



Allan International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code:684)

Interim Report
2009/2010

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

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

Tricor Standard Limited

26th Floor

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28 Queen's Road East

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REGISTERED OFFICE

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STOCK CODE

684



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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 reviewed the interim financial information set out on pages 4 to 19 which comprises the condensed consolidated statement of financial position of Allan International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 September 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently

does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

17 December 2009

RESULTS

The board of directors of Allan International Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2009 together with the comparative figures for the six months ended 30 September 2008, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2009

	<i>Notes</i>	Six months ended	
		2009	2008
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue	3	939,768	990,948
Cost of sales		(757,889)	(846,703)
Gross profit		181,879	144,245
Other income		803	1,469
Net investment income (loss)		786	(8,171)
Distribution costs		(16,139)	(18,069)
Administrative expenses		(59,361)	(54,881)
Finance costs		(133)	(494)
Profit before tax	4	107,835	64,099
Income tax expense	5	(24,499)	(9,250)
Profit for the period		83,336	54,849
Other comprehensive income			
Exchange difference arising on translation		1,960	2,862
Gain (loss) on fair value changes of available-for-sale investments		785	(1,078)
Other comprehensive income for the period		2,745	1,784
Total comprehensive income for the period		86,081	56,633
Earnings per share	6		
Basic		HK24.84 cents	HK16.35 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2009

		30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Investment property	8	8,800	8,800
Property, plant and equipment	8	184,900	188,654
Prepaid lease payments		41,860	42,040
Available-for-sale investments	9	10,800	8,417
Other financial assets	10	1,432	4,267
Prepayment for acquisition of property, plant and equipment		832	976
		248,624	253,154
Current assets			
Inventories		54,119	58,087
Trade receivables and bills receivable	11	481,623	350,218
Other receivables		20,655	25,270
Mould deposits paid		6,585	5,101
Prepaid lease payments		757	754
Available-for-sale investments	9	–	3,434
Other financial assets	10	2,959	3,858
Tax recoverable		1,156	1,156
Time deposits and deposits placed with banks and a financial institution		310,300	263,375
Bank balances and cash		86,056	71,789
		964,210	783,042
Current liabilities			
Trade payables and bills payable	12	254,289	155,925
Other payables and accruals		216,630	197,258
Mould deposits received		12,550	13,614
Tax payable		36,443	15,938
Secured bank loans – due within one year		10,462	11,476
		530,374	394,211

	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
	<i>Notes</i>	
Net current assets	433,836	388,831
Total assets less current liabilities	682,460	641,985
Non-current liabilities		
Deferred tax liabilities	12,003	12,161
Secured bank loans – due after one year	3,083	8,279
	15,086	20,440
Net assets	667,374	621,545
Capital and reserves		
Share capital	33,543	33,543
Reserves	633,831	588,002
	667,374	621,545

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2009

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2008 (audited)	33,543	109,884	793	1,204	11,455	20,126	363,822	540,827
Profit for the period	-	-	-	-	-	-	54,849	54,849
Exchange difference arising on translation	-	-	-	-	2,862	-	-	2,862
Loss on fair value changes of available-for-sale investments	-	-	-	(1,073)	-	-	-	(1,073)
Reclassification adjustments upon disposal of available-for-sale investments	-	-	-	(5)	-	-	-	(5)
Total comprehensive income for the period	-	-	-	(1,078)	2,862	-	54,849	56,633
2008 Final dividend paid	-	-	-	-	-	(20,126)	-	(20,126)
At 30 September 2008 (unaudited)	33,543	109,884	793	126	14,317	-	418,671	577,334
Profit for the period	-	-	-	-	-	-	52,089	52,089
Exchange difference arising on translation	-	-	-	-	(1,293)	-	-	(1,293)
Loss on fair values changes of available-for-sale investments	-	-	-	(2,738)	-	-	-	(2,738)
Reclassification adjustments upon disposal of available-for-sale investments	-	-	-	2,862	-	-	-	2,862
Total comprehensive income for the period	-	-	-	124	(1,293)	-	52,089	50,920
Final dividend proposed for 2009	-	-	-	-	-	40,252	(40,252)	-
2009 Interim dividend paid	-	-	-	-	-	-	(6,709)	(6,709)

	Share capital	Share premium	Capital redemption reserve	Investment revaluation reserve	Exchange reserve	Dividend reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 March 2009 (audited)	33,543	109,884	793	250	13,024	40,252	423,799	621,545
Profit for the period	-	-	-	-	-	-	83,336	83,336
Exchange difference arising on translation	-	-	-	-	1,960	-	-	1,960
Gain on fair value changes of available-for-sale investments	-	-	-	785	-	-	-	785
Total comprehensive income for the period	-	-	-	785	1,960	-	83,336	86,081
2009 Final dividends paid	-	-	-	-	-	(40,252)	-	(40,252)
At 30 September 2009 (unaudited)	33,543	109,884	793	1,035	14,984	-	507,135	667,374

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2009

	Six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Net cash from operating activities	111,675	1,463
Net cash (used in) from investing activities		
Acquisition of property, plant and equipment	(10,538)	(30,718)
Acquisition of available-for-sale investments	(1,652)	(1,556)
Acquisition of financial assets designated at fair value through profit or loss ("FVTPL")	(1,661)	(3,112)
(Increase) decrease in time deposits and money fund held for investment	(46,925)	60,981
Proceeds from disposal of available-for-sale investments	3,488	7,002
Proceeds from disposal of property, plant and equipment	134	2,761
Proceeds from disposal of financial assets designated at FVTPL	5,647	–
Settlement of foreign currency forward contracts	–	(9,390)
Other investing cash flows	694	1,255
	(50,813)	27,223
Net cash used in financing activities		
Dividends paid	(40,252)	(20,126)
New bank loans raised	–	13,606
Repayment of bank loans	(6,210)	(8,348)
Other financing cash flows	(133)	(495)
	(46,595)	(15,363)
Net increase in cash and cash equivalents	14,267	13,323
Cash and cash equivalents at beginning of the period	71,789	71,430
Cash and cash equivalents at end of the period, represented by bank balances and cash	86,056	84,753

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2009

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. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values. The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2009.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA. Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods. HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group’s primary reporting format was geographical segments based on the destination at shipment of products. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see Note 3).

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combination for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. Board of Directors) in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was geographical segments based on the destination of shipment of products. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The principal activities of Group are manufacture and distribution of household electrical appliances. The Group is currently organised into four operating divisions – Europe sales, America sales, Asia sales and other sales. The information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on these operating divisions.

The following is an analysis of the Group's revenue and results, for each of the reportable segments, for the period under review:

Six months ended 30 September 2009

	Europe (Unaudited) HK\$'000	America (Unaudited) HK\$'000	Asia (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue	511,528	141,898	260,924	25,418	939,768
Segment profit	67,996	21,365	38,314	3,864	131,539
Net investment income					786
Finance costs					(133)
Unallocated corporate expenses					(24,357)
Profit before tax					107,835
Income tax expense					(24,499)
Profit for the period					83,336

Six months ended 30 September 2008

	Europe (Unaudited) HK\$'000	America (Unaudited) HK\$'000	Asia (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue	566,368	178,954	218,254	27,372	990,948
Segment profit	50,583	18,824	18,731	3,551	91,689
Net investment loss					(8,171)
Finance costs					(494)
Unallocated corporate expenses					(18,925)
Profit before tax					64,099
Income tax expense					(9,250)
Profit for the period					54,849

Segment profit represents the profit earned by each segment without allocation of central administration cost and directors' salaries, net investment income (loss) and finance costs. This is the measure reported to the Group's chief operating decision maker officer for the purposes of resource allocation and assessment of segment performance.

4. PROFIT BEFORE TAX

	Six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit before tax has been arrived at after charging (crediting) the following items:		
Interest income	(534)	(1,652)
Net gain on disposal of available-for-sale investments	–	(5)
Net loss on foreign currency forward contracts	–	9,390
Net (gain) loss on financial assets designated at FVTPL	(252)	438
Net investment (income) loss	(786)	8,171
Amortisation of prepaid lease payments	379	401
Depreciation on property, plant and equipment	15,714	17,160
Total depreciation and amortisation	16,093	17,561
Net exchange loss	921	1,817
Gain on disposal of property, plant and equipment	(134)	(273)

5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
The charge comprises:		
Current tax		
– Hong Kong Profits Tax calculated at 16.5% on the estimated assessable profit	8,786	7,915
– Income tax in other regions of the People's Republic of China calculated at prevailing rates	15,871	2,740
	<hr/>	<hr/>
	24,657	10,655
Deferred tax	(158)	(1,405)
	<hr/>	<hr/>
	24,499	9,250
	<hr/>	

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 16.5% for both periods under review. People's Republic of China ("PRC") enterprise income tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC.

6. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings for the purpose of basic earnings per share	83,336	54,849

	Six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	Number of shares	Number of shares
Number of ordinary shares for the purpose of basic earnings per share	335,432,520	335,432,520

No diluted earnings per share has been presented for both periods as there were no potential ordinary shares in issue.

7. DIVIDENDS

	Six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividends paid		
2009 final dividend of HK12 cents (2008: HK6 cents for 2008 final dividend) per ordinary share	40,252	20,126

Subsequent to 30 September 2009, the board of directors have determined that a dividend of HK5 cents per share (2008: HK2 cents per share) shall be paid on 21 January 2010 to the shareholders of the Company whose names appear on the Register of Members on 6 January 2010 as interim dividend for the current financial year.

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

During the period, the Group disposed of certain property, plant and equipment with no carrying amount for proceeds of approximately HK\$134,000, resulting in a gain on disposal of approximately HK\$134,000.

In addition, the Group spent approximately HK\$1,369,000 on moulds and tools and HK\$3,625,000 on plant and machinery in upgrading its manufacturing capabilities. The Group also spent approximately HK\$1,230,000 on motor vehicles, HK\$3,143,000 on furniture, fixtures and equipment, HK\$1,112,000 on factory buildings, and HK\$59,000 on construction in progress.

At 30 September 2009, the directors considered the carrying amount of the Group's investment property do not differ significantly from that which would be determined using fair values at the end of the reporting period. Consequently, no fair value change has been recognised in the current period.

9. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments represent investments in unlisted debt securities and club debentures issued by private entities. They are stated at fair value, which have been determined by counterparty financial institution or recent arm's length market transactions. At the end of the reporting period, the debt securities carry interest at either fixed rate or variable rates, which is reference to other market rate, plus a fixed rate. The original maturity of these debt securities ranged from one year to eight years. During the period, the Group disposed of certain unlisted debt securities with a total proceed of approximately HK\$3,488,000, resulting no investment gain or loss and acquired additional unlisted debt securities of approximately HK\$1,652,000. The fair value increase on the available-for-sales investments held at the end of the reporting period of approximately HK\$785,000 were included in the investment revaluation reserve.

10. OTHER FINANCIAL ASSETS

During the period ended 30 September 2008, three structured foreign currency forward contracts entered by the Group with the banks which require no initial net investment were settled and resulted in a net investment loss of approximately HK\$9,390,000 which was included in the net investment loss in the condensed consolidated statement of comprehensive income.

At the end of the reporting period, the Group has certain unlisted debt investments which their returns of interest are linked to specific commodity indexes and are designated as financial assets at fair value through profit or loss. As these investments form part of a contract containing embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL. The maturity of these debt investments ranged from May 2010 to July 2012 with the total principal amounts of USD600,000. The related fair value changes of HK\$252,000 were included in the net investment income in the condensed consolidated statement of comprehensive income.

11. TRADE RECEIVABLES AND BILLS RECEIVABLE

The Group allows an average credit period of 90 days to its trade customers. The following is an aged analysis based on payment due date of trade receivables and bills receivable at the end of the reporting period:

	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
0-90 days	481,621	350,071
91-120 days	2	147
Total	481,623	350,218

12. TRADE PAYABLES AND BILLS PAYABLE

The following is an aged analysis based on payment due date of trade payables and bills payable at the end of the reporting period:

	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
0-90 days	254,086	155,925
91-120 days	203	–
Total	254,289	155,925

13. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 April 2009 and at 30 September 2009	600,000,000	60,000
Issued and fully paid:		
At 1 April 2009 and at 30 September 2009	335,432,520	33,543

14. CAPITAL COMMITMENTS

	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of property, plant and equipment	10,220	9,892
Capital expenditure authorised but not contracted for in respect of construction of a factory and property, plant and equipment	130,596	135,201
	140,816	145,093

15. RELATED PARTY TRANSACTIONS

During the period, rental expenses paid and payable to Allan Investment Company Limited amounted to HK\$450,000 (2008: HK\$450,000) and to Income Village Limited amounted to HK\$102,000 (2008: HK\$102,000) and to Fair Pacific Limited amounted to HK\$169,800 (2008: HK\$169,800).

Certain directors of the Company have beneficial interests in Allan Investment Company Limited, Income Village Limited and Fair Pacific Limited.

In addition, the Group also paid rentals of HK\$306,900 (2008: HK\$237,465) to Mr. Cheung Pui, the director of the Company.

During the period, the emoluments paid to the directors amounted to HK\$10,484,000 (2008: HK\$9,487,000). There is no key management personnel other than the directors of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 September 2009, the Group's sales turnover decreased by 5% to HK\$939,768,000 (2008: HK\$990,948,000) and the consolidated net profit increased by 52% to HK\$83,336,000 (2008: HK\$54,849,000). Basic earnings per share of the Group for the six months ended 30 September 2009 was HK24.8 cents (2008: HK16.4 cents). The Board of Directors has resolved that an interim dividend of HK5 cents (2008: HK2 cents) per share would be paid on 21 January 2010 to shareholders registered on 6 January 2010.

BUSINESS REVIEW

The Group is engaged in design and manufacturing of a wide range of household electrical appliances.

For the six months ended 30 September 2009, turnover decreased by 5% to HK\$939,768,000. Although turnover increased in the Asia market, it was insufficient to offset the decrease in turnover in the Europe and America market. The global economic crisis has caused consumer sentiments to deteriorate especially in the Europe and America market. Turnover to Europe decreased by 10% to HK\$511,528,000 representing 54% of the Group's turnover. Turnover to America decreased by 21% to HK\$141,898,000 representing 15% of the Group's turnover. Turnover to Asia increased by 20% to HK\$260,924,000 representing 28% of the Group's turnover. Turnover to other markets decreased by 7% to HK\$25,418,000 representing 3% of the Group's turnover.

Gross profit for the period ended 30 September 2009 increased to HK\$181,879,000 (2008: HK\$144,245,000). During the period under review, commodity and material costs improved significantly from the high levels at the same period in the previous year. On top of the advantage reaped in raw material costs, the Group concentrated in further improvements in productivity, efficiency, supply chain management, design enhancements and reduced wastage. We embarked on various 6-sigma projects and lean manufacturing projects across different functional sections in our operations. These measures have been extremely satisfactory and stimulating which resulted in further improvement in margins.

We continue to apply stringent cost control on all other aspects of our operation. Distribution costs decreased by 11% to HK\$16,139,000 (2008: HK\$18,069,000). As a percentage to turnover, distribution costs reduced from 1.8% to 1.7% compared to last year. Administration expenses increased by 8% to HK\$59,361,000 (2008: HK\$54,881,000). As a percentage to turnover, administration expenses increased from 5.5% to 6.3% compared to last year.

During the period under review, the Group had achieved a net investment income of HK\$786,000. For the same period last year, the Group incurred a net investment loss of HK\$8,171,000 which was mainly due to a loss of HK\$9,390,000 arising from structured foreign currency forward contracts. Profit before tax increased to HK\$107,835,000 (2008: HK\$64,099,000). Net Profit for the six months ended 30 September 2009 increased by 52% to HK\$83,336,000 (2008: HK\$54,849,000). Net profit margin increased from 5.5% to 8.9%.

PROSPECTS

Although there are some views that the worst is over and the global economy is recovering from the financial crisis, consumer markets are still weak especially in the European and US markets. Unemployment rate still remains at a high level in these two major markets. We believe that it would still take some time before consumer buying sentiments would become more positive again. On the other hand, commodity prices and raw material prices have started to climb up again at a quickening pace. However, we are not able to transfer this cost increase to our customers due to weak consumer buying sentiments. Looking forward, we expect product gross margins to suffer due to the above-mentioned factors. We would continue to focus in enhancing productivity, efficiency and cost control. The Group would continue to explore new business opportunities and to maintain close working relationship with our existing customers and suppliers. We strongly believe that with our dedication, strong financial position, economy of scale, stringent cost control and flexibility, we would be able to sail through the difficulties and to meet with the opportunities and challenges ahead.

The construction of the 2 new factory blocks in the new plant in Huizhou city, Guangdong province was completed in June 2009. As the business environment is still very unpredictable, we are taking a slower pace in utilizing this new plant. We would review and monitor our existing manufacturing capabilities very closely and plan for the commencement in utilization of the new plant swiftly as and when the need arises.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2009, the Group had total assets of HK\$1,212,834,000 (31 March 2009: HK\$1,036,196,000) which was financed by current liabilities of HK\$530,374,000 (31 March 2009: HK\$394,211,000), long-term liabilities and deferred taxation of HK\$15,086,000 (31 March 2009: HK\$20,440,000) and shareholders' equity of HK\$667,374,000 (31 March 2009: HK\$621,545,000).

The Group continued to maintain a strong balance sheet and a healthy liquidity position. As at 30 September 2009, the Group held HK\$396,356,000 (31 March 2009: HK\$335,164,000) 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. As at the same date, total borrowings were HK\$13,545,000 (31 March 2009: HK\$19,755,000) and the gearing ratio (ratio of total borrowings to shareholders' equity) still remained low at 2% (31 March 2009: 3%).

Funding for day-to-day operational working capital and capital expenditures are to be serviced by internal cash flow. For the six months ended 30 September 2009, the group invested approximately HK\$11 million (2008: HK\$31 million) in plant and machinery, moulds and tools, equipment, computer systems and other tangible assets for expansion and upgrade to existing manufacturing facilities. With a strong financial position and available banking facilities, the Group is able to provide sufficient financial resources for our current commitments, working capital requirements, further expansions of the Group's business operations and future investment opportunities, as and when required.

The majority of the Group's assets and liabilities and business transactions were denominated in Hong Kong dollars, US dollars, Renminbis, Euros and British Pounds. The group would monitor the exchange risk exposure and would consider to engage in currency hedging when the need arises. Currently the Group has not entered into any currency hedging and does not have any outstanding structured foreign exchange forward contracts.

CONTINGENT LIABILITIES

As at 30 September 2009, the Group did not have any significant contingent liability.

EMPLOYEE AND REMUNERATION POLICIES

Currently, the Group employs 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 performance bonuses 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 2009, 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	Other interest		
Mr. Cheung Lun	Founder of discretionary trust		147,399,960 <i>(Note)</i>	147,399,960	43.94%
Mr. Cheung Shu Wan	Beneficial Owner	49,307,335			
	Beneficiary of trust		147,399,960 <i>(Note)</i>	196,707,295	58.64%
Ms. Cheung Lai Chun, Maggie	Beneficial Owner	600,000			
	Beneficiary of trust		147,399,960 <i>(Note)</i>	147,999,960	44.12%
Ms. Cheung Lai See, Sophie	Beneficial Owner	500,000			
	Beneficiary of trust		147,399,960 <i>(Note)</i>	147,899,960	44.09%
Mr. Cheung Pui	Beneficial Owner	1,000,000		1,000,000	0.30%

Note:

The references to 147,399,960 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"), 7,298,000 shares are held by Commence Investment Limited ("CIL") and 5,280,000 shares are held by Unison Associates Limited ("UAL"). AICL and CIL are owned as to 89% 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.

Save as disclosed above, none of the directors or chief executives, nor their associates, of the Company had, as at 30 September 2009, 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 2009, 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

Number of Shareholder	Capacity	Name of Ordinary Shares	Approximate % of Shareholding
Credit Suisse Trust Limited	Trustee	147,399,960	43.94%
Unison Associates Limited	Held by controlled corporation	142,119,960	42.37%
	Beneficial Owner	5,280,000	1.57%
Allan Investment Company Limited	Beneficial Owner	134,821,960	40.19%
Webb, David Michael	Beneficial Owner	3,874,000	1.15%
	Held by controlled corporation	19,630,000 (Note)	5.85%
Preferable Situation Assets Limited	Beneficial Owner	16,816,000 (Note)	5.01%

Note:

The reference to 19,630,000 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 19,630,000 Shares.

Save as disclosed above, as at 30 September 2009, 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 2009, no option has been granted by the Company pursuant to the Scheme.

CLOSURE OF REGISTER

The Register of Shareholders will be closed from 4 January 2010 to 6 January 2010, 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, Tricor Standard Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 31 December 2009 in order to qualify for the interim dividend above mentioned.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2009, 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 2009, 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 and the Chairman of the Audit Committee should attend the annual general meeting.

Both the Chairman of the Board and the Chairman of the Audit Committee had not attended the annual general meeting of the Company held on 19 August 2009. The Chairmen will endeavour to attend all future annual general meetings of the Company unless unexpected or special circumstances prevent them 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 2009. The Committee now comprises three independent non-executive directors of the Company.

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.

By Order of the Board
Cheung Shu Wan
Managing Director

Hong Kong, 17 December 2009

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