

# Allan International Holdings Limited (Incorporated in Bermuda with limited Hability)

Interim Report 2007/2008

#### 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 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 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

12th Floor
Zung Fu Industrial Building
1067 King's Road
Quarry Bay
Hong Kong

Tel: 2103 7288 Fax: 2563 4307

Website: www.allan.com.hk

#### STOCK CODE

684

#### REPORT OF REVIEW OF INTERIM FINANCIAL INFORMATION

## Deloitte.

德勤

德勤・關黃陳方會計師行 香港金鐘道88號 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 reviewed the interim financial information set out on pages 4 to 15, which comprises the condensed consolidated balance sheet of Allan International Holdings Limited as of 30 September 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement 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 "HKICPA"). 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

13 December 2007

#### 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 2007 together with the comparative figures for the six months ended 30 September 2006, as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

		Six months ended			
	30 September				
		2007	2006		
		(Unaudited)	(Unaudited)		
	Notes	HK\$'000	HK\$'000		
Revenue	3	725,282	524,766		
Cost of sales		(609,382)	(435,116)		
Gross profit		115,900	89,650		
Other income		550	3,577		
Net investment income		3,552	2,747		
Distribution costs		(16,015)	(14,072)		
Administrative expenses		(56,269)	(48,317)		
Finance costs		(409)	(497)		
Profit before tax	4	47,309	33,088		
Income tax expense	5	(5,671)	(4,908)		
Profit for the period		41,638	28,180		
Dividend paid	6	23,480	20,126		
Earnings per share	7				
Basic		HK12.41 cents	HK8.40 cents		

#### CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2007

		30 September 2007 (Unaudited)	31 March 2007 (Audited)
	Notes	HK\$'000	HK\$'000
Non-current assets			
Investment property	8	4,540	4,540
Property, plant and equipment	8	153,700	126,180
Prepaid lease payments		39,915	40,395
Available-for-sale investments		45,702	46,446
Deposits paid for the acquisition of		·	
property, plant and equipment		4,078	182
		247,935	217,743
Current assets			
Inventories		148,811	104,010
Available-for-sale investments		5,428	4,807
Trade receivables and bills receivabl	e 9	294,310	188,242
Other receivables		15,480	8,294
Mould deposits paid		9,237	8,585
Prepaid lease payments		686	549
Tax recoverable		251	251
Derivative financial assets		744	654
Time deposits and money held by			
a financial institution		64,542	92,148
Bank balances and cash		68,043	83,199
		607,532	490,739

	Notes	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) <i>HK\$'000</i>
Current liabilities Trade payables and bills payable Other payables Mould deposits received Tax payable Derivative financial liabilities Secured bank loans — due within one year	10	192,274 100,502 12,358 8,171 2,806	102,928 65,665 12,950 4,973 1,053
Net current assets		321,475 286,057 533,992	194,340 296,399 514,142
Capital and reserves Share capital Reserves	11	33,543 481,575 515,118	33,543 460,189 493,732
Non-current liabilities  Deferred tax liabilities  Secured bank loans —  due after one year		14,114 4,760 18,874 533,992	13,593  6,817  20,410  514,142

#### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

At 1 April, 2006 (audited)  Gain on fair value changes of available-for-sale investments recognised directly in equity  Total recognised commendate of the period capable for sale investments recognised directly in equity  Total recognised income for the period capable for sale investments  Total recognised income for the period capable for sale investments  Total recognised income for the period capable for sale investments  Total recognised income for the period capable for sale investments  Total recognised income for the period capable for sale investments  Total recognised income for the period capable for sale investments  Total recognised income for the period capable for sale investments  Total recognised directly in equity  Total recognised directly in equity  Total recognised directly in equity  Total recognised for sale investments  Total recognised (expense) income for the period capable for sale investments  Total recognised (expense) income for the period capable for sale investments  Total recognised (expense) income for the period capable for sale investments  Total recognised (expense) income for the period capable for sale investments  Total recognised (expense) income for the period capable for sale investments  Total recognised capable for sale investments  Total recognised investments		Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Investment revaluation reserve released on disposal of available-for-sale investments	Gain on fair value changes of	33,543	109,884	793	(6,904)	20,126	296,941	454,383
Available-for-sale investments	recognised directly in equity Investment revaluation reserve	_	_	_	1,314	_	_	1,314
Dividend paid	available-for-sale investments				330		28,180	
At 30 September 2006 (unaudited)  Loss on fair value changes of available-for-sale investments recognised directly in equity  released on disposal of available-for-sale investments  released on disposal of available-for-sale investments  released on disposal of available-for-sale investments  1 - 1  Profit for the period  1 - 40,915 40,915  Total recognised (expense) income for the period  (1,201) - 40,915 39,714  Dividend proposed  Dividend paid  (10,063) - (10,063)  At 31 March, 2007 and 1 April 2007 (audited)  Gain on fair value changes of available-for-sale investments recognised directly in equity  33,559  Investment revaluation reserve released on disposal of available-for-sale investments  recognised investments  (131) (131)  Profit for the period  41,638 41,638  Total recognised income for the period  (23,480) - (23,480)	Total recognised income for the period				1,644		28,180	29,824
Loss on fair value changes of available-for-sale investments recognised directly in equity — — — — — — — — — — — — — — — — — — —	Dividend paid					(20,126)		(20,126)
recognised directly in equity	Loss on fair value changes of	33,543	109,884	793	(5,260)	_	325,121	464,081
Profit for the period         —         —         —         40,915         40,915           Total recognised (expense) income for the period         —         —         —         (1,201)         —         40,915         39,714           Dividend proposed         —         —         —         —         33,543         (33,543)         —           Dividend paid         —         —         —         —         (10,063)         —         (10,063)           At 31 March, 2007 and 1 April 2007 (audited)         33,543         109,884         793         (6,461)         23,480         332,493         493,732           Gain on fair value changes of available-for-sale investments recognised directly in equity         —         —         —         3,359         —         —         3,359           Investment revaluation reserve released on disposal of available-for-sale investments         —         —         —         (131)         —         —         (131)           Profit for the period         —         —         —         —         41,638         41,638           Total recognised income for the period         —         —         —         3,228         —         41,638         44,866           Dividend paid         —	recognised directly in equity Investment revaluation reserve	_	_	_	(1,202)	_	_	(1,202)
Dividend proposed		_ _	_ _	_ _	1	_ _	40,915	-
Dividend paid					(1,201)		40,915	39,714
(audited)       33,543       109,884       793       (6,461)       23,480       332,493       493,732         Gain on fair value changes of available-for-sale investments recognised directly in equity       —       —       —       3,359       —       —       3,359         Investment revaluation reserve released on disposal of available-for-sale investments       —       —       —       (131)       —       —       (131)         Profit for the period       —       —       —       —       41,638       41,638         Total recognised income for the period       —       —       —       3,228       —       41,638       44,866         Dividend paid       —       —       —       —       (23,480)       —       (23,480)							(33,543)	(10,063)
recognised directly in equity	(audited) Gain on fair value changes of	33,543	109,884	793	(6,461)	23,480	332,493	493,732
available-for-sale investments       —       —       (131)       —       —       (131)         Profit for the period       —       —       —       —       41,638       41,638         Total recognised income for the period       —       —       3,228       —       41,638       44,866         Dividend paid       —       —       —       (23,480)       —       (23,480)	recognised directly in equity Investment revaluation reserve	_	_	_	3,359	_	_	3,359
Dividend paid	available-for-sale investments				(131)		41,638	
· — — — — — — — — — —	Total recognised income for the period				3,228		41,638	44,866
At 30 September 2007 (unaudited) 33,543 109,884 793 (3,233) — 374,131 515,118	Dividend paid					(23,480)		(23,480)
	At 30 September 2007 (unaudited)	33,543	109,884	793	(3,233)		374,131	515,118

#### CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash from operating activities	34,126	43,644
Net cash (used in) from investing activities		
Acquisition of property, plant and equipment Deposit paid for the acquisition of property,	(49,969)	(13,457)
plant and equipment	(3,896)	(21,190)
Decrease in time deposits and money held by a financial institution Proceeds from disposal of available-for-sale	27,606	57,151
investments	5,176	4,935
Other investing cash (outflow) inflow	(1,255)	3,279
	(22,338)	30,718
Net cash used in financing activities		
Dividend paid	(23,480)	(20,126)
Repayment of bank loans	(3,464)	(2,898)
	(26,944)	(23,024)
Net (decrease) increase in cash and cash equivalents	(15,156)	51,338
Cash and cash equivalents at beginning of the period	83,199	51,918
Cash and cash equivalents at end of the period, represented by bank balances and cash	68,043	103,256
represented by bank barances and cash	00,043	103,230

#### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

#### 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 fair values.

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 2007.

In the current interim 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 effective for the Group's financial year beginning 1 April 2007. The adoption of the new HKFRSs had no material effect on the results or financial positions of the Group for the current or prior accounting periods. Accordingly, no prior period adjustments have been required.

The Group has not early applied the following new and revised standards and interpretations 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 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) — Int 12	Service Concession Arrangements <sup>2</sup>
HK(IFRIC) — Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset,
	Minimum Funding Requirements and their Interaction <sup>2</sup>

- Effective for annual periods beginning on or after 1 January 2009
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2008
- Effective for annual periods beginning on or after 1 July 2008

#### 3. SEGMENT INFORMATION

#### Geographical segments

For management purposes, the Group is currently organised into three 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 2007

	Europe (Unaudited) HK\$'000	America (Unaudited) HK\$'000	Asia (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue	401,210	132,132	168,990	22,950	725,282
Segment result	36,689	11,756	14,908	2,025	65,378
Net investment income					3,552
Finance costs					(409)
Unallocated corporate expenses					(21,212)
Profit before tax					47,309
Income tax expense					(5,671)
meome tax expense					(3,071)
Profit for the period					41,638
Six months ended 3	0 September 2	006			
	Europe (Unaudited) <i>HK</i> \$'000	America (Unaudited) <i>HK</i> \$'000	Asia (Unaudited) <i>HK\$</i> '000	Others (Unaudited) <i>HK</i> \$'000	Consolidated (Unaudited) HK\$'000
Segment revenue	288,753	114,051	104,795	17,167	524,766
Segment result	28,827	9,208	10,972	1,643	50,650
Net investment income	<u>,</u>				2,747
Finance costs					(497)
Unallocated corporate	expenses				(19,812)
Profit before tax					33,088
Income tax expense					(4,908)
Profit for the period					28,180

The Group's business is affected by seasonal trend, with higher 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 periods.

#### 4. PROFIT BEFORE TAX

30 Septem	
2007	2006
(Unaudited)	(Unaudited)
HK\$'000	HK\$'000
(3,426)	(3,246)
(78)	499
(48)	<u> </u>
(3,552)	(2,747)
343	137
20,663	17,560
21,006	17,697
1,769	(347)
	(3,426) (78) (48) (3,552) 343 20,663 21,006

	Six months ended 30 September		
	2007	2006	
	(Unaudited)	(Unaudited)	
	HK\$'000	HK\$'000	
The charge comprises:			
Current tax			
— Hong Kong Profits Tax calculated at 17.5%			
on the estimated assessable profit	3,805	5,564	
— Income tax in other regions of the People's			
Republic of China calculated			
at prevailing rates	1,345	1,408	
	5,150	6,972	
Deferred tax	521	(2,064)	
	5,671	4,908	

#### 6. DIVIDENDS

On 5 September 2007, a dividend of HK7 cents per share (2006: HK6 cents per share for 2005) was paid to the shareholders as the final dividend for 2006.

The board of directors have determined that an interim dividend of HK4 cents per share (2006: HK3 cents per share) shall be paid on or before 18 January 2008 to the shareholders of the Company whose names appear on the Register of Members on 4 January 2008.

#### 7. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings for the purpose of basic earnings per share	41,638	28,180
	Six months	
	30 Septem	
	2007	2006
	(Unaudited)	(Unaudited)
	Number	Number
	of shares	of shares
Number of ordinary shares for the purpose of		
basic earnings per share	335,432,520	335,432,520

### 8. MOVEMENTS IN INVESTMENT PROPERTY AND PROPERTY, PLANT AND EOUIPMENT

During the period, the Group disposed of certain property, plant and equipment with a carrying amount of approximately HK\$1,786,000 for proceeds of approximately HK\$17,000, resulting in a loss on disposal of approximately HK\$1,769,000.

In addition, the Group spent approximately HK\$5,532,000 on moulds and tools and HK\$39,627,000 on plant and machinery in upgrading its manufacturing capabilities. The Group also spent approximately HK\$3,018,000 on furniture and fixtures and HK\$1,792,000 on construction in progress.

At 30 September 2007, 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 balance sheet date. Consequently, no fair value change has been recognised in the current period.

#### 9. 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 of trade receivables and bills receivable at the balance sheet date:

	30 September	31 March
	2007	2007
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
0 — 90 days	294,254	188,242
91 — 120 days	56	
	294,310	188,242

#### 10. TRADE PAYABLES AND BILLS PAYABLE

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

		30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) <i>HK\$</i> '000
	0 — 90 days 91 — 120 days	192,198 	102,928
		192,274	102,928
11.	SHARE CAPITAL  Ordinary shares of HK\$0.10 each	Number of shares	Amount HK\$'000
	Authorised: At 1 April 2007 and at 30 September 2007	600,000,000	60,000
	Issued and fully paid: At 1 April 2007 and at 30 September 2007	335,432,520	33,543

#### 12. CAPITAL COMMITMENTS

30	31 March		
	2007		
(1	Unaudited)	(Audited)	
	HK\$'000	HK\$'000	
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for in the			
condensed consolidated financial statements	8,518	4,206	
Capital expenditure in respect of the acquisition of property,			
plant and equipment authorised but not contracted for	118,340	169,868	
	126,858	174,074	

#### 13. RELATED PARTY TRANSACTIONS

During the period, rental expenses paid and payable to Allan Investment Company Limited amounted to HK\$450,000 (1.4.2006 to 30.9.2006: HK\$450,000) and to Income Village Limited amounted to HK\$102,000 (1.4.2006 to 30.9.2006: HK\$102,000) and to Fair Pacific Limited amounted to HK\$169,800 (1.4.2006 to 30.9.2006: 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\$156,060 (1.4.2006 to 30.9.2006: HK\$148,410) to Mr. Cheung Pui, the director of the Company.

During the period, the emoluments paid to the directors amounted to HK\$10,586,000 (1.4.2006 to 2006: HK\$9,241,000). There is no key management personnel other than the directors of the Company.

#### MANAGEMENT DISCUSSION AND ANALYSIS

#### REVIEW OF OPERATIONS

For the six months ended 30 September 2007, the Group's turnover increased by 38% to HK\$725,282,000 (2006: HK\$524,766,000) and the consolidated net profit increased to HK\$41,638,000 (2006: HK\$28,180,000). Basic earnings per share of the Group increased to HK12.41 cents (2006: HK8.40 cents). The Board of directors have resolved that an interim dividend of HK4 cents (2006: HK3 cents) to be paid on 18 January 2008 to shareholders registered on 4 January 2008.

The Group manufactures a wide range of household electrical appliances. During the six months ended 30 September 2007, development of several new models was completed and the response we obtained from the sales orders had been strong. During the period, turnover increased in all major markets. Turnover to Europe increased by 39% to HK\$401,210,000 representing 55% of the Group's turnover. Turnover to America increased by 16% to HK\$132,132,000 representing 18% of the Group's turnover. Turnover to Asia increased by 61% to HK\$168,990,000 representing 23% of the Group's turnover. Turnover to other markets increased by 34% to HK\$22,950,000 representing 3% of the Group's turnover.

Gross profit margin fell 1 percentage point to 16%. The gross profit margin was under pressure due to various continuing adverse factors such as high and volatile raw material prices, rising operating costs and labour costs in the PRC, shortage of skilled labour and strengthening of the Renminbi currency.

We continue to apply stringent cost control on all areas of our operations. Distribution costs increased by 14% to HK\$16,015,000 compared to the same period last year. As a percentage to turnover, distribution costs reduced from 2.7% to 2.2% compared to the same period last year. Administrative expenses increased by 16% to HK\$56,269,000 compared to the same period last year. As a percentage to turnover, administrative expenses reduced from 9.2% to 7.8% compared to the same period last year. Finance costs reduced slightly by HK\$88,000 to HK\$409,000. Investment income increased by HK\$805,000 to HK\$3,552,000 due to increase in interest income.

Profit for the period increased by HK\$13,458,000 to HK\$41,638,000 improving slightly from 5.4% to 5.7% as a percentage to turnover compared to the same period last year. Earnings per share improved from HK8.40 cents to HK12.41cents.

#### **PROSPECTS**

Our order books for the second half of the financial year continue to be strong. The unaudited turnover of the Group for the eight months ended 30 November 2007 increased 43% to HK\$1,043,529,000 compared to the same period last year. We anticipate the turnover for the financial year 2007/08 to achieve another record high for the Group.

Despite the strong performance, we still have to be cautious about the overall business environment. We believe adverse factors such as high and volatile raw material prices, rising operating costs and labour costs in the PRC, shortage of skilled labour and strengthening of the Renminbi currency would continue. On top of these, the widening of scope of restricted commodity for processing trade in the PRC, the reduction in VAT export refund and the new 2008 PRC labour regulations will no doubt put extra burden onto the already escalating operating costs in the PRC. Moreover, there is also the uncertainty of the extent of the problem of sub-prime lending in the US affecting the financial sectors, the global economy and consumer sentiments.

We participated in the HK Electronics Fair in October 2007. The response had been very encouraging. Our new product development team will continue to work on new product ideas and concepts to allow us to step further ahead.

The construction of the new plant in Huizhou, Guangdong province will commence by the end of December 2007. The budget for the construction of Phase I comprising of two factory blocks is approximately HK\$70 million. We expect these two factory blocks would be completed in early 2009.

We will continue to concentrate in cost and quality control, production efficiency and new product design and development to provide superior value-added service and products to our customers. On manufacturing, we will continue to shift towards semi-automation to reduce our reliance on intensive labour and improve in work-flow efficiency and throughput. We believe our strength lies in product and service excellence and our commitment to continuously improve and excel.

#### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2007, the Group had total assets of HK\$855,467,000 (31 March 2007: HK\$708,482,000) which was financed by current liabilities of HK\$321,475,000 (31 March 2007: HK\$194,340,000), long-term liabilities and deferred taxation of HK\$18,874,000 (31 March 2007: HK\$20,410,000) and shareholders' equity of HK\$515,118,000 (31 March 2007: HK\$493,732,000).

The group continued to maintain a strong balance sheet and a healthy liquidity position. As at 30 September 2007, the Group held HK\$132,585,000 (31 March 2007: HK\$175,347,000) 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 ended 30 September 2007, the Group generated net cash inflow from operating activities of HK\$34,126,000. As at 30 September 2007, total borrowings were HK\$10,124,000 (31 March 2007: HK\$13,588,000) and the gearing ratio (ratio of total borrowings to shareholders' equity) remained low at 2% (31 March 2007: 3%).

Funding for day-to-day operational working capital and capital expenditures are to be serviced by internal cash flow. 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.

Most of the Group's transactions are conducted in US dollars, Hong Kong dollars and Renminbi. To reduce the risk arising from fluctuations in foreign currency rates, the Group had used forward foreign exchange contracts to hedge against major currency exposures during the period.

#### PLEDGE OF ASSETS

The Group has pledged certain prepaid lease payments and buildings having a net book value of approximately HK\$9,536,000 to secure general banking facilities granted to the Group.

#### **CONTINGENT LIABILITIES**

As at 30 September 2007, the Group did not have any significant contingent liabilities.

#### EMPLOYEE AND REMUNERATION POLICIES

Currently, the Group employed approximately 4,000 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 2007, 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	N Personal Interest	Number of ordin Corporate Interest	nary shares held Other interest	Total	Approximate % of the issued share capital of the Company
Mr. Cheung Lun	Founder of discretionary trust			146,119,960 (Note 1)	146,119,960	43.56%
Mr. Cheung Shu Wan	Beneficial Owner	40,010,400				
one wan	Held by controlled corporation — Topsail Investments Inc. (Note 2)		6,694,935			
	Beneficiary of trust			146,119,960 (Note 1)		
				(Note 1)	192,825,295	57.49%
Ms. Cheung Lai Chun, Maggie	Beneficial Owner	600,000				
	Beneficiary of trust			146,119,960 (Note 1)	146 710 060	12.719
					146,719,960	43.74%
Ms. Cheung Lai See, Sophie	Beneficial Owner	500,000				
	Beneficiary of trust			146,119,960 (Note 1)		
					146,619,960	43.71%
Mr. Cheung Pui	Beneficial Owner	1,000,000			1,000,000	0.30%

#### Notes:

- (1) The references to 146,119,960 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 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, nor their associates, of the Company had, as at 30 September 2007, 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 2007, 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 Ordinary	Approximate % of	
Name of Shareholder	Capacity	Shares	Shareholding	
Credit Suisse Trust Limited	Trustee	146,119,960	43.56%	
Unison Associates Limited	Held by controlled corporation	142,119,960	42.37%	
	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)	5.21%	
Preferable Situation Assets Limited	Beneficial Owner	16,816,000 (Note)	5.01%	

Note:

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.

Save as disclosed above, as at 30 September 2007, 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 2007, no option has been granted by the Company pursuant to the Scheme.

#### CLOSURE OF REGISTER

The Register of Shareholders will be closed from 2 January 2008 to 4 January 2008, 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 2007 in order to qualify for the interim dividend above mentioned.

#### PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2007, 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 2007, 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 22 August 2007. 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 2007. The Committee now comprises three independent non-executive directors of the Company.

#### PUBLICATION OF FINANCIAL INFORMATION

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited at http://www.hkex.com.hk (the "HKEx website") and the Company's website at http://www.allan.com.hk. The Company's interim report containing all information required by the Listing Rules will also be available for viewing on the HKEx website and the Company's website, and dispatched to shareholders 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, 13 December 2007

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