



THE STOCK EXCHANGE OF HONG KONG LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

15 April 2010

CENSURE

OF

Alltronics Holdings Limited

(the “Company”) (Stock Code: 833)

**for breaching Rule 13.09 of the Rules Governing the Listing of Securities
on the Main Board of The Stock Exchange of Hong Kong Limited
(the “Listing Rules”)**

and

CENSURE / CRITICISM

OF

**Mr Lam Yin Kee, Madam Yeung Po Wah, Mr So Kin Hung, Mr Fan, William Chung Yue,
Mr Barry John Buttifant, Mr Leung Kam Wah and Madam Yeung Chi Ying
for breaching their obligations under the Declaration and Undertaking
with regard to Directors given by them to the Exchange
in the form set out in Appendix 5b to the Listing Rules
(the “Directors’ Undertakings”)**

The Stock Exchange of Hong Kong Limited (the “Exchange”) hereby publicly censures:

- (1) the Company for its breach of Rule 13.09 of the Listing Rules for failing to publish an announcement to disclose the deterioration of the Group’s business performance in the first six months ended 30 June 2008; and
- (2) Mr Lam Yin Kee, Chairman and Executive Director of the Company; and Madam Yeung Po Wah, Executive Director of the Company for their breaches of Directors’ Undertakings in failing to use their best endeavours to procure the Company’s compliance with Rule 13.09.

The Exchange also hereby publicly criticises:

- (3) Mr So Kin Hung, Executive Director of the Company;
 - (4) Mr Fan, William Chung Yue, Non-Executive Director of the Company;
 - (5) Mr Barry John Buttifant, former Independent Non-Executive Director, resigned on 2 June 2009;
 - (6) Mr Leung Kam Wah, Independent Non-Executive Director of the Company; and
 - (7) Madam Yeung Chi Ying, Independent Non-Executive Director of the Company
- for their respective breaches of Directors’ Undertakings in failing to use their best endeavours to procure the Company’s compliance with Rule 13.09.

Facts

The 2008 Interim Results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2008 published on 25 September 2008 after trading hours revealed the following results for the period:

- Net loss of \$6.1 million, 118 per cent drop from \$33.4 million net profit in the first half of 2007;
- Turnover \$228.4 million, 24 per cent drop from \$300 million in the first half of 2007;
- Operating loss \$5.3 million, 112 per cent drop from \$44.4 million operating profit in the first half of 2007;
- Gross profit \$24.5 million, 69 per cent drop from \$78.9 million in the first half of 2007;
- Gross profit ratio reduced to 10.7 per cent from 26.3 per cent in the first half of 2007; and
- it was the first time the Group had suffered a loss since its formation.

The substantial deterioration in the results was primarily caused by the deterioration of the Group’s core business. No announcement had been published by the Company at any time to disclose the deterioration in the Group’s business performance during the period.

On 26 September 2008, i.e. the first trading day after publication of the 2008 Interim Results, the Company’s share price closed at \$0.37, representing a decrease of approximately 26 per cent from the closing price on the previous trading day of \$0.50, and the trading volume (over 5.2 million shares) was 15 times the past 10-day average.

Exchange’s Investigations

Company

Following investigation, the Exchange is of the view that the Company has breached Rule 13.09 of the Listing Rules for failing to disclose to the market and its shareholders by an announcement the deterioration of the Group’s business performance during the first half of 2008 by reason of the matters and circumstances set out below:

- (1) The Group’s interim and full year results since listing in 2005 had been generally exhibiting an upward trend.
- (2) It was the first time the Group had suffered a loss since its formation in 1997 and since its listing in July 2005.
- (3) The 2008 Interim Results were significantly worse than the 2007 Interim Results.
- (4) The Company’s 2007 Annual Results only generally described the challenges ahead in respect of the business. At the same time, it also outlined positive steps taken or to be taken and management’s confidence in meeting the challenges. In the view of the Exchange, such disclosure was too general and equivocal to constitute a clear message to the market of any expectation of the Company and its management as to the deterioration in business performance experienced in 2008. In any event, the magnitude of the deterioration in performance, in the Exchange’s view, was below any expectation of the Group’s business performance from information generally available to the market.

- (5) Rule 13.09 imposes an obligation on issuers to keep the Exchange, members of the issuer and other holders of its listed securities informed as soon as reasonably practicable of any information relating to the group: (i) which is necessary to enable them and the public to appraise the position of the group; (ii) which is necessary to avoid the establishment of a false market in its securities; and (iii) which might be reasonably expected materially to affect market activity in and the price of its securities. Further, as specified in Note 11(ii) to Rule 13.09, the disclosure obligation must be discharged without delay where to the knowledge of the directors, there is such a change in the issuer's financial condition or in the performance of its business or in the issuer's expectation of its performance that knowledge of the change is likely to lead to substantial movement in the price of its listed securities.
- (6) In the light of the matters and circumstances described at (1) to (4) above, the deterioration in the Group's business performance during the first half of 2008 was price sensitive such that if made public, it would be reasonably expected to affect market activity in and the price of the Company's shares. Under Rule 13.09 and Note 11(ii) to the rule, the deterioration in business performance was disclosable without delay by the Company after directors of the Company became aware of the same. The substantial price and volume movements of the Company's shares on 26 September 2008 supports the conclusion that the deterioration of business performance in the first half of 2008 did not meet market expectation and was price-sensitive disclosable under Rule 13.09.
- (7) The fact that the Group had been operating at a loss throughout the period and that the loss had continued to rise was clear to the Chairman (from the monthly management accounts and sales reports) circulated to him.
- (8) In April and June 2008, the Chairman briefly informed the other directors of the deterioration in business performance generally, without provision of any figure as to the loss incurred in the business. Those other directors did not receive the monthly management accounts which were circulated only to the Chairman.
- (9) On 28 August 2008, the Chairman notified the other directors that the Group was estimated to have incurred millions of dollars of losses during the first half of 2008 subject to review by the Company's independent auditors.
- (10) Given the collective state of knowledge on the part of the Chairman and the other directors as at the dates described in paragraphs (7) to (9) above, the Company was required by Rule 13.09 to publish an announcement to inform the market and shareholders of the Company of the deterioration in the Group's business performance:
- (a) towards the end of June 2008 when it ought to have been clear to the Company and the Chairman from the management accounts and sales reports circulated to the Chairman that substantial losses had been incurred at the time and that the loss making position was unlikely to be reversed in the first half of 2008; and/or
 - (b) in any event no later than 28 August 2008 when all Relevant Directors were aware that the Group was estimated to have incurred millions of dollars in losses in the first half of 2008.

- (11) No announcement disclosing the deterioration in the Group's business performance during the first half of 2008 was published by the Company at any time, hence the Listing Division's view that the Company has breached Rule 13.09.

Relevant Directors

The Listing Division is also of the view that the Relevant Directors have breached their Directors' Undertakings for failing to use their best endeavours to procure the Company's compliance with Rule 13.09 in that despite their knowledge of the significant deterioration in the Group's business performance in the first six months of 2008, by, at the latest 28 August 2008, the Relevant Directors took no action to procure the Company's disclosure of the same by the publication of an announcement. In this regard, the Exchange observes and takes into account Note 11(ii) to Rule 13.09 referred to above.

Remedial Action

The Company and the Relevant Directors had, prior to the breaches referred to above, clean compliance history. The Exchange understands that in addition to the pre-existing practice of circulating the Group's monthly management accounts to the Chairman, the Company is now circulating management accounts to all other directors of the Company quarterly to keep them informed of the position of the Group's business performance.

The Exchange also wishes to acknowledge the co-operation given by the Company and the Relevant Directors in the investigation including responding to enquiries promptly and openly and prompt supply of documents.

Settlement

As a consequence of a settlement,

1. the Company does not contest the Listing Division's assertion that the Company has breached Rule 13.09 in the manner described in paragraphs 10 and 11 of the "Exchange's Investigations" section above;
2. the Relevant Directors do not contest the Listing Division's assertion that they have breached their Directors' Undertakings as described above; and
3. the Company and the Relevant Directors accept the sanctions imposed upon them by the Listing Committee of the Exchange referred to below.

Sanction

Given the facts and circumstances outlined above and with the Company and the Relevant Directors not contesting their respective breaches, the Listing Committee:

1. publicly censures the Company for breaching Rule 13.09 of the Listing Rules;
2. publicly censures Mr Lam Yin Kee and Madam Yeung Po Wah for their breaches of Directors' Undertakings; and

3. publicly criticises Mr So Kin Hung, Mr Fan, William Chung Yue, Mr Barry John Buttifant, Mr Leung Kam Wah and Madam Yeung Chi Ying for their respective breaches of the Directors' Undertakings.

For the avoidance of doubt, the Exchange confirms that the above public censure and criticism apply only to the Company and to the Relevant Directors identified above and not to any other past or present member of the Company's Board of Directors.