily academic qualifications as well as years of relevant practical experience. The Group will increase the number of engineers and technicians in Hong Kong, Shenzhen and Shanghai in order to strengthen its capability and capacity in research and development of new products and in enhancement of existing products.

The Group has enjoyed a steady growth in net profit in recent years and with the expanding production facilities and experienced management team, the Directors are confident that the Group will continue to perform well in the future and to generate higher value to its shareholders.

DIVIDEND POLICY

The board of directors (the "Board") recommended the payment of an interim dividend of HK2 cents per share for the six months ended 30 June 2005. 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 of Hong Kong Limited, the Board further recommended a special interim dividend of HK1.5 cents per share for the six months ended 30 June 2005.

The dividend policy of the Group is to maximise the return of the shareholders in recognition of their support to the Group. However, the actual amount of dividend and its percentage of the profit will depend upon the Group's future operations and earnings, capital expenditure requirements, general financial condition, liquidity and other factors that the Board considers relevant.

FUTURE PROSPECTS

The Group's primary objective is to become a leading and internationally renowned manufacturer of home improvement electronic products and electronic product components. After the Listing on 15 July 2005, the Group has been focusing on developing new designs to meet customers' needs and continuously expanding its service to international customers.

In future, the Group intends to launch more electronic products and to explore new markets and new customers. On the other hand, in order to cope with the increasing competition and rising operating costs and overheads, the Group is finding ways to streamline or to restructure its operations so as to reduce the overall production and administrative overheads. The Group is also looking into potential investment opportunities in the electronic industry to expand its operations as well as to increase its profit.

In view of the consistent growing demand from customers, the Board is optimistic about the business outlook for the second half of 2005 and has confidence to maintain and to exceed the growth momentum as experienced in the past few years.

APPRECIATION

On behalf of the Board, I would like to thank our shareholders, customers, suppliers, bankers and professional advisers for their continuous support to the Group and to extend my appreciation to all our staff for their dedication and contribution throughout the period.

Lam Yin Kee
Chairman

Hong Kong, 21 September 2005

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Review of Results

The Group showed a decrease in terms of both the turnover and profitability during the first six months ended 30 June 2005 (the "Period"). The unaudited turnover of the Group for the Period was approximately HK\$164.6 million, representing a decrease of approximately 0.4% compared with approximately HK\$165.3 million for the corresponding period in the year 2004, while the net profit was approximately HK\$22.3 million, representing a decrease of approximately 10.4% compared with approximately HK\$24.9 million for the corresponding period last year.

During the Period, sales of home improvement electronic products amounted to approximately HK\$132.1 million compared with approximately HK\$138.2 million for the same period in 2004, representing a decrease of approximately 4.4%. The decrease was mainly due to the slow down in the sales of irrigation controllers which has dropped by approximately 7.7% from approximately HK\$84.4 million in the year 2004 to approximately HK\$77.9 million for the year. During the Period, certain shipments of irrigation controllers have been delayed due to the request from the customer and the delay in receipt of certain raw materials for production. These delayed shipments have been fulfilled in the second half of the year and the management expects that annual sales of irrigation controllers for the year 2005 will be at approximately the same level of the total sales of irrigation controllers for the year 2004. In addition, the continuing rise in raw material costs in recent months has also resulted in the slow down of orders from some customers. The customers delay their orders as they are uncertain about the trend of prices of some raw materials, in particular metal parts and plastic components. On the other hand, sales of electronic product components during the Period amounted to approximately HK\$27.4 million, representing an increase of approximately 29.2% compared with approximately HK\$21.2 million for the same period in 2004. The increase was mainly due to the continuous increase in the demand from customers for the Group's electronic product components. The sales for other electronic products have remained fairly stable during the Period.

Gross Profit

The Group recorded a gross profit of approximately HK\$48.0 million for the Period, with a gross profit margin of approximately 29.1%. The gross profit and gross profit margin for the same period in 2004 were approximately HK\$54.0 million and approximately 32.7% respectively. The decrease in gross profit and gross profit margin was mainly due to the change in product mix, which resulted in a decrease in the proportion of sales of higher margin products, and the increase in prices for certain raw materials.

Operating expenses

Distribution costs and finance costs remained fairly stable in the periods under review. Total administrative expenses for the first half of 2005 amounted to approximately HK\$19.6 million, representing an increase of approximately 7.1% compared with approximately HK\$18.3 million for the same period in 2004. The increase was mainly due to the donation of HK\$1 million to The Community Chest. Other revenue for the Period was approximately HK\$2.3 million which comprised interest income of approximately HK\$0.2 million and gains on financial assets at fair value through profit and loss of approximately HK\$2.1 million. During the same period in 2004, the Group had a realised and unrealised loss on trading securities of approximately HK\$1.7 million.

Net Profit

The net profit margin for the Period was approximately 13.6% compared to the net profit margin of 15.1% for the corresponding period in last year. The reduction in net profit margin was mainly due to the decrease in gross profit margin and the increase in administrative expenses as explained above.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The Company issued 90 million shares at HK\$0.8 per share by way of placing and public offer (as set out in detail in the Prospectus dated 30 June 2005) in July 2005. The net proceeds after deducting the relevant expenses were approximately HK\$61 million. The Company intends to apply such proceeds in accordance with the proposed allocation as set out in the Prospectus.

LIQUIDITY AND FINANCIAL INFORMATION

The Group continues to adhere to prudent treasury policies. Most of the Group's liquid funds are placed as deposits in various banks. As of 30 June 2005, the total amount of cash and bank balances of the Group were approximately HK\$26.8 million, representing an increase of approximately HK\$1.9 million when compared to approximately HK\$24.9 million as of 31 December 2004. The total bank and other borrowings as of 30 June 2005 amounted to approximately HK\$25.4 million, representing a decrease of approximately HK\$3 million when compared to 31 December 2004. The decrease was mainly due to the repayment during the Period. As the total amount of cash and bank balances exceeded the total bank and other borrowings, the Group has zero net debt as of 30 June 2005.

The current ratio (current assets divided by current liabilities) as of 30 June 2005 was approximately 1.30, which was improved from 1.15 as of 31 December 2004.

As most of the Group's operating activities, monetary assets and liabilities are denominated in US dollars, HK dollars and Renminbi and such 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 purposes or adopted particular hedging policy.

CASH FLOWS

Net cash inflow of approximately HK\$13.8 million was generated from operating activities for the Period. Despite that approximately HK\$3.5 million has been used for purchase of machinery and equipment and other property, plant and equipment, and the payment of 2004 dividend of HK\$10 million, the net increase in cash and cash equivalents for the Period amounted to approximately HK\$ 2.1 million. Cash and bank balances as of 30 June 2005 amounted to approximately HK\$26.8 million which were mainly denominated in US dollars, HK dollars and Renminbi.

In addition, the net proceeds from the Listing of approximately HK\$61 million were received by the Group in July 2005.

PLEDGE OF ASSETS

As of 30 June 2005, bank deposit balances of approximately HK\$17,557,000 and financial assets at fair value through profit and loss of approximately HK\$7,992,000 were pledged to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

Save as disclosed in Note 22 to the interim accounts, the Group did not have any significant contingent liabilities at the respective balance sheet dates.

PRODUCTION FACILITIES

On 29 July 2005 the Group has entered into a new lease agreement for factory premises located at Tang Xia Yong Village, Songgang Town, Baoan District, Shenzhen, The People's Republic of China (the "PRC") for a period of 5 years from 19 September 2005 to 19 September 2010. The new factory premises have a total gross floor area of approximately 9,300 square metres and are located adjacent to the existing Allcomm Factory of the Group. The Directors expect to set up approximately 6 production lines in the new factory premises for the production of home improvement and other electronic products. Production is expected to commence in November 2005.

EMPLOYEES

As of 30 June 2005, the Group had a total of 1,329 employees, of which 59 of them are in Hong Kong and 1,270 of them are in the PRC. Salaries of employees are maintained at competitive levels while bonuses are granted on 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 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.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Notes	Six months ended 30 June	
		2005 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)
Turnover	5	164,595	165,268
Cost of sales		(116,633)	(111,223)
Gross profit		47,962	54,045
Other revenues/(expenses)	5	2,258	(1,393)
Distribution costs		(2,251)	(2,855)
Administrative expenses		(19,638)	(18,305)
Other operating income/(expenses), net		79	(596)
Operating profit	6	28,410	30,896
Finance costs	7	(1,438)	(1,297)
Share of profit of associated companies		356	460
Profit before taxation		27,328	30,059
Taxation	8	(5,024)	(5,154)
Profit attributable to shareholders		22,304	24,905
Dividends	9	10,500	15,000
Earnings per share (HK cents)			
– Basic	10	7.4	8.3

The notes on pages 13 to 34 form part of this interim financial report.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2005

	Notes	At 30 June 2005 HK\$'000 (Unaudited)	At 31 December 2004 HK\$'000 (Restated)
Non-current assets			
Property, plant and equipment	11	29,251	29,635
Leasehold land and land use rights	12	2,247	2,272
Interest in associated companies	13	7,002	6,646
		38,500	38,553
Current assets			
Inventories		45,190	33,387
Accounts receivable	14	47,136	26,220
Prepayments, deposits and other receivables		4,846	5,419
Due from an associated company	13	4,000	4,000
Due from a related company	23	3,819	1,667
Due from ultimate holding company		29	–
Financial assets at fair value through profit and loss/trading securities		7,992	15,723
Pledged bank deposits	15	17,557	13,372
Bank balances and cash		26,776	24,925
		157,345	124,713
Current liabilities			
Accounts payable	16	27,891	20,193
Accruals and other payables		5,084	7,270
Dividend payable		–	10,000
Due to an associated company	13	5,620	3,430
Taxation payable		19,292	14,538
Current portion of borrowings	19	3,146	5,104
Bills payable, secured		38,062	25,343
Trust receipt loans, secured		–	772
Bank overdrafts, secured		21,476	21,759
		120,571	108,409
Net current assets		36,774	16,304
Total assets less current liabilities		75,274	54,857
Financed by:			
Share capital	17	–	500
Reserves	18	63,016	51,543
Proposed dividends	9	10,500	–
Shareholders' funds		73,516	52,043
Non-current liabilities			
Long-term borrowings	19	767	1,533
Deferred taxation		991	1,281
		75,274	54,857

The notes on pages 13 to 34 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Total equity as at the beginning of the period	52,043	40,928
Profit attributable to shareholders	22,304	24,905
Share issuance costs	(831)	(904)
Dividends paid	–	(15,000)
Total equity as at the end of the period	73,516	49,929

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash inflow from operating activities	13,847	20,991
Net cash inflow/(outflow) from investing activities	2,614	(3,632)
Net cash used in financing	(14,327)	(14,547)
Net increase in cash and cash equivalents	2,134	2,812
Cash and cash equivalents at 1 January	3,166	2,321
Cash and cash equivalents at 30 June	5,300	5,133
Analysis of balances of cash and cash equivalents		
Bank balances and cash	26,776	33,798
Bank overdrafts	(21,476)	(28,665)
	5,300	5,133

NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2005

1 BASIS OF PREPARATION AND GROUP REORGANISATION

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.

Pursuant to a group reorganisation (the "Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 17 June 2005. Details of the Reorganisation are set out in the prospectus dated 30 June 2005 issued by the Company (the "Prospectus"). The shares of the Company have been listed on the Main Board of the Stock Exchange since 15 July 2005.

The Company is an investment holding company. The principal activities of its subsidiaries are research and development, manufacture and sales of electronic products.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the unaudited consolidated profit and loss account and cash flow statement for the six months ended 30 June 2005 and 30 June 2004 were prepared on the basis as if the current group structure had been in existence throughout the periods. The consolidated balance sheet of the Group as at 31 December 2004 has been prepared to present the assets and liabilities of the Group as at 31 December 2004 as if the current group structure had been in existence at that date.

The unaudited consolidated 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.

This condensed consolidated financial information should be read in conjunction with the Group's audited financial information included in the Prospectus.

The accounting policies and method of computation used in the preparation of this condensed consolidated financial information are consistent with those adopted in the preparation of the Group's audited financial information as included in the Prospectus, except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards (collectively "new HKFRS") which are effective for accounting periods commencing on or after 1 January 2005.

This interim financial information has been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing this information. The HKFRS standards and interpretations that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in Note 2 below.

2 CHANGES IN ACCOUNTING POLICIES

(a) Effect of adopting new HKFRS

In 2005, the Group adopted the new HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28 and 33 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of share of net after-tax results of associates and other disclosures.
- HKASs 2, 7, 8, 10, 16, 23, 27, 28 and 33 had no material effect on the Group's policies.
- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.
- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the profit and loss account on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the profit and loss account. In prior years, leasehold land and land use rights were accounted for at fair value or cost less accumulated depreciation and accumulated impairment losses.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

The adoption of HKFRS 2 has no effect on the Group's policies as the Group has not granted any share option since its incorporation up to the date of this report.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was:

- Amortised on a straight line basis over its estimated useful life up to 10 years.
- Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3 (Note 2.6):

- The Group ceased amortisation of goodwill from 1 January 2005;
- Accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill;
- From the year ending 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment was resulted from this reassessment.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

- HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;
- HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

- HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 “Accounting for investments in securities” to investments in securities for the 2004 comparative information. No adjustment is required for the accounting differences between SSAP 24 and HKAS 39;
- HKFRS 3 – prospectively after the adoption date.

The adoption of revised HKAS 17 has resulted in changes in the balance sheet as follows:

	As at	
	30 June	31 December
	2005	2004
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
Decrease in property, plant and equipment	(2,247)	(2,272)
Increase in leasehold land and land use rights	2,247	2,272

There was no impact on opening retained earnings at 1 January 2004 from the adoption of HKFRS2 and HKFRS3.

The Company did not early adopt the following new standards or interpretations that have been issued but are not yet effective. The adoption of such standards or interpretations will not result in substantial changes to the Group’s accounting policies.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

(b) New Accounting Policies

The accounting policies used for the condensed interim financial information for the six months ended 30 June 2005 are the same as those adopted in the preparation of the Group’s audited financial information as included in the Prospectus except for the following:

2.1 Acquisition of subsidiaries and associates

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account.

An investment in an associate is accounted for using the equity method from the date on which it becomes an associate. On acquisition of the investment, the measurement and recognition of goodwill is same as that of goodwill arising from the acquisition of subsidiaries. Goodwill relating to an associate is included in the carrying amount of the investment. Appropriate adjustments to the investor's share of the profits or losses after acquisition are made to account based on their fair values at the date of acquisition.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency used by its subsidiaries and associate is HK dollars. The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.3 Property, plant and equipment

Cost may include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2.4 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired associate at the date of acquisition. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

2.5 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.6 Investments

From 1 January 2004 to 31 December 2004:

The Group classified its investments in securities, other than associates and held for sale, as trading securities.

Trading securities were carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities were recognised in the profit and loss account. Profits or losses on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, were recognised in the profit and loss account as they arose.

From 1 January 2005 onwards:

Trading securities represent financial assets at fair value through profit or loss. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at fair value through profit or loss have two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit and loss account in the period in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2.7 Inventories

Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials.

2.8 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

2.9 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.10 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the financial information are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.5. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Contingent liabilities

The Group does not recognise liabilities because they are either i) possible obligations, as it has yet to be confirmed whether the entity has a present obligation that could lead to an outflow of resources embodying economic benefits or ii) present obligations that either it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or a sufficiently reliable estimate of the amount of the obligation cannot be made.

4 SEGMENT INFORMATION

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

(a) Business segment

The Group has been operating in one single business segment, namely the research and development, manufacture and sales of 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.

	For the six months ended	
	30 June 2005 HK\$'000 (Unaudited)	30 June 2004 HK\$'000 (Unaudited)
Turnover		
United States	115,193	121,362
Hong Kong	19,975	17,083
Europe	11,911	10,502
PRC	57	–
Other countries	17,459	16,321
	164,595	165,268

	As at	
	30 June 2005 HK\$'000 (Unaudited)	31 December 2004 HK\$'000
Total Assets		
Hong Kong	118,955	96,989
PRC	76,890	66,277
	195,845	163,266

	For the six months ended	
	30 June 2005 HK\$'000 (Unaudited)	30 June 2004 HK\$'000 (Unaudited)
Capital expenditures		
Hong Kong	170	281
PRC	3,375	3,902
	3,545	4,183

5 TURNOVER AND OTHER REVENUES/(EXPENSES)

The Group is principally engaged in the research and development, manufacture and sales of electronic products. Revenues recognised during the period are as follows:

	Six months ended 30 June	
	2005 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)
Turnover		
Sale of goods	164,595	165,268
Other revenues/(expenses)		
Interest income	166	38
Realised and unrealised gains (losses) on financial assets at fair value through profit and loss/trading securities	2,071	(1,669)
Dividend income from financial assets at fair value through profit and loss/trading securities	21	238
	2,258	(1,393)
Total revenues	166,853	163,875

6 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Crediting:</i>		
Gain on disposal of an associated company	–	2
Gain on disposal of property, plant and equipment	71	–
Unrealised gain on financial assets at fair value through profit and loss	4	–
Realised gain on financial assets at fair value through profit and loss	2,067	–
Dividend received from financial assets at fair value through profit and loss/trading securities	21	238
<i>Charging:</i>		
Amortisation of leasehold land and land use rights	25	12
Depreciation		
– Owned assets	3,355	2,825
– Hire purchase assets	290	491
Staff costs (including directors' emoluments)	9,864	9,453
Cost of inventories	116,631	110,819
Operating leases on rented premises	2,337	2,014
Realised loss on trading securities	–	1,669
Net exchange loss	246	542
Provision for doubtful debts	–	153

7 FINANCE COSTS

	Six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank loans and overdrafts	1,415	1,243
Interest element of finance leases	23	54
	1,438	1,297

8 TAXATION

The amount of taxation charged to the condensed consolidated profit and loss account represents:

	Six months ended 30 June	
	2005 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)
Hong Kong profits tax (Note (a))	4,869	4,842
PRC enterprise income tax (Note (b))	445	309
Under provision in prior years	–	32
Deferred taxation	(290)	(29)
Taxation charge	5,024	5,154

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the periods.

(b) PRC enterprise income tax

PRC enterprise income tax has been calculated on the estimated assessable profit at the rates of taxation prevailing in the PRC. A subsidiary of the Company operating in the PRC, namely Shenzhen Allcomm Electronic Co. Ltd. ("Shenzhen Allcomm"), is subject to a standard income tax rate of 15% in accordance with the relevant tax laws applicable. Furthermore, Shenzhen Allcomm is entitled to full exemption from PRC income tax for the two years ended 31 December 2000, and followed by a 50% reduction of PRC income tax (i.e. 7.5%) for the three years ended 31 December 2003.

9 INTERIM DIVIDENDS

	Six months ended 30 June	
	2005 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)
Interim dividend paid of HK\$nil (2004: HK\$30) per ordinary share (Note a)	–	15,000
Interim dividend proposed of HK2 cents (2004: HK\$nil) per ordinary share	6,000	–
Special interim dividend proposed of HK1.5 cents (2004: HK\$nil) per ordinary share (Note b)	4,500	–
	10,500	15,000

Note (a) The dividend for the six months ended 30 June 2004 was paid by the Company's subsidiary, Alltronics Tech. Mfgt. Limited, to its then shareholders on 12 May 2004.

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 proposed a special interim dividend of HK1.5 cents per ordinary share.

Note (c) The 2005 interim dividend and special interim dividends were proposed after the balance sheet date and have not been recognised as a liability at the balance sheet date. The declaration of these dividends was approved by the Board on 21 September 2005 and these dividends have been accounted for as the proposed dividends from the reserves.

10 EARNINGS PER SHARE

The calculation of basic earnings per share for the period is based on the Group's profit attributable to shareholders of approximately HK\$22,304,000 (2004: HK\$24,905,000) and the weighted average number of 300,000,000 (2004: 300,000,000) ordinary shares deemed to be in issue during the period 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 had been in existence throughout the periods.

There were no dilutive potential ordinary shares in existence during the period under review and, therefore, no diluted earnings per share amounts have been presented.

11 PROPERTY, PLANT AND EQUIPMENT

The Group's buildings are situated in the PRC on land with medium term lease. The Group entered into an arrangement with independent third parties to jointly develop certain buildings in the PRC for the use by the Group. The Group's attributable interest in these buildings is 60%. These buildings are accounted for as jointly controlled assets of the Group. At 30 June 2005, the net book value of the Group's share of these buildings amounted to approximately HK\$7,609,000 (At 31 December 2004: HK\$7,695,000).

During the period, additions to the Group's property, plant and equipment amounted to approximately HK\$3,545,000 (1 January 2004 to 30 June 2004: HK\$4,183,000).

12 LEASEHOLD LAND AND LAND USE RIGHTS

Leasehold land and land use rights represent the prepayment of rent for land lease for a property situated in Shenzhen, the PRC and are amortised over a period of 50 years.

13 INTEREST IN ASSOCIATED COMPANIES

	At 30 June 2005 HK\$'000 (Unaudited)	At 31 December 2004 HK\$'000 (Restated)
Beginning of the period/year	6,646	6,895
Share of result of associated companies		
– profit before taxation	370	902
– taxation (Note a)	(14)	(31)
	7,002	7,766
Disposal of associated company	–	(489)
Amortisation of goodwill on acquisition (Note b)	–	(631)
End of the period/year	7,002	6,646
Loan to an associated company (Note c)	4,000	4,000
Due to an associated company (Note d)	5,620	3,430

Note (a) The associated companies in the PRC are subject to a standard income tax rate of 15% in accordance with the relevant tax laws applicable. Some of the associated companies are entitled to full exemption from PRC income tax for the two years from its incorporation or the first profitable year, and followed by a 50% reduction of PRC income tax (i.e. 7.5%) from the third year to the fifth year .

Note (b) Cost and accumulated amortisation of goodwill are offset by the same amount of approximately HK\$2,313,000 upon the adoption of HKFRS 3 at 1 January 2005. Interest in associated companies at 30 June 2005 includes goodwill of approximately HK\$3,993,000 (31 December 2004: HK\$3,993,000).

Note (c) The loan was provided to an associated company, Southchina Engineering and Manufacturing Limited, for financing its acquisition of machinery. The balance is interest-free, unsecured and repayable on demand.

Note (d) The outstanding balances with an associated company are aged less than one year and are unsecured, non-interest bearing and with normal credit terms of 60 days.

14 ACCOUNTS RECEIVABLE

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

	At 30 June 2005 HK\$'000 (Unaudited)	At 31 December 2004 HK\$'000
0 – 30 days	28,664	14,421
31 – 60 days	15,223	5,266
61 – 90 days	3,243	3,612
91 – 120 days	–	2,389
121 – 365 days	6	532
	47,136	26,220

15 PLEDGED BANK DEPOSITS

Deposits amounting to approximately HK\$17,557,000 as of 30 June 2005 (31 December 2004: HK\$13,372,000) have been pledged to banks for general banking facilities granted to the Group (Note 20(b)).

16 ACCOUNTS PAYABLE

The ageing analysis of accounts payable at the respective balance sheet dates is as follows:

	At 30 June 2005 HK\$'000 (Unaudited)	At 31 December 2004 HK\$'000
0 – 30 days	10,756	8,054
31 – 60 days	11,479	9,681
61 – 90 days	4,603	2,390
91 – 120 days	262	21
121 – 365 days	791	47
	27,891	20,193

17 SHARE CAPITAL

	Authorised share capital	
	Number of shares	Nominal value HK\$'000
At 24 July 2003 (date of incorporation) and at 31 December 2004 (ordinary shares of HK\$0.1 each)	5,000,000	500
Subdivision of one share of HK\$0.1 each into 10 shares of HK\$0.01 each (a)	50,000,000	500
Increase in authorised share capital (c)	9,950,000,000	99,500
At 30 June 2005	10,000,000,000	100,000

	Issued share capital	
	Number of shares	Nominal value HK\$
At 24 July 2003 (date of incorporation)	–	–
Issue of share of HK\$0.1 each at nil paid on 18 August 2003	2	–
At 31 December 2004	2	–
Subdivision of one share of HK\$0.1 each into 10 shares of HK\$0.01 each (a)	20	–
Shares issued for acquisition of Alltronics (BVI) Limited (b)	980	9.8
Credited as fully paid the 20 shares already issued (b)	–	0.2
At 30 June 2005	1,000	10.0

Notes:

- (a) On 17 June 2005, every issued and unissued share of HK\$0.1 each in the share capital of the Company was subdivided into 10 shares of HK\$0.01 each such that the Company had an authorized share capital of HK\$500,000 divided into 50,000,000 shares of HK\$0.01 each.
- (b) On 17 June 2005, in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Company acquired the entire issued share capital of Alltronics (BVI) Limited of 100 shares of US\$1.00 each, which is satisfied by the Company (i) allotting and issuing 980 new shares of HK\$0.01 each, credited as fully paid, to the then shareholders of Alltronics (BVI) Limited, and (ii) crediting as fully paid the 20 shares of HK\$0.01 each as issued in nil paid on 18 August 2003.

- (c) On 22 June 2005, the Company increased its authorised share capital from HK\$500,000 to HK\$100,000,000 by the creation of an additional 9,950,000,000 shares of HK\$0.01 each.
- (d) On 15 July 2005, the Company issued 90,000,000 new shares of HK\$0.01 each at HK\$0.8 per share by way of placing and public offer in connection with the listing of the Company's shares on the Main Board of the Stock Exchange (the "Listing"), and raised net proceeds of approximately HK\$61 million.
- (e) Immediately after the Listing, 209,999,000 shares of HK\$0.01 were allotted and issued, credit as fully paid at par value to the then existing shareholder of the Company, by capitalisation of HK\$2,099,900 from the share premium account.

Details of the above changes in share capital of the Company are set out in the Prospectus issued by the Company.

The share capital of the Group as at 31 December 2004 represented the combined capital of the Company and its subsidiaries as at that date.

18 RESERVES

	Capital reserve	Share issuance costs	Exchange reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 31 December 2004	5,300	(3,806)	130	49,919	51,543
Capital reserve arising on Reorganisation	500	-	-	-	500
Profit for the period	-	-	-	22,304	22,304
Share issuance cost	-	(831)	-	-	(831)
Proposed dividends	-	-	-	(10,500)	(10,500)
At 30 June 2005	5,800	(4,637)	130	61,723	63,016

19 LONG-TERM BORROWINGS

	At 30 June 2005 HK\$'000 (Unaudited)	At 31 December 2004 HK\$'000
Bank loans – secured	3,221	5,580
Obligations under finance leases	692	1,057
Total borrowings, wholly repayable within five years	3,913	6,637
Current portion of borrowings	(3,146)	(5,104)
	767	1,533

The Group's bank loans were repayable as follows:

	At 30 June 2005 HK\$'000 (Unaudited)	At 31 December 2004 HK\$'000
Within one year	2,579	4,441
In the second year	642	950
In the third to fifth year	–	189
	3,221	5,580

The Group's finance lease liabilities were repayable as follows:

	At 30 June 2005 HK\$'000 (Unaudited)	At 31 December 2004 HK\$'000
Within one year	585	699
In the second year	130	357
In the third to fifth year	–	46
	715	1,102
Future finance charges on finance leases	(23)	(45)
Present value of finance lease liabilities	692	1,057

The present value of finance lease liabilities is as follows:

	At 30 June 2005 HK\$'000 (Unaudited)	At 31 December 2004 HK\$'000
Within one year	567	663
In the second year	125	349
In the third to fifth year	–	45
	692	1,057

20 BANKING FACILITIES

As of 30 June 2005, the Group's banking facilities of approximately HK\$162,300,000 were secured by the following:

- (a) personal guarantees from the director, Mr Lam Yin Kee,
- (b) pledge of the Group's fixed deposits of approximately HK\$17,557,000 (31 December 2004: HK\$13,372,000); and
- (c) financial assets at fair value through profit and loss/trading securities held by the Group with carrying value of approximately HK\$7,992,000 (31 December 2004: HK\$15,333,000).

The banks have agreed in principle that the guarantees mentioned in (a) above be released and replaced by a corporate guarantee to be issued by the Company upon the listing of the Company's shares on the Stock Exchange.

21 COMMITMENTS

- (a) Capital commitments for property, plant and equipment

	At 30 June 2005 HK\$'000 (Unaudited)	At 31 December 2004 HK\$'000
Contracted but not provided for	200	200
Authorised but not contracted for	45,000	–

- (b) The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	At 30 June 2005 HK\$'000 (Unaudited)	At 31 December 2004 HK\$'000
Not later than one year	5,341	3,576
Later than one year and not later than five years	6,807	3,708
	12,148	7,284

On 29 July 2005 the Group has entered into a new lease agreement for factory premises located at Tang Xia Yong Village, Songgang Town, Baoan District, Shenzhen, the PRC for a period of 5 years from 19 September 2005 to 19 September 2010.

22 PENDING LITIGATION

A subsidiary of the Company, Alltronics Tech. Mfg. Limited ("Alltronics") is involved in a legal proceeding in relation to a fatal traffic accident causing the death of one of its employees during his business trip in the PRC. On 7 March 2005, Alltronics was served with an application made by the family of the deceased employee against Alltronics pursuant to the Employee's Compensation Ordinance (Cap. 282). The applicants claimed HK\$1,260,000 as compensation and HK\$35,000 as funeral expenses pursuant to the application. As of the date of this report, the case has not been settled.

Alltronics maintains a business insurance policy which covers various types of business risks, including employees' compensation and the coverage limit for claims of employees' compensation is up to HK\$100,000,000 for any one event. The directors consider the aforesaid claim of employees' compensation would be fully covered by the business insurance policy and accordingly do not make a provision for such claim in the financial statements.

23 RELATED PARTY TRANSACTIONS

- (a) During the six months ended 30 June 2005, the Group had entered into the following significant transactions with related parties:

	Notes	Six month ended 30 June	
		2005 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)
Sales to Maruman Product Co. Limited ("Maruman")	(i)	17,420	15,450
Sales to an associated company, Southchina Engineering and Manufacturing Limited ("Southchina")	(ii)	262	–
Purchases from Southchina	(ii)	13,245	12,597
Mould expenses paid to Southchina	(ii)	449	693
Rental expense paid to Profit Home Investments Limited	(iii)	480	480

- (i) Mr. Lam Yin Kee has 24.7% equity interests in Maruman.
- (ii) Southchina is a 25% owned associated company of the Group engaging in the manufacture of plastic moulds and sales of electronic accessories,
- (iii) Ms. Yeung Po Wah is a shareholder of Profit Home Investments Limited and holding 60% of its issued share capital.

In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

- (b) Period/year end balance arising from the related parties transactions as disclosed in note 23(a) above were as follows:

	At 30 June 2005 HK\$'000 (Unaudited)	At 31 December 2004 HK\$'000
Amounts due from a related company	3,819	1,667

The outstanding balances with related companies are aged less than one year and are unsecured, non-interest bearing and with normal credit terms of 60 days.

(c) Key management compensation

	Six month ended 30 June	
	2005 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)
Salaries and other short-term employee benefits	3,906	3,691
Post-employment benefits	30	24

24 ULTIMATE HOLDING COMPANY

The Company's ultimate holding company is Profit International Holdings Limited, being a company incorporated in the British Virgin Islands.

25 SUBSEQUENT EVENT

The Company issued 90 million shares at HK\$0.8 per share by way of placing and public offer (as set out in detail in the Prospectus dated 30 June 2005) in July 2005. The shares of the Company were listed on the Main Board of the Stock Exchange on 15 July 2005.

DIVIDENDS

The Board declared an interim dividend of HK2 cents per share and a special interim dividend of HK1.5 cents per share for the six months ended 30 June 2005 payable on or about Friday, 18 November 2005 to shareholders whose names appear on the register of members of the Company on Friday, 28 October 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 26 October 2005 to Friday, 28 October 2005, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim and special interim dividends, 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 G/F, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 25 October 2005.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS IN THE SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As of 15 July 2005, the date of listing of the shares of the Company on the Stock Exchange, the interests held by the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which would be required to be notified to the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

I. The Company

Name of directors	Number of ordinary shares held (long position)		Percentage of issued share capital of the Company (%)
	Corporate Interests (Note)	Family Interests (Note)	
LAM Yin Kee	210,000,000	–	70
YEUNG Po Wah	–	210,000,000	70

Note: 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 the spouse of Mr. Lam Yin Kee.

II. Associated corporation – Profit International Holdings Limited

Name of directors	Total number of shares held	Percentage of issued share capital of the associated corporation (%)
LAM Yin Kee	950	95
YEUNG Po Wah	50	5

Save as disclosed above, as of 15 July 2005, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Furthermore, at no time during the six months ended 30 June 2005 was the Company or any subsidiaries a party to any arrangements to enable the directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN THE SHARES OF THE COMPANY

So far as the Directors or chief executives of the Company are aware of, as of 15 July 2005, the shareholders, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provisions of Divisions 2 and 3 in 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, were as follows:

Name of shareholders	Number of ordinary shares held (long position)	Percentage of issued share capital of the Company (%)
Profit International Holdings Limited	210,000,000	70

Save as disclosed above and so far as the Directors and chief executives of the Company are aware of, as of 15 July 2005, there was no other person, other than the Directors or chief executives of the Company, who had interests or short positions in the shares, underlying shares and debentures 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

On 17 June 2005, the shareholders of the Company adopted the share option scheme ("Share Option Scheme"), which enables the Company to grant options to selected participants as incentive or rewards for their contributions to the Group.

As at the date of this report, no option has been granted or agreed to be granted pursuant to the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

As of 30 June 2005, the Company's shares were not listed on the Stock Exchange.

CORPORATE GOVERNANCE

Since the Company was only listed on the Stock Exchange on 15 July 2005, the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules (the "Corporate Governance Code") was not applicable to the Company for the accounting period covered by the interim report.

However, 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 for any part of the period between 15 July 2005, being the date on which the shares of the Company just commence dealings on the Stock Exchange, and the date of this report, in compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, exception 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 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 since the Listing.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") pursuant to a resolution of the Board passed on 22 June 2005 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The primary duty of the Audit Committee is to review the financial reporting process of the Group. The Audit Committee comprises the three independent non-executive directors

of the Company, namely Mr. Barry John Buttifant, Mr. Leung Kam Wah and Ms. Yeung Chi Ying. Mr. Barry John Buttifant is the Chairman of the Committee.

The interim financial report of the Company for the six months ended 30 June 2005 has been reviewed by the Audit Committee at a meeting held on 20 September 2005.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") pursuant to a resolution of the Board passed on 22 June 2005 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The primary duty of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for remuneration of directors and senior executives of the Group. In addition, it has the responsibility for reviewing and making appropriate recommendations to the Board on compensation payable to executive directors and senior executives in connection with any loss or termination of their office, or relating to dismissal or removal of directors for misconduct.

The Remuneration Committee comprises the three independent non-executive directors and two executive directors of the Company, namely Mr. Barry John Buttifant, Mr. Leung Kam Wah, Ms. Yeung Chi Ying, Mr. Lam Yin Kee and Ms. Yeung Po Wah, Mr. Lam Yin Kee is the Chairman of the Committee.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The electronic version of this report will be published on the website of the Stock Exchange (<http://www.hkex.com.hk>).

As at the date of this interim report, 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
ALLTRONICS HOLDINGS LIMITED
Lam Yin Kee
Chairman

Hong Kong, 21 September 2005