Allan International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code:684)

Interim Report
2011/2012

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

HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH REGISTRARS AND TRANSFER OFFICE

Tricor Standard Limited
26th Floor
Tesbury Centre
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REGISTERED OFFICE

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2 Church Street
Hamilton HM 11
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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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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 statement of financial position of Allan International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 September 2011 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 "HKICPA"). The directors of the Company 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 HKICPA. 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

28 November 2011

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 2011 together with the comparative figures for the six months ended 30 September 2010, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

		Six months ended 30 September	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	**HK$'000**	HK$'000
Revenue	*3*	**1,219,872**	1,156,626
Cost of sales		**(1,065,515)**	(966,737)
Gross profit		**154,357**	189,889
Other income		**3,811**	819
Other gains and losses		**(1,400)**	(3,074)
Selling and distribution costs		**(19,659)**	(18,083)
Administrative expenses		**(69,491)**	(68,752)
Increase in fair value of an investment property		**–**	9,786
Interest on bank borrowings wholly repayable within five years		**(837)**	(45)
Profit before tax	*4*	**66,781**	110,540
Income tax expense	*5*	**(15,167)**	(19,203)
Profit for the period		**51,614**	91,337
Other comprehensive income			
Exchange difference arising on translation		**6,482**	3,750
Net fair value loss on available-for-sale investments		**(336)**	(364)
Other comprehensive income for the period		**6,146**	3,386
Total comprehensive income for the period		**57,760**	94,723
Earnings per share	*6*		
Basic		**HK15.39 cents**	HK27.23 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2011

	Notes	30 September 2011 (Unaudited) HK$'000	31 March 2011 (Audited) HK$'000
Non-current assets			
Investment property	8	**160,353**	–
Property, plant and equipment	8	**332,703**	247,345
Prepaid lease payments		**40,404**	32,319
Club debentures		**13,866**	13,866
Available-for-sale investments	9	**10,040**	8,776
Other financial assets	10	**6,074**	4,841
Deposits paid for acquisition of property, plant and equipment		**69,313**	56,221
Deposits paid for acquisition of an investment property		**–**	23,057
		632,753	386,425
Current assets			
Inventories		**106,594**	87,414
Trade receivables and bills receivable	11	**628,374**	516,672
Other receivables		**89,134**	58,407
Mould deposits paid		**16,458**	10,143
Prepaid lease payments		**940**	754
Available-for-sale investments	9	**–**	2,364
Other financial assets	10	**1,474**	–
Tax recoverable		**559**	1,577
Time deposits and deposits placed with banks and a financial institution		**77,581**	212,094
Bank balances and cash		**266,326**	104,340
		1,187,440	993,765
Current liabilities			
Trade payables and bills payable	12	**485,111**	252,133
Other payables and accruals		**208,775**	196,067
Mould deposits received		**33,063**	24,764
Tax payable		**51,355**	45,084
Secured bank loans – due within one year		**69,291**	552
		847,595	518,600

	Notes	30 September 2011 (Unaudited) HK$'000	31 March 2011 (Audited) HK$'000
Net current assets		**339,845**	475,165
Total assets less current liabilities		**972,598**	861,590
Non-current liabilities			
Deferred tax liabilities		**10,215**	9,649
Secured bank loans			
– due after one year		**102,997**	–
		113,212	9,649
Net assets		**859,386**	851,941
Capital and reserves			
Share capital	*13*	**33,543**	33,543
Reserves		**825,843**	818,398
		859,386	851,941

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

	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 2010 (audited)	33,543	109,884	793	1,239	14,962	60,378	536,257	757,056
Profit for the period	–	–	–	–	–	–	91,337	91,337
Exchange difference arising on translation	–	–	–	–	3,750	–	–	3,750
Fair value loss on available-for-sale investments	–	–	–	(364)	–	–	–	(364)
Other comprehensive income for the period	–	–	–	(364)	3,750	–	–	3,386
Total comprehensive income for the period	–	–	–	(364)	3,750	–	91,337	94,723
Dividends recognised as distribution *(note 7)*	–	–	–	–	–	(60,378)	–	(60,378)
At 30 September 2010 (unaudited)	33,543	109,884	793	875	18,712	–	627,594	791,401
Profit for the period	–	–	–	–	–	–	71,652	71,652
Exchange difference arising on translation	–	–	–	–	5,147	–	–	5,147
Fair values gain on available-for-sale investments	–	–	–	398	–	–	–	398
Investment revaluation reserve released on disposal of available-for-sale investments	–	–	–	115	–	–	–	115
Other comprehensive income for the period	–	–	–	513	5,147	–	–	5,660
Total comprehensive income for the period	–	–	–	513	5,147	–	71,652	77,312
Dividend proposed for 2011	–	–	–	–	–	50,315	(50,315)	–
Dividends recognised as distribution	–	–	–	–	–	–	(16,772)	(16,772)

	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 2011 (audited)	33,543	109,884	793	1,388	23,859	50,315	632,159	851,941
Profit for the period	–	–	–	–	–	–	51,614	51,614
Exchange difference arising on translation	–	–	–	–	6,482	–	–	6,482
Net fair value loss on available-for-sale investments	–	–	–	(336)	–	–	–	(336)
Other comprehensive income for the period	–	–	–	(336)	6,482	–	–	6,146
Total comprehensive income for the period	–	–	–	(336)	6,482	–	51,614	57,760
Dividends recognised as distribution *(note 7)*	–	–	–	–	–	(50,315)	–	(50,315)
At 30 September 2011 (unaudited)	33,543	109,884	793	1,052	30,341	–	683,773	859,386

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2011

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash from (used in) operating activities	**169,750**	(28,929)
Net cash (used in) from investing activities		
Purchase of property, plant and equipment	**(102,732)**	(32,688)
Purchase of investment properties	**(137,296)**	–
Purchase of available-for-sale investments	**(1,556)**	(13,154)
Purchase of financial assets designated at fair value through profit or loss ("FVTPL")	**(3,132)**	(1,550)
Deposits for acquisition of property, plant and equipment	**(13,092)**	(20,540)
Addition of prepaid lease payment	**(8,102)**	–
Placement in time deposits and deposits placed with banks and a financial institution	**(19,807)**	(665,143)
Release of time deposits and deposits placed with banks and a financial institution	**154,320**	832,903
Proceeds on redemption of financial assets designated at FVTPL	**–**	3,032
Proceeds on disposal of property, plant and equipment	**8**	1,679
Proceeds on redemption of available-for-sale investments	**2,334**	–
Other investing cash flows	**707**	518
	(128,348)	105,057
Net cash from (used in) financing activities		
Bank loans raised	**177,920**	–
Dividends paid	**(50,315)**	(60,378)
Repayment of bank loans	**(6,184)**	(5,197)
Other financing cash flows	**(837)**	(45)
	120,584	(65,620)
Net increase in cash and cash equivalents	**161,986**	10,508
Cash and cash equivalents at beginning of the period	**104,340**	107,115
Cash and cash equivalents at end of the period, represented by bank balances and cash	**266,326**	117,623

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

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".

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment property and certain financial instruments which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2011 are the same as with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2011.

In the current interim period, the Group has applied, for the first time, a number of new or revised Hong Kong Financial Reporting Standards ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the financial year beginning on 1 April 2011. The application of these new HKFRSs in the current interim period had no material effect on the condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the following new or revised standards that have been issued but are not yet effective. The following new or revised Standards have been issued after the date the consolidated financial statements for the year ended 31 March 2011 have authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosures of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 1 (as revised in 2011)	Presentation of Items of Other Comprehensive Income[2]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
HK(IFRIC) 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 July 2012

These five new or revised standards on consolidation, joint arrangements and disclosures were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year ending 31 March 2014. The directors of the Company anticipate that the application of these new or revised standards or implementations will have no material impact on the results and the consolidated financial position of the Group.

3. SEGMENT INFORMATION

Information reported to the Company's chief operating officer (the chief operating decision maker) for the purposes of resource allocation and performance assessment.

The principal activities of the Group are manufacture and distribution of household electrical appliance. 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 performance assessment.

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

Six months ended 30 September 2011

	Europe (Unaudited) HK$'000	America (Unaudited) HK$'000	Asia (Unaudited) HK$'000	Others (Unaudited) HK$'000 *(Note a)*	Consolidated (Unaudited) HK$'000
Segment revenue	**665,025**	**185,257**	**310,815**	**58,775**	**1,219,872**
Segment profit	**53,150**	**14,806**	**24,841**	**4,697**	**97,494**
Other gains and losses (except gain on disposal of property, plant and equipment and net exchange loss)					**(296)**
Depreciation (except moulds)					**(20,776)**
Finance costs					**(837)**
Unallocated income and expenses, net *(note b)*					**(8,804)**
Profit before tax					**66,781**

Six months ended 30 September 2010

	Europe (Unaudited) HK$'000	America (Unaudited) HK$'000	Asia (Unaudited) HK$'000	Others (Unaudited) HK$'000 *(Note a)*	Consolidated (Unaudited) HK$'000
Segment revenue	634,837	181,335	305,182	35,272	1,156,626
Segment profit	73,927	21,117	35,539	4,107	134,690
Other gains and losses (except gain on disposal of property, plant and equipment and net exchange loss)					(1,352)
Depreciation (except moulds)					(14,738)
Increase in fair value of an investment property					9,786
Finance costs					(45)
Unallocated income and expenses, net *(note b)*					(17,801)
Profit before tax					110,540

Notes:

(a) Segment revenue in others represent revenue from destinations of shipment of products, which individually contributed less than 10% of total revenue of the Group.

(b) Unallocated income and expenses represented other income, central administration costs and directors' salaries.

Segment profit represents the profit earned by each segment without allocation of central administration cost and directors' salaries, depreciation (except for moulds), change in fair value of investment property, other gains and losses (except gain on disposal of property, plant and equipment and net exchange loss) and finance costs. This is the measure reported to the Group's chief operating decision making officer for the purposes of resource allocation and assessment of segment performance.

4. PROFIT BEFORE TAX

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit before tax has been arrived at after charging (crediting) the following items:		
Interest on bank deposits	**(470)**	(265)
Interest on debt securities	**(236)**	(253)
	(706)	(518)
Net loss (gain) on financial assets designated at FVTPL	**435**	(128)
(Gain) loss on foreign currency forward contracts	**(140)**	1,480
Release of prepaid lease payments	**405**	374
Depreciation on property, plant and equipment	**22,767**	15,932
Total depreciation and amortisation	**23,172**	16,306
Net exchange loss	**1,111**	1,894
Gain on disposal of property, plant and equipment	**(6)**	(172)

5. INCOME TAX EXPENSE

	Six months ended 30 September 2011 (Unaudited) HK$'000	2010 (Unaudited) HK$'000
Current tax		
– Hong Kong	**10,458**	14,530
– People's Republic of China ("PRC") Enterprise Income Tax	**4,142**	5,830
	14,600	20,360
Deferred tax charge (credit)	**567**	(1,157)
	15,167	19,203

The income tax expense 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 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 2011 (Unaudited) HK$'000	2010 (Unaudited) HK$'000
Earnings for the purpose of basic earnings per share	**51,614**	91,337

	Six months ended 30 September	
	2011	2010
	(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	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Dividends paid		
2011 final dividend of HK15 cents (2010: HK18 cents for 2010 final dividend) per ordinary share	**50,315**	60,378

Subsequent to 30 September 2011, the board of directors has determined that a dividend of HK2.5 cents per share (2010: HK5 cents per share) shall be paid on or before 12 January 2012 to the shareholders of the Company whose names appear on the Register of Members on 16 December 2011 as interim dividend for the current financial year.

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

During the period, the Group acquired an investment property for a consideration of HK$160 million including transaction costs. The transaction was completed on 8 April 2011. In the opinion of the directors of the Group, the carrying amount of the Group's investment properties as at 30 September 2011 does not differ significantly from their estimated market value. Consequently, no fair value change has been recognised in respect of the Group's investment properties in the current period.

In addition, the Group's addition on property, plant and equipment during the period is approximately HK$103 million, mainly comprising HK$76 million spent on plant and machinery to upgrade its manufacturing capabilities and HK$20 million on furniture, fixtures and equipment. No material disposal of property, plant and equipment is made during the period.

9. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments represent investments in unlisted debt securities issued by private entities. The unlisted debt securities are stated at their fair values, which have been determined by counterparty financial institutions. At the end of the reporting period, the debt securities carry interest at either fixed rate or variable rates, which is by reference to the London Interbank Offered Rate ("LIBOR") plus a fixed rate. The original maturities of these debt securities ranges from one and a half year to six years. For the six months ended 30 September 2011, the Group acquired additional unlisted debt securities approximately HK$1,556,000 (Six months ended 30 September 2010: HK$3,124,000) and disposed of certain unlisted debt securities with a proceed of approximately HK$2,334,000 (Six months ended 30 September 2010: nil), resulting in no investment gain or loss (Six months ended 30 September 2010: nil). The fair value decrease on the available-for-sale investments held at the end of the reporting period of approximately HK$336,000 (2010: HK$364,000) was included in other comprehensive income.

10. OTHER FINANCIAL ASSETS

During the period ended 30 September 2011, the Group entered into one (Six months ended 30 September 2010: one) structured foreign currency forward contract with the bank which requires a deposit of approximately US$1,000,000 (Six months ended 30 September 2010: no initial net investment) and such contract was settled during the period resulting a net gain of approximately HK$140,000 (2010: Loss of approximately HK$1,480,000) which was included in the other gains and losses in the condensed consolidated statement of comprehensive income.

As at 30 September 2011, other financial assets represent unlisted debt investments which have their return of interest linked to specific commodity indexes such as biofuels and agriculture products. One (31 March 2011: one) of the debt investments, amounting approximately HK$1,474,000 (31 March 2011: HK$1,521,000), is redeemable upon maturity in July 2012 (31 March 2011: July 2012), therefore it is shown in a current asset (31 March 2011: a non-current asset).

For the remaining investments, amounting to approximately HK$6,074,000 (31 March 2011: HK$3,320,000), they represents bond funds. As at 30 September 2011, the directors intended to hold these investments for at least twelve months from the end of the reporting period and therefore they are classified as non-current assets.

These financial instruments are measured at fair value at the end of each reporting period.

11. TRADE RECEIVABLES AND BILLS RECEIVABLE

The Group allows an average credit period up to 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 2011 (Unaudited) HK$'000	31 March 2011 (Audited) HK$'000
0 – 90 days	**628,373**	515,996
91 – 120 days	**1**	676
Total	**628,374**	516,672

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 2011 (Unaudited) HK$'000	31 March 2011 (Audited) HK$'000
0 – 90 days	**484,977**	252,133
91 – 120 days	**134**	–
Total	**485,111**	252,133

13. SHARE CAPITAL

	Number of shares	**Amount** HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 April 2011 and at 30 September 2011	600,000,000	60,000
Issued and fully paid:		
At 1 April 2011 and at 30 September 2011	335,432,520	33,543

14. CAPITAL COMMITMENTS

	30 September 2011 (Unaudited) HK$'000	31 March 2011 (Audited) HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of an investment properties	–	137,295
– acquisition of property, plant and equipment	**26,951**	52,413
– construction of a factory plant	**8,062**	16,542
	35,013	206,250
Capital expenditure authorised but not contracted for in respect of:		
– acquisition of property, plant and equipment	**54,293**	116,031
– construction of a factory plant	–	10,423
	54,293	126,454
	89,306	332,704

15. RELATED PARTY TRANSACTIONS

During the period, rental expenses paid and payable to Allan Investment Company Limited amounted to HK$450,000 (2010: HK$450,000) and to Income Village Limited amounted to HK$102,000 (2010: HK$102,000) and to Fair Pacific Limited amounted to HK$492,000 (2010: HK$169,800). These companies are controlled by certain directors of the Company who, together with their family members, have significant influence to the Group.

During the period, the emoluments paid to the directors amounted to HK$9,908,000 (2010: HK$17,091,000). There is no key management personnel other than the directors of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 September 2011, the Group's sales turnover increased by 5.5% to HK$1,219.9 million (2010: HK$1,156.6 million) and the consolidated net profit decreased by 43.5% to HK$51.6 million (2010: HK$91.3 million). Basic earnings per share of the Group for the six months ended 30 September 2011 was HK15.4 cents (2010: HK27.2 cents). The Board of Directors has resolved that an interim dividend of HK2.5 cents (2010: HK$5 cents) per share would be paid on 12 January 2012 to shareholders registered on 16 December 2011.

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 2011, sales turnover increased by 5.5% to HK$1,219.9 million. Despite the unstable economic situations and sluggish consumer sentiments, sales turnover increased across all markets. Sales turnover to Europe increased by 4.8% to HK$665.0 million representing 54.5% of the Group's sales turnover. Sales turnover to Asia increased by 1.8% to HK$310.8 million representing 25.5% of the Group's sales turnover. Sales turnover to America increased by 2.2% to HK$185.3 million representing 15.2% of the Group's sales turnover. Sales turnover to other markets increased by 66.7% to HK$58.8 million representing 4.8% of the Group's sales turnover.

Gross profit for the six months ended 30 September 2011 decreased by 18.7% to HK$154.4 million (2010: HK$189.9 million). Gross profit margin deteriorated from 16.4% to 12.7%. The increase in raw material costs, double-digit increase in labour wages in Guangdong Province, the PRC and the continuing appreciation of Renminbi were amongst the adverse factors that contributed to the erosion in the gross profit margin. On top of this, the shortage in both electricity and labour supply had further increased the difficulties and challenges in our operations. During the period, we continued to focus in lean manufacturing and semi-automation to achieve improvements in streamlining, productivity and efficiency.

We continued to apply stringent cost control measures to all aspects of our operations. Selling and distribution costs increased by 8.8% to HK$19.7 million (2010: HK$18.1 million). As a percentage to sales turnover, selling and distribution costs remained at 1.6% compared to corresponding period last year. Administrative expenses increased by 1.2% to HK$69.5 million (2010: HK$68.7 million). As a percentage to sales turnover, administrative expenses improved from 5.9% to 5.7% compared to corresponding period last year.

Net profit decreased by 43.5% to HK$51.6 million (2010: HK$91.3 million). Net profit margin decreased from 7.9% to 4.2%. However, if the last period's increase in fair value of investment property of HK$9,786,000 was excluded, the net profit would have decreased by 36.7% from HK$81.6 million to HK$51.6 million and net profit margin would have decreased from 7.1% to 4.2%.

The 2 new factory blocks in the new plant in Huizhou City, Guangdong Province, the PRC commenced operations in August 2011. The new plant is able to provide additional manufacturing capacity to meet with our future growth.

The Group acquired an investment property for a consideration of HK$160 million including transaction costs. The transaction was completed in April 2011 and funded by internal resources and banking facility. The property is currently leased to third parties. The Group will continue to lease out the property for rental income. Upon expiration of the existing tenancies and depending on the then market circumstances, the Group shall either continue to lease the whole or part of the property for investment purpose or use the whole or part of the property by itself.

PROSPECTS

The lingering sovereign debt crisis in the Euro zone and the slow recovery of the US economy has a profound impact on the global economy. Under this backdrop of uncertainties, consumer sentiments are expected to remain sluggish. Adverse factors such as rising raw material prices and labour costs in the PRC and the appreciating Renminbi would continue to squeeze our margins. On top of this, the shortage in supply of electricity and labour would bring on further difficulties and challenges to our operations. To alleviate the pressure on margins, we would step up on our efforts to exercise tight cost control in all aspects of our operation and raise productivity and efficiency through semi-automation and lean manufacturing concepts and projects.

We are fully aware that we are facing a very turbulent and challenging set of business environment. There are a lot of uncertainties and difficulties lying ahead of us in view of the unstable economy especially in the US and the Euro zone. However, with our experience, financial strength and commitment, we will strive on and tread cautiously to ride through the stormy conditions.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2011, the Group had total assets of HK$1,820.2 million (31 March 2011: HK$1,380.2 million) which was financed by current liabilities of HK$847.6 million (31 March 2011: HK$518.6 million), long-term liabilities and deferred taxation of HK$113.2 million (31 March 2011: HK$9.6 million) and shareholders' equity of HK$859.4 million (31 March 2011: HK$851.9 million).

The group continued to maintain a healthy balance sheet and liquidity position. As at 30 September 2011, the Group held HK$343.9 million (31 March 2011: HK$316.4 million) in cash and bank deposits. They were mainly placed in Renminbi and US dollar short term deposits, except for temporary balances held in other currencies as required pending specific payments. As at the same date, total borrowings were HK$172.3 million (31 March 2011: HK$552,000) and the gearing ratio (ratio of borrowings to shareholders' equity) was 20% (31 March 2011: 1%). The increase in borrowings was mainly due to machinery loans for the new factory plant and a mortgage loan for an investment property acquired.

We continue to apply stringent control over the working capital cycle. The inventory balance as at 30 September 2011 increased to HK$106.6 million (31 March 2011: HK$87.4 million). The trade receivables balance as at 30 September 2011 increased to HK$628.4 million (31 March 2011: HK$516.7 million). The trade payables balance as at 30 September 2011 increased to HK$485.1 million (31 March 2011: HK$252.1 million).

Funding for day-to-day operational working capital and capital expenditures are to be serviced by internal cash flow and available banking facilities. For the six months ended 30 September 2011, the Group invested approximately HK$103 million (2010: HK$40 million) in property, plant and machinery, mould and tools, equipment, computer systems and other tangible assets for expansion and upgrade to our manufacturing facilities. The Group also acquired an investment property at HK$160 million during the period. These investments were funded by internal resources, machinery loans and mortgage loan. With our healthy 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, Reminbis and Euros. Currently, the Group does not implement hedging activity to hedge against foreign currency exposure. However, we will closely monitor foreign currency exposure and consider hedging significant foreign currency exposure should the need arise.

CONTINGENT LIABILITIES

As at 30 September 2011, the Group did not have any significant contingent liability.

EMPLOYEE AND REMUNERATION POLICIES

Currently, the Group employs approximately 5,300 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 2011, 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

		Number of ordinary shares held			
Name	**Capacity**	**Personal Interest**	**Other interest**	**Total**	**Approximate % of the issued share capital of the Company**
Mr. Cheung Lun	Founder of discretionary trust		148,029,960 *(Note)*	148,029,960	44.13%
Mr. Cheung Shu Wan	Beneficial Owner	49,385,335			
	Beneficiary of trust		148,029,960 *(Note)*		
				197,415,295	58.85%
Ms. Cheung Lai Chun, Maggie	Beneficial Owner	600,000			
	Beneficiary of trust		148,029,960 *(Note)*		
				148,629,960	44.31%
Ms. Cheung Lai See, Sophie	Beneficial Owner	1,258,000			
	Beneficiary of trust		148,029,960 *(Note)*		
				149,287,960	44.51%
Mr. Cheung Pui	Beneficial Owner	1,000,000		1,000,000	0.30%

Note:

The references to 148,029,960 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"), 7,658,000 shares are held by Commence Investment Limited ("CIL") and 5,550,000 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 2011, 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 2011, 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	148,029,960	44.13%
Unison Associates Limited	Held by controlled corporation	142,479,960	42.48%
	Beneficial Owner	5,550,000	1.65%

Number of Shareholder	Capacity	Name of Ordinary Shares	Approximate % of Shareholding
Allan Investment Company Limited	Beneficial Owner	134,821,960	40.19%
Webb, David Michael	Beneficial Owner	6,726,000	2.01%
	Held by controlled corporation	26,826,000 *(Note)*	7.99%
Preferable Situation Assets Limited	Beneficial Owner	26,886,000 *(Note)*	8.01%

Note:

The reference to 26,886,000 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 26,826,000 shares to 26,886,000 Shares.

Save as disclosed above, as at 30 September 2011, 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 2011, no option has been granted by the Company pursuant to the Scheme.

CLOSURE OF REGISTER

The Register of Shareholders will be closed from 14 December 2011 to 16 December 2011, 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 13 December 2011 in order to qualify for the interim dividend above mentioned.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2011, 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 2011, 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 5 August 2011. 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 2011. 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, 28 November 2011

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