



# Alltronics Holdings Limited 華訊股份有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 833

Interim Report  
2016

## CONTENTS

Interim Condensed Consolidated Statement of Profit or Loss	2
Interim Condensed Consolidated Statement of Comprehensive Income	3
Interim Condensed Consolidated Statement of Financial Position	4
Interim Condensed Consolidated Statement of Changes in Equity	6
Interim Condensed Consolidated Statement of Cash Flows	7
Notes to the Interim Condensed Consolidated Financial Statements	9
Interim Dividend	30
Closure of Register of Members	30
Management Discussion and Analysis	31
Share Option Scheme	39
Directors' and Chief Executives' Interests	40
Substantial Shareholders' Interests	42
Corporate Governance	43
Supplementary Information	45
Corporate Information	46

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
<b>Revenue</b>	4	<b>471,075</b>	436,156
Cost of sales		<b>(377,068)</b>	(356,855)
<b>Gross profit</b>		<b>94,007</b>	79,301
Distribution costs		<b>(3,997)</b>	(3,865)
Administrative expenses		<b>(47,527)</b>	(40,465)
Other operating income/(expenses), net		<b>2,996</b>	(1,033)
<b>Operating profit</b>		<b>45,479</b>	33,938
Share of loss of an associate		<b>(315)</b>	–
Finance costs	6	<b>(4,439)</b>	(2,621)
<b>Profit before tax</b>	5	<b>40,725</b>	31,317
Income tax expense	7	<b>(9,138)</b>	(8,301)
<b>Profit for the period</b>		<b>31,587</b>	23,016
Attributable to:			
Owners of the Company		<b>29,210</b>	22,756
Non-controlling interests		<b>2,377</b>	260
		<b>31,587</b>	23,016
<b>Earnings per share attributable to ordinary equity holders of the Company</b>	9		
– Basic		<b>HK6.50 cents</b>	HK5.98 cents
– Diluted		<b>HK6.50 cents</b>	HK5.98 cents

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Profit for the period</b>	<b>31,587</b>	23,016
<b>Other comprehensive income</b>		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	–	243
<b>Other comprehensive income for the period, net of tax</b>	<b>–</b>	243
<b>Total comprehensive income for the period</b>	<b>31,587</b>	23,259
Attributable to:		
Owners of the Company	<b>29,210</b>	22,999
Non-controlling interests	<b>2,377</b>	260
	<b>31,587</b>	23,259

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 (Unaudited)  HK\$'000	31 December 2015 (Audited) (Restated) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	226,552	37,548
Prepaid land lease payments	11	1,695	1,720
Goodwill	12	11,672	11,672
Investments in an associate		18,111	18,426
Available-for-sale investment	13	5,000	5,000
Prepayments and deposits		24,957	58,804
Long term receivables	14	6,933	6,561
Deferred tax assets		1,561	1,463
<b>Total non-current assets</b>		<b>296,481</b>	141,194
<b>Current assets</b>			
Inventories		157,957	196,680
Long term receivables – current portion	14	21,426	19,979
Trade receivables	15	138,097	113,754
Prepayments, deposits and other receivables		39,742	40,636
Amounts due from non-controlling shareholders of a subsidiary		644	651
Financial assets at fair value through profit or loss		214	256
Tax recoverable		23	23
Pledged deposits	16	11,538	10,527
Cash and cash equivalents	16	209,804	204,505
<b>Total current assets</b>		<b>579,445</b>	587,011

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) (Restated) HK\$'000
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and bills payables	17	147,768	160,578
Other payables and accruals		45,661	45,529
Deferred revenue		1,443	1,176
Tax payable		8,579	6,305
Interest-bearing bank and other borrowings	18	298,694	145,759
Derivative financial instruments	20	–	3,876
<b>Total current liabilities</b>		<b>502,145</b>	<b>363,223</b>
<b>Net current assets</b>		<b>77,300</b>	<b>223,788</b>
<b>Total assets less current liabilities</b>		<b>373,781</b>	<b>364,982</b>
<b>Non-current liabilities</b>			
Interest-bearing bank and other borrowings	18	1,364	1,837
Deferred revenue		1,880	1,518
Deferred tax liabilities		17	213
<b>Total non-current liabilities</b>		<b>3,261</b>	<b>3,568</b>
<b>Net assets</b>		<b>370,520</b>	<b>361,414</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	21	4,496	4,496
Reserves		372,700	365,971
		<b>377,196</b>	<b>370,467</b>
<b>Non-controlling interests</b>		<b>(6,676)</b>	<b>(9,053)</b>
<b>Total equity</b>		<b>370,520</b>	<b>361,414</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

Attributable to owners of the Company

	Issued capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Capital reserve HK\$'000 (Unaudited)	Statutory reserve HK\$'000 (Unaudited)	Exchange reserve HK\$'000 (Unaudited)	Capital redemption reserve HK\$'000 (Unaudited)	Retained earnings HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Non-controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
<b>At 1 January 2016</b>	4,496	169,614	5,799	12,835	6,128	42	171,553	370,467	(9,053)	361,414
Profit for the period	-	-	-	-	-	-	29,210	29,210	2,377	31,587
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	29,210	29,210	2,377	31,587
Final dividend related to 2015	-	-	-	-	-	-	(22,481)	(22,481)	-	(22,481)
<b>At 30 June 2016</b>	4,496	169,614	5,799	12,835	6,128	42	178,282	377,196	(6,676)	370,520
For the six months ended 30 June 2015 (Restated)										
<b>At 1 January 2015</b>	3,459	42,568	5,799	10,613	15,329	42	179,086	256,896	(11,802)	245,094
Profit for the period	-	-	-	-	-	-	22,756	22,756	260	23,016
Exchange differences on translation of foreign operations	-	-	-	-	243	-	-	243	-	243
<b>Total comprehensive income for the period</b>	-	-	-	-	243	-	22,756	22,999	260	23,259
Bonus issue of shares	345	(345)	-	-	-	-	-	-	-	-
Final dividend related to 2014	-	-	-	-	-	-	(27,669)	(27,669)	-	(27,669)
Transfer from statutory reserve	-	-	-	(2)	-	-	2	-	-	-
<b>At 30 June 2015</b>	3,804	42,223	5,799	10,611	15,572	42	174,175	252,226	(11,542)	240,684

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
<b>Cash flows from operating activities</b>			
Profit before tax		<b>40,725</b>	31,317
Adjustments for:			
Impairment of goodwill	12	–	8,259
Amortisation of non-current prepayments	5	<b>1,587</b>	1,755
Recognition of prepaid land lease payments	11	<b>25</b>	25
Finance costs	6	<b>4,439</b>	2,621
Finance income		<b>(1,089)</b>	(260)
Share of loss of an associate		<b>315</b>	–
Loss/(gain) on disposal of items of property, plant and equipment	5	<b>696</b>	(79)
Depreciation	10	<b>7,844</b>	5,803
Fair value loss on equity investments at fair value through profit or loss	5	<b>42</b>	84
Fair value gain on derivative instruments - transactions not qualifying as hedge	5	<b>(3,876)</b>	(6,487)
		<b>50,708</b>	43,038
Decrease in inventories		<b>38,723</b>	9,467
(Increase)/decrease in trade receivables		<b>(24,343)</b>	3,079
Increase in long term receivables		<b>(1,447)</b>	(2,861)
Decrease in prepayments, deposits and other receivables		<b>894</b>	3,499
Increase/(decrease) in deferred revenue		<b>629</b>	(729)
Decrease in trade and bills payable		<b>(12,812)</b>	(16,797)
Increase in other payables and accruals		<b>132</b>	507
Decrease in trust receipt loans		<b>(808)</b>	(31)
Non-current prepayments paid		<b>(310)</b>	(235)
		<b>51,366</b>	38,937
Cash generated from operations		<b>1,089</b>	260
Interest received		<b>(4,439)</b>	(2,621)
Interest paid		<b>(7,158)</b>	(4,106)
Income taxes paid			
Net cash flows from operating activities		<b>40,858</b>	32,470



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
			(Restated)
		HK\$'000	HK\$'000
<b>Cash flows from investing activities</b>			
Purchases of items of property, plant and equipment		(94,850)	(4,449)
Proceeds from disposal of items of property, plant and equipment		272	110
(Increase)/decrease in non-current long term receivables		(372)	3,029
Increase in pledged bank deposits		(1,011)	(10)
Purchase of available-for-sale financial asset		–	(5,000)
Net cash flows used in investing activities		(95,961)	(6,320)
<b>Cash flows from financing activities</b>			
Capital element of finance lease payments		(559)	(557)
Dividends paid	8	(22,481)	(27,669)
New bank and other borrowings		104,500	45,000
Repayment of bank and other borrowings		(16,103)	(8,843)
Decrease/(increase) in amounts due from non-controlling shareholders of a subsidiary		7	(672)
Net cash flows from financing activities		65,364	7,259
<b>Net increase in cash and cash equivalents</b>		<b>10,261</b>	<b>33,409</b>
Cash and cash equivalents at beginning of period		196,776	48,220
Effect of foreign exchange rate changes, net		6	–
<b>Cash and cash equivalents at end of period</b>		<b>207,043</b>	<b>81,629</b>
<b>Analysis of balances of cash and cash equivalents</b>			
Cash and cash equivalents as stated in the statement of financial position	16	209,804	101,811
Bank overdrafts, secured		(2,761)	(20,182)
<b>Cash and cash equivalents as stated in the statement of cash flows</b>		<b>207,043</b>	<b>81,629</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE AND GROUP 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, the trading of biodiesel products and the provision of energy saving business solutions. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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

The Group is controlled by Profit International Holdings Limited (incorporated in the British Virgin Islands), which owns 56.5% of the Company’s issued shares as at 30 June 2016 (At 31 December 2015: 56.5%). In the opinion of the directors, the Company’s ultimate holding company is Profit International Holdings Limited and the ultimate controlling party is Mr. Lam Yin Kee.

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2016 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Rules Governing the Listing of Securities (“Listing Rules”) on the Stock Exchange.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2015.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015, except for the adoption of the revised standards as of 1 January 2016, noted below:

Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2012-2014 Cycle</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 10 and HKAS28 (2011)	<i>Sale of contribution assess between an investor and its Associate or Joint Venture</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations Venture</i>

The adoption of the revised Hong Kong Financial Reporting Standards ("HKFRSs") has had no significant financial effect on the interim condensed consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 4. OPERATING 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 2016, 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 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 trading of biodiesel products in Hong Kong; and
- (iii) the energy saving business segment – the provision of energy saving business solutions to customers.

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 interim condensed consolidated financial statements.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 4. OPERATING SEGMENT INFORMATION (Continued)

All sales between segments are eliminated on consolidation. 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 interim condensed consolidated financial statements.

#### Six months ended 30 June 2016 (Unaudited)

	Electronic products HK\$'000	Biodiesel products HK\$'000	Energy saving business HK\$'000	Total HK\$'000
Total segment revenue and revenue from external customers for:				
– Sales of goods	465,407	1,862	3,047	470,316
– Revenue from services	–	–	759	759
Total revenue	465,407	1,862	3,806	471,075
Segment results				
Operating profit/(loss)	50,576	(1,067)	(2,485)	47,024
Reconciliation:				
Share of loss of an associate	(315)	–	–	(315)
Finance costs	(4,439)	–	–	(4,439)
Interest income	478	–	611	1,089
Income tax expense	(9,138)	–	–	(9,138)
				34,221
Unallocated operating costs				(2,634)
Profit for the period				31,587
Other information:				
Depreciation and amortisation	(7,544)	(200)	(1,712)	(9,456)
Fair value gain on derivative instruments – transactions not qualifying as hedge	3,876	–	–	3,876

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 4. OPERATING SEGMENT INFORMATION (Continued) Six months ended 30 June 2015 (Unaudited)

	Electronic products HK\$'000	Biodiesel products HK\$'000	Energy saving business HK\$'000	Total HK\$'000
Total segment revenue and revenue from external customers for:				
– Sales of goods	432,231	2,859	338	435,428
– Revenue from services	–	–	728	728
Total revenue	432,231	2,859	1,066	436,156
Segment Results				
Operating profit/(loss)	49,584	(10,264)	(3,575)	35,745
Reconciliation:				
Finance costs	(2,336)	(2)	(283)	(2,621)
Interest income	75	–	185	260
Income tax expense	(8,301)	–	–	(8,301)
				25,083
Unallocated operating costs				(2,067)
Profit for the period				23,016
Other information:				
Depreciation and amortisation	(5,500)	(243)	(1,840)	(7,583)
Fair value gain on derivative instruments – transactions not qualifying as hedge	6,487	–	–	6,487
Impairment of goodwill	–	(8,259)	–	(8,259)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 4. OPERATING 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:

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
The United States	268,837	238,245
Hong Kong	72,828	63,358
Europe	92,910	104,128
Mainland China	27,745	15,443
Other countries	8,755	14,982
	<b>471,075</b>	436,156

For the six months ended 30 June 2016, revenues of approximately HK\$203,835,000 (2015: HK\$173,798,000) 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 place/countries in which the assets are located, is as follow:

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) (Restated) HK\$'000
	Hong Kong	252,774
Mainland China	43,707	41,913
	<b>296,481</b>	141,194

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 5. PROFIT BEFORE TAX

The Group's profit before tax has been arrived at after charging/(crediting):

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
Cost of inventories sold and services provided	<b>258,433</b>	241,337
Auditors' remuneration	<b>1,565</b>	982
Depreciation	<b>7,844</b>	5,803
Amortisation of non-current prepayments	<b>1,587</b>	1,755
Impairment of goodwill	–	8,259
Amortisation of prepaid land lease payments	<b>25</b>	25
Written (back)/off of inventories to net realisable value	<b>(226)</b>	15
Wages and salaries (including directors' emoluments)	<b>94,190</b>	91,639
Loss/(gain) on disposal of property, plant and equipment	<b>696</b>	(79)
Foreign exchange differences, net	<b>(762)</b>	(678)
Realised loss on derivative instruments – net	<b>2,410</b>	632
Fair value gain on derivative instruments – transactions not qualifying as hedge	<b>(3,876)</b>	(6,487)
Operating lease payments on rented premises	<b>8,136</b>	8,725
Fair value loss on equity investments at fair value through profit or loss	<b>42</b>	84
Interest income from bank deposits	<b>(477)</b>	(78)
Interest income from long term receivables	<b>(612)</b>	(182)



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest on bank loans and bank overdrafts	4,400	2,534
Interest element of finance leases	39	87
Total finance costs	4,439	2,621

## 7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable outside Hong Kong have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. Subsidiaries in Mainland China are subject to income tax rate of 25% on tax profits generated in Mainland China.

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Current Income tax expense		
– Hong Kong	3,564	5,640
– Mainland China	5,868	3,025
Deferred income tax credit	(294)	(364)
Total tax expense for the period	9,138	8,301

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 8. DIVIDENDS

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
2015 final dividend - HK\$0.05 (2014: HK\$0.073*) per ordinary share	<b>22,481</b>	27,669

\* As restated on the assumption that the bonus issue had been in place.

A final dividend of HK\$22,481,000 for the year ended 31 December 2015 has been approved by the shareholders at the Annual General Meeting of the Company held on 7 June 2016.

On 30 August 2016, the Board proposed and declared the payment of an interim dividend of HK\$0.05 per ordinary share for the six months ended 30 June 2016 (For the six months ended 30 June 2015: HK\$0.05 per ordinary share).

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 449,620,200 (2015: 380,448,200) in issue during period.

The Group had no potential dilutive ordinary shares in issue for the six months ended 30 June 2016 and 2015.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 10. PROPERTY, PLANT AND EQUIPMENT

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
As at 1 January 2016/1 January 2015	<b>37,548</b>	38,816
Exchange realignment	<b>(4)</b>	(268)
Additions	<b>197,820</b>	11,134
Disposals	<b>(968)</b>	(683)
Depreciation provided during the period/year	<b>(7,844)</b>	(11,451)
As at 30 June 2016/31 December 2015	<b>226,552</b>	37,548

As at 30 June 2016, the aggregate cost and accumulated depreciation of property, plant and equipment held by the Group under finance leases amounted to HK\$4,882,000 (31 December 2015: HK\$4,882,000) and HK\$1,910,000 (31 December 2015: HK\$1,422,000), respectively. The lease terms are between 4 and 5 years.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 11. PREPAID LAND LEASE PAYMENTS

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
As at 1 January 2016/1 January 2015	<b>1,720</b>	1,770
Amortisation charge	<b>(25)</b>	(50)
As at 30 June 2016/31 December 2015	<b>1,695</b>	1,720

## 12. GOODWILL

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
As at 1 January 2016/1 January 2015	<b>11,672</b>	19,931
Impairment for the period/year	–	(8,259)
As at 30 June 2016/31 December 2015	<b>11,672</b>	11,672

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 13. AVAILABLE-FOR-SALE INVESTMENT

The available-for-sale financial asset is an unlisted equity investment in a private entity incorporated in Hong Kong and is measured at cost less impairment. In the opinion of the directors, the available-for-sale financial asset did not have a quoted market price in an active trading market and its fair value cannot otherwise be measured reliably. The investment is for long term strategic development in the Wi-Fi equipment manufacturing.

### 14. LONG TERM RECEIVABLES

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Non-current long term receivables		
Gross receivables	<b>9,155</b>	8,833
Less: unearned income	<b>(2,222)</b>	(2,272)
	<b>6,933</b>	6,561
Current long term receivables		
Gross receivables	<b>23,004</b>	21,493
Less: unearned income	<b>(1,578)</b>	(1,514)
	<b>21,426</b>	19,979
Gross long term receivables:		
No later than 1 year	<b>23,004</b>	21,493
Later than 1 year and no later than 5 years	<b>9,155</b>	8,833
	<b>32,159</b>	30,326
Unearned future interest income on long term receivable	<b>(3,800)</b>	(3,786)
	<b>28,359</b>	26,540

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 15. TRADE RECEIVABLES

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Trade receivables	<b>138,097</b>	113,754
Less: Provision for impairment of receivables	–	–
	<b>138,097</b>	113,754

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 to 90 days. As at 30 June 2016, the Group's largest customer accounted for approximately 23.3% of total trade receivables (31 December 2015: 24.8%). This customer has long term trading relationship with the Group with no defaults in the past and hence the Group does not consider there is any significant credit risk in this regard. The Group's other trade receivables related to a large number of diversified customers, there is no significant concentration of credit risk.

An aged analysis of trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Within 1 month	<b>82,200</b>	73,510
1 to 2 months	<b>35,934</b>	28,366
2 to 3 months	<b>15,463</b>	8,420
Over 3 months	<b>4,500</b>	3,458
Total	<b>138,097</b>	113,754

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 16. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Note	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Cash at bank and in hand		156,693	182,515
Short-term deposits		64,649	32,517
Less: Pledged time deposits:			
Pledged for bank borrowings	19	(11,538)	(10,527)
Cash and cash equivalents		209,804	204,505

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") and kept in banks in the People's Republic of China (the "PRC") amounted to approximately HK\$30,439,000 (31 December 2015: HK\$20,899,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of 3 to 6 months depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

### 17. TRADE AND BILLS PAYABLE

The aging analysis of trade and bills payable as at the end of the reporting period, based on the invoice date, is as follow:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) (Restated) HK\$'000
Within 1 month	61,904	72,041
1 to 2 months	45,607	56,982
2 to 3 months	24,698	22,686
Over 3 months	15,559	8,869
Total	147,768	160,578

Trade payables are non-interest bearing and are normally settled on 30 - 90 day terms.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 18. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2016 (Unaudited)			31 December 2015 (Audited) (Restated)		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
<b>Current</b>						
Bank overdraft, secured	At prime rate	On demand	2,761	At prime rate	On demand	7,729
Trust receipt loans, secured	2-2.25 over HIBOR	On demand	399	2-2.25 over HIBOR	On demand	1,207
Bank loans, secured	1.55-3 over HIBOR	On demand	76,448	1.55-3 over HIBOR	On demand	9,442
Bank loans, unsecured	1.25-3 over HIBOR	On demand	218,041	1.25-3 over HIBOR	On demand	126,250
Finance lease payables	3.9	2016-2017	1,045	3.9	2015-2016	1,131
			<b>298,694</b>			<b>145,759</b>
<b>Non-current</b>						
Finance lease payables	3.9	2019	1,364	3.9	2019	1,837
			<b>300,058</b>			<b>147,596</b>



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 18. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

- (a) The Group's bank overdraft, trust receipt loans and bank loans were due for repayment as follows:

	<b>30 June 2016 (Unaudited)</b>	31 December 2015 (Audited) (Restated)
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>187,528</b>	88,846
In the second year	<b>30,778</b>	27,072
In the third to fifth years	<b>79,343</b>	28,710
	<b>297,649</b>	144,628

The amounts due are based on the scheduled repayment dates set out in the loan agreements without considering any repayment on demand clause.

The interest-bearing bank borrowings, including the bank 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 that is classified as a current liability is expected to be settled within one year.

Some of the banking facilities are subject to the fulfillment of covenants relating to certain of the Company's, the Group's and the subsidiaries' statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become repayable on demand. In addition, certain of the Group's bank 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 Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitor its compliance with these covenants, are up to date with the scheduled repayments of the bank loans and do not consider it probable that the respective banks will exercise their discretion to demand repayment for so long as the Group continue to meet these requirements. During the six month period ended 30 June 2016, none of the lenders had exercised their rights to demand immediate repayment of drawn down facilities, either at their sole discretion or due to any breach of covenants.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 18. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

- (a) The Group's bank overdraft, trust receipt loans and bank loans were due for repayment as follows: (Continued)

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

The carrying amount of the Group's interest-bearing bank and other borrowings are denominated in HK dollars.

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

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Within one year	<b>1,129</b>	1,238
In the second year	<b>581</b>	800
In the third to fifth years	<b>847</b>	1,138
	<b>2,557</b>	3,176
Future finance charges on finance leases	<b>(148)</b>	(208)
	<b>2,409</b>	2,968
The present value of finance lease liabilities is as follows:		
Within one year	<b>1,045</b>	1,131
In the second year	<b>540</b>	740
In the third to fifth years	<b>824</b>	1,097
	<b>2,409</b>	2,968

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 19. BANKING FACILITIES

As at 30 June 2016, the Group's total available banking facilities amounted to approximately HK\$634 million (As at 31 December 2015: HK\$503 million), of which approximately HK\$336 million (As at 31 December 2015: HK\$308 million) was unutilised. These facilities were secured by the following:

- (a) pledge of the Group's fixed deposits denominated in HK\$ of approximately HK\$7.6 million (As at 31 December 2015: HK\$6.6 million) and bank deposits denominated in US\$ of approximately HK\$3.9 million (As at 31 December 2015: HK\$3.9 million);
- (b) the Group's trade receivables of HK\$0.5 million (As at 31 December 2015: HK\$0.4 million);
- (c) the Group's leasehold property in Hong Kong of HK\$188.9 million (As at 31 December 2015: Nil); and
- (d) the banking facilities granted to a subsidiary, Southchina Engineering and Manufacturing Limited, were also secured by personal guarantees given by its non-controlling shareholders.

### 20. DERIVATIVE FINANCIAL INSTRUMENTS

The Group has entered into various forward currency contracts to manage its exchange rate exposures. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. Change in the fair value of non-hedging currency derivatives were charged to the statement of profit or loss during the period. All forward currency contracts have been settled as at 30 June 2016.

### 21. SHARE CAPITAL

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Issued and fully paid:		
449,620,200 (2015: 449,620,200) ordinary shares of HK\$0.01 each	<b>4,496</b>	4,496

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 22. COMMITMENTS

#### (a) Financial commitment for investment in a subsidiary

The registered capital of Alltronics Energy Saving (Shenzhen) Limited, a wholly owned foreign investment enterprise set up by the Group in the PRC, is HK\$60,000,000. As at 30 June 2016, the paid up registered capital of Alltronics Energy Saving (Shenzhen) Limited amounted to HK\$50,000,000. The remaining HK\$10,000,000 unpaid registered capital is required to be paid by the Group on or before 29 January 2017.

#### (b) Operating lease commitments

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

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

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Within one year	<b>24,226</b>	20,759
In the second to fifth years, inclusive	<b>34,802</b>	50,638
After five years	<b>6,861</b>	7,799
	<b>65,889</b>	79,196

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 23. RELATED PARTY TRANSACTIONS

- (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	For the six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Sales of goods to an associate, Yichun Yilian Print Tech Co., Ltd.	(i)	4,010	–
Rental expense paid to Profit Home Investments Limited	(ii)	900	900

- (i) The sales were made at prices based on the mutual agreements between the parties.
- (ii) Ms. Yeung Po Wah and Mr. Lam Chee Tai, Eric are executive Directors of the Company, and have 60% and 20% equity interests in Profit Home Investments Limited respectively.

- (b) Key Management Compensation

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Directors' fees	559	532
Salaries and other short-term employee benefit	10,954	10,259
Pension scheme contribution	126	114
	<b>11,639</b>	<b>10,905</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 24. EVENTS AFTER THE REPORTING PERIOD

On 30 June 2016, the Company has entered into a non-legally binding memorandum of understanding (the “Memorandum”) with two independent third parties in relation to the possible acquisition of certain commercial properties located at Beijing, the PRC, for investment purposes. Details of the Memorandum are set out in the announcement issued by the Company dated 30 June 2016. As at the date of this report, the negotiations with the independent third parties are in progress and there is no formal sale and purchase agreement signed.

On 17 August 2016, the Company has entered into a subscription agreement (the “Subscription Agreement”) with an independent third party for subscription of 52,562,020 new shares of the Company at the subscription price of HK\$1.49 per each subscription share. Details of the Subscription Agreement are set out in the announcement issued by the Company dated 17 August 2016. The subscription shares shall be allotted and issued under the specific mandate to be sought at an extraordinary general meeting to be convened by the Company.

### 25. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform with the current period’s presentation and accounting treatment.



## **INTERIM DIVIDEND**

The Board declared an interim dividend of HK5 cents per ordinary share for the six months ended 30 June 2016, payable on or about 13 October 2016, to the shareholders whose names appear on the register of members of the Company on 23 September 2016.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 20 September 2016 to 23 September 2016, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 19 September 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Turnover

Total turnover for the six months ended 30 June 2016 (the "Period") had increased by 8.0% to HK\$471.1 million, as compared to HK\$436.2 million for the same period in 2015. The turnover analysis by business segment for the two periods is as follows:

	For the six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Revenue from sales of electronic products	465,407	432,231
Revenue from sales of biodiesel products	1,862	2,859
Revenue from energy saving business	3,806	1,066
	<b>471,075</b>	436,156

Sales of electronic products comprise sales of finished electronic products; plastic moulds and components; and other components for electronic products. The increase in total sales revenue from electronic products was mainly due to the increase in sales of finished electronic products, which had increased from HK\$324.6 million in 2015 to HK\$351.3 million in 2016. Sales of irrigation controller products to the largest customer of the Group in the United States had increased by approximately HK\$30.0 million. Demand from customers in other geographical locations had remained stable. On the other hand, sales revenue from plastic moulds and components; and other components for electronic products had increased by HK\$4.4 million and HK\$2.1 million respectively during the Period.

The sales revenue from biodiesel products had dropped by 34.9%. After the closure of the Group's biodiesel production facilities located at Tuen Mun since September last year, the revenue from biodiesel business remains at low levels.

Regarding the energy saving business segment, total revenue generated during the Period was HK\$3.8 million, as compared to HK\$1.1 million in 2015. The total revenue represented mainly the energy saving revenue generated from retail stores of Suning Commerce Group Co., Ltd. ("Suning") and hotels operated by the HNA Group Co., Ltd. with LED lighting equipment installed. During the Period, the inspection procedures for the LED installation work at a hotel at Beijing operated by HNA Group Co., Ltd. were completed and revenue was generated since January this year. During the Period, the LED lighting equipment project (the "Suning EMC Project") with Suning continued.



## MANAGEMENT DISCUSSION AND ANALYSIS

In terms of geographical market, the United States continued to be the major market for the Group's products and accounted for approximately 57.1% of the total turnover for the Period (2015: 54.6%). Sales to customers in Hong Kong had increased by HK\$9.5 million while sales to customers in Europe had decreased by HK\$11.2 million. Sales to other geographical locations had remained stable. The Group will continue its efforts to secure new customers in different markets so that the turnover by geographical location can be spread more evenly.

### Gross profit

The overall gross profit margin had improved from 18.2% for the six months period ended 30 June 2015 to 20.0% for 2016. The increase in overall gross profit margin was mainly due to the Group's continued effort to tighten the controls over production costs and overheads, and to improve production efficiency so as to maximise the gross profit margin, and adjustment in selling prices.

### Operating expenses and other gains/losses

During the Period, total administrative expenses had increased by HK\$7.1 million, whilst total distribution costs had remained stable. The increase in administrative expenses was mainly due to increase in wages and salaries costs by HK\$2.6 million due to annual salary adjustment, and the depreciation of HK\$3.1 million for the new head office in Hong Kong acquired in January this year. Total finance costs had increased by HK\$1.8 million mainly due to the interests paid for the mortgage loan for the new head office and increase in other bank borrowings. Included in the net other operating income/expenses of HK\$3.0 million for the Period was a fair value gain on derivative instruments of HK\$3.9 million. There was a fair value gain on derivative instruments of HK\$6.5 million for the corresponding period in 2015. Furthermore, in view of the uncertainties for the operations of the biodiesel business, an impairment provision of HK\$8.3 million on the goodwill for biodiesel business segment had been made in 2015.

### Profit attributable to owners of the Company

Profit attributable to owners of the Company for the Period was HK\$29.2 million, compared to HK\$22.8 million for 2015. The increase was mainly due to the increase in revenue generated during the year and the improvement in gross profit margin.

## PRODUCTION FACILITIES

The Group currently has three production facilities in the PRC for the manufacturing of electronic products and components, two of which are located in Shenzhen, and one in Yangxi. During the Period, the Group spent approximately HK\$2.7 million to acquire plant and machinery, approximately HK\$1.0 million to acquire motor vehicles and spent approximately HK\$1.4 million on leasehold improvements to enhance its production capacity.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group believes that the current production facilities for the electronic products segment are sufficient for their production requirements in the near future.

The Group has set up an office with LED testing facilities in Shenzhen to carry out its energy saving business.

### LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At 30 June 2016, the Group's total cash and cash equivalents, net of current bank overdrafts, amounted to HK\$207.0 million. The net funds are sufficient to finance the Group's working capital and capital expenditure plans.

At 30 June 2016, total borrowings of the Group amounted to HK\$300.1 million, comprising bank overdrafts of HK\$2.8 million, bank loans of HK\$294.5 million, trust receipt loans of HK\$0.4 million and obligations under finance leases of HK\$2.4 million, all of which are denominated in Hong Kong dollars.

The Group's trade receivable turnover, inventory turnover and trade payable turnover were approximately 49 days, 86 days and 91 days respectively for the Period. These turnover periods are consistent with the respective policies of the Group on credit terms granted to customers and obtained from suppliers.

As at 30 June 2016, the Group's total current assets had decreased by 1.3% to HK\$579.4 million compared to HK\$587.0 million as at 31 December 2015, and the Group's total current liabilities had increased by 38.2% to HK\$502.1 million compared to HK\$363.2 million as at 31 December 2015. The current ratio (current assets/current liabilities) as at 30 June 2016 was 1.15 times, compared to 1.62 times as at 31 December 2015. The drop in current ratio was mainly due to the increase in mortgage loan and other bank borrowings as included in current liabilities at 30 June 2016.

During the Period, the Company had not issued any new shares and had not repurchased any of its own shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

At 30 June 2016, the Company had in issue a total of 449,620,200 ordinary shares. During the Period, a new share option scheme (the "2016 Share Option Scheme") was adopted by the shareholders at the annual general meeting of the Company held on 7 June 2016. There were no share options granted, exercised, lapsed or cancelled since the adoption of the 2016 Share Option Scheme. As at 30 June 2016, the Company did not have any share options outstanding.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FUND RAISING ACTIVITY

On 7 December 2015, the Company completed a placing (the “Placing”) whereby an aggregate of 69,172,000 new ordinary shares in the capital of the Company were placed to Ms. Liu Jing, who had become an executive Director of the Company since 5 March 2016, at the placing price of HK\$1.88 per placing share by CNI Securities Group Limited (the “Placing Agent”) in accordance with the terms and conditions of the placing agreement entered into between the Company and the Placing Agent on 20 November 2015. The closing price per ordinary share as quoted on the Stock Exchange on 20 November 2015, being the date of the placing agreement, was HK\$2.12. Ms. Liu Jing has become a substantial shareholder (as defined under the Listing Rules) of the Company immediately following the completion of the Placing.

The Directors are of the view that the Placing can strengthen the financial position of the Group and provide funding to the Group to meet any future development and obligations. The Placing also represents good opportunities to broaden the shareholders’ base and the capital base of the Company. The Directors consider that the Placing is in the interests of the Company and the shareholders of the Company as a whole. The net proceeds from the Placing were intended to be utilised as general working capital of the Group.

After deducting the placing commission and other expenses in connection with the Placing from the gross proceeds, the net placing proceeds amounted to approximately HK\$127.8 million (representing a net placing price of approximately HK\$1.85 per placing share), all of which had been applied as intended as additional general working capital for the Group’s principal business.

During the six month period ended 30 June 2016, the Company had not conducted any fund raising activity.

### CASH FLOWS

The net balance of cash, cash equivalents and bank overdrafts at 30 June 2016 was HK\$207.0 million, which had increased by HK\$10.2 million compared to the balance at 31 December 2015.

The net cash generated from operating activities for the Period was HK\$40.9 million. The net cash used in investing activities amounted to HK\$96.0 million, which was mainly due to HK\$94.9 million paid for the acquisition of the new head office in Hong Kong and other property, plant and equipment.

On the other hand, there was a net cash inflow of HK\$65.4 million from financing activities. During the Period, new borrowings of HK\$104.5 million were obtained and HK\$16.7 million was used to repay borrowings and finance leases, and HK\$22.5 million was paid to shareholders as dividend.

## MANAGEMENT DISCUSSION AND ANALYSIS

### CAPITAL EXPENDITURE

During the Period, the Group acquired property, plant and equipment at a total cost of HK\$197.8 million, mainly financed by mortgage loan, finance leases and internal resources of the Group.

### PLEDGE OF ASSETS

At 30 June 2016, the Group had total bank borrowings (excluding obligations under finance leases) of HK\$297.7 million, out of which HK\$79.6 million were secured by short-term bank deposits of HK\$11.5 million, trade receivables of HK\$0.5 million and leasehold property of HK\$188.9 million.

### GEARING RATIO

Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the interim condensed consolidated statement of financial position) less trade related debts and cash and cash equivalents. Total capital is calculated as 'equity', as shown in the interim condensed consolidated statement of financial position.

As at 30 June 2016, the gearing ratio of the Group was 24.3% (2015: 14.2%).

### CONTINGENT LIABILITIES

At both 30 June 2016 and 31 December 2015, the Group did not have any material contingent liabilities.

### EMPLOYEES

At 30 June 2016, the Group had 2,589 employees, of which 78 were employed in Hong Kong and 2,511 were employed in the PRC. Salaries of employees are maintained at competitive levels. 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 regulations in the PRC. The Group also offers discretionary bonuses to its employees by reference to the performance of individual employees and the overall performance of the Group.

During the Period, the Company has adopted the 2016 Share Option Scheme. No share options had been granted, exercised, lapsed or cancelled since the adoption of the 2016 Share Option Scheme. As at 30 June 2016, there were no share options remained outstanding.

The Group did not experience any significant labour disputes or substantial changes in the number of its employees that led to any disruption of its normal business operations. The Board believes that the Group's management and employees are the most valuable asset of the Group and they have contributed to the success of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FOREIGN EXCHANGE EXPOSURE

Most of the Group's sales are denominated in United States dollars and most of the purchases of raw materials are denominated in Renminbi and Hong Kong dollars. Furthermore, most of the Group's monetary assets are denominated in Hong Kong dollars, United States dollars and Renminbi.

The Group's principal production facilities are located in the PRC whilst its sales proceeds are primarily settled in United States dollars, Hong Kong dollars or Renminbi. 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 will consider various action to minimise the risk, including the entering into forward foreign exchange contracts with major and reputable financial institutions to hedge its foreign exchange risk exposure. As at 30 June 2016, the Group did not have any outstanding forward foreign exchange contracts. As at 30 June 2015, the aggregate notional amount over the remaining contract periods of outstanding forward foreign exchange contracts to buy Renminbi is approximately US\$24.0 million (equivalent to approximately HK\$187.2 million). These were 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.

### OUTLOOK

In view of the withdrawal of the United Kingdom from the European Union, and fluctuations in the global stock markets and foreign exchange rates, the Group foresees that the global economic environment in the second half of 2016 will remain uncertain. Factors such as the risk of fluctuation of exchange rate of Renminbi against United States dollars and Hong Kong dollars; the consistent upward adjustment on the minimum wage levels in the PRC; and the uncertain consequences of the withdrawal of the United Kingdom from the European Union will continue to affecting the performance of the Group's electronic products segment. The Group will continue its efforts to tighten controls over production costs and overheads, and to improve production efficiency so as to maximise the gross profit margin.

The Wi-Fi equipment project with a Shenzhen subsidiary of China Unicom (Hong Kong) Limited ("China Unicom") continued during the Period and the Wi-Fi equipment is in the final stage of pilot testing. The Group expects to commence the installation work for China Unicom during the last quarter of 2016. The Group's unlisted equity investment in available-for-sale financial assets provides a strong base for the Group's development in Wi-Fi equipment business.

## MANAGEMENT DISCUSSION AND ANALYSIS

The demand for the Group's irrigation controllers and other major electronic products will remain to be strong. On the other hand, some new products are expected to be launched during the last quarter of 2016. The Group has confidence that the overall performance of the electronic business segment will remain strong during the second half of 2016.

In terms of geographical market, the sales to United States customers accounted for over 50% of the total sales for the year. The Group foresees that United States will still be the major market for its products in 2016. The Group will continue to devote efforts to explore new markets and new customers to broaden its customer base.

Regarding the 49% owned associate established in the PRC for the manufacture and sale of printers and other accessory products, the factory located at Yi Chun had commenced operations in the second half of 2015. However, the contribution from this associate is not expected to be significant for the year 2016.

The demand for the Group's biodiesel products remained at low levels during the Period and management expects that the revenue from biodiesel products will remain stable during the second half of 2016.

As of 30 June 2016, about 50 energy efficient gas stoves had been installed for customers in Hong Kong. The Group expects that the total number of energy efficient gas stoves installed by the end of 2016 will be about 100.

Regarding the Suning EMC Project, the installation work continued during the Period and management expects the Group will complete the installation work at approximately 200 retail stores of Suning during the year 2016. The Group will continue the installation work at other retail stores of Suning in 2017.

On 30 June 2016, the Company has entered a non-legally binding memorandum of understanding (the "Memorandum") with two independent third parties in relation to the possible acquisition of certain commercial properties located at Beijing, the PRC, for investment purposes. The Group expects that through such acquisition it will be benefited from the long term investment in the PRC property market and the rental income derived from the properties. Details of the Memorandum are set out in the announcement issued by the Company dated 30 June 2016. If the acquisition is materialised, it may constitute a notifiable transaction and further announcement will be made by the Company if a formal agreement has been signed or as and when appropriate pursuant to the requirements of the Listing Rules.



## MANAGEMENT DISCUSSION AND ANALYSIS

On 17 August 2016, the Company has entered into a subscription agreement (the “Subscription Agreement”) with an independent third party for subscription of 52,562,020 new shares of the Company at the subscription price of HK\$1.49 per each subscription share. The Board considered that this will strengthen the capital base and financial position for the Group’s future business development and broaden the shareholder base of the Company. The subscription will also help to enhance the further development of the Group’s business in the PRC market, in terms of both the scope and scale of the business. Details of the Subscription Agreement are set out in the announcement issued by the Company dated 17 August 2016. The subscription shares shall be allotted and issued under the specific mandate to be sought at an extraordinary general meeting (the “EGM”) to be convened by the Company. A circular containing further details of the Subscription Agreement, together with the notice convening the EGM, will be despatched to the shareholders of the Company pursuant to the requirements of the Listing Rules.

Looking forward, the Group will continue to explore opportunities for new products and projects with other potential customers, both in the PRC and in Hong Kong, and will 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 “2005 Share Option Scheme”) was approved and adopted. The purpose of the 2005 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 2005 Share Option Scheme was 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. The 2005 Share Option Scheme had expired on 21 June 2015 and there were no share options granted under the 2005 Share Option Scheme prior to its expiry which are still exercisable pursuant to the terms of the scheme.

At the annual general meeting of the Company held on 7 June 2016, a new share option scheme (the “2016 Share Option Scheme”) was approved by the shareholders. The purpose of the 2016 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 2016 Share Option Scheme shall be valid and effective for a period of 10 years commencing from 7 June 2016, being the date on which the 2016 Share Option Scheme was adopted.

During the six months ended 30 June 2016 and the year ended 31 December 2015, there were no share options granted, exercised, cancelled or lapsed under the 2005 Share Option Scheme and the 2016 Share Option Scheme. As at 30 June 2016 and 31 December 2015, there were no outstanding share options issued under these two share option schemes. As at the date of this report, the total number of shares of the Company available for issue under the 2016 Share Option Scheme was 44,962,020 shares, representing 10% of the issued share capital of the Company as at the date of this report.

Further details of the 2016 Share Option Scheme are set out in the circular dated 9 May 2016 issued by the Company.



## 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 2016, 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 2016

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	8,408,290	-	254,100,000 (Note 1)	262,508,290	58.4
Ms. Yeung Po Wah	Long positions	-	262,508,290	-	262,508,290	58.4
Ms. Liu Jing	Long positions	69,172,000	-	-	69,172,000	15.4
Mr. Lam Chee Tai, Eric	Long positions	1,677,060	-	-	1,677,060	0.4

Notes:

- 254,100,000 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.
- Mr. Lam Chee Tai, Eric is the son of Mr. Lam Yin Kee and Ms. Yeung Po Wah.

## 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 2016

None of the Directors and Chief Executives has held any share options as at 30 June 2016.

#### (c) Interests in an associated corporation, Profit International Holdings Limited (Ordinary share of US\$1 each) at 30 June 2016

Name of Director		Number of shares held				Total	% of the issued share capital of the associated corporation
		Personal interests	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 AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that at 30 June 2016, 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.

Name		Number of shares			% of the issued share capital of the Company
		Personal interests	Nature of interest	Total	
Profit International Holdings Limited	Long positions	254,100,000	Beneficially owned	254,100,000	56.5
Ms. Liu Jing	Long positions	69,172,000	Beneficially owned	69,172,000	15.4

Save as disclosed above and so far as the Directors and Chief Executives of the Company are aware of, at 30 June 2016, 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 Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules, except for the limited deviation on the grounds and causes as explained below. The Board will review and update the current practices regularly to ensure compliance with the latest practices in corporate governance so as to protect and maximise the interests of shareholders.

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 Mr. Pang Kwong Wah (Chairman), Mr. Yau Ming Kim, Robert and Mr. Yen Yuen Ho, Tony.

The interim condensed consolidated financial statements have been reviewed by the Audit Committee at a meeting held on 30 August 2016, which is of the opinion that the interim condensed consolidated financial statements complied with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

## CORPORATE GOVERNANCE

### 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. Pang Kwong Wah and other current members include Mr. Lam Yin Kee, Ms. Yeung Po Wah, Mr. Yau Ming Kim, Robert and Mr. Yen Yuen Ho, Tony.

### NOMINATION COMMITTEE

The nomination committee of the Company (the “Nomination Committee”) was established with written terms of reference in compliance with the Listing Rules. The Nomination 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 Nomination Committee is Mr. Lam Yin Kee and other current members include Ms. Yeung Po Wah, Mr. Pang Kwong Wah, Mr. Yau Ming Kim, Robert and Mr. Yen Yuen Ho, Tony.

### CHANGES IN INFORMATION OF DIRECTORS

During the Period and up to the date of this report, the changes in directors’ information since publication of the 2015 annual report of the Company are as follows:

- (a) Mr. Leung Kam Wah has resigned as an independent non-executive director, a member of the audit committee, the remuneration committee, and the nomination committee of the Company with effect from 12 August 2016; and
- (b) Mr. Yen Yuen Ho, Tony was appointed as an independent non-executive director, a member of the audit committee, the remuneration committee and the nomination committee of the Company with effect from 12 August 2016.

Save as disclosed above, there were no other changes in directors’ information since publication of the 2015 annual report of the Company and there is no other information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

## SUPPLEMENTARY INFORMATION

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

The Company has not redeemed any of its shares during the Period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the Period.

### **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 the 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 2016

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

#### *Executive Directors*

Mr. Lam Yin Kee, Ms. Yeung Po Wah, Ms. Liu Jing, Mr. Lam Chee Tai, Eric and Mr. So Kin Hung

#### *Non-executive Director*

Mr. Fan, William Chung Yue

#### *Independent Non-executive Directors*

Mr. Pang Kwong Wah, Mr. Yau Ming Kim, Robert and Mr. Yen Yuen Ho, Tony

## CORPORATE INFORMATION

### DIRECTORS

#### Executive Directors

Mr. LAM Yin Kee

*(Chairman and Chief Executive)*

Ms. YEUNG Po Wah

Ms. LIU Jing

*(appointed from 5 March 2016)*

Mr. LAM Chee Tai, Eric

Mr. SO Kin Hung

#### Non-executive Director

Mr. FAN, William Chung Yue

#### Independent Non-executive Directors

Mr. PANG Kwong Wah

Mr. YAU Ming Kim, Robert

Mr. YEN Yuen Ho, Tony

*(appointed from 12 August 2016)*

Mr. Leung Kam Wah

*(resigned from 12 August 2016)*

#### REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

#### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 408, 4/F, Citicorp Centre

18 Whitfield Road

Hong Kong

#### COMPANY SECRETARY

Mr. LEUNG Fuk Cheung

#### STOCK CODE

833

#### INDEPENDENT AUDITOR

Ernst & Young

#### AUDIT COMMITTEE

Mr. PANG Kwong Wah *(Chairman)*

Mr. YAU Ming Kim, Robert

Mr. YEN Yuen Ho, Tony

#### 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

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

In Cayman Islands

Royal Bank of Canada Trust Company (Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road, George Town

Grand Cayman KY1-1110

Cayman Islands

#### WEBSITE

<http://www.irasia.com/listco/hk/alltronics/index.htm>