

Chairman's Statement

On behalf of the Board of Directors (the "Board"), I am pleased to present to you the annual report of Alltronics Holdings Limited (the "Company", and together with its subsidiaries, the "Group") for the year ended 31 December 2006.

BUSINESS REVIEW

The year 2006 is another successful year for the Group, since the parent company was listed in July 2005. Although we were still facing higher raw material prices, production costs and keen competition during the year, both turnover and net profit attributable to equity holders for the year have achieved significant growth. Turnover has increased by 87% to HK\$592 million, whereas the net profit attributable to equity holders of the Company has increased by 63% to HK\$44 million.

The products of the Group can be broadly classified into three categories, namely electronic products; components for electronic products; and plastic moulds and plastic components. During the year 2006, the Group has experienced significant growth in all these product categories.

ELECTRONIC PRODUCTS

The turnover for electronic products has increased by 74%, from HK\$268 million to HK\$466 million. The increase was mainly due to the continued expansion in demand from customers, in particular the sales of irrigation controllers, carbon monoxide detectors and audio equipment, the sales of which have increased by approximately 93%, 58% and 54% respectively. New models have been launched and well accepted by the market. Based on the orders on hand and forecasts provided by our respective customers, we expect that the sales for these products will remain strong and will continue to be the main source of income for the Group's electronic products operation.

COMPONENTS FOR ELECTRONIC PRODUCTS

Regarding the electronic products components operation, the turnover has increased by 54% to HK\$75 million during the year. The sales of components for electronic products accounted for approximately 13% of the Group's total turnover. After the relocation to the new factory premises in November 2005, the Group's production capacity for components for electronic products has more than doubled. On the other hand, the customer base and the demand from our customers, have also increased continuously. We have strong confidence that the performance of the electronic products components operation will continue to achieve significant future growth.

PLASTIC MOULDS AND PLASTIC COMPONENTS

The Group's plastic moulds and plastic components operation is carried out through our 51% owned subsidiary, Southchina Engineering and Manufacturing Limited ("Southchina"). Southchina became a subsidiary of the Group in December 2005 and this is the first year in which the results of Southchina were consolidated into the results of the Group as a subsidiary. Total turnover for plastic moulds and plastic components operation for the year was HK\$51 million, which accounted for approximately 9% of the total turnover of the Group. The acquisition of Southchina has secured a constant source of quality moulds and plastic components for the Group's production of electronic products, and has also allowed the benefits of synergy between operations to boost the business of the Group as a whole.

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GROSS PROFIT MARGIN

The gross profit margin for the year was 22%, compared to 25% for the year 2005. The decrease in margin was partially due to the continuous increase in basic production costs and overheads, in particular the continuing appreciation in the value of the Renminbi and the increase in general wage level and production overheads in China. The consolidation of Southchina's results, into the results of the Group as a subsidiary, has also lowered the overall profit margin of the Group as the traditional profitability of the plastic moulds and plastic components business is lower than other products of the Group.

PROSPECTS

Looking ahead, the year 2007 is likely to be challenging. Although the unit prices for plastic resin, copper and other metal parts are fluctuating less than the previous years, the rising costs of labour and overhead in China, added to the continuing appreciation in the value of the Renminbi, will certainly affect the profit margin of the Group. The Group will pursue a more cost effective operational structure and will continue to tighten its controls over production costs and overheads so as to maximize gross profit margins. In terms of the currency exchange risk, in view of the current financial position and diverse operations of the Group, we consider it unnecessary to adopt any sophisticated financial hedging policy.

In terms of product range, in future the Group will focus some of its resources in the development of medical health care products; environmental protection products; and energy savings products. We believe that there will be consistently high demand for these types of products.

In terms of our market, the United States continue to be the major market for the Group's products, and accounted for 69% of the Group's total turnover for the years 2005 and 2006. However, whilst we will continue to expand our business in this market, we will devote significant efforts to explore other markets in Europe, Japan and other Asian countries, so that the turnover by geographic locations can be spread more evenly in future periods.

The Group still foresees tremendous opportunities in the year 2007 and have strong confidence in maintaining the growth momentum in the future. We are very clear about our responsibility towards our shareholders and their expectations. Although there are challenges ahead in terms of competition and rising production costs, we are confident that we will meet these challenges because we have a well distributed worldwide customer base; consistently high quality products; and timely delivery, strong engineering and development support to our customers with an experienced and dedicated management team and a highly skilled, efficient workforce.

APPRECIATION

In appreciation of the support from our shareholders, the Board proposes the payment of a final dividend of HK3.8 cents per share. Together with the interim dividend of HK3.2 cents per share paid in November 2006, the total dividends paid for the year 2006 will be HK7.0 cents per share, representing a dividend payout of 48% on the net attributable profit of the year 2006. All dividends are paid in cash from funds generated from the Group's operations. The Group has sufficient funds to meet its future expansion plans after the payment of dividends. The Board intends to maintain an annual dividend payout policy in the range of 40% to 50% of annual attributable earnings in future, subject to the Group's overall financial position, funding requirements and business plans.

Finally, on behalf of the Board, I would like to express my sincere gratitude and thanks to all who have contributed to the Group's successful performance in 2006 notably to all our shareholders, customers, business partners and staff, for their continuing support.

Lam Yin Kee

Chairman

Hong Kong, 25 April 2007