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 2017

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 2017 (the "Period") together with comparative figures for the corresponding period in 2016 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June 2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
Revenue	4	**675,543**	471,075
Cost of sales		**(463,702)**	(377,068)
Gross profit		**211,841**	94,007
Distribution costs		**(8,101)**	(3,997)
Administrative expenses		**(67,486)**	(47,527)
Other operating (expenses)/income, net		**(3,847)**	2,996
Operating profit		**132,407**	45,479
Share of losses of associates – net		**(690)**	(315)
Finance costs	6	**(55,930)**	(4,439)
Profit before tax	5	**75,787**	40,725
Income tax expense	7	**(14,994)**	(9,138)
Profit for the period		**60,793**	31,587
Attributable to:			
Owners of the Company		**57,111**	29,210
Non-controlling interests		**3,682**	2,377
		60,793	31,587
Earnings per share attributable to ordinary equity holders of the Company	8		
– Basic		**HK6.04 cents**	HK3.61 cents
– Diluted		**HK6.04 cents**	HK3.61 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**60,793**	31,587
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**5,235**	–
Other comprehensive income for the period, net of tax	**5,235**	–
Total comprehensive income for the period	**66,028**	31,587
Attributable to:		
Owners of the Company	**62,225**	29,210
Non-controlling interests	**3,803**	2,377
	66,028	31,587

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	**30 June 2017 (Unaudited) *HK$'000***	31 December 2016 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**223,683**	227,449
Investment property		**2,130,180**	–
Prepaid land lease payments		**1,645**	1,670
Goodwill		**11,672**	11,672
Investments in associates		**29,817**	30,507
Prepayments, deposits and other receivables		**21,744**	20,567
Long term receivables	*10*	**1,789**	3,541
Deferred tax assets		**2,251**	1,859
Total non-current assets		**2,422,781**	297,265
CURRENT ASSETS			
Inventories		**222,940**	210,799
Trade receivables	*11*	**202,038**	185,101
Long term receivables – current portion	*10*	**18,414**	19,673
Prepayments, deposits and other receivables		**163,115**	33,987
Financial assets at fair value through profit or loss		**–**	427
Pledged deposits		**8,709**	8,698
Cash and cash equivalents		**224,853**	333,629
Total current assets		**840,069**	792,314

	Notes	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
CURRENT LIABILITIES			
Trade and bills payables	*12*	**197,632**	202,137
Other payables and accruals		**87,265**	63,069
Deferred revenue		**1,047**	1,385
Tax payable		**12,471**	8,333
Interest-bearing bank and other borrowings		**513,550**	325,738
Total current liabilities		**811,965**	600,662
NET CURRENT ASSETS		**28,104**	191,652
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,450,885**	488,917
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**1,497,141**	1,097
Deferred revenue		**591**	1,054
Deferred tax liabilities		**442,526**	115
Total non-current liabilities		**1,940,258**	2,266
Net assets		**510,627**	486,651
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**9,461**	5,256
Reserves		**502,428**	486,460
		511,889	491,716
Non-controlling interests		**(1,262)**	(5,065)
Total equity		**510,627**	486,651

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, the provision of energy saving business solutions and operation of investment property. 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 46.48% of the Company's issued shares as at 30 June 2017 (At 31 December 2016: 46.48%). 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 2017 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 2016.

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 2016, except for the adoption of the revised standards as of 1 January 2017, noted below:

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Annual Improvements 2014-2016 Cycle	*Amendments to a number of HKFRSs*

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.

4 OPERATING 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 2017, 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;

(iii) the energy saving business segment – the provision of energy saving business solutions to customers; and

(iv) the investment property segment – the provision of property rental services 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.

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 2017 (Unaudited)

	Electronic products *HK$'000*	**Biodiesel products** *HK$'000*	**Energy saving business** *HK$'000*	**Investment property** *HK$'000*	**Total** *HK$'000*
Segment revenue:					
Sales to external customers	**595,817**	**1,871**	**69**	**–**	**597,757**
Revenue from services	**–**	**–**	**665**	**–**	**665**
Rental income	**–**	**–**	**–**	**77,121**	**77,121**
Total revenue	**595,817**	**1,871**	**734**	**77,121**	**675,543**

Six months ended 30 June 2016 (Unaudited)

	Electronic products *HK$'000*	Biodiesel products *HK$'000*	Energy saving business *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	465,407	1,862	3,047	470,316
Revenue from services	–	–	759	759
Total revenue	465,407	1,862	3,806	471,075

Geographical information

Revenue from external customers

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The United States	**294,340**	268,837
Hong Kong	**149,259**	72,828
Europe	**87,659**	92,910
Mainland China	**128,173**	27,745
Other countries	**16,112**	8,755
	675,543	471,075

The revenue information above is based on the locations of the customers.

For the six months ended 30 June 2017, revenues of approximately HK$226,096,000 (2016: HK$203,835,000) were derived from a single external customer. These revenues were attributable to the electronic products segment.

5 PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold and services provided	**311,335**	258,433
Auditors' remuneration	**1,073**	1,565
Depreciation	**8,417**	7,844
Amortisation of non-current prepayments	**1,434**	1,587
Amortisation of prepaid land lease payments	**25**	25
Written off/(back) of inventories to net realisable value	**1,910**	(226)
Wages and salaries (including directors' emoluments)	**103,744**	94,190
Loss on disposal of property, plant and equipment	**1**	696
Foreign exchange differences, net	**7,374**	(762)
Net loss from a fair value adjustment of investment property	**2,762**	–
Gain from bargain purchase	**(6,263)**	–
Realised loss on derivative instruments – net	**–**	2,410
Fair value gain on derivative instruments – transactions not qualifying as hedge	**–**	(3,876)
Operating lease payments on rented premises	**7,622**	8,136
Realised gain on disposal of equity investments at fair value through profit or loss	**(5)**	–
Fair value loss on equity investments at fair value through profit or loss	**–**	42
Interest income from bank deposits	**(562)**	(477)
Interest income from long term receivables	**(784)**	(612)

6 FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans and bank overdrafts	**55,893**	4,400
Interest element of finance leases	**37**	39
Total finance costs	**55,930**	4,439

7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current income tax expense		
– Hong Kong	**4,949**	3,564
– Mainland China	**11,933**	5,868
Deferred income tax credit	**(1,888)**	(294)
Total tax expense for the period	**14,994**	9,138

8 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 946,116,360 (2016: 809,316,360) in issue during the period. The weighted average number of ordinary shares is adjusted to reflect the effect of 420,496,160 bonus shares issued by the Company on the basis of eight bonus shares for every ten shares held by the shareholders on 9 June 2017. The issue of the bonus shares was completed on 23 June 2017. The weighted average number of ordinary shares in issue for the prior period was restated on the assumption that the bonus issue had been in place in prior period.

The Group had no potential dilutive ordinary shares in issue for the six months ended 30 June 2017 and 2016.

9 INTERIM DIVIDEND

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim dividend, proposed, of HK$0.03 (2016: HK$0.05) per ordinary share	**28,383**	22,481

The Board recommends the payment of an interim dividend of HK$0.03 per ordinary share for the six months ended 30 June 2017. The interim condensed consolidated financial statements do 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 2017 has been approved by the Board on 29 August 2017.

10 LONG TERM RECEIVABLES

	30 June 2017	31 December 2016
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Non-current long term receivables:		
Gross receivables	**2,387**	4,739
Less: unearned income	**(598)**	(1,198)
	1,789	3,541
Current long term receivables:		
Gross receivables	**20,377**	21,430
Less: unearned income	**(1,963)**	(1,757)
	18,414	19,673
Gross long term receivables:		
– No later than 1 year	**20,377**	21,430
– Later than 1 year and no later than 5 years	**2,387**	4,739
	22,764	26,169
Unearned future interest income from long term receivables	**(2,561)**	(2,955)
	20,203	23,214

11 TRADE RECEIVABLES

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Trade receivables	**202,038**	185,101
Less: provision for impairment of receivables	**–**	–
	202,038	185,101

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 2017, the Group's largest customer accounted for approximately 15.7% of the total trade receivables (31 December 2016: 13.6%). 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 diverse customers. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivable are non-interest-bearing.

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

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Within 1 month	**111,833**	114,290
1 to 2 months	**47,042**	45,204
2 to 3 months	**17,513**	18,825
Over 3 months	**25,650**	6,782
Total	**202,038**	185,101

12 TRADE AND BILLS PAYABLES

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

	30 June 2017 (Unaudited) ***HK$'000***	31 December 2016 (Audited) *HK$'000*
Within 1 month	**106,870**	92,201
1 to 2 months	**54,912**	79,553
2 to 3 months	**28,390**	20,182
Over 3 monthss	**7,460**	10,201
Total	**197,632**	202,137

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

INTERIM DIVIDEND

The Board declared an interim dividend of HK3.0 cents per ordinary share for the six months ended 30 June 2017, payable on or about 12 October 2017, to the shareholders whose names appear on the register of members of the Company on 22 September 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 19 September 2017 to 22 September 2017, 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 18 September 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Total turnover for the six months ended 30 June 2017 (the "Period") had increased by 43.4% to HK$675.5 million, as compared to HK$471.1 million for the same period in 2016. The substantial increase in turnover was mainly due to the increase in revenue from electronic products segment and the rental income recognised from the investment property acquired during the Period. The diversity of the Group's business has allowed the Group to maintain its revenue growth momentum in the first half of 2017.

The turnover analysis by business segments for the two periods is as follows:

	For the six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Revenue from sales of electronic products	**595,817**	465,407
Rental income from investment property held	**77,121**	–
Revenue from sales of biodiesel products	**1,871**	1,862
Revenue from energy saving business	**734**	3,806
	675,543	471,075

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$351.3 million in 2016 to HK$475.5 million in 2017. Sales of irrigation controller products to the largest customer of the Group in the United States had increased by approximately HK$22.3 million. Sales of walkie-talkie products had increased by approximately HK$74.0 million, of which HK$18.2 million being sales of walkie-talkie products to a new customer, Xian Feng Yu Technology Limited ("Xian Feng Yu"), which is one of the companies within the Xiaomi Ecosystem. On the other hand, sales revenue from other components for electronic products had increased by HK$6.3 million whereas the sales revenue from plastic moulds and components had remained stable during the Period.

On 24 January 2017, the Group had completed the acquisition of Bonroy Limited and its subsidiaries (the "Bonroy Group"). The principal asset of the Bonroy Group is the investment property known as "Pretty Shopping Centre" located at Beijing, The People's Republic of China (the "PRC"). The Group regards the holding of the investment property for rental income as a new business segment for the Period. Total rental income from Pretty Shopping Centre recognised during the Period was HK$77.1 million.

The operations of the biodiesel products segment continued to remain at a low level during the Period and the sales revenue remained stabled at HK$1.9 million.

Regarding the energy saving business segment, total revenue recognised during the Period was HK$0.7 million, as compared to HK$3.8 million in 2016. The revenue represented 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. In the prior period, the Group had completed the inspection procedures of a hotel operated by the HNA Group Co., Ltd. at Beijing and had recognised a revenue of HK$2.4 million. During the Period, there was no such revenue recognised from hotel operated by the HNA Group Co., Ltd.

In terms of geographical market, the United States continued to be the major market for the Group's products and services which accounted for approximately 43.6% of the total revenue for the Period (2016: 57.1%). Revenue from customers in the PRC had increased by HK$100.4 million mainly due to the rental income recognised from the investment property and the sales of walkie-talkie products to Xian Feng Yu. Sales to customers in Hong Kong had increased by HK$76.4 million while sales to customers in Europe had decreased by HK$5.3 million.

Gross profit

The overall gross profit margin had improved from 20.0% for the six months period ended 30 June 2016 to 31.4% for 2017. The increase in overall gross profit margin was mainly due to the increase in revenue and improvement in average gross profit margin from the electronic products segment; and the rental income of HK$77.1 million recognised during the Period. In view of the challenging market conditions, the Group had to continue its effort to tighten the controls over production costs and overheads, and to improve production efficiency so as to maximise the gross profit margin for the electronic product segment. During the period, the average gross profit margin for electronic products segment had increased from 20.4% in 2016 to 22.5% in 2017.

Expenses and finance costs

Administrative expenses had increased by HK$20.0 million and distribution costs had increased by HK$4.1 million during the Period. The increase in administrative expenses was mainly due to the administrative expenses of HK$19.5 million incurred by the Bonroy Group acquired during the Period. In addition, overall staff costs had also increased by HK$9.6 million. The increase in distribution costs was mainly due to increase in business volume.

Total finance costs had increased by HK$51.5 million which was mainly due to the interests of HK$50.9 million paid for the bank loans to finance the investment property.

Other operating income/expenses

During the Period, the acquisition of the Bonroy Group had resulted in a gain from bargain purchase of HK$6.3 million. The fair value of the investment property held by the Bonroy Group had been reassessed as at 30 June 2017 and a fair value loss of HK$2.8 million was incurred. There were no such items in the prior period.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the Period was HK$57.1 million, compared to HK$29.2 million for the same period in 2016. The increase was mainly due to the increase in revenue and the improvement in gross profit margin on electronic products segment, and the acquisition of the Bonroy Group which had resulted in a gain from bargain purchase of HK$6.3 million.

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$4.1 million to acquire property, plant and equipment to enhance its production capacity.

The Group will set up new production facilities for the electronic products segment at Yichun, the PRC, so as to cope with the increase in demand and for production of new products to be launched.

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 2017, the Group's total cash and cash equivalents, net of current bank overdrafts, amounted to HK$222.7 million. The net funds are sufficient to finance the Group's working capital and capital expenditure plans.

At 30 June 2017, total borrowings of the Group amounted to HK$2,010.7 million, comprising bank overdrafts of HK$2.1 million, bank loans of HK$2,005.5 million, trust receipt loans of HK$1.7 million and obligations under finance leases of HK$1.4 million, of which HK$284.2 million are denominated in Hong Kong dollars and HK$1,726.5 million are denominated in RMB.

The Group's trade receivable turnover, inventory turnover and trade payable turnover were approximately 52 days, 89 days and 78 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 2017, the Group's total current assets had increased by 6.0% to HK$840.1 million compared to HK$792.3 million as at 31 December 2016, and the Group's total current liabilities had increased by 35.2% to HK$812.0 million compared to HK$600.7 million as at 31 December 2016. The current ratio (current assets/current liabilities) as at 30 June 2017 was 1.03 times, compared to 1.32 times as at 31 December 2016. The drop in current ratio was mainly due to the increase in bank borrowings as included in current liabilities at 30 June 2017.

Pursuant to an ordinary resolution passed by the shareholders of the Company at the annual general meeting held on 1 June 2017, the Company had issued 420,496,160 bonus shares on 23 June 2017. During the Period, the Company had not issued any other 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 2017, the Company had in issue a total of 946,116,360 ordinary shares. A new share option scheme (the "2016 Share Option Scheme") has been adopted by the shareholders of the Company 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 2017, the Company did not have any share options outstanding.

CASH FLOWS

The net balance of cash, cash equivalents and bank overdrafts at 30 June 2017 was HK$222.7 million, which had decreased by HK$107.2 million compared to the balance at 31 December 2016.

The net cash generated from operating activities for the Period was HK$27.3 million. The net cash used in investing activities amounted to HK$4.6 million, which was mainly due to HK$4.1 million paid for the acquisition of property, plant and equipment.

On the other hand, there was a net cash outflow of HK$134.2 million from financing activities. During the Period, new borrowings of HK$3.0 million were obtained and HK$44.2 million was used to repay borrowings and finance leases, HK$50.9 million was paid as interests for the bank loans to finance the investment property and HK$42.1 million was paid to shareholders as dividend.

CAPITAL EXPENDITURE

During the Period, the Group acquired property, plant and equipment at a total cost of HK$4.1 million, mainly financed by internal resources of the Group. The Group has also completed the acquisition of the Bonroy Group on 24 January 2017 at a cash consideration of United States dollar 1. The principal asset of the Bonroy Group is the investment property located at Beijing. Details of the acquisition are set out in the circular dated 23 December 2016 issued by the Company.

PLEDGE OF ASSETS

At 30 June 2017, the Group had total bank borrowings (excluding obligations under finance leases) of HK$2,009.3 million, out of which HK$1,726.5 million were secured by the investment property of HK$2,130.2 million; HK$66.4 million were secured by the leasehold property of HK$182.7 million and HK$13.3 million were secured by short-term bank deposits of HK$8.7 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 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 2017, the gearing ratio of the Group was 349.4% (2016: 24.3%). The significant increase in the gearing ratio was due to the bank loans of HK$1,726.5 million (RMB1,500 million) acquired from the Bonroy Group. These bank loans are secured by the Group's investment property with a carrying value of HK$2,130.2 million as at 30 June 2017.

CONTINGENT LIABILITIES

On 15 November 2016, 北京金馬長城房產建設有限責任公司 (Beijing Jinma Changcheng Real Estate Construction Co., Ltd) ("Jinma Changcheng") as plaintiff instituted litigation against Beijing Wan Heng Da Investment Company Limited ("Beijing Wan Heng Da"), being a wholly-owned subsidiary of the Bonroy Group, as defendant in respect of the dispute on possession of properties, to claim for (i) Beijing Wan Heng Da to vacate the premises located at 2-05, 2-06, second floor of the Pretty Shopping Centre, the venue of 286.09 sq.m. at the West Exit on the first floor of Pretty Shopping Centre, the venue with an additional floor area of 501.74 sq.m. on the elevated corridor on the first floor of the Pretty Shopping Centre and the venue with an additional floor area of 212.02 sq.m. at the west-side tunnel on the second floor of the Pretty Shopping Centre (the "Disputed Properties"); (ii) payment of a daily occupation fee of Renminbi 19,719.3 by Beijing Wan Heng Da for the period from 1 January 2016 and until the date of actual relocation; and (iii) costs of the litigation in respect of the case shall be borne by Beijing Wan Heng Da. On 10 March 2017, Beijing Wan Heng Da as plaintiff instituted litigation against 北京市規劃和國土資源管理委員會 and Jinma Changcheng claiming that legal title certificates for the Disputed Properties are not properly and legally issued and should be voided. As at the date of this announcement, the above litigations are pending to be heard by court and final court decision has not been made. Taking into consideration of the legal opinion prepared by the legal advisor of Beijing Wan Heng Da, the Directors believe that the claims made by Jinma Changcheng are without legal grounds and will not have material impact to financial statements of Beijing Wan Heng Da and the Group.

Save as disclosed above, at both 30 June 2017 and 31 December 2016, the Group did not have any material contingent liabilities.

EMPLOYEES

At 30 June 2017, the Group had 3,002 employees, of which 79 were employed in Hong Kong and 2,923 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.

No share options had been granted, exercised, lapsed or cancelled since the adoption of the 2016 Share Option Scheme. As at 30 June 2017, 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.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's sales are denominated in United States dollars and Renminbi 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. The Group's investment property is located in the PRC and all rental income is receivable in 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. 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. These were for hedging against foreign exchange risk exposure relating to the production costs and certain outstanding payables denominated in Renminbi. As at 30 June 2017, the Group did not have any outstanding forward foreign exchange contracts. 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

Electronic Products Segment

The Group foresees that the global economic environment in the second half of 2017 will remain uncertain. Factors such as the risk of fluctuation of exchange rate of Renminbi against United States dollars and Hong Kong dollars; the risk of fluctuation of interest rate; 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.

Management foresees that the demand for the Group's irrigation controllers and other major electronic products will remain to be strong in the second half of 2017. In addition, new products including walkie-talkie products manufactured for Xian Feng Yu and a newly developed photolysis air purifiers will provide strong momentum for the growth in revenue in the second half of 2017 and in 2018. The Group has confidence that the overall performance of the electronic business segment will remain strong during the second half of 2017.

In terms of geographical market, the Group foresees that United States will still be the major market for its products in 2017. The Group will continue to devote efforts to explore new markets and new customers to broaden its customer base.

Yichun Yilian Print Tech. Co., Ltd. ("Yichun Yilian") is currently a 42.34% owned associate of the Group, which is established in the PRC and principally engaged in the manufacturing and sale of printers and other accessory products, and the provision of on-line printing services on a charge-by-page basis. During the Period, two strategic investors had injected additional capital of Renminbi 36.0 million in aggregate into Yichun Yilian. As at 30 June 2017, Yichun Yilian has distributed over 3,500 printers to over 120 universities and colleges in the PRC to provide on-line printing services on a charge-by-page basis. Yichun Yilian foresees that revenue from the on-line printing services will become the major source of revenue in future. The Group also expects that contribution from Yichun Yilian to the Group will become more and more significant.

Yichun Yilian has entered into an industrial investment agreement (the "Investment Agreement") with the Government of Yuanzhou District, Yichun, Jiangxi Province, the PRC. Pursuant to the terms of the Investment Agreement, Yichun Yilian was granted with the right to use an industrial park (the "Industrial Park") located in Yuanzhou, with total gross floor area of approximately 200,000 square meters. Yichun Yilian has the right to use the Industrial Park for 50 years. The Government of Yuanzhou District will be responsible for the infrastructure and construction costs of the Industrial Park, including construction of the workers dormitory. Yichun Yilian will be responsible for setting up production facilities for printers and accessories products in the Industrial Park, with annual output of approximately 800,000 laser printers and 10,000,000 cartridges for laser printers. Yichun Yilian would introduce other manufacturers to set up production facilities in the Industrial Park so as to increase the employment rate of the local workers and to increase the tax revenue of the local government.

As the Group's production facilities for electronic products and components currently located in Shenzhen are close to full capacity, the Group will set up new production facilities for its electronic products and components in the Industrial Park so as to expand its overall production capacity to cope with the increase in demand and for production of new products to be launched.

The Group will continue to explore opportunities for new electronic products with other potential customers so as to broaden its revenue base and to maintain its growth momentum.

Investment property segment

In order to attract more prominent and prestigious tenants and to increase the future rental income, the Group has decided to carry out renovation work at Pretty Shopping Centre. As at the date of this announcement, the renovation work is still in progress and is expected to be completed in the first quarter of 2018.

Biodiesel products segment

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 2017.

As of 30 June 2017, about 100 energy efficient gas stoves had been installed for customers in Hong Kong. The Group expects that the operations of the energy efficient gas stoves business will growth steady in the second half of 2017.

Energy saving business

The installation work for the Suning EMC Project continued during the Period and as at 30 June 2017, approximately 660 retail stores of Suning have completed the installation work. The Group will continue the installation work at other retail stores of Suning during the second half of 2017.

Looking forward, the Group will continue to explore opportunities for new products and projects with other potential customers in Hong Kong, in the PRC and overseas, and will continue to look for investment opportunity 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 maximize 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 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. Yen Yuen Ho, Tony.

The interim condensed consolidated financial statements have has been reviewed by the Audit Committee at a meeting held on 29 August 2017, 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.

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 announcement, the changes in directors' information since publication of the 2016 annual report of the Company are as follows:

(a) Mr. Meng Fei was appointed as an executive director of the Company with effect from 1 June 2017; and

(b) Mr. Lin Kam Sui was appointed as an independent non-executive director of the Company with effect from 1 June 2017.

Save as disclosed above, there were no other changes in directors' information since publication of the 2016 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 2017 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 2017

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

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

Non-executive Directors
Mr. Fan, William Chung Yue and Mr. Lau Fai Lawrence

Independent Non-executive Directors
Mr. Pang Kwong Wah, Mr. Yau Ming Kim, Robert, Mr. Yen Yuen Ho, Tony and Mr. Lin Kam Sui