



Alltronics Holdings Limited
華訊股份有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 833

2011
Interim Report

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Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2011

	Note	Six months ended 30 June	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Revenue	5	357,398	234,346
Cost of sales	6	(290,599)	(190,945)
Gross profit		66,799	43,401
Distribution costs	6	(2,365)	(2,288)
Administrative expenses	6	(40,035)	(26,724)
Other gains/(losses) – net	7	171	(5,619)
Operating profit		24,570	8,770
Finance income	8	110	61
Finance costs	8	(2,081)	(1,678)
Profit before income tax		22,599	7,153
Income tax expense	9	(5,883)	(1,703)
Profit for the period		16,716	5,450
Attributable to:			
Owners of the Company		17,222	6,580
Non-controlling interests		(506)	(1,130)
		16,716	5,450
Earnings per share for profit attributable to owners of the Company (expressed in HK cents per share)			
– basic	10	5.48	2.09
– diluted	10	5.43	2.09
Interim dividend	11	12,577	4,715

The notes on pages 9 to 41 form part of the condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	16,716	5,450
Other comprehensive income		
Fair value gain on available-for-sale financial assets	43	101
Total other comprehensive income for the period	43	101
Total comprehensive income for the period	16,759	5,551
Total comprehensive income attributable to:		
Owners of the Company	17,244	6,632
Non-controlling interests	(485)	(1,081)
	16,759	5,551

The notes on pages 9 to 41 form part of the condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2011

		As at	
	Note	30 June	31 December
		2011	2010
		HK\$'000	HK\$'000
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	56,184	57,105
Leasehold land and land use rights	13	1,946	1,971
Intangible assets		20,452	20,452
Available-for-sale financial assets	19(c)	2,814	2,771
Prepayments for non-current assets		560	560
Deferred income tax assets		1,221	1,359
Total non-current assets		83,177	84,218
Current assets			
Inventories		138,025	128,492
Trade receivables	14	113,229	122,582
Prepayments, deposits and other receivables		15,009	14,710
Amount due from a related company		4	151
Amount due from the ultimate holding company		34	34
Amount due from non-controlling shareholders of a subsidiary		1,069	999
Financial assets at fair value through profit or loss		3,259	2,021
Derivative financial instruments		538	202
Pledged bank deposits	19(b)	3,453	3,435
Tax recoverable		57	88
Cash and cash equivalents (excluding bank overdraft)		76,374	51,213
Total current assets		351,051	323,927
Total assets		434,228	408,145

The notes on pages 9 to 41 form part of the condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2011

		As at	
	Note	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	16	3,144	3,143
Reserves			
Proposed dividend		12,577	15,716
Others		199,532	186,344
		215,253	205,203
Non-controlling interests		(7,648)	(7,163)
Total equity		207,605	198,040
LIABILITIES			
Non-current liabilities			
Borrowings	18	5,696	1,625
Deferred income tax liabilities		1,493	1,343
Total non-current liabilities		7,189	2,968
Current liabilities			
Trade payables	15	83,126	85,556
Accruals and other payables		24,035	26,877
Current income tax liabilities		7,518	3,819
Borrowings	18	104,293	90,882
Derivative financial instruments		462	3
Total current liabilities		219,434	207,137
Total liabilities		226,623	210,105
Total equity and liabilities		434,228	408,145
Net current assets		131,617	116,790
Total assets less current liabilities		214,794	201,008

The notes on pages 9 to 41 form part of the condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2011

	Attributable to owners of the Company											
	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Capital reserve HK\$'000 (Unaudited)	Statutory reserve HK\$'000 (Unaudited)	Share option reserve HK\$'000 (Unaudited)	Exchange reserve HK\$'000 (Unaudited)	Revaluation reserve HK\$'000 (Unaudited)	Capital redemption reserve HK\$'000 (Unaudited)	Retained earnings HK\$'000 (Unaudited)	Proposed dividend HK\$'000 (Unaudited)	Non-controlling interests HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Balance at 1 January 2010	3,143	42,602	5,799	4,414	-	4,550	154	42	111,819	9,430	(3,938)	178,015
Comprehensive income												
Profit/(loss) for the period	-	-	-	-	-	-	-	-	6,580	-	(1,130)	5,450
Other comprehensive income:												
Fair value gain on available-for-sale financial assets	-	-	-	-	-	-	52	-	-	-	49	101
Total other comprehensive income for the six months ended 30 June 2010	-	-	-	-	-	-	52	-	-	-	49	101
Total comprehensive income for the six months ended 30 June 2010	-	-	-	-	-	-	52	-	6,580	-	(1,081)	5,551
Transactions with owners in their capacity as owners												
Final dividend relating to 2009	-	-	-	-	-	-	-	-	-	(9,430)	-	(9,430)
Proposed interim dividend	-	-	-	-	-	-	-	-	(4,715)	4,715	-	-
Balance at 30 June 2010	3,143	42,602	5,799	4,414	-	4,550	206	42	113,684	4,715	(5,019)	174,136

The notes on pages 9 to 41 form part of the condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2011

	Attributable to owners of the Company											
	Share capital	Share premium	Capital reserve	Statutory reserve	Share option reserve	Exchange reserve	Revaluation reserve	Capital redemption reserve	Retained earnings	Proposed dividend	Non-controlling interests	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at 1 January 2011	3,143	42,602	5,799	5,482	-	4,620	236	42	127,563	15,716	(7,163)	198,040
Comprehensive income												
Profit/(loss) for the period	-	-	-	-	-	-	-	-	17,222	-	(506)	16,716
Other comprehensive income:												
Fair value gain on available-for-sale financial assets	-	-	-	-	-	-	22	-	-	-	21	43
Total other comprehensive income for the six months ended 30 June 2011	-	-	-	-	-	-	22	-	-	-	21	43
Total comprehensive income for the six months ended 30 June 2011	-	-	-	-	-	-	22	-	17,222	-	(485)	16,759
Share option scheme – value of employee services	-	-	-	-	8,296	-	-	-	-	-	-	8,296
Share option scheme – issue of shares upon exercise of share options	1	281	-	-	(51)	-	-	-	-	-	-	231
Transactions with owners in their capacity as owners												
Final dividend relating to 2010	-	-	-	-	-	-	-	-	(5)	(15,716)	-	(15,721)
Proposed interim dividend	-	-	-	-	-	-	-	-	(12,577)	12,577	-	-
Balance at 30 June 2011	3,144	42,883	5,799	5,482	8,245	4,620	258	42	132,203	12,577	(7,648)	207,605

The notes on page 9 to 41 form part of the condensed consolidated interim financial information.

Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from/(used in) operating activities	43,684	(18,763)
Net cash used in investing activities	(3,991)	(8,527)
Net cash used in financing activities	(13,775)	(18,695)
Net increase/(decrease) in cash and cash equivalents, net of bank overdrafts	25,918	(45,985)
Cash and cash equivalents, net of bank overdrafts at 1 January	32,695	79,027
Exchange gain on cash and cash equivalents, net of bank overdrafts	–	–
Cash and cash equivalents, net of bank overdrafts at 30 June	58,613	33,042
Analysis of balances of cash and cash equivalents, net of bank overdrafts		
Cash and cash equivalents	76,374	46,033
Bank overdrafts	(17,761)	(12,991)
	58,613	33,042

The notes on pages 9 to 41 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 Company is an investment holding company. 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 and the manufacturing and trading of biodiesel products. The address of its registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 15 July 2005.

This condensed consolidated interim financial information (“Interim Financial Information”) is presented in thousands of units of Hong Kong dollars (HK\$’000), unless otherwise stated. This Interim Financial Information has been approved for issue by the Board of Directors (the “Board”) of the Company on 30 August 2011 and has not been audited.

2 Basis of preparation

The Interim Financial Information for the six months ended 30 June 2011 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim Financial Reporting’. The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Notes to the Condensed Consolidated Interim Financial Information

3 Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements.

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

The following amended and revised HKFRSs are mandatory for the Group's accounting period beginning on 1 January 2011 and are relevant to the Group's operations:

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 34 (Amendment)	Interim Financial Reporting
HKFRS 3 (Revised)	Business Combinations

The impacts of the adoption of these amended and revised HKFRSs on the Interim Financial Information are as follows:

- (a) HKAS 1 (Amendment) "Presentation of Financial Statements". This amendment confirms that entities may present an analysis of the components of other comprehensive income by item either in the statement of changes in equity or within the notes. The adoption of this amendment does not have any impact on the presentation of the Interim Financial Information.
- (b) HKAS 34 (Amendment) "Interim Financial Reporting". This amendment provides guidance on the application of disclosure principles and adds disclosure requirements around (i) the circumstances likely to affect fair values of financial instruments and their classification; (ii) transfers of financial instruments between different levels of the fair value hierarchy; (iii) changes in classification of financial assets; and (iv) changes in contingent liabilities and assets. The adoption of this amendment is disclosed in Note 4 of the Interim Financial Information.

3 Accounting policies (Continued)

- (c) HKFRS 3 (Revised) “Business Combinations”. This amendment clarifies that only when the acquiree has present ownership instruments that entitle their holders to a proportionate share of the acquiree’s net assets in the event of liquidation, the acquirer can choose to measure the non-controlling interest at fair value or at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets. This revision does not have any material financial impact on the Group.

The following new, amended and revised HKFRSs are mandatory for the Group’s accounting period beginning on 1 January 2011, but are not relevant to the Group’s operations:

HKAS 19 (Amendment)	Employee Benefits
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates
HKAS 24 (Revised)	Related Party Disclosures
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements
HKAS 28 (Amendment)	Investments in Associates
HKAS 31 (Amendment)	Interests in Joint Ventures
HKAS 32 (Amendment)	Classification of Rights Issues
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters
HKFRS 1 (Amendment)	First-time Adoption of HKFRSs
HKFRS 7 (Amendment)	Financial Instruments: Disclosures
HKFRS 8 (Amendment)	Disclosure of Information about Major Customers
HK(IFRIC) – Int 13 (Amendment)	Customer Loyalty Programmes
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

3 Accounting policies (Continued)

The following new and amended HKFRSs have been issued, but are not effective for the Group's accounting period beginning on 1 January 2011 and have not been early adopted:

HKAS 1 (Revised) (Amendment)	Presentation of Financial Statements
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Financial Instruments: Disclosure – Transfers of Financial Assets
HKFRS 9	Financial Instruments
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement

The Group has already commenced an assessment of the impact of the above new and amended standards but is not yet in a position to state whether these new and amended standards would have a significant impact to its results of operations and financial position.

4 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010.

There have been no changes in the risk management department since year end or in any risk management policies.

4.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

4.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the Condensed Consolidated Interim Financial Information

4 Financial risk management (Continued)

4.3 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2011 (unaudited).

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Derivative financial instruments	–	–	538	538
Financial assets at fair value through profit or loss				
– Equity securities	3,259	–	–	3,259
Available-for-sale financial assets				
– Equity securities	–	–	2,814	2,814
Total assets	3,259	–	3,352	6,611
Liabilities				
Derivative financial instruments	–	–	462	462
Total liabilities	–	–	462	462

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010 (audited).

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Derivative financial instruments	–	–	202	202
Financial assets at fair value through profit or loss				
– Equity securities	2,021	–	–	2,021
Available-for-sale financial assets				
– Equity securities	–	–	2,771	2,771
Total assets	2,021	–	2,973	4,994
Liabilities				
Derivative financial instruments	–	–	3	3
Total liabilities	–	–	3	3

Notes to the Condensed Consolidated Interim Financial Information

4 Financial risk management (Continued)

4.3 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the six months ended 30 June 2011 (unaudited).

	Available-for-sale financial assets and derivative financial instruments – net HK\$'000
Opening balance	2,970
Fair value gain recognised in equity	43
Fair value losses recognised in consolidated income statement	(123)
Closing balance	<u>2,890</u>
Total losses for the period included in profit or loss for assets held at the end of the reporting period	<u>(123)</u>

The following table presents the changes in level 3 instruments for the year ended 31 December 2010 (audited).

	Available-for-sale financial assets and derivative financial instruments – net HK\$'000
Opening balance	2,988
Fair value gain recognised in equity	161
Fair value losses recognised in consolidated income statement	(179)
Closing balance	<u>2,970</u>
Total losses for the year included in profit or loss for assets held at the end of the reporting period	<u>(179)</u>

4 Financial risk management (Continued)

4.3 Fair value estimation (Continued)

In 2011 there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

In 2011 there were no reclassifications of financial assets.

5 Segment information

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions and assess performance.

For the six months ended 30 June 2011, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products they provide.

The Group considers the business from both a geographic and a product perspective. From a product perspective, management assesses the performance of:

- (i) the electronic products segment – the manufacturing and trading of electronic products, plastic moulds, plastic and other components for electronic products;
- (ii) the biodiesel products segment – the manufacturing and trading of biodiesel products in Hong Kong.

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

Management assesses the performance of the operating segments based on a measure of operating profit/loss (before interest and tax and unallocated operating costs). Other information provided is measured in a manner consistent with that in the financial statements.

Notes to the Condensed Consolidated Interim Financial Information

5 Segment information (Continued)

There were no sales between segments. All segment revenue reported is derived from external parties. The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the income statement.

	Electronic products HK\$'000	Biodiesel products HK\$'000	Total HK\$'000
Six months ended 30 June 2011			
(Unaudited)			
Total segment revenue and revenue from external customers	348,866	8,532	357,398
Segment results	29,734	(3,129)	26,605
Finance income	110	–	110
Finance costs	(1,587)	(494)	(2,081)
Income tax expense	(5,883)	–	(5,883)
	22,374	(3,623)	18,751
Unallocated operating costs			(2,035)
Profit for the period			16,716
Other information:			
Depreciation and amortisation	(7,945)	(497)	(8,442)
Fair value loss on derivative financial instruments – net	(123)	–	(123)

Notes to the Condensed Consolidated Interim Financial Information

5 Segment information (Continued)

	Electronic products HK\$'000	Biodiesel products HK\$'000	Total HK\$'000
Six months ended 30 June 2010			
(Unaudited)			
Total segment revenue and revenue from external customers	229,809	4,537	234,346
Segment results	12,138	(1,963)	10,175
Finance income	61	–	61
Finance costs	(1,190)	(488)	(1,678)
Income tax expense	(1,703)	–	(1,703)
	9,306	(2,451)	6,855
Unallocated operating costs			(1,405)
Profit for the period			5,450
Other information:			
Depreciation and amortisation	(7,194)	(502)	(7,696)
Fair value loss on derivative financial instruments – net	(4,951)	–	(4,951)

Notes to the Condensed Consolidated Interim Financial Information

5 Segment information (Continued)

The Group is domiciled in Hong Kong. The Group's revenue by geographical location, which is determined by the places/countries in which the customer is located, is as follows:

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The United States	209,336	104,581
Hong Kong	67,797	70,432
Europe	44,039	41,369
The People's Republic of China (the "PRC")	27,335	9,746
Other countries	8,891	8,218
	357,398	234,346

For the six months ended 30 June 2011, revenues of approximately HK\$149,667,000 (2010: HK\$58,194,000) were derived from a single external customer. These revenues were attributable to the electronic products segment.

The Group's non-current assets by geographical location, which is determined by the places/countries in which the asset is located, is as follows:

	As at	
	30 June	31 December
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Hong Kong	32,913	29,482
The PRC	50,264	54,736
	83,177	84,218

Notes to the Condensed Consolidated Interim Financial Information

5 Segment information (Continued)

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Analysis of revenue by category:		
Sale of goods	357,398	234,346
Other income		
Dividend income from financial assets through profit or loss	9	35

6 Expenses by nature

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisation of land use rights (Note 13)	25	25
Depreciation		
– Owned property, plant and equipment	7,847	7,268
– Leased property, plant and equipment	570	403
Staff costs (including directors' emoluments)	77,417	53,683
Cost of inventories sold	203,212	118,491
Operating leases on rented premises	6,618	6,394
Other expenses	37,310	33,693
Total of cost of sales, distribution costs and administrative expenses	332,999	219,957

Notes to the Condensed Consolidated Interim Financial Information

7 Other gains/(losses) – net

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net foreign exchange loss	(1,242)	(489)
Gain/(loss) on disposal of property, plant and equipment	524	(154)
Realised gain on derivative financial instruments – net	1,269	–
Fair value loss on derivative financial instruments – net	(123)	(4,951)
Loss on disposals of financial assets at fair value through profit or loss	(451)	(310)
Dividend income from financial assets at fair value through profit or loss	9	35
Others	185	250
	171	(5,619)

8 Finance income and costs

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank loans and overdrafts	1,917	1,655
Interest element of finance leases	164	23
Total finance costs	2,081	1,678
Less: Interest income from bank deposits	(110)	(61)
Finance costs-net	1,971	1,617

Notes to the Condensed Consolidated Interim Financial Information

9 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) 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	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax		
Hong Kong profits tax	3,115	335
PRC enterprise income tax (Note a)	2,443	1,239
Under-provision in prior years	37	–
Deferred taxation charge	288	129
Income tax expense	5,883	1,703

Note:

- (a) PRC enterprise income tax has been calculated on the estimated assessable profits at the rates of taxation prevailing in the PRC. As at 30 June 2011, the Company had six subsidiaries operating in the PRC, namely Shenzhen Allcomm Electronic Co. Ltd. (“Shenzhen Allcomm”), Alltronics Tech. Mfg. Limited (“ATM”), Southchina Engineering and Manufacturing Limited (“Southchina”), 陽江市華訊電子制品有限公司 (“陽江華訊”), 華訊節能科技(深圳)有限公司 (“華訊節能”) and 南盈科技發展(深圳)有限公司 (“南盈”). During the period, Shenzhen Allcomm, ATM, Southchina and 南盈 were subject to a standard income tax rate of 24% (2010: 22%) and 陽江華訊 and 華訊節能 were subject to a standard income tax rate of 25% (2010: 25%) in accordance with the relevant applicable tax laws.

Notes to the Condensed Consolidated Interim Financial Information

10 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company	17,222	6,580
Weighted average number of ordinary shares in issue (thousand)	314,384	314,320
Basic earnings per share (HK cents per share)	5.48	2.09

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company has only one category of potentially dilutive 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.

Notes to the Condensed Consolidated Interim Financial Information

10 Earnings per share (Continued)

(b) Diluted (Continued)

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Profit attributable to owners of the Company	17,222	6,580
Weighted average number of ordinary shares in issue (thousand)	314,384	314,320
Adjustments for share options (thousand)	2,556	–
Weighted average number of ordinary shares for diluted earnings per share (thousand)	316,940	314,320
Diluted earnings per share (HK cents per share)	5.43	2.09

The basic earnings per share and the diluted earnings per share for the six months ended 30 June 2010 are the same as there were no potentially dilutive ordinary shares during that period.

11 Interim dividend

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Interim dividend, proposed, of HK\$0.04 (2010: HK\$0.015) per ordinary share	12,577	4,715

Notes to the Condensed Consolidated Interim Financial Information

11 Interim dividend (Continued)

The Board recommends the payment of an interim dividend of HK\$0.04 per ordinary share for the six months ended 30 June 2011. 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 2011 has been approved by the Board on 30 August 2011.

12 Property, plant and equipment

	HK\$'000 (Audited)
<hr/>	
Year ended 31 December 2010	
Opening net book amount as at 1 January 2010	55,622
Exchange differences	1,038
Additions	18,693
Disposals	(2,327)
Depreciation	(15,921)
	<hr/>
Closing net book amount as at 31 December 2010	57,105
	<hr/>
	HK\$'000 (Unaudited)
<hr/>	
Six months ended 30 June 2011	
Opening net book amount as at 1 January 2011	57,105
Additions	7,565
Disposals	(69)
Depreciation	(8,417)
	<hr/>
Closing net book amount as at 30 June 2011	56,184
	<hr/>

12 Property, plant and equipment (Continued)

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.

13 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 HK\$'000 (Audited)
<hr/>	
Year ended 31 December 2010	
Opening net book amount as at 1 January 2010	2,021
Amortisation charge	(50)
	<hr/>
Closing net book amount as at 31 December 2010	1,971
	<hr/>
	HK\$'000 (Unaudited)
<hr/>	
Six months ended 30 June 2011	
Opening net book amount as at 1 January 2011	1,971
Amortisation charge (Note 6)	(25)
	<hr/>
Closing net book amount as at 30 June 2011	1,946
	<hr/>

Notes to the Condensed Consolidated Interim Financial Information

14 Trade receivables

	As at	
	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Trade receivables	113,229	122,582

As at 30 June 2011 and 31 December 2010, the fair values of trade receivables approximated their carrying values.

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 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
0 – 30 days	61,634	66,923
31 – 60 days	27,695	33,368
61 – 90 days	16,443	14,161
91 – 120 days	4,904	6,029
121 – 365 days	2,523	2,064
Over 365 days	30	37
	113,229	122,582

As at 30 June 2011 and 31 December 2010, none of the trade receivables was impaired.

Notes to the Condensed Consolidated Interim Financial Information

15 Trade payables

The ageing analysis of trade payables is as follows:

	As at	
	30 June	31 December
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 – 30 days	47,380	46,433
31 – 60 days	23,888	28,509
61 – 90 days	8,543	6,701
91 – 120 days	1,379	1,321
121 – 365 days	1,425	2,077
Over 365 days	511	515
	83,126	85,556

The fair values of trade payables approximated their carrying values.

Notes to the Condensed Consolidated Interim Financial Information

16 Share capital

	As at 30 June 2011		As at 31 December 2010	
	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:				
At beginning of the period/year	314,320,000	3,143	314,320,000	3,143
Issue of shares upon exercise of share options under the Share Option Scheme	100,000	1	–	–
At end of the period/year	314,420,000	3,144	314,320,000	3,143

Notes:

- (a) On 13 January 2011, the Company granted 15,900,000 share options to subscribe for up to an aggregate of 15,900,000 new ordinary shares of HK\$0.01 each in the share capital of the Company to the eligible participants under the share option scheme (the “Share Option Scheme”) of the Company adopted on 22 June 2005. No share options were granted during the year ended 31 December 2010.
- (b) During the six months ended 30 June 2011, 100,000 share options were exercised resulting in 100,000 shares being issued, with exercise proceeds of HK\$231,000. The closing market price per share immediately before the date on which the share options were exercised was HK\$3.04. There was no share option exercised during the year ended 31 December 2010.

16 Share capital (Continued)

Notes: (Continued)

- (c) No share options were cancelled or lapsed during the six months ended 30 June 2011 and during the year ended 31 December 2010. As at 30 June 2011, 15,800,000 share options were outstanding. There was no share option outstanding as at 31 December 2010.
- (d) The Company has not repurchased any of its own shares during the six months ended 30 June 2011 and during the year ended 31 December 2010.

17 Share-based payment transactions

On 22 June 2005, the Company adopted the Share Option Scheme for the primary purpose of providing incentives or rewards to employees and Directors of the Company or any of its subsidiaries and any supplier and/or sub-contractor of the Group (the “Participants”) 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 the date on which the Share Option Scheme is adopted.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10 per cent (the “General Scheme Limit”) of the total number of shares on 15 July 2005, the listing date. The Company may seek approval of the shareholders in general meeting to refresh the General Scheme Limit such that the total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10 per cent of the issued share capital of the Company at the date of approval to refresh such limit. At the annual general meeting of the Company held on 18 May 2011, an ordinary resolution has been passed by the shareholders of the Company to refresh the General Scheme Limit.

17 Share-based payment transactions (Continued)

Notwithstanding the above, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30 per cent. of the total number of shares of the Company in issue from time to time. No option may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in the aforesaid 30 per cent. limit being exceeded. Unless with the approval of the shareholders in general meeting, the maximum number of shares issued and to be issued upon the exercise of the options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme and other share option schemes of the Company in any twelve-month period shall not exceed 1 per cent. of the shares in issue.

An option must be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of the option is made, but shall end in any event not later than 10 years from the date on which the offer for the grant of the option is made, subject to the provisions for early termination thereof. The amount payable on acceptance of the grant of an option is HK\$1. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is neither any performance target that needs to be achieved by a grantee before an option can be exercised nor any minimum period for which an option must be held before it can be exercised.

The subscription price in respect of each share issued under the Share Option Scheme shall be a price solely determined by the Directors but shall not be less than the highest of:

- (i) the nominal value of a share;
- (ii) the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date upon which the relevant option is accepted and deemed to be granted (the “Commencement Date”), which must be a business day; and

17 Share-based payment transactions (Continued)

- (iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Commencement Date.

On 13 January 2011, 15,900,000 share options were granted to certain directors and employees of the Group with an exercisable period of two years from 13 January 2011 to 12 January 2013. 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\$2.31. The estimated fair value of these share options was approximately HK\$8,296,000 and has been recognised within staff costs in the consolidated interim income statement for the six months ended 30 June 2011, with a corresponding increase in share option reserve in equity.

Share option expenses in relation to the share options attributable to directors and employees of the Group recognised by the Company and the main operating subsidiaries of the Company were HK\$698,000 and HK\$7,598,000 respectively.

The fair values of the share options granted during the six months ended 30 June 2011 were determined using the Black-Scholes valuation model. The significant inputs into the model are as follows:

	Options granted to directors	Options granted to employees
Year of grant	2011	2011
Exercise price	HK\$2.31	HK\$2.31
Closing share price on date of grant	HK\$2.31	HK\$2.31
Expected life	0.841	0.558
Expected volatility	71.08%	78.91%
Expected dividend yield	2.814.%	2.814%
Risk free rate	0.277%	0.247%

Notes to the Condensed Consolidated Interim Financial Information

17 Share-based payment transactions (Continued)

The expected volatility is the historical volatility of the Company over the most recent period commensurate with the expected life of the share options.

As at 30 June 2011, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 15,800,000, representing 5.0% of the total number of shares of the Company in issue at that date.

The following table discloses details of the Company's share options held by employees and directors and movements in such holding during the period:

	Number of share options				Held at 30 June 2011	Exercise price per share (HK\$)
	Held at 1 January 2011	Granted during the Period	Exercised during the Period	Cancelled or lapsed during the Period		
Executive Directors						
Mr Lam Yin Kee	-	1,000,000	-	-	1,000,000	2.31
Ms Yeung Po Wah	-	1,000,000	-	-	1,000,000	2.31
Mr So Kin Hung	-	500,000	-	-	500,000	2.31
	-	2,500,000	-	-	2,500,000	
Other employees	-	13,400,000	(100,000)	-	13,300,000	2.31
	-	15,900,000	(100,000)	-	15,800,000	

Notes to the Condensed Consolidated Interim Financial Information

18 Borrowings

The analysis of the carrying amount of borrowings is as follows:

	30 June	As at 31 December
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Current liabilities		
Bank overdrafts, secured (Note 19)	17,761	18,518
Bills payable, secured (Note 19)	30,306	18,442
Trust receipt loans, secured (Note 19)	558	577
Portion of term loans from banks due for repayment within one year (Note a)	24,108	20,499
Portion of term loans from banks due for repayment after one year which contain a repayment on demand clause (Note a)	27,934	31,754
Obligations under finance leases (Note b)	2,430	1,092
Loans from a customer (Note c)	1,196	–
	104,293	90,882
Non-current liabilities		
Obligations under finance leases (Note b)	3,794	1,625
Loans from a customer (Note c)	1,902	–
	5,696	1,625

Details of the available banking facilities and securities given in respect of the above secured borrowings are set out in Note 19.

Notes to the Condensed Consolidated Interim Financial Information

18 Borrowings (Continued)

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

	30 June	As at
	2011	31 December
	HK\$'000	2010
	(Unaudited)	HK\$'000
		(Audited)
Within one year	24,108	20,499
In the second year	18,034	18,254
In the third to fifth year	9,900	13,500
	52,042	52,253

The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

The interest-bearing bank borrowings, including the term loans repayable on demand, are carried at amortised cost. None of the portion of term loans due for repayment after one year which contains a repayment on demand clause and classified as a current liability is expected to be settled within one year.

All of the banking facilities are subject to the fulfillment of covenants relating to certain of the Company's or the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Company or the Group was to breach the covenants the drawn down facilities would become repayable on demand. In addition, certain of the Company's and the Group's term loan arrangements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Company or the Group has complied with the covenants and met the scheduled repayment obligations.

The Company and the Group regularly monitor its compliance with these covenants, are up to date with the scheduled repayments of the term loans and do not consider it probable that the respective banks will exercise their discretion to demand repayment for so long as the Company and the Group continue to meet these requirements. As at 30 June 2011 and 31 December 2010, none of the covenants relating to drawn down facilities had been breached.

Notes to the Condensed Consolidated Interim Financial Information

18 Borrowings (Continued)

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

	As at	
	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Within one year	2,667	1,203
In the second year	2,567	1,203
In the third to fifth year	1,397	502
	6,631	2,908
Future finance charges on finance leases	(407)	(191)
Present value of finance lease liabilities	6,224	2,717

The present value of finance lease liabilities is as follows:

	As at	
	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Within one year	2,430	1,092
In the second year	2,436	1,140
In the third to fifth year	1,358	485
	6,224	2,717

Notes to the Condensed Consolidated Interim Financial Information

18 Borrowings (Continued)

- (c) The loans from a customer are unsecured and bear interest at commercial rates.

The loans from a customer were repayable as follows:

	30 June	As at 31 December
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within one year	1,196	–
In the second year	1,009	–
In the third to fifth year	893	–
	3,098	–

19 Banking facilities

As at 30 June 2011, the Group's total available banking facilities amounted to approximately HK\$407 million (As at 31 December 2010: HK\$412 million), of which approximately HK\$306 million (As at 31 December 2010: HK\$323 million) was unutilised. These facilities were secured by the following:

- (a) corporate guarantees given by the Company (Note 21);
- (b) pledge of the Group's bank deposits denominated in HK\$ of approximately HK\$2.5 million (As at 31 December 2010: HK\$2.4 million) and bank deposits denominated in US\$ of approximately HK\$1.0 million (As at 31 December 2010: HK\$1.0 million);
- (c) available-for-sale financial assets with carrying value totaling approximately HK\$2.8 million (As at 31 December 2010: HK\$2.8 million); and

Notes to the Condensed Consolidated Interim Financial Information

19 Banking facilities (Continued)

- (d) the Group's trade receivables of HK\$1.8 million (As at 31 December 2010: HK\$2.6 million).

The banking facilities granted to Southchina and Dynamic Progress International Limited ("Dynamic") are also secured by personal guarantees given by Mr. Lam Yin Kee, a Director of the Company and other non-controlling shareholders of Southchina and Dynamic.

20 Commitments

- (a) Capital commitments

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

	As at	
	30 June	31 December
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Property, plant and equipment		
Contracted but not provided for	432	1,063
Authorised but not contracted for	–	–
	432	1,063

- (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.

Notes to the Condensed Consolidated Interim Financial Information

20 Commitments (Continued)

(b) Operating lease commitments (Continued)

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

	As at	
	30 June	31 December
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Not later than one year	16,159	14,303
Later than one year and not later than five years	20,007	23,444
	36,166	37,747

(c) Financial commitment for investment in a subsidiary

During the six months ended 30 June 2011, the Group has set up a wholly owned foreign investment enterprise in the PRC with a registered capital of HK\$10,000,000. As at 30 June 2011, the paid up capital amounted to HK\$3,000,000. The remaining HK\$7,000,000 is required to be paid by the Group on or before 25 January 2012.

21 Related party transactions

The Group is controlled by Profit International Holdings Limited (incorporated in the British Virgin Islands), which owns 66.8% of the Company's issued shares as at 30 June 2011. In the opinion of the Directors, Profit International Holdings Limited is the ultimate holding company of the Company.

Notes to the Condensed Consolidated Interim Financial Information

21 Related party transactions (Continued)

- (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:

	Note	Six month ended 30 June	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Sales of goods and moulds to Maruman Product Co. Limited ("Maruman")	(i)	826	–
Rental expenses paid to Profit Home Investments Limited	(ii)	750	600

- (i) Maruman is a company incorporated in Japan and owned as to 24.7% by Mr. Lam Yin Kee, a director of the Company. Maruman is engaged in the business of trading of general merchandise.
- (ii) Ms. Yeung Po Wah is a director of the Company, and has a 60% equity interest in Profit Home Investments Limited.

Significant related party transactions between the Company and its subsidiaries were as follows:

	As at	
	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Financial guarantee given to subsidiaries (Note 19(a))	82,686	67,932

Notes to the Condensed Consolidated Interim Financial Information

21 Related party transactions (Continued)

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

	As at	
	30 June	31 December
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Amount due from a related company	4	151

Amount due from a related company was aged less than one year and was unsecured, non-interest bearing and with normal credit terms of 60 days.

- (c) Key management compensation

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Directors' fees	451	414
Salaries and other short-term employee benefits	8,367	6,132
Share-based payments	4,744	–
Post-employment benefits	75	74
	13,637	6,620



Interim Dividend

The Board declared an interim dividend of HK4 cents per ordinary share for the six months ended 30 June 2011, payable on or about 7 October 2011, to the shareholders whose names appear on the register of members of the Company on 23 September 2011.

Closure of Register of Members

The register of members of the Company will be closed from 20 September 2011 to 23 September 2011, 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, Hong Kong for registration no later than 4:30 p.m. on 19 September 2011.

Management Discussion and Analysis

FINANCIAL REVIEW

Review of Results

Market conditions during the six months ended 30 June 2011 (the “Period”) continued to improve when compared to the year 2010. Total turnover of the Group has increased from HK\$234.3 million in 2010 to HK\$357.4 million for the Period, representing an increase of 52.5%. The net profit attributable to owners of the Company for the Period has also increased by 161.7% to HK\$17.2 million when compared to HK\$6.6 million for the same period in 2010. The improved performance was mainly due to the increase in demand from customers in the United States market and the rise in average gross margin for the Group’s electronic products.

During the Period, sales of electronic products and components amounted to HK\$348.9 million, representing an increase of 51.8% compared to HK\$229.8 million for the corresponding period in 2010. The increase was mainly due to the continued increase in demand from customers in the United States market. On the other hand, the total sales of biodiesel products during the Period had also increased by 88.1% to HK\$8.5 million.

Gross Profit

The Group recorded an overall gross profit of HK\$66.8 million for the Period, with a gross profit margin of 18.7%. The gross profit and gross profit margin for the corresponding period in 2010 were HK\$43.4 million and 18.5% respectively. The improved margin was mainly due to the increase in unit selling prices for the Group’s products and the increase in sales proportion of products with higher profit margins during the Period.

Operating expenses

During the Period, total administrative expenses have increased by HK\$13.3 million. This is mainly due to the share-based payments of HK\$8.3 million incurred due to grant of share options during the Period, and increase in total staff costs as a result of annual adjustment in wages and salaries.

Net finance costs increased slightly by HK\$0.4 million due to the increase in total bank and other borrowings during the Period.

LIQUIDITY AND FINANCIAL INFORMATION

The liquidity position of the Group remained healthy as at 30 June 2011. Most of the Group's liquid fund is placed as deposits at various banks. As at 30 June 2011, the total amount of cash and cash equivalents of the Group was HK\$76.4 million, compared to HK\$51.2 million as at 31 December 2010. The increase was mainly due to funds generated from operations of the Group. During the Period, final dividend for the year 2010 of HK\$15.7 million had been paid and total repayment of bank and other loans was HK\$12.7 million. As at 30 June 2011, bank deposits of HK\$3.5 million were pledged to banks as securities for banking facilities granted to a subsidiary, Southchina. The total bank and other borrowings as at 30 June 2011 amounted to HK\$110.0 million, representing an increase of HK\$17.5 million when compared to 31 December 2010.

As at 30 June 2011, the gearing ratio, representing total borrowings (less trade related debts and cash and cash equivalents) divided by total equity of the Company, was 1.3%. The gearing ratio as at 31 December 2010 was 11.2%. The drop in the gearing ratio is due to the decrease in net debt balance as a result of funds generated from operations.

The current ratio (current assets divided by current liabilities) as at 30 June 2011 was 1.60, which has improved from 1.56 as at 31 December 2010.

The Group's principal production facilities are located in the PRC whilst its sales proceeds are primarily settled in United States dollars or Hong Kong dollars. As such, management is aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates between United States dollars, Hong Kong dollars and Renminbi. Although the foreign currency risk is not considered to be significant, management has taken action to minimise the risk. In particular, the Group entered into forward exchange contracts with major and reputable financial institutions to hedge its foreign exchange risk exposure. As at 30 June 2011, the notional amounts of outstanding forward foreign exchange contracts to buy Renminbi is approximately HK\$70.2 million. These are for hedging against foreign exchange risk exposure relating to the production costs and certain outstanding payables denominated in Renminbi. Management will continue to evaluate the Group's foreign currency exposure and take further actions as appropriate to minimise the Group's exposure whenever necessary.

Management Discussion and Analysis

CASH FLOWS

Net cash inflow from operating activities for the Period was HK\$43.7 million. On the other hand, HK\$2.9 million had been used for the acquisition of property, plant and equipment, and HK\$15.7 million had been used to pay the final dividend for the year 2010. Total new borrowings obtained during the Period was HK\$15.6 million, and HK\$12.7 million had been used to repay bank and other loans and HK\$1.2 million had been used to repay obligations under finance leases. The net increase in cash and cash equivalents, net of bank overdrafts, for the Period was HK\$25.9 million. Cash and cash equivalents, net of bank overdrafts, as at 30 June 2011 amounted to HK\$58.6 million, which were mainly denominated in United States dollars, Hong Kong dollars and Renminbi.

The Group has maintained an adequate level of cash flows for its business operations and capital expenditures. As at 30 June 2011, the Group has unutilised banking facilities amounted to HK\$306 million.

CAPITAL EXPENDITURE

During the Period, the Group acquired property, plant and equipment at a total cost of HK\$7.6 million of which HK\$4.7 million were acquired under financial leases, the remaining HK\$2.9 million were financed by internal resources of the Group.

PLEDGE OF ASSETS

As at 30 June 2011, the Group had total bank borrowings of HK\$100.7 million, out of which HK\$36.4 million were secured by bank deposits of HK\$3.5 million, available-for-sale financial assets with carrying value of HK\$2.8 million and trade receivables of HK\$1.8 million.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2011.

EMPLOYEES

As at 30 June 2011, the Group had a total of 3,050 employees, of which 81 of them were employed in Hong Kong and 2,969 of them were 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.

PROSPECTS

The performance of the Group during the Period has shown significant improvements when compared to the results of the corresponding period in 2010, which is mainly due to the increase in demand from customers in the United States market. However, in view of the recent instability of the financial markets in the United States and Europe, such as signs of economic slowdown despite growing inflation in the United States; debt problems and credit crisis in the United States and Europe, the global economic environment will still be uncertain. In addition, the consistent rise in labour costs in the PRC and the appreciation of Renminbi against Hong Kong dollars and United States dollars will also affect the performance of the Group in future. Management is certain that the operating environment for manufacturing sector will remain to be tough in the coming months. However, the Group has focused and will continue to focus on ways to reduce costs so as to put itself in a better position to meet all challenges and adverse factors. The Group will also continue to find ways to improve the margins for its products and to explore new markets and new customers for its products.

Regarding the biodiesel business, with the Air Pollution Control (Motor Vehicle Fuel) (Amendment) Regulation 2009 becoming effective from 1 July 2010, the Group is confident that the use of biodiesel as an alternative green energy for diesel vehicles and vessels will be well accepted in Hong Kong and the performance of the biodiesel business will show continuous improvement in future. On 19 August 2011, the Hong Kong Government has issued a tender for the supply of 3,533,000 litres of B5 diesel for delivery to various government departments over a period of 16 months. The tender submission deadline is 30 September 2011. The Group is preparing all necessary documents for the tender submission and has confidence to secure the contract for the supply of B5 diesel.

Management Discussion and Analysis

On 19 April 2011, the Group has entered into a strategic cooperation agreement (the “Strategic Cooperation Agreement”) with China Potevio Company Limited 中國普天信息產業股份有限公司 (“China Potevio”) for the development of energy saving business through the provision of green energy saving lighting equipment and business solutions to customers. Further on 4 August 2011, the Company has entered into a cooperation agreement (the “Cooperation Agreement”) with China Potevio and HNA Hotel Group Limited 海航酒店(集團)有限公司 (“HNA Hotel Group”) for the provision of energy saving solutions for hotels under HNA Hotel Group. The Strategic Cooperation Agreement and the Cooperation Agreement offer opportunities to the Group to diversify its business into energy saving business and to broaden the Group’s revenue base in the future. The Company will enter into specific project agreement with China Potevio, HNA Hotel Group or other customers when detailed terms and arrangements for individual energy saving project are finalised. Up to the date of this report, the Company has not entered into any agreement on the terms of any energy saving project. With strong support from the PRC government to promote energy saving industry, the Board believes that there is significant market potential for the energy saving business.

Looking forward, the Group will continue to explore opportunities for energy saving projects with other potential customers and will grasp every opportunity and continue to look for investment opportunity so as to diversify its business and to provide a better return to all shareholders.

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.

On 13 January 2011, a total of 15,900,000 share options were granted, of which 100,000 share options had been exercised on 8 March 2011. 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 2011	Exercise price per share (HK\$)
	Held at 1 January 2011	Granted during the Period (Note 1)	Exercised during the Period	Cancelled or lapsed during the Period		
Executive Directors						
Mr Lam Yin Kee	-	1,000,000	-	-	1,000,000	2.31
Ms Yeung Po Wah	-	1,000,000	-	-	1,000,000	2.31
Mr So Kin Hung	-	500,000	-	-	500,000	2.31
	-	2,500,000	-	-	2,500,000	
Other employees	-	13,400,000	(100,000)	-	13,300,000	2.31
	-	15,900,000	(100,000)	-	15,800,000	

Share Option Scheme

Notes:

- (1) The above share options were granted on 13 January 2011 with an exercisable period of two years from 13 January 2011 to 12 January 2013. 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\$2.31.
- (2) During the Period, 100,000 options granted to employees were exercised. The closing market price per share immediately before the date on which the share options were exercised was HK\$3.04.
- (3) Save as disclosed above, no option has been cancelled or lapsed during the Period.

Directors' and Chief Executives' 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 2011, 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”) contained in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) were as follows:

(a) Ordinary shares of HK\$0.01 each of the Company at 30 June 2011

Name of Director		Number of shares held			Total	% of the issued share capital of the Company
		Personal interests	Family interests	Corporate interests		
Mr. Lam Yin Kee	Long positions	6,949,000	–	210,000,000 (Note 1)	216,949,000	69.0
Ms. Yeung Po Wah	Long positions	–	216,949,000	–	216,949,000	69.0

Notes:

- 210,000,000 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 spouse of Mr. Lam Yin Kee.
- Mr. Lam Yin Kee and Ms. Yeung Po Wah are directors and beneficial owners of Profit International Holdings Limited.

Directors' and Chief Executives' Interests

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

(b) Share options of the Company at 30 June 2011

Name of Directors	Capacity	Number of options held	Number of underlying shares
Mr Lam Yin Kee	Beneficial owner	1,000,000	1,000,000
Ms Yeung Po Wah	Beneficial owner	1,000,000	1,000,000
Mr So Kin Hung	Beneficial owner	500,000	500,000

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

Name of Director		Number of shares held			Total	% of the issued share capital of the associated corporation
		Personal interest	Family interests	Corporate interests		
Mr. Lam Yin Kee	Long positions	950	-	-	950	95.0
Ms. Yeung Po Wah	Long positions	50	-	-	50	5.0

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, 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 2011, 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.

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	66.8

Save as disclosed above and so far as the Directors and Chief Executives of the Company are aware of, at 30 June 2011, 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.

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 as set out in Appendix 14 of the Listing Rules, except for the deviations 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 set out in Appendix 10 of the Listing Rules as its code for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors of the Company, the Company confirms that all Directors of the Company have complied with the required standard set out in the Model Code during the Period.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) was established with written terms of reference in compliance with the Listing Rules. The Audit Committee shall meet at least twice every year and currently comprises three members being the independent non-executive Directors of the Company, namely Ms. Yeung Chi Ying (Chairman), Mr. Yau Ming Kim, Robert and Mr. Leung Kam Wah.

The Interim Financial Information has been reviewed by the Audit Committee, in conjunction with the Company’s independent auditor, at a meeting held on 30 August 2011, which 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 of the Company (the “Remuneration Committee”) was established with written terms of reference in compliance with the Listing Rules. The Remuneration Committee shall meet at least once every year and shall have a minimum of five members, comprising a majority of independent non-executive directors. The Chairman of the Remuneration Committee is Mr. Lam Yin Kee and other current members include Ms. Yeung Po Wah, Ms. Yeung Chi Ying, Mr. Yau Ming Kim, Robert and Mr. Leung Kam Wah.

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.

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.hkexnews.hk>) and our Company's website (<http://www.irasia.com/listco/hk/alltronics/index.htm>).

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, 30 August 2011

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. So Kin Hung

Non-executive Director

Mr. Fan, William Chung Yue

Independent Non-executive Directors

Ms. Yeung Chi Ying, Mr. Yau Ming Kim, Robert and Mr. Leung Kam Wah.

Corporate Information

DIRECTORS

Executive Directors
Mr. LAM Yin Kee (*Chairman*)
Ms. YEUNG Po Wah
Mr. SO Kin Hung

Non-executive Director
Mr. FAN, William Chung Yue

Independent Non-executive Directors
Ms. YEUNG Chi Ying
Mr. YAU Ming Kim, Robert
Mr. LEUNG Kam Wah

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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

Mr. LEUNG Fuk Cheung

STOCK CODE

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INDEPENDENT AUDITOR

PricewaterhouseCoopers

AUDIT COMMITTEE

Ms. YEUNG Chi Ying (*Chairman*)
Mr. YAU Ming Kim, Robert
Mr. LEUNG Kam Wah

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

In Hong Kong
Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

In Cayman Islands
Butterfield Fulcrum Group (Cayman) Limited
P. O. Box 705
Butterfield House
68 Fort Street, George Town
Grand Cayman, Cayman Islands

WEBSITES

[http://www.irasia.com/listco/hk/alltronics/
index.htm](http://www.irasia.com/listco/hk/alltronics/index.htm)
<http://www.alltronics.com.hk>