



Allan International Holdings Limited
(Incorporated in Bermuda with limited liability)

(Stock Code: 0684)

Interim Report 2006/2007

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cheung Lun (*Chairman*)

Mr. Cheung Shu Wan

(*Managing Director*)

Ms. Cheung Lai Chun, Maggie

Ms. Cheung Lai See, Sophie

Mr. Cheung Pui

Independent Non-Executive Directors

Dr. Chan How Chun

Mr. Lai Ah Ming, Leon

Professor Lo Chung Mau

COMPANY SECRETARY

Ms. Lui Pik Siu

QUALIFIED ACCOUNTANT

Ms. Wong Lai Yung

AUDIT COMMITTEE

Dr. Chan How Chun

Mr. Lai Ah Ming, Leon

Professor Lo Chung Mau

AUDITORS

Deloitte Touche Tohmatsu

Certified Public Accountants

35th Floor

One Pacific Place

88 Queensway

Hong Kong

LEGAL ADVISERS ON BERMUDA LAW

Conyers, Dill and Pearman

2901 One Exchange Square

8 Connaught Place

Central

Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai

Banking Corporation Limited

Hang Seng Bank Limited

UBS AG

Liu Chong Hing Bank Limited

SHARE REGISTRARS AND TRANSFER OFFICE

The Bank of Bermuda Limited

6 Front Street

Hamilton HM 11

Bermuda

HONG KONG BRANCH REGISTRARS AND TRANSFER OFFICE

Standard Registrars Limited

26th Floor

Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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STOCK CODE

0684

INDEPENDENT REVIEW REPORT



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太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

TO THE BOARD OF DIRECTORS OF ALLAN INTERNATIONAL HOLDINGS LIMITED

亞倫國際集團有限公司

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 4 to 15.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 “Engagements to Review Interim Financial Reports” issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 September 2006.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

14 December 2006

RESULTS

The board of directors of Allan International Holdings Limited announces the unaudited consolidated results of the Company and its subsidiaries (“the Group”) for the six months ended 30 September 2006 together with the comparative figures for the six months ended 30 September 2005, as follows:–

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

		Six months ended	
		30 September	
		2006	2005
		(Unaudited)	(Unaudited)
	NOTES	HK\$'000	HK\$'000
Revenue	4	524,766	418,328
Cost of sales		<u>(435,116)</u>	<u>(348,776)</u>
Gross profit		89,650	69,552
Other income		3,577	677
Net investment income		2,747	2,134
Distribution costs		(14,072)	(12,139)
Administrative expenses		(48,317)	(43,552)
Interest on bank borrowings		<u>(497)</u>	<u>(357)</u>
Profit before tax	5	33,088	16,315
Income tax expense	6	<u>(4,908)</u>	<u>(2,527)</u>
Profit for the period		<u>28,180</u>	<u>13,788</u>
Dividend paid	7	<u>20,126</u>	<u>20,126</u>
Earnings per share	8		
Basic		<u>8.40 cents</u>	<u>4.11 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2006

		30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
	<i>NOTES</i>		
Non-current assets			
Investment property	9	4,540	4,540
Property, plant and equipment	9	119,291	129,137
Prepaid lease payments		20,442	20,579
Available-for-sale investments		44,375	43,434
Deposits paid for the acquisition of property, plant and equipment		1,682	926
Deposit paid for the acquisition of land use right in the People's Republic of China ("PRC")	10	21,190	–
		211,520	198,616
Current assets			
Inventories		88,540	66,679
Available-for-sale investments		1,627	1,556
Trade receivables and bills receivable	11	210,592	143,337
Other receivables		8,300	2,562
Mould deposits paid		2,457	10,031
Prepaid lease payments		273	273
Tax recoverable		322	1,444
Time deposits and money fund held for investment		78,091	135,242
Bank balances and cash		103,256	51,918
		493,458	413,042

		30 September	31 March
		2006	2006
		(Unaudited)	(Audited)
	<i>NOTES</i>	HK\$'000	HK\$'000
Current liabilities			
Trade payables and bills payable	12	150,598	74,107
Other payables		51,545	35,830
Mould deposits received		5,898	13,995
Tax payable		7,509	3,034
Secured bank loans			
– due within one year		5,953	5,846
		221,503	132,812
Net current assets		271,955	280,230
		483,475	478,846
Capital and reserves			
Share capital	13	33,543	33,543
Reserves		430,538	420,840
		464,081	454,383
Non-current liabilities			
Deferred taxation		12,416	14,480
Secured bank loans			
– due after one year		6,978	9,983
		19,394	24,463
		483,475	478,846

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Acc- umulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2005	33,543	109,884	793	(5,236)	306,763	445,747
Loss on fair value changes of available-for-sale investments	-	-	-	(493)	-	(493)
Investment revaluation reserve released on disposal of available-for-sale investments	-	-	-	365	-	365
Net expense recognised directly in equity	-	-	-	(128)	-	(128)
Profit for the period	-	-	-	-	13,788	13,788
Total recognised income (expenses) for the period	-	-	-	(128)	13,788	13,660
Dividend paid	-	-	-	-	(20,126)	(20,126)
At 30 September 2005 and 1 October 2005	33,543	109,884	793	(5,364)	300,425	439,281
Loss on fair value changes of available-for-sale investments	-	-	-	(1,097)	-	(1,097)
Investment revaluation reserve released on disposal of available-for-sale investments	-	-	-	(443)	-	(443)
Net expense recognised directly in equity	-	-	-	(1,540)	-	(1,540)
Profit for the period	-	-	-	-	23,351	23,351
Total recognised (expense) income for the period	-	-	-	(1,540)	23,351	21,811
Dividend paid	-	-	-	-	(6,709)	(6,709)
At 31 March 2006 and 1 April 2006	33,543	109,884	793	(6,904)	317,067	454,383
Gain on fair value changes of available-for-sale investments	-	-	-	1,314	-	1,314
Investment revaluation reserve released on disposal of available-for-sale investments	-	-	-	330	-	330
Net income recognised directly in equity	-	-	-	1,644	-	1,644
Profit for the period	-	-	-	-	28,180	28,180
Total recognised income for the period	-	-	-	1,644	28,180	29,824
Dividend paid	-	-	-	-	(20,126)	(20,126)
At 30 September 2006	<u>33,543</u>	<u>109,884</u>	<u>793</u>	<u>(5,260)</u>	<u>325,121</u>	<u>464,081</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

	Six months ended	
	30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash from operating activities	43,644	7,600
Net cash from investing activities		
Acquisition of property, plant and equipment	(13,457)	(18,943)
Deposit paid for the acquisition of land use right in the PRC	(21,190)	–
Decrease in time deposits and money fund held for investment	57,151	18,393
Proceeds from disposal of available-for sale investments	4,935	20,997
Other investing cash flows	3,279	(6,884)
	30,718	13,563
Net cash used in financing activities		
Dividend paid	(20,126)	(20,126)
New bank loan raised	–	10,500
Repayment of bank loans	(2,898)	(1,843)
	(23,024)	(11,469)
Net increase in cash and cash equivalents	51,338	9,694
Cash and cash equivalents at beginning of the period	51,918	87,774
Cash and cash equivalents at end of the period, represented by bank balances and cash	103,256	97,468

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, respectively.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 March 2006 except as described below.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustments have been required.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these HKFRSs will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC) – INT 8	Scope of HKFRS 2 ³
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives ⁴
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment ⁵

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 March 2006

³ Effective for annual periods beginning on or after 1 May 2006

⁴ Effective for annual periods beginning on or after 1 June 2006

⁵ Effective for annual periods beginning on or after 1 November 2006

4. SEGMENT INFORMATION

Geographical segments

For management purposes, the Group is currently organised into four major geographical segments based on the destination of shipment of products. These segments are the basis on which the Group reports its primary segment information.

Six months ended 30 September 2006

	Europe (Unaudited) HK\$'000	America (Unaudited) HK\$'000	Asia (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue	<u>288,753</u>	<u>114,051</u>	<u>104,795</u>	<u>17,167</u>	<u>524,766</u>
Segment result	<u>18,231</u>	<u>4,212</u>	<u>7,316</u>	<u>1,079</u>	<u>30,838</u>
Net investment income					2,747
Interest on bank borrowings					(497)
Profit before tax					<u>33,088</u>
Income tax expense					<u>(4,908)</u>
Profit for the period					<u><u>28,180</u></u>

Six months ended 30 September 2005

	Europe (Unaudited) <i>HK\$'000</i>	America (Unaudited) <i>HK\$'000</i>	Asia (Unaudited) <i>HK\$'000</i>	Others (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Segment revenue	<u>204,904</u>	<u>116,300</u>	<u>84,690</u>	<u>12,434</u>	<u>418,328</u>
Segment result	<u>8,623</u>	<u>2,318</u>	<u>3,211</u>	<u>386</u>	14,538
Net investment income					2,134
Interest on bank borrowings					<u>(357)</u>
Profit before tax					16,315
Income tax expense					<u>(2,527)</u>
Profit for the period					<u>13,788</u>

The Group's business is affected by seasonal trend, with high level of revenue during the second quarter of the fiscal year. This trend results primarily from the seasonal shipments to the customers prior to the holiday shopping period.

5. PROFIT BEFORE TAX

	Six months ended	
	30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax has been arrived at after charging (crediting) the following items:		
Interest income	(3,246)	(1,970)
Net loss (gain) on sale of available-for-sale investments	<u>499</u>	<u>(70)</u>
Net investment income	<u>(2,747)</u>	<u>(2,040)</u>
Amortisation of prepaid lease payments	137	131
Depreciation on property, plant and equipment	<u>17,560</u>	<u>22,713</u>
Total depreciation and amortisation	<u>17,697</u>	<u>22,844</u>
Gain on disposal of property, plant and equipment	<u>(347)</u>	<u>(127)</u>

6. INCOME TAX EXPENSE

	Six months ended	
	30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Current tax		
– Hong Kong Profits Tax calculated at 17.5% on the estimated assessable profit	5,564	3,393
– Income tax in other regions of PRC calculated at prevailing rates	1,408	1,744
	6,972	5,137
Deferred tax		
– Current period	(2,064)	(2,610)
	4,908	2,527

7. DIVIDENDS

On 12 September 2006, a dividend of HK6 cents per share (2005: HK6 cents per share) was paid to the shareholders as the final dividend for the year ended 31 March 2006.

The board of directors have determined that an interim dividend of HK3 cents (2005: HK2 cents) per share shall be paid on or before 15 January 2007 to the shareholders of the Company whose names appear on the Register of Members on 5 January 2007.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	Six months ended	
	30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings for the purpose of basic earnings per share	<u>28,180</u>	<u>13,788</u>

	Six months ended	
	30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	Number	Number
	of shares	of shares
Number of ordinary shares for the purpose of basic earnings per share	<u>335,432,520</u>	<u>335,432,520</u>

9. MOVEMENTS IN INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group disposed of certain property, plant and equipment with a carrying amount of approximately HK\$5,743,000 for proceeds of approximately HK\$6,090,000, resulting in a profit on disposal of approximately HK\$347,000.

In addition, the Group spent approximately HK\$5,655,000 on moulds and tools, HK\$631,000 on factory building and HK\$4,883,000 on plant and machinery in upgrading its manufacturing capabilities. The Group also spent approximately HK\$1,401,000 on furniture and fixtures and HK\$887,000 on motor vehicle.

At 30 September 2006, the directors considered the carrying amount of the Group's investment property and property, plant and equipment do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

10. DEPOSIT PAID FOR THE ACQUISITION OF LAND USE RIGHT IN THE PRC

At 30 September 2006, the Group paid approximately HK\$21,190,000 (2005: nil) for the acquisition of land use rights for the two parcels of land in the PRC for future expansion of the manufacturing base.

11. TRADE RECEIVABLES AND BILLS RECEIVABLE

The Group allows a credit period of up to 90 days to its trade customers. The following is an aged analysis of trade receivables and bills receivable at the balance sheet date:

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
0 – 90 days	210,592	140,776
91 – 120 days	–	2,561
	<u>210,592</u>	<u>143,337</u>

12. TRADE PAYABLES AND BILLS PAYABLE

The following is an aged analysis of trade payables and bills payable at the balance sheet date:

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
0 – 90 days	150,037	74,107
91 – 120 days	561	–
	<u>150,598</u>	<u>74,107</u>

13. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
<i>Authorised:</i>		
At 1 April 2006 and at 30 September 2006	<u>600,000,000</u>	<u>60,000</u>
<i>Issued and fully paid:</i>		
At 1 April 2006 and at 30 September 2006	<u>335,432,520</u>	<u>33,543</u>

14. CAPITAL COMMITMENTS

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for in the financial statements	5,698	193
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	919	383
	<u>6,617</u>	<u>576</u>

15. RELATED PARTY TRANSACTIONS

During the period, rental expenses paid and payable to Allan Investment Company Limited amounted to HK\$450,000 (30.9.2005: HK\$450,000) and to Income Village Limited amounted to HK\$102,000 (30.9.2005: HK\$102,000) and to Fair Pacific Limited amounted to HK\$169,800 (30.9.2005: HK\$170,000).

Mr. Cheung Lun, Mr. Cheung Pui, Mr. Cheung Shu Wan, Ms. Cheung Lai Chun, Maggie and Ms. Cheung Lai See, Sophie, directors of the Company, were interested in these transactions as they are also directors and/or substantial shareholders of the above mentioned companies.

In addition, the Group also paid rentals of HK\$148,410 (30.9.2005: HK\$45,000) to Mr. Cheung Pui.

During the period, the emoluments paid to the directors amounted to HK\$9,241,000 (2005: HK\$5,251,000). There is no key management personnel other than the directors of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

For the six months ending 30 September 2006, the Group's sales turnover increased by 25% to HK\$524,766,000 (2005: HK\$418,328,000) and the consolidated net profit increased to HK\$28,180,000 (2005: HK\$13,788,000). Basis earnings per share of the Group increased to HK8.4 cents (2005: HK4.1 cents). The Board of directors have resolved that an interim dividend of HK3 cents (2005: HK2 cents) per share to be paid in January 2007.

The Group manufactures a wide range of household electrical appliances. Geographically, turnover to Europe increased by 41% to HK\$288,753,000 representing 55% of the Group's turnover. Turnover to America decreased by 2% to HK\$114,051,000 representing 22% of the Group's turnover. Turnover to Asia increased by 24% to HK\$104,795,000 representing 20% of the Group's turnover. Turnover to other markets increased by 38% to HK\$17,167,000 representing 3% of the Group's turnover.

The past few years had been extremely difficult for the manufacturing industry. Oil prices kept increasing and recorded historical high. Raw material prices had been volatile and remained at high levels. Manufacturers in the PRC were faced with inadequate supply of electricity and shortage of labour. With all these adverse factors, the Group strived on and concentrated persistently in cost control, improvements in production efficiency and new product development. Our persistent efforts have paid off with positive results. Our new product ranges with higher average selling price contributed to the increase in sales turnover and our focus in cost control and production efficiency has allowed us to maintain our gross margin at 17% of turnover.

During the period under review, distribution costs were maintained at 3% of turnover while administrative expenses improved by 1 percentage point to 9% of turnover. Comparing the same period of the previous year, net profit margin improved from 3% to 5% of turnover

PROSPECTS

Looking ahead, we expect the overall business environment would continue to be tough and competitive. We would continue to focus in cost control, production efficiency, new product design and development and providing superior value-added service to our customers.

In December 2006, our manufacturing facility in the PRC has successfully completed the audit for the Environment Management System ISO14001:2004 and is now waiting for the official accreditation documents. We would continue to adhere stringently to all legal requirements and regulations on environmental protection.

The Group has paid for the land use rights for 2 parcels of land in Huizhou, Guangdong Province in the PRC at consideration of approximately RMB10,479,000 and RMB10,800,000 respectively for future expansion of our manufacturing base. The development is expected to be made in several phases. Currently, we are working on the plan for the first phase of development. We expect the construction for first phase, with a budget of approximately HK\$70 million, would begin at the beginning of fiscal 2007/08. With our strong financial position and available bank facilities, we are confident that we can meet the capital requirement for the expansion.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2006, the Group had total assets of HK\$704,978,000 (31 March 2006: HK\$611,658,000) which was financed by current liabilities of HK\$221,503,000 (31 March 2006: HK\$132,812,000), long-term liabilities and deferred taxation of HK\$19,394,000 (31 March 2006: HK\$24,463,000) and shareholders' equity of HK\$464,081,000 (31 March 2006: HK\$454,383,000).

The Group continued to maintain a strong balance sheet and a healthy liquidity position. As at 30 September 2006, the group held HK\$181,347,000 (31 March 2006: HK\$187,160,000) in cash and bank deposits. They were mainly placed in US dollar short-term deposits except for temporary balances held in such non-US currencies as required pending specific payments. For the six months ending 30 September 2006, the Group generated net cash inflow from operating activities of HK\$43,644,000. As at 30 September 2006, total borrowings were HK\$12,931,000 (31 March 2006: HK\$15,829,000) and the gearing ratio (ratio of total borrowings to shareholders' equity) remained low at 3% (31 March 2006: 3%).

Funding for operational working capital and capital expenditures are financed by internal cash flow. With our strong financial position and available banking facilities, we are confident that sufficient financial resources can be provided for our current commitments, working capital requirements, further expansions of the Group's business operations and future investment opportunities, as and when required.

Most of the Group's transactions were conducted in US dollars, Hong Kong dollars and Renminbi. Although the Group was not exposed to material foreign exchange rate risk, we will closely monitor the exposure and will consider hedging should the need arise.

PLEDGE OF ASSETS

The Group has pledged certain prepaid lease payments and buildings having a net book value of approximately HK\$9,681,000 to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30 September 2006, the Group did not have any significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

Currently, the Group employed approximately 4,300 employees. The majority of our employees work in the PRC. The Group remunerated our employees based on their performances, experiences and prevailing market rates while performances bonus are granted on a discretionary basis. Share options may also be granted to employees based on individual performance and attainment of certain set targets.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2006, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”), were as follows:

Ordinary shares of HK\$0.10 each of the Company

Name	Capacity	Number of ordinary shares held			Total	Approximate % of the issued share capital of the Company
		Personal Interest	Corporate Interest	Other interest		
Mr. Cheung Lun	Founder of discretionary trust			142,697,960 (Note 1)	142,697,960	42.54%
Mr. Cheung Shu Wan	Beneficial Owner	38,888,400				
	Held by controlled corporation – Topsail Investments Inc. (Note 2)		6,694,935			
	Beneficiary of trust			142,697,960 (Note 1)		
					188,281,295	56.13%
Ms. Cheung Lai Chun, Maggie	Beneficial Owner	600,000				
	Beneficiary of trust			142,697,960 (Note 1)		
					143,297,960	42.72%
Ms. Cheung Lai See, Sophie	Beneficial Owner	500,000				
	Beneficiary of trust			142,697,960 (Note 1)		
					143,197,960	42.69%
Mr. Cheung Pui	Beneficial Owner	1,000,000			1,000,000	0.30%

Notes:

- (1) The references to 142,697,960 shares relate to the same block of shares in the Company, of which 134,821,960 shares are held by Allan Investment Company Limited (“AICL”), 3,876,000 shares are held by Commence Investment Limited (“CIL”) and 4,000,000 shares are held by Unison Associates Limited (“UAL”). AICL and CIL are owned as to 89.0% and 100% by UAL respectively. Mr. Cheung Lun is the settlor of The Cheung Lun Family Trust (“Trust”). Credit Suisse Trust Limited as trustee of the Trust holds 100% of the shareholding of UAL and the discretionary beneficiaries of the Trust are, among others, Mr. Cheung Shu Wan, Ms. Cheung Lai Chun, Maggie and Ms. Cheung Lai See, Sophie.
- (2) Topsail Investments Inc. is a company wholly-owned by Mr. Cheung Shu Wan.

Save as disclosed above, none of the directors or chief executives of the Company had, as at 30 September 2006, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 30 September 2006, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified to the Company were as follows:

Long Positions of Substantial Shareholders in the Shares of the Company

Name of Shareholder	Capacity	Number of Ordinary Shares	Approximate % of Shareholding
Credit Suisse Trust Limited	Trustee	142,697,960	42.54%
Unison Associates Limited	Held by controlled corporation	138,697,960	41.35%
	Beneficial Owner	4,000,000	1.19%
Allan Investment Company Limited	Beneficial Owner	134,821,960	40.19%
Webb, David Michael	Beneficial Owner	2,670,000	0.80%
	Held by controlled corporation	17,462,000 (Note 1)	5.21%
Preferable Situation Assets Limited	Beneficial Owner	16,816,000 (Note 1)	5.01%
J.P. Morgan Chase & Co.	Investment Manager	16,862,061 (Note 2)	5.03%

Notes:

- (1) The reference to 17,462,000 shares above are held by Preferable Situation Assets Limited, a company 100% controlled by Mr. Webb, David Michael. According to a notice subsequently filed pursuant to Part XV of the SFO, the shareholding of Preferable Situation Assets Limited in the Company was increased from 16,816,000 shares to 17,462,000 Shares.
- (2) J.P. Morgan Chase & Co.'s Interests in the Company are held through its subsidiaries, J.P. Morgan Investment Management Inc., J.P. Morgan Fleming Asset Management (Asia) Inc., J.P. Morgan Fleming Asset Management Holdings Inc. and JF Asset Management Limited, all of which are wholly owned subsidiaries except JP Asset Management Limited which is 99.99% held by J.P. Morgan Chase & Co.

Save as disclosed above, as at 30 September 2006, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

On 20 August 2002 (“Adoption Date”), the then Shareholders of the Company passed a resolution to adopt the Share Option Scheme (the “Scheme”) of the Company. The Scheme will remain in force for a period of ten years from the Adoption Date. At 30 September 2006, no option has been granted by the Company pursuant to the Scheme.

CLOSURE OF REGISTER

The Register of Shareholders will be closed from 3 January 2007 to 5 January 2007, both days inclusive, during which period no transfer of shares will be effected.

All transfers, accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrars, Standard Registrars Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 2 January 2007 in order to qualify for the interim dividend above mentioned.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2006, there was no purchase, sale or redemption of the shares by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2006, save for the following deviations:

Code Provision A.4.1

Under this code provision, the non-executive directors should be appointed for a specific term, subject to re-election.

Currently, none of the three independent non-executive directors is appointed for a specific term. However, all independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Bye-Laws of the Company, and the terms of their appointment will be reviewed when they are due for re-election. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the Code.

Code Provision A.4.2

Under this code provision, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Bye-Laws of the Company, one third of the directors are subject to rotation at each annual general meeting and the Chairman and/or the Managing Director of the Company is not subject to retirement by rotation, which constitutes a deviation from Code Provision A.4.2. The reason for the deviation is that the Directors of the Company do not consider that arbitrary term limits on Director's service are appropriate and the retirement by rotation has given the Company's shareholders the right to approve continuation of the service of the directors.

Code Provision B.1.1

Under this code provision, the Company should establish a remuneration committee with terms of reference which deal clearly with its authority and duties.

The Board is in the opinion that the establishment of a remuneration committee as required by code provision B.1.1 is not justified after consideration of the size of the Group and the associated costs involved.

Code Provision E.1.2

Under this code provision, the Chairman of the Board should attend the annual general meeting.

The Chairman of the Board had not attended the annual general meeting of the Company held on 1 September 2006. The Chairman will endeavour to attend all future annual general meetings of the Company unless unexpected or special circumstances prevent him from doing so.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its Code of Conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have confirmed that they have complied with the required standards set out in the Model Code as provided in Appendix 10 of the Listing Rules.

REVIEW OF UNAUDITED INTERIM FINANCIAL STATEMENT

The Audit Committee and the external auditors have reviewed the unaudited interim financial statements of the Group for the six months ended 30 September 2006. The Committee now comprises three independent non-executive directors of the Company.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE

A detailed announcement of interim results of the Group for the six months ended 30 September 2006 containing all information required by paragraph 46(1) to 46(9) of Appendix 16 of the Listing Rules of the Stock Exchange of Hong Kong Limited, will be published on the website of the Stock Exchange in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our sincere appreciation to our employees, shareholders and business associates for their contribution and support throughout the year.

On behalf of the Board
Cheung Shu Wan
Managing Director

Hong Kong, 14 December 2006

This interim report can also be accessed through the internet at the Company's Website <http://www.allan.com.hk>.