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ALLTRONICS HOLDINGS LIMITED

華訊股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 833)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

The board (the “Board”) of directors (“Directors”) of Alltronics Holdings Limited (the “Company”) is pleased to present the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2014 (the “Period”) together with comparative figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2014

	<i>Note</i>	Six months ended 30 June	
		2014	2013
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	5	489,926	366,373
Cost of sales	6	(402,951)	(294,073)
Gross profit		86,975	72,300
Distribution costs	6	(3,700)	(3,042)
Administrative expenses	6	(42,882)	(36,027)
Other losses – net	7	(38,640)	(16,620)
Operating profit		1,753	16,611
Finance income		127	65
Finance costs		(2,916)	(2,641)
(Loss)/profit before income tax		(1,036)	14,035
Income tax expense	8	(1,058)	(4,439)
(Loss)/profit for the period		(2,094)	9,596

	<i>Note</i>	Six months ended 30 June	
		2014	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
(Loss)/profit attributable to:			
Owners of the Company		(3,820)	15,466
Non-controlling interests		1,726	(5,870)
		<u>(2,094)</u>	<u>9,596</u>
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company (expressed in HK cents per share)			
– basic	9	<u>(1.10)</u>	<u>4.47</u>
– diluted	9	<u>(1.10)</u>	<u>4.47</u>
Dividend attributable to the period:			
Interim dividend	10	<u>17,293</u>	<u>17,293</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	<u>(2,094)</u>	<u>9,596</u>
Other comprehensive income/(loss)		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Fair value loss on available-for-sale financial assets	–	(30)
Currency translation differences	<u>260</u>	<u>–</u>
Total other comprehensive income/(loss) for the period	<u>260</u>	<u>(30)</u>
Total comprehensive (loss)/income for the period	<u>(1,834)</u>	<u>9,566</u>
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(3,560)	15,451
Non-controlling interests	<u>1,726</u>	<u>(5,885)</u>
	<u>(1,834)</u>	<u>9,566</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		As at	
		30 June	31 December
	Note	2014	2013
		HK\$'000	HK\$'000
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		43,981	44,034
Leasehold land and land use rights		1,795	1,820
Intangible assets		19,931	19,931
Available-for-sale financial assets		–	2,834
Prepayments		24,205	24,894
Finance lease receivable	11	3,302	1,011
Deferred income tax assets		3,756	888
Total non-current assets		96,970	95,412
Current assets			
Inventories		188,707	207,786
Finance lease receivable	11	1,471	600
Trade receivables	12	136,205	118,748
Prepayments, deposits and other receivables		46,747	26,725
Amount due from a related company		–	45
Amount due from the ultimate holding company		–	34
Amounts due from non-controlling shareholders of a subsidiary		1,193	624
Financial assets at fair value through profit or loss		651	665
Derivative financial instruments		–	398
Pledged bank deposits		10,496	7,633
Tax recoverable		–	15
Cash and cash equivalents (excluding bank overdrafts)		118,303	95,205
Total current assets		503,773	458,478
Total assets		600,743	553,890

		As at	
		30 June	31 December
	Note	2014	2013
		HK\$'000	HK\$'000
		(Unaudited)	(Audited)
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		3,459	3,459
Reserves			
Proposed dividend		17,293	27,669
Others		205,617	226,738
		<u>226,369</u>	<u>257,866</u>
Non-controlling interests		(11,509)	(13,235)
		<u>214,860</u>	<u>244,631</u>
LIABILITIES			
Non-current liabilities			
Borrowings		1,133	1,427
Deferred income tax liabilities		1,477	1,591
		<u>2,610</u>	<u>3,018</u>
Total non-current liabilities		2,610	3,018
Current liabilities			
Trade payables	13	88,617	110,811
Accruals and other payables		43,840	45,963
Amounts due to non-controlling shareholders of a subsidiary		37	37
Current income tax liabilities		6,491	6,681
Borrowings		205,615	142,749
Derivative financial instruments		38,673	–
		<u>383,273</u>	<u>306,241</u>
Total current liabilities		383,273	306,241
		<u>385,883</u>	<u>309,259</u>
Total liabilities		385,883	309,259
		<u>600,743</u>	<u>553,890</u>
Total equity and liabilities		600,743	553,890
		<u>120,500</u>	<u>152,237</u>
Net current assets		120,500	152,237
		<u>217,470</u>	<u>247,649</u>
Total assets less current liabilities		217,470	247,649

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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 Group are the manufacturing and trading of electronic products, plastic moulds, plastic and other components for electronic products, the manufacturing and 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 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 on 29 August 2014 and has not been audited.

2 BASIS OF PREPARATION

The Interim Financial Information for the six months ended 30 June 2014 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 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The preparation of the Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2013, with the exception of changes in estimates that are required in determining the provision for income taxes.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, 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 profit or loss.

In the current period, the Group has adopted all the new standards, amendments, interpretations and improvements to standards issued by the HKICPA which are mandatory and relevant to the Group’s operations for the accounting period beginning on 1 January 2014. The adoption of these new standards, amendments, interpretations and improvements to standards has not had any material impact on the Group’s reported result and financial position.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

The following new standards and amendments have been issued, but are not effective for the Group's accounting period beginning on 1 January 2014 and have not been early adopted:

- HKAS 19 (2011) Amendment, "Defined Benefit Plans: Employee Contributions", effective for annual period beginning on or after 1 July 2014
- HKAS 16 and HKAS 38 Amendment, "Clarification of Acceptable Methods of Depreciation and Amortisation", effective for annual period beginning on or after 1 January 2016
- HKFRS 9, "Financial Instruments", mandatory effective date not yet determined
- HKFRS 11 Amendment, "Accounting for Acquisitions of Interests in Joint Operations", effective for annual period beginning on or after 1 January 2016
- HKFRS 14, "Regulatory Deferral Accounts", effective for annual period beginning on or after 1 January 2016
- HKFRS 15, "Revenue from Contracts with Customers", effective for annual period beginning on or after 1 January 2017

The Group has commenced an assessment of the impact of these new standards and amendments but is not yet in a position to state whether they would have a significant impact on 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 foreign exchange risk, cash flow and fair value 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 therefore should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013.

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

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).

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2014 (unaudited).

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets at fair value				
through profit or loss	651	–	–	651
Available-for-sale financial assets	–	–	–	–
Derivative financial instruments	–	–	–	–
Total assets	651	–	–	651
Liabilities				
Derivative financial instruments	–	–	38,673	38,673
Total liabilities	–	–	38,673	38,673

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2013 (audited).

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets at fair value				
through profit or loss	665	–	–	665
Available-for-sale financial assets	–	–	2,834	2,834
Derivative financial instruments	–	–	398	398
Total assets	665	–	3,232	3,897
Liabilities				
Derivative financial instruments	–	–	–	–
Total liabilities	–	–	–	–

(a) *Financial instruments in level 1*

The financial assets at fair value through profit or loss are based on quoted market prices at the statement of financial position date without any deduction for transaction costs.

(b) *Financial instruments in level 3*

The fair value of available-for-sale financial assets that are not traded in an active market is determined with reference to indicative market values provided by the issuers.

The fair values of derivative financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date.

The following table presents the changes in level 3 instruments for the six months ended 30 June 2014 (unaudited).

	Available-for-sale financial assets and derivative financial instruments – net HK\$'000
Opening balance	3,232
Disposal during the period	(2,834)
Fair value loss recognised in equity	–
Fair value loss recognised in condensed consolidated income statement	<u>(39,071)</u>
Closing balance	<u>(38,673)</u>
Total loss for the period included in profit or loss for assets held at the end of the reporting period	<u>(39,071)</u>

The following table presents the changes in level 3 instruments for the six months ended 30 June 2013 (unaudited).

	Available-for-sale financial assets and derivative financial instruments – net <i>HK\$'000</i>
Opening balance	2,516
Fair value loss recognised in equity	(30)
Fair value loss recognised in condensed consolidated income statement	<u>(9,684)</u>
Closing balance	<u>(7,198)</u>
Total loss for the period included in profit or loss for assets held at the end of the reporting period	<u>(9,684)</u>

For the six months ended 30 June 2014, 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. Market rate is used as the discount rate to compute the fair value of level 3 instruments. The higher the discount rate, the lower the fair value.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. For the six months ended 30 June 2014, there were no reclassifications of financial assets nor transfer between levels.

There were no other changes in valuation techniques during the Period.

The carrying values of the Group's other financial assets, including finance lease receivable, trade receivables, deposits and other receivables, pledged bank deposits, cash and cash equivalents, amounts due from a related company, the ultimate holding company and non-controlling shareholders of a subsidiary, and other financial liabilities, including borrowings, trade payables, accruals and other payables and amounts due to non-controlling shareholders of a subsidiary, approximate to their fair values due to their short maturities.

5 SEGMENT INFORMATION

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

For the six months ended 30 June 2014, 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 manufacturing and 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 Financial Information.

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 consolidated income statement.

	Electronic products HK\$'000	Biodiesel products HK\$'000	Energy saving business HK\$'000	Total HK\$'000
Six months ended 30 June 2014				
(Unaudited)				
Total segment revenue and revenue from external customers for:				
– sales of goods	479,659	7,527	2,636	489,822
– revenue from services	–	–	104	104
Total revenue	<u>479,659</u>	<u>7,527</u>	<u>2,740</u>	<u>489,926</u>
Operating profit/(loss) before interest and tax	9,071	(2,489)	(1,965)	4,617
Finance income	125	–	2	127
Finance costs	(2,544)	(179)	(193)	(2,916)
Income tax expense	<u>(1,058)</u>	<u>–</u>	<u>–</u>	<u>(1,058)</u>
	<u>5,594</u>	<u>(2,668)</u>	<u>(2,156)</u>	770
Unallocated operating costs				<u>(2,864)</u>
Loss for the period				<u>(2,094)</u>
Other information:				
Depreciation and amortisation	(5,914)	(235)	(366)	(6,515)
Fair value loss on derivative financial instruments – net	<u>(39,071)</u>	<u>–</u>	<u>–</u>	<u>(39,071)</u>

	Electronic products <i>HK\$'000</i>	Biodiesel products <i>HK\$'000</i>	Energy saving business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2013 (Unaudited)				
Total segment revenue and revenue from external customers for sales of goods	<u>351,791</u>	<u>14,454</u>	<u>128</u>	<u>366,373</u>
Operating profit/(loss) before interest and tax	22,300	(1,849)	(2,890)	17,561
Finance income	64	–	1	65
Finance costs	(2,308)	(111)	(222)	(2,641)
Income tax expense	<u>(4,439)</u>	<u>–</u>	<u>–</u>	<u>(4,439)</u>
	<u>15,617</u>	<u>(1,960)</u>	<u>(3,111)</u>	10,546
Unallocated operating costs				<u>(950)</u>
Profit for the period				<u>9,596</u>
Other information:				
Depreciation and amortisation	(6,796)	(183)	(166)	(7,145)
Fair value loss on derivative financial instruments – net	<u>(9,684)</u>	<u>–</u>	<u>–</u>	<u>(9,684)</u>

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	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
The United States	270,143	210,636
Hong Kong	103,511	54,810
Europe	80,633	77,695
The People's Republic of China (the "PRC")	19,413	15,327
Other countries	<u>16,226</u>	<u>7,905</u>
	<u>489,926</u>	<u>366,373</u>

For the six months ended 30 June 2014, revenues of approximately HK\$202,665,000 (2013: HK\$149,361,000) 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
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Hong Kong	54,133	55,673
The PRC	42,837	39,739
	96,970	95,412
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Analysis of revenue by category:		
Sale of goods	489,822	366,373
Revenue from services	104	–
	489,926	366,373
Total revenue and turnover		
Other income		
Dividend income from available-for-sale financial assets	–	40
Dividend income from financial assets at fair value through profit or loss	–	4

6 EXPENSES BY NATURE

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisation of leasehold land and land use rights	25	25
Amortisation of non-current prepayments	129	–
Depreciation		
– Owned property, plant and equipment	5,805	6,800
– Leased property, plant and equipment	556	320
Staff costs (including directors' emoluments)	98,608	78,082
Cost of inventories sold	282,602	200,397
Operating leases on rented premises	7,509	7,167
Other expenses	54,299	40,351
Total of cost of sales, distribution costs and administrative expenses	449,533	333,142

7 OTHER LOSSES – NET

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net foreign exchange loss	(1,028)	(2,281)
Loss on disposal of property, plant and equipment	(436)	(43)
Realised gain on derivative financial instruments – net	1,294	3,461
Fair value loss on derivative financial instruments – net	(39,071)	(9,684)
Gain on disposal of available-for-sale financial assets	287	–
Gain on disposals of financial assets at fair value through profit or loss	–	41
Fair value loss on financial assets at fair value through profit or loss	(14)	(326)
Dividend income from financial assets at fair value through profit or loss	–	4
Dividend income from available-for-sale financial assets	–	40
Losses on fire accident (<i>Note (i)</i>)	–	(8,281)
Others	328	449
	<u>(38,640)</u>	<u>(16,620)</u>

Note (i): The losses from fire accident included the inventories loss, impairment of property, plant and equipment and restoration cost.

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax		
Hong Kong profits tax (<i>Note a</i>)	–	3,224
PRC enterprise income tax (<i>Note b</i>)	3,974	1,898
Under-provision in prior years	66	170
Deferred income tax credit	<u>(2,982)</u>	<u>(853)</u>
Income tax expense	<u>1,058</u>	<u>4,439</u>

Note:

- (a) No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits for the six months ended 30 June 2014 (2013: Hong Kong profits tax has been provided at the rate of 16.5%).
- (b) PRC enterprise income tax has been calculated on the estimated assessable profit at the rates of taxation prevailing in the PRC. As at 30 June 2014, the Company has eight subsidiaries operating in the PRC, namely Shenzhen Allcomm Electronic Co. Ltd., Alltronics Tech. Mftg. Limited, Southchina Engineering and Manufacturing Limited, 華泰電器製品(深圳)有限公司, 陽江華訊電子製品有限公司, Alltronics Energy Saving (Shenzhen) Limited, 南盈科技發展(深圳)有限公司 and 南華匯盈科技發展(深圳)有限公司. During the Period, these subsidiaries were subject to an income tax rate of 25% (2013: 25%) in accordance with the relevant applicable tax laws.

9 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/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	
	2014	2013
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to owners of the Company (<i>HK\$'000</i>)	<u>(3,820)</u>	<u>15,466</u>
Weighted average number of ordinary shares in issue (<i>thousand</i>) (<i>Note (a)(i)</i>)	<u>345,862</u>	<u>345,862</u>
Basic (loss)/earnings per share (<i>HK cents per share</i>)	<u>(1.10)</u>	<u>4.47</u>

Note (a)(i): The weighted average number of ordinary shares in issue in 2013 was adjusted to reflect the effect of bonus issue for the issue of 31,442,000 bonus shares by the Company on the basis of one new bonus share for every ten shares held by the shareholders on 7 June 2013 and allotted on 24 June 2013. Weighted average number of ordinary shares in issue was restated on the assumption that the bonus issue had been in place in prior period.

(b) Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the six months ended 30 June 2013, the Company had only one category of dilutive potential 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 annual market share price of the Company's shares) 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. For the six months ended 30 June 2013, the assumed conversion of potential ordinary shares arising from the share options would be anti-dilutive.

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to owners of the Company (<i>HK\$'000</i>)	<u>(3,820)</u>	<u>15,466</u>
Weighted average number of ordinary shares in issue (<i>thousand</i>) (<i>Note (a)(i)</i>)	345,862	345,862
Adjustments for share options (<i>thousand</i>)	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for diluted (loss)/earnings per share (<i>thousand</i>)	<u>345,862</u>	<u>345,862</u>
Diluted (loss)/earnings per share (<i>HK cents per share</i>)	<u>(1.10)</u>	<u>4.47</u>

10 INTERIM DIVIDEND

	Six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interim dividend, proposed, of HK\$0.05 (2013: HK\$0.05) per ordinary share	<u>17,293</u>	<u>17,293</u>

The Board recommends the payment of an interim dividend of HK\$0.05 per ordinary share for the six months ended 30 June 2014. 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 2014 has been approved by the Board on 29 August 2014.

11 FINANCE LEASE RECEIVABLE

	As at	
	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Non-current finance lease receivable:		
Gross receivable	4,281	1,333
Less: unearned income	(979)	(322)
	<u>3,302</u>	<u>1,011</u>
Current finance lease receivable:		
Gross receivable	1,623	667
Less: unearned income	(152)	(67)
	<u>1,471</u>	<u>600</u>
Gross receivable from finance lease:		
– No later than 1 year	1,623	667
– Later than 1 year and no later than 5 years	4,281	1,333
– Later than 5 years	–	–
	<u>5,904</u>	<u>2,000</u>
Unearned future finance income on finance leases	<u>(1,131)</u>	<u>(389)</u>
Net investment in finance lease	<u>4,773</u>	<u>1,611</u>
The net investment in finance lease may be analysed as follows:		
– No later than 1 year	1,471	600
– Later than 1 year and no later than 5 years	3,302	1,011
– Later than 5 years	–	–
	<u>4,773</u>	<u>1,611</u>

12 TRADE RECEIVABLES

	As at	
	30 June	31 December
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables	136,205	118,748
Less: provision for impairment of receivables	<u>—</u>	<u>—</u>
	<u>136,205</u>	<u>118,748</u>

As at 30 June 2014 and 31 December 2013, 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 statement of financial position dates is as follows:

	As at	
	30 June	31 December
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 – 30 days	82,523	66,363
31 – 60 days	30,478	33,065
61 – 90 days	18,798	15,633
91 – 120 days	2,954	1,768
121 – 365 days	1,281	1,808
Over 365 days	<u>171</u>	<u>111</u>
	<u>136,205</u>	<u>118,748</u>

13 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	As at	
	30 June	31 December
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 – 30 days	41,361	57,473
31 – 60 days	31,160	39,887
61 – 90 days	11,761	7,605
91 – 120 days	1,655	1,719
121 – 365 days	2,152	3,717
Over 365 days	528	410
	88,617	110,811

The fair values of trade payables approximated their carrying values.

14 ULTIMATE HOLDING COMPANY

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 2014. In the opinion of the Directors, Profit International Holdings Limited is the ultimate holding company of the Company.

INTERIM DIVIDEND

The Board declared an interim dividend of HK5 cents per ordinary share for the six months ended 30 June 2014, payable on or about 16 October 2014, to the shareholders whose names appear on the register of members of the Company on 26 September 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 24 September 2014 to 26 September 2014, 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 23 September 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

Total turnover for the six months ended 30 June 2014 (the "Period") has increased by 33.7% to HK\$489.9 million, as compared to HK\$366.4 million for the same period in 2013. The turnover analysis by category of products is as follows:

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Sales of electronic products	479,659	351,791
Sales of biodiesel products	7,527	14,454
Sales of energy saving products and services	2,740	128
	<u>489,926</u>	<u>366,373</u>

Sales of electronic products included the sales of finished electronic products; plastic moulds; plastic and other components for electronic products. The overall sales of electronic products during the Period had increased by 36.3% as compared to the same period in 2013, which was mainly due to increase in orders from customers in the United States and Hong Kong. Sales of electronic products to customers in the United States had increased by HK\$59.5 million and to customers in Hong Kong had increased by HK\$48.7 million respectively. The demand for the Group's major product, irrigation controllers, had remained strong during the Period.

The performance of the biodiesel products segment had worsened, with total turnover decreased from HK\$14.5 million in 2013 to HK\$7.5 million in 2014. The drop in turnover was mainly due to the expiry of the government contract for supply of B5 biodiesel on 30 April 2013, and there were no sales of biodiesel products to the government during the Period. The total sales of B5 biodiesel to the government during the same period in 2013 were HK\$7.4 million. Sales of biodiesel products to other customers had remained stable when compared to the same period in 2013.

The LED lighting equipment project (the "Suning EMC Project") with Suning Commerce Group Co., Ltd. ("Suning") continued during the Period. Up to 30 June 2014, the Group had completed the installation of LED lighting equipment with remote control system at about 200 retail stores of Suning, of which approximately 20 retail stores had completed all inspection procedures and energy saving revenue sharing confirmations had been signed with Suning. Energy saving revenue had been generated from these 20 retail stores since 2013. The inspection process for the remaining 180 retail stores is still in progress and will be completed during the third quarter of 2014. Energy saving revenue will be generated from these 180 retail stores after the inspection process is completed and energy saving revenue sharing confirmations are signed. During the Period, the Group had completed the LED lighting equipment installation work at Tianjin Centre Tangla Hotel (海航天津中心發展有限公司唐拉雅秀酒店), which is managed by the HNA Group Co., Ltd. at Tianjin, the PRC, and has commenced the sharing of energy saving revenue with the hotel. During the Period, the Group had also sold LED lighting products to a customer in Hong Kong. Total sales revenue from energy saving business segment during the Period was HK\$2.7 million, as compared to HK\$0.1 million in 2013.

In terms of geographical market, the United States continued to be the major market for the Group's products and accounted for approximately 55.1% of the total turnover for the Period (2013: 57.5%). On the other hand, sales to customers in Hong Kong had also increased due to increase in demand from customers. Sales to other territories were stable when compared to the same period in 2013. The Group will continue its efforts to secure new customers in different markets so that the turnover by geographical location can be distributed more evenly.

Gross profit

The overall gross profit margin for the Period was 17.8%, compared to 19.7% for the same period in 2013. The drop in gross profit margin was mainly due to the increase in production costs and overheads, and the increase in proportion of sales of lower margin electronic products to customers.

Operating expenses and other losses

During the Period, total administrative expenses had increased from HK\$36.0 million in 2013 to HK\$42.9 million, which was mainly due to the increase in staff costs. The net finance costs for the Period had increased slightly by HK\$0.2 million.

The fluctuation on the exchange rate of Renminbi against United States dollars had resulted in a fair value loss on derivative financial instruments as at 30 June 2014, amounted to HK\$39.1 million (2013: HK\$9.7 million). On 16 May 2013, there was a fire accident at one of the Group's warehouses at the PRC and the estimated loss due to the fire event was approximately HK\$8.3 million.

Net loss attributable to owners of the Company

Although the turnover and gross profit for the Period had increased by HK\$123.6 million and HK\$14.7 million respectively, there was a net loss attributable to owners of the Company of HK\$3.8 million for the Period, compared to a net profit of HK\$15.5 million in 2013. This was mainly due to the fair value loss on derivative financial instruments as at 30 June 2014.

PRODUCTION FACILITIES

The Group currently has four production plants in the PRC for the manufacturing of electronic products and components, three of which are located in Shenzhen, and one in Yangxi. During the Period, the Group spent approximately HK\$4.1 million to acquire new plant and machinery to enhance its production capacity.

The Group's biodiesel production facilities are located in Tuen Mun, Hong Kong with a current production capacity of approximately 18,000 tons of biodiesel on an annual basis.

The Group believes that the current production facilities for the electronic products segment and the biodiesel 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

The liquidity position of the Group remained healthy as at 30 June 2014. Most of the Group's liquid fund is placed as deposits at various banks. At 30 June 2014, the Group's total cash and cash equivalents, net of current bank overdrafts, amounted to HK\$99.1 million, compared to HK\$72.6 million as at 31 December 2013. The net funds are sufficient to finance the Group's working capital and capital expenditure plans.

At 30 June 2014, total borrowings of the Group amounted to HK\$206.7 million, comprising bank overdrafts of HK\$19.2 million, bank loans of HK\$108.8 million, bills payable and trust receipt loans of HK\$77.0 million and obligations under finance leases of HK\$1.7 million, all of which are denominated in either Hong Kong dollars or Renminbi.

The Group's trade receivable turnover, inventory turnover and trade payable turnover were approximately 47 days, 89 days and 68 days respectively for the six months ended 30 June 2014. 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 2014, the Group's current assets had increased by 9.9% to HK\$503.8 million compared to HK\$458.5 million as at 31 December 2013, and the Group's total current liabilities had increased by 25.2% to HK\$383.3 million compared to HK\$306.2 million as at 31 December 2013. The current ratio (current assets/current liabilities) as at 30 June 2014 was 1.31 times, and the current ratio at 31 December 2013 was 1.50 times.

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”). Pursuant to a resolution passed by the shareholders of the Company at the annual general meeting held on 29 May 2013, the Company has allotted and issued 31,442,000 bonus shares on 24 June 2013, credited as fully paid at par, on the basis of one new bonus share for every ten shares held by the shareholders of the Company whose names appeared on the register of members of the Company on 7 June 2013.

At 30 June 2014, the Company had in issue a total of 345,862,000 ordinary shares of HK\$0.01 each. As at 30 June 2014, the Company did not have any share options outstanding.

CASH FLOWS

The net balance of cash, cash equivalents and bank overdrafts at 30 June 2014 was HK\$99.1 million, which had increased by HK\$26.5 million compared to the balance at 31 December 2013.

The net cash generated from operating activities for the Period was HK\$23.0 million. The net cash used in investing activities amounted to HK\$3.3 million, which was mainly due to HK\$6.9 million paid for the acquisition of property, plant and equipment and HK\$2.9 million received from sale of available-for-sale financial assets.

On the other hand, there was a net cash inflow of HK\$6.8 million from financing activities. During the Period, new borrowings of HK\$55.0 million were obtained and HK\$15.4 million was used to repay bank borrowings and finance leases and HK\$27.7 million was paid to shareholders as dividend.

The Group has maintained an adequate level of cash flows for its business operations and capital expenditures.

CAPITAL EXPENDITURE

During the Period, the Group acquired property, plant and equipment at a total cost of HK\$6.9 million, financed by internal resources of the Group.

PLEDGE OF ASSETS

At 30 June 2014, the Group had total bank borrowings (excluding obligations under finance leases) of HK\$205.0 million, out of which HK\$42.0 million were secured by short-term bank deposits of HK\$10.5 million and trade receivables of HK\$1.7 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 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 condensed consolidated statement of financial position.

The gearing ratio of the Group as at 30 June 2014 was 5.3%. The Group did not have a net debt position at 31 December 2013.

CONTINGENT LIABILITIES

At both 30 June 2014 and 31 December 2013, the Group did not have any material contingent liabilities.

EMPLOYEES

At 30 June 2014, the Group had 2,976 employees, of which 83 were employed in Hong Kong and 2,893 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. Total staff costs, including directors' emoluments, incurred by the Group for the Period amounted to HK\$98.6 million.

The Company has also adopted a share option scheme on 22 June 2005. During the Period, no share options had been granted, exercised, cancelled or lapsed. As at 30 June 2014, there were no share options granted and remained outstanding under the share option scheme.

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.

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 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 2014, the notional amounts of outstanding forward foreign exchange contracts to buy Renminbi is approximately US\$13.0 million (approximately HK\$101.4 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.

OUTLOOK

The United States market and the Hong Kong market had shown significant growth during the first half of 2014 due to increase in orders from customers, and the Group expects that the demand from customers in these markets will remain strong during the second half of 2014. Although the turnover for the Period had increased by 33.7% as compared to the same period in 2013, the overall global economic environment for 2014 is still challenging. The Group will continue its efforts to tighten controls over production costs and overheads, and to improve production efficiency so as to maximize the gross profit margin. At the same time, the Group will continue to look for opportunities to explore new products, new customers and new markets. In particular, the signing of a manufacturing agreement for Wi-Fi products in May 2014 will broaden the Group's revenue base in the future. In view of the strong support from the PRC government in developing smart cities, the Group believes that there will be a strong demand for Wi-Fi products in the PRC. The Group expects that production of Wi-Fi products will commence in the last quarter of 2014.

In terms of geographical market, the United States continued to be the major market for the Group's electronic products, which accounted for 55.1% of the total sales for the six months ended 30 June 2014. The Group foresees that the United States will still be the major market for its products in 2014.

Regarding the biodiesel products segment, the non-renewal of the government contract for the supply of B5 biodiesel has affected the development of the Group's biodiesel business, and sales of biodiesel products had dropped by HK\$6.9 million. The demand from existing customers remained stable. As the general public in Hong Kong is becoming more and more conscious about environmental protection and air quality, the Group believes that the demand for green fuel in Hong Kong will increase in the future.

During the second half of 2013, the Group has been developing a new business on energy efficient gas stoves and has approached various potential customers in Hong Kong to promote the use of these gas stoves. Users of these gas stoves can save at least 40% gas consumption. Most of the potential customers that the Group has approached had keen interests in using these gas stoves and the negotiations with most of these customers are close to completion. The Group expects that revenue from energy efficient gas stoves will be generated from the fourth quarter of 2014.

Regarding the Suning EMC Project, the inspection procedures at approximately 180 retail stores of Suning are expected to be completed during the third quarter of 2014. The Group will continue the installation work at other retail stores of Suning during the second half of 2014. During the Period, the Group has entered into a LED lighting equipment installation contract with another hotel managed by the HNA Group Co., Ltd. at Beijing, the PRC. The LED lighting equipment installation work at this hotel has commenced and expects to be completed in the fourth quarter of 2014. The Group will continue its negotiation with HNA Group Co., Ltd. for the provision of energy saving business solutions to other hotels managed by HNA Group Co., Ltd..

Energy saving products such as LED lighting equipment can provide an additional stable source of income to the Group. Looking forward, the Group will continue to explore opportunities for energy saving projects with other potential customers, both in the PRC and in Hong Kong, 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.

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 announcement, in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (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.

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to prior business commitments, two independent non-executive Directors were unable to attend the annual general meeting of the Company held on 29 May 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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. Leung Kam Wah.

The Interim Financial Information has been reviewed by the Audit Committee at a meeting held on 29 August 2014, 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. Pang Kwong Wah and other current members include Mr. Lam Yin Kee, Ms. Yeung Po Wah, Mr. Yau Ming Kim, Robert and Mr. Leung Kam Wah.

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. Leung Kam Wah.

CHANGES IN INFORMATION OF DIRECTORS

There were no changes in directors’ information since publication of the 2013 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.

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

This announcement is 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>). The interim report for the period ended 30 June 2014 containing the information required by Appendix 16 of the Listing Rules will be dispatched to shareholders and published on the websites of the Company and the Stock Exchange in due course.

By order of the Board
Alltronics Holdings Limited
Lam Yin Kee
Chairman

Hong Kong, 29 August 2014

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

Executive Directors

Mr. Lam Yin Kee, Ms. Yeung Po Wah, 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. Leung Kam Wah