



Allan International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code:684)

Interim Report
2008/2009

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

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STOCK CODE

684

Deloitte.

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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 20 which comprises the condensed consolidated balance sheet of Allan International Holdings Limited as of 30 September 2008 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 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

19 December 2008

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 2008 together with the comparative figures for the six months ended 30 September 2007, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

		Six months ended 30 September	
		2008	2007
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	3	990,948	725,282
Cost of sales		(846,703)	(609,382)
Gross profit		144,245	115,900
Other income		1,469	550
Net investment (loss) income		(8,171)	3,552
Distribution costs		(18,069)	(16,015)
Administrative expenses		(54,881)	(56,269)
Finance costs		(494)	(409)
Profit before tax	4	64,099	47,309
Income tax expense	5	(9,250)	(5,671)
Profit for the period		54,849	41,638
Dividends paid	6		
2008 final dividend of HK6 cents (2007: HK7 cents for 2007 final dividend) per ordinary share		20,126	23,480
Earnings per share	7		
Basic		HK16.35 cents	HK12.41 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2008

		30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Investment property	8	9,500	9,500
Property, plant and equipment	8	187,548	179,702
Prepaid lease payments		42,574	42,392
Available-for-sale investments	9	49,622	55,731
Other financial assets	10	4,337	5,463
Prepayment for the acquisition of property, plant and equipment		214	435
		293,795	293,223
Current assets			
Inventories		144,824	132,902
Available-for-sale investments	9	3,424	3,898
Trade receivables and bills receivable	11	480,351	290,023
Other receivables		17,023	20,910
Mould deposits paid		10,196	6,496
Prepaid lease payments		801	746
Tax recoverable		2,510	4,479
Other financial assets	10	3,789	562
Time deposits and money placed with a financial institution		30,810	91,791
Bank balances and cash		84,753	71,430
		778,481	623,237

		30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
	<i>Notes</i>		
Current liabilities			
Trade payables and bills payable	12	254,065	162,110
Other payables and accruals		162,911	148,245
Mould deposits received		18,532	14,375
Tax payable		9,329	3,687
Other financial liabilities	10	–	963
Secured bank loans – due within one year		25,281	13,439
		470,118	342,819
Net current assets			
		308,363	280,418
		602,158	573,641
Capital and reserves			
Share capital	13	33,543	33,543
Reserves		543,791	507,284
		577,334	540,827
Non-current liabilities			
Deferred tax liabilities		11,653	13,059
Secured bank loans-due after one year		13,171	19,755
		24,824	32,814
		602,158	573,641

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

	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, 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
Dividends paid	-	-	-	-	-	(23,480)	-	(23,480)
At 30 September 2007 (unaudited)	33,543	109,884	793	(3,233)	-	-	374,131	515,118
Gain on fair value changes of available-for-sale investments	-	-	-	4,437	-	-	-	4,437
Exchange difference arising on translation	-	-	-	-	11,455	-	-	11,455
Total income recognised directly in equity	-	-	-	4,437	11,455	-	-	15,892
Profit for the period	-	-	-	-	-	-	23,234	23,234
Total recognised income for the period	-	-	-	4,437	11,455	-	23,234	39,126
Dividends declared	-	-	-	-	-	20,126	(20,126)	-
Dividends paid	-	-	-	-	-	-	(13,417)	(13,417)

	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 31 March, 2008 (audited)	33,543	109,884	793	1,204	11,455	20,126	363,822	540,827
Loss on fair value changes of available-for-sale investments	-	-	-	(1,073)	-	-	-	(1,073)
Exchange difference arising on translation	-	-	-	-	2,862	-	-	2,862
Net (expense) income recognised directly in equity	-	-	-	(1,073)	2,862	-	-	1,789
Profit for the period	-	-	-	-	-	-	54,849	54,849
Investment revaluation reserve released on disposal of available-for-sale investments	-	-	-	(5)	-	-	-	(5)
Total recognised income and expense for the period	-	-	-	(1,078)	2,862	-	54,849	56,633
Dividends paid	-	-	-	-	-	(20,126)	-	(20,126)
At 30 September 2008 (unaudited)	33,543	109,884	793	126	14,317	-	418,671	577,334

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Net cash from operating activities	1,463	34,126
Net cash from (used in) investing activities		
Acquisition of property, plant and equipment	(30,718)	(49,969)
Acquisition of available-for-sale investments	(1,556)	(1,747)
Acquisition of financial assets designated at fair value through profit or loss ("FVTPL")	(3,112)	–
Deposit paid for the acquisition of property, plant and equipment	–	(3,896)
Decrease in time deposits and money placed with a financial institution	60,981	27,606
Proceeds from disposal of available-for-sale investments	7,002	5,176
Proceeds from disposal of property, plant and equipment	2,761	17
Settlement of foreign currency forward contracts	(9,390)	–
Other investing cash flows	1,255	475
	27,223	(22,338)
Net cash used in financing activities		
Dividends paid	(20,126)	(23,480)
New bank loans raised	13,606	–
Repayment of bank loans	(8,348)	(3,464)
Other financing cash flows	(495)	–
	(15,363)	(26,944)
Net increase (decrease) in cash and cash equivalents	13,323	(15,156)
Cash and cash equivalents at beginning of the period	71,430	83,199
Cash and cash equivalents at end of the period, represented by bank balances and cash	84,753	68,043

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

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 2008.

In the current interim period, the Group has applied, for the first time, the following amendments and new interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning on 1st April, 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKAS 39 (Amendment)	Eligible Hedged Items ²
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ¹
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 13	Customer Loyalty Programmes ³
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation ⁴
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ²
HKFRSs (Amendments)	Improvements to HKFRSs ⁵

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

⁴ Effective for annual periods beginning on or after 1 October 2008

⁵ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the 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

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 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 result	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

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)
Profit for the period					41,638

4. PROFIT BEFORE TAX

	Six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit before tax has been arrived at after charging (crediting) the following items:		
Interest income	(1,652)	(3,426)
Net gain on disposal of available-for-sale investments	(5)	(78)
Net loss (gain) on foreign currency forward contracts	9,390	(48)
Net loss on financial assets designated at fair value through profit or loss ("FVTPL")	438	–
Net investment loss (income)	8,171	(3,552)
Amortisation of prepaid lease payments	401	343
Depreciation on property, plant and equipment	17,160	20,663
Total depreciation and amortisation	17,561	21,006
Net exchange loss	1,817	2,315
(Gain) loss on disposal of property, plant and equipment	(273)	1,769

5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Current tax		
– Hong Kong Profits Tax calculated at 16.5% (2007: 17.5%) on the estimated assessable profit (Note)	7,915	3,805
– Income tax in other regions of the People's Republic of China calculated at prevailing rates	2,740	1,345
	10,655	5,150
Deferred tax	(1,405)	521
	9,250	5,671

Note: On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008/2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30 September 2008.

6. DIVIDENDS

On 10 September 2008, a dividend of HK6 cents per share (2007: HK7 cents per share) was paid to the shareholders as the final dividend for the financial year ended 31 March 2008 (2007: for the financial year ended 31 March 2007).

Subsequent to 30 September 2008, the board of directors have determined that a dividend of HK2 cents per share (2007: HK4 cents per share) shall be paid on or before 6 February 2009 to the shareholders of the Company whose names appear on the Register of Members on 7 January 2009 as interim dividend for the current financial year.

7. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings for the purpose of basic earnings per share	54,849	41,638

	Six months ended 30 September	
	2008	2007
	(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 EQUIPMENT

During the period, the Group disposed of certain property, plant and equipment with a carrying amount of approximately HK\$2,488,000 for proceeds of approximately HK\$2,761,000, resulting in a gain on disposal of approximately HK\$273,000.

In addition, the Group spent approximately HK\$643,000 on moulds and tools and HK\$3,166,000 on plant and machinery in upgrading its manufacturing capabilities. The Group also spent approximately HK\$2,792,000 on motor vehicles, HK\$4,230,000 on furniture, fixtures and equipment, and HK\$20,108,000 on construction in progress.

At 30 September 2008, 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. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments represent investments in unlisted debt securities and club debentures issued by private entities are stated at fair value. The debt securities carry interest at variable rates, which is reference to LIBOR or other market rate, in some instance plus or minus 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 total proceeds of approximately HK\$7,002,000, resulting in a net investment gain of approximately HK\$5,000, and acquired additional unlisted debt securities of approximately HK\$1,556,000. The fair value decrease on the available-for-sales investments held at the balance sheet date of approximately HK\$1,073,000 were included in the investment revaluation reserve.

10. OTHER FINANCIAL ASSETS/LIABILITIES

During the period, three structured foreign currency forward contracts entered by the Group with the banks which require no initial 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 income statement.

At the balance sheet date, 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 an embedded derivatives, 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 2009 to March 2018 with total principal amounts of US\$1,100,000. The related fair value changes of HK\$438,000 were included in the net investment loss in the condensed consolidated income statement.

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

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
0-90 days	480,348	287,700
91-120 days	3	2,323
	480,351	290,023

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 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
0-90 days	253,783	162,110
91-120 days	282	-
	254,065	162,110

13. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 April 2008 and at 30 September 2008	600,000,000	60,000
Issued and fully paid:		
At 1 April 2008 and at 30 September 2008	335,432,520	33,543

14. CAPITAL COMMITMENTS

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) 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	20,980	42,107
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	126,146	128,220
	147,126	170,327

15. RELATED PARTY TRANSACTIONS

During the period, rental expenses paid and payable to Allan Investment Company Limited amounted to HK\$450,000 (30.9.2007: HK\$450,000) and to Income Village Limited amounted to HK\$102,000 (30.9.2007: HK\$102,000) and to Fair Pacific Limited amounted to HK\$169,800 (30.9.2007: 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\$237,465 (30.9.2007: HK\$156,060) to Mr. Cheung Pui, the director of the Company.

During the period, the emoluments paid to the directors amounted to HK\$9,487,000 (2007: HK\$10,586,000). There is no key management personnel other than the directors of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 September 2008, the Group's sales turnover increased by 36% to HK\$990,948,000 (2007: HK\$725,282,000) and the consolidated net profit increased by 32% to HK\$54,849,000 (2007: HK\$41,638,000). Basic earnings per share of the Group for the six months ended 30 September 2008 was HK16.35 cents (2007: HK12.41 cents). Although the results for the six months under review had been satisfactory, in view of the uncertain economic outlook, global financial crisis and credit crunch, it is of utmost importance for the Group to preserve our cash reserve and maintain a high level of liquidity. Accordingly, the Board of Directors has resolved that an interim dividend of HK2 cents (2007: HK4 cents) per share to be paid on 6 February 2009 to shareholders registered on 7 January 2009.

For the period under review, sales turnover continued to be strong. Sales turnover increased in all major markets. Sales turnover to Europe increased by 41% to HK\$566,368,000 representing 57% of the Group's turnover. Turnover to America increased by 35% to HK\$178,954,000 representing 18% of the Group's turnover. Turnover to Asia increased by 29% to HK\$218,254,000 representing 22% of the Group's turnover. Turnover to other markets increased by 19% to HK\$27,372,000 representing 3% of the Group's turnover.

Gross profit increased by 24% to HK\$144,245,000 (2007: HK\$115,900,000). Gross profit margin decreased by 1.5 percentage point to 14.6%. During the period, we continued to operate under adverse factors such as the appreciation of RMB, the weakening of USD, the surge in energy and material prices, the rising labour costs and operating costs in the PRC and the unstable supply of electricity in the PRC. To counter the effect of all these unfavorable factors, we reviewed the selling prices with our customers and had selectively increased the selling prices in some of the low margin items. We also focused in stringent cost control and productivity improvements to mitigate the negative effect of the adverse factors on gross profit margin.

Distribution costs improved from 2.2% to 1.8% as a percentage to sales turnover. Distribution costs increased by 13% to HK\$18,069,000 (2007: HK\$16,015,000). Administration expenses improved from 7.8% to 5.5% as a percentage to sales turnover due to stringent cost control and economy of scale. Administration expenses decreased slightly to HK\$54,881,000 (2007: HK\$56,269,000).

During the period under review, the Group had incurred a net investment loss of HK\$8,171,000. The loss had been incurred due to, as disclosed previously in the annual report for the year ended 31 March 2008, a loss of HK\$9,390,000 arising from structured foreign currency forward contracts.

Net profit for the period increased to HK\$54,849,000 (2007: HK\$41,638,000). Net profit margin was maintained at 6% to sales turnover.

Prospects

Although the results for the first six months of the current financial year has seen some improvement, the future outlook is uncertain and difficult to gauge. The sub-prime mortgage problem in the United States has escalated and has proliferated to a much greater magnitude which triggered the global financial meltdown and credit crunch. The economic outlook is uncertain and is expected to be turbulent for an extended period of time. The consumer market is expected to decline which would no doubt affect our business. We strongly believe the industry would go through a process of survival of the fittest with a consolidation towards manufacturers with strong financial strength, economy of scale and flexibility.

The recent correction of commodity prices and raw material costs and the easing of the rate of RMB appreciation has given us a little bit more breathing room. On top of this, the PRC has recently announced a series of measures and reliefs to support and help enterprises.

To stay afloat in the current turbulent and difficult business environment, the Group will continue to take a cautious approach and closely monitor the market developments. Currently, the Group is implementing the following approaches:

- To gain financial strength by focusing on preserving cash reserves and maintaining a high level of liquidity
- To review selling prices with customers to reflect the recent correction in material prices
- To review our supply chain and work closely with our suppliers to avoid unnecessary interruption in material supply
- To continue to concentrate in stringent cost and quality control, productivity improvement and efficiency and product design and development

The construction of 2 new factory blocks of the new plant in Huizhou city, Guangdong province is expected to be completed in mid 2009. However, in view of the current uncertainty in the global economy and market condition, the plan of utilizing the new plant would be delayed until we have a clearer picture of the business outlook.

Liquidity and Financial Resources

As at 30 September 2008, the Group had total assets of HK\$1,072,276,000 (31 March 2008: HK\$916,460,000) which was financed by current liabilities of HK\$470,118,000 (31 March 2008: HK\$342,819,000), long-term liabilities and deferred taxation of HK\$24,824,000 (31 March 2008: HK\$32,814,000) and shareholders' equity of HK\$577,334,000 (31 March 2008: HK\$540,827,000).

The Group continued to maintain a strong balance sheet and a healthy liquidity position. As at 30 September 2008, the Group held HK\$115,563,000 (31 March 2008: HK\$163,221,000) 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\$38,452,000 (31 March 2008: HK\$33,194,000) and the gearing ratio (ratio of total borrowings to shareholders' equity) still remained low at 7% (31 March 2008: 6%).

The Group's inventory balance as at 30 September 2008 was HK\$144,824,000 (31 March 2008: HK\$132,902,000). The trade receivables balance as at 30 September 2008 was HK\$480,351,000 (31 March 2008: HK\$290,023,000). We will continue to apply a prudent credit policy and closely monitor credit terms granted to our customers. The trade payables balance as at 30 September 2008 was HK\$254,065,000 (31 March 2008: HK\$162,110,000).

The funding for day-to-day operational working capital and capital expenditures are serviced by internal resources and bank facilities. For the six months ended 30 September 2008, the group invested approximately HK\$30,939,000 (2007: HK\$49,969,000) in construction of new factory, plant and machinery, moulds and tools, equipment and other tangible assets for expansion and upgrade to existing manufacturing facilities.

As at 30 September 2008, the unused balance of credit facilities from our major bankers for loans and trade financing was approximately HK\$108 million. As such, with a strong financial position and available banking facilities, the Group is confident to be 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. During the period under review, to reduce the risk arising from fluctuations in foreign currency exchange rates, the Group had used structured foreign exchange forward contracts to hedge against major currency exposures during the year. As disclosed in the annual report for the year ended 31 March 2008, a loss of HK\$9,390,000 was incurred on the structured foreign currency forward contracts. Currently the Group does not have any outstanding structured foreign exchange forward contracts.

CONTINGENT LIABILITIES

As at 30 September 2008, the Group did not have any significant contingent liability.

EMPLOYEE AND REMUNERATION POLICIES

Currently, the Group employs approximately 4,800 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 2008, 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			147,353,960 (Note)	147,353,960	43.93%
Mr. Cheung Shu Wan	Beneficial Owner	46,903,335				
	Beneficiary of trust			147,353,960 (Note)	194,257,295	57.91%
Ms. Cheung Lai Chun, Maggie	Beneficial Owner	600,000				
	Beneficiary of trust			147,353,960 (Note)	147,953,960	44.11%
Ms. Cheung Lai See, Sophie	Beneficial Owner	500,000				
	Beneficiary of trust			147,353,960 (Note)	147,853,960	44.08%
Mr. Cheung Pui	Beneficial Owner	1,000,000			1,000,000	0.30%

Note:

The references to 147,353,960 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 5,234,000 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 2008, 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 2008, 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	147,353,960	43.93%
Unison Associates Limited	Held by controlled corporation	142,119,960	42.37%
	Beneficial Owner	5,234,000	1.56%
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 <i>(Note)</i>	5.21%
Preferable Situation Assets Limited	Beneficial Owner	16,816,000 <i>(Note)</i>	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 2008, 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 2008, no option has been granted by the Company pursuant to the Scheme.

CLOSURE OF REGISTER

The Register of Shareholders will be closed from 5 January 2009 to 7 January 2009, 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 2 January 2009 in order to qualify for the interim dividend above mentioned.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2008, 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 2008, 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 25 August 2008. 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 2008. 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, 19 December 2008

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