



Allan International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code:684)

Interim Report
2012/2013

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. Wong Lai Yung

QUALIFIED ACCOUNTANT

Ms. Wong Lai Yung

AUDIT COMMITTEE

Dr. Chan How Chun*
Mr. Lai Ah Ming, Leon
Professor Lo Chung Mau

REMUNERATION COMMITTEE

Mr. Lai Ah Ming, Leon*
Dr. Chan How Chun
Ms. Cheung Lai See, Sophie

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
28 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Website: www.allan.com.hk

STOCK CODE

684

* Chairman of the relevant Board Committee



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 condensed consolidated financial statements of Allan International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 4 to 18 which comprise the condensed consolidated statement of financial position as of 30 September 2012 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 34 “Interim Financial Reporting” (“HKAS 34”) 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 these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 November 2012

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 2012 together with the comparative figures for the six months ended 30 September 2011, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

		Six months ended 30 September	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
	NOTES		
Revenue	3	1,233,924	1,219,872
Cost of sales		(1,083,384)	(1,065,515)
Gross profit		150,540	154,357
Other income		4,755	3,811
Other gains and losses		(1,370)	(1,400)
Selling and distribution costs		(18,862)	(19,659)
Administrative expenses		(71,845)	(69,491)
Increase in fair value of investment properties		9,500	–
Interest on bank borrowings		(1,542)	(837)
Profit before tax	4	71,176	66,781
Income tax expense	5	(11,620)	(15,167)
Profit for the period		59,556	51,614
Other comprehensive income			
Exchange difference arising on translation		(339)	6,482
Fair value gain (loss) on available-for-sale investments		223	(336)
Other comprehensive income for the period		(116)	6,146
Total comprehensive income for the period		59,440	57,760
Earnings per share	6		
Basic		HK17.75 cents	HK15.39 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2012

		30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
	NOTES		
Non-current assets			
Investment properties	8	220,489	210,989
Property, plant and equipment	9	411,765	406,419
Prepaid lease payments		27,818	28,185
Club debentures		13,866	13,866
Available-for-sale investments	10	7,226	8,561
Financial assets designated at fair value through profit or loss	11	10,034	6,565
Deposits paid for acquisition of property, plant and equipment		7,253	10,135
		698,451	684,720
Current assets			
Inventories		114,626	93,781
Trade receivables and bills receivable	12	590,526	509,353
Other receivables		118,327	107,334
Mould deposits paid		22,751	22,245
Prepaid lease payments		706	693
Available-for-sale investments	10	3,100	–
Financial assets designated at fair value through profit or loss	11	–	1,513
Tax recoverable		727	2,210
Time deposits and deposits placed with banks and financial institutions		153,347	169,683
Bank balances and cash		215,882	188,700
		1,219,992	1,095,512
Current liabilities			
Trade payables and bills payable	13	504,740	384,420
Other payables and accruals		194,303	182,108
Mould deposits received		33,376	35,094
Tax payable		47,794	41,251
Secured bank loans			
– due within one year		33,779	33,779
		813,992	676,652

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
<i>NOTES</i>		
Net current assets	406,000	418,860
Total assets less current liabilities	1,104,451	1,103,580
Non-current liabilities		
Deferred tax liabilities	16,434	16,185
Secured bank loans – due after one year	128,768	145,657
	145,202	161,842
Net assets	959,249	941,738
Capital and reserves		
Share capital	33,543	33,543
Reserves	925,706	908,195
	959,249	941,738

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 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
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
Profit for the period	-	-	-	-	-	-	-	75,523	75,523
Gain on revaluation	-	-	-	-	17,638	-	-	-	17,638
Deferred tax liability arising on gain on revaluation	-	-	-	-	(5,346)	-	-	-	(5,346)
Exchange difference arising on translation	-	-	-	-	-	3,184	-	-	3,184
Fair value gain on available-for-sale investments	-	-	-	228	-	-	-	-	228
Investment revaluation reserve released on disposal of available-for-sale investments	-	-	-	(489)	-	-	-	-	(489)
Other comprehensive income for the period	-	-	-	(261)	12,292	3,184	-	-	15,215
Total comprehensive income for the period	-	-	-	(261)	12,292	3,184	-	75,523	90,738
Dividend proposed for 2012	-	-	-	-	-	-	41,929	(41,929)	-
Dividends recognised as distribution	-	-	-	-	-	-	-	(8,386)	(8,386)
At 31 March 2012 (audited)	33,543	109,884	793	791	12,292	33,525	41,929	708,981	941,738
Profit for the period	-	-	-	-	-	-	-	59,556	59,556
Exchange difference arising on translation	-	-	-	-	-	(339)	-	-	(339)
Fair value gain on available-for-sale investments	-	-	-	223	-	-	-	-	223
Other comprehensive income for the period	-	-	-	223	-	(339)	-	-	(116)
Total comprehensive income for the period	-	-	-	223	-	(339)	-	59,556	59,440
Dividends recognised as distribution (note 7)	-	-	-	-	-	-	(41,929)	-	(41,929)
At 30 September 2012 (unaudited)	33,543	109,884	793	1,014	12,292	33,186	-	768,537	959,249

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2012

	Six months ended 30 September 2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Net cash from operating activities	112,079	169,750
Net cash used in investing activities		
Purchase of property, plant and equipment	(32,369)	(102,732)
Purchase of investment properties	–	(137,296)
Purchase of available-for-sale investments	(1,556)	(1,556)
Purchase of financial assets designated at fair value through profit or loss (“FVTPL”)	(5,072)	(3,132)
Deposits for acquisition of property, plant and equipment	(7,253)	(13,092)
Addition of prepaid lease payment	–	(8,102)
Placement in time deposits and deposits placed with banks and financial institutions	(160,162)	(19,807)
Withdrawal of time deposits and deposits placed with banks and financial institutions	176,121	154,320
Proceeds on redemption of financial assets designated at FVTPL	3,375	–
Proceeds on disposal of property, plant and equipment	1,597	8
Proceeds on redemption of available-for-sale investments	–	2,334
Other investing cash flows	782	707
	(24,537)	(128,348)
Net cash (used in) from financing activities		
New bank borrowings raised	–	177,920
Dividends paid	(41,929)	(50,315)
Repayment of borrowings	(16,889)	(6,184)
Other financing cash flows	(1,542)	(837)
	(60,360)	120,584
Net increase in cash and cash equivalents	27,182	161,986
Cash and cash equivalents at beginning of the period	188,700	104,340
Cash and cash equivalents at end of the period, represented by bank balances and cash	215,882	266,326

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

1. BASIS OF PREPARATION

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

2. PRINCIPAL 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 and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2012 are the same as with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2012.

In the current interim period, the Group has applied for the first time the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA:

Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
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The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the Company's executive directors (the chief operating decision maker) for the purposes of resource allocation and assessment of performance focuses on types of goods delivered and services rendered.

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 assessment of performance is focused on these operating divisions.

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

Six months ended 30 September 2012

	Europe (Unaudited) HK\$'000	America (Unaudited) HK\$'000	Asia (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
				<i>(Note a)</i>	
Segment revenue	604,152	294,123	297,452	38,197	1,233,924
Segment profit	51,401	25,024	25,307	3,250	104,982
Other gains and losses (except gain on disposal of property, plant and equipment and net exchange loss)					275
Depreciation (except moulds)					(33,773)
Increase in fair value of investment properties					9,500
Finance costs					(1,542)
Unallocated income and expenses <i>(note b)</i>					(8,266)
Profit before tax					71,176

Six months ended 30 September 2011

	Europe (Unaudited) HK\$'000	America (Unaudited) HK\$'000	Asia (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
					<i>(Note a)</i>
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 (<i>note b</i>)					(8,804)
Profit before tax					66,781

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 other income, central administration cost and directors' salaries, other gains and losses (except gain on disposal of property, plant and equipment and net exchange loss), depreciation (except for moulds), increase in fair value of investment properties and finance costs. This is the measure reported to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment.

4. PROFIT BEFORE TAX

	Six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit before tax has been arrived at after charging (crediting) the following items:		
Interest on bank deposits	(632)	(470)
Interest on debt securities	(148)	(236)
	(780)	(706)
Net (gain) loss on financial assets designated at FVTPL	(275)	435
Gain on foreign currency forward contracts	–	(140)
Release of prepaid lease payments	353	405
Depreciation on property, plant and equipment	35,876	22,767
Total depreciation and amortisation	36,229	23,172
Net exchange loss	1,978	1,111
Gain on disposal of property, plant and equipment	(333)	(6)

5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax		
– Hong Kong	9,230	10,458
– People's Republic of China ("PRC") Enterprise Income Tax	2,141	4,142
	11,371	14,600
Deferred tax charge	249	567
	11,620	15,167

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. PRC enterprise income tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC.

6. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings for the purpose of basic earnings per share	59,556	51,614

	Six months ended	
	30 September	
	2012	2011
	(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

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	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividends paid		
2012 final dividend of HK12.5 cents (2011: HK15 cents for 2011 final dividend) per ordinary share	41,929	50,315

Subsequent to 30 September 2012, the board of directors has determined that a dividend of HK2.5 cents per share (2011: HK2.5 cents per share) shall be paid on 18 January 2013 to the shareholders of the Company whose names appear on the Register of Members on 21 December 2012 as interim dividend for the current financial year. The aggregate amount of the interim dividend amounted to approximately HK\$8,386,000 (2011: HK\$8,386,000).

8. INVESTMENT PROPERTIES

In the opinion of the directors of the Group, the estimated market value of the Group's investment properties as at 30 September 2012 was approximately HK\$220,489,000. The valuation has been arrived with reference to recent market transaction prices for similar properties in the same locations and conditions. The resulting increase in fair value of HK\$9,500,000 (2011: Nil) has been recognised and included in profit or loss in the current period.

9. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 September 2012, the Group's addition on property, plant and equipment is approximately HK\$42,504,000. The acquisition is mainly comprising HK\$12,797,000 spent on plant and machinery to upgrade its manufacturing capabilities and HK\$24,043,000 on furniture, fixtures and equipment. No material disposal of property, plant and equipment is made during the period.

10. 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 reference to prices provided by the 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 three years to eight years. For the six months ended 30 September 2012, the Group acquired additional unlisted debt securities approximately HK\$1,556,000 (Six months ended 30 September 2011: HK\$1,556,000). The fair value increase on the available-for-sale investments held at the end of the reporting period of approximately HK\$223,000 (2011: decrease of HK\$336,000) was included in other comprehensive income.

As at 30 September 2012, the Group had available-for-sale investments of approximately HK\$3,100,000 (2011: Nil) which will be matured and redeemed within twelve months from the end of the reporting period and therefore they are classified as current assets.

11. FINANCIAL ASSETS DESIGNATED AT FVTPL

Financial assets designated at FVTPL represent unlisted debt investments redeemable or being disposable at the director's discretion with the total principal amounts of HK\$10,034,000 (31 March 2012: HK\$8,078,000). As at 30 September 2012, the directors intended to hold these investments either to their maturities or at least in the coming twelve months from the end of the reporting period and therefore they are classified as non-current assets.

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

For the six months ended 30 September 2012, the Group acquired additional debt securities of HK\$5,072,000, and disposed of a certain unlisted debt securities with a total proceed of HK\$3,375,000 approximately. A net gain of approximately HK\$275,000 was included in the other gains and losses in the condensed consolidated statement of comprehensive income.

12. 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 invoice date of trade receivables and bills receivable at the end of the reporting period:

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
0 – 90 days	558,669	485,266
91 – 120 days	31,812	24,032
Over 120 days	45	55
Total	590,526	509,353

13. TRADE PAYABLES AND BILLS PAYABLE

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

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
0 – 90 days	472,648	352,202
91 – 120 days	25,769	28,461
Over 120 days	6,323	3,757
Total	504,740	384,420

14. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 April 2011, 30 September 2011, 1 April 2012 and 30 September 2012	600,000,000	60,000
Issued and fully paid:		
At 1 April 2011, 30 September 2011, 1 April 2012 and 30 September 2012	335,432,520	33,543

15. CAPITAL COMMITMENTS

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	7,814	14,389
– construction of a factory plant	–	554
	7,814	14,943
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	27,317	71,640
	35,131	86,583

16. RELATED PARTY TRANSACTIONS

During the period, rental expenses paid and payable to Allan Investment Company Limited amounted to HK\$450,000 (2011: HK\$450,000) and to Income Village Limited amounted to HK\$102,000 (2011: HK\$102,000) and to Fair Pacific Limited amounted to HK\$492,000 (2011: HK\$492,000). These companies are controlled by certain directors of the Company who, together with their family members, have significant influence to the Group.

In addition, the Group also paid rentals of approximately HK\$331,000 (2011: HK\$323,000) to Mr. Cheung Pui, the director of the Company.

During the period, the emoluments paid to the directors amounted to HK\$9,516,000 (2011: HK\$9,908,000). There is no key management personnel other than the directors of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 September 2012, the Group's sales turnover increased by 1.1% to HK\$1,233.9 million (2011: HK\$1,219.9 million) and the consolidated net profit increased by 15.5% to HK\$59.6 million (2011: HK\$51.6 million). Basic earnings per share of the Group for the six months ended 30 September 2012 was HK17.8 cents (2011: HK15.4 cents). The Board of Directors has resolved that an interim dividend of HK2.5 cents (2011: HK\$2.5 cents) per share would be paid on 18 January 2013 to shareholders registered on 21 December 2012.

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 2012, sales turnover increased by 1.1% to HK\$1,233.9 million. The sluggish economy and the lingering uncertainties in the political and economic situations of the Eurozone have shown no sign of recovery. Sales turnover to Europe decreased by 9.2% to HK\$604.2 million representing 49.0% of the Group's sales turnover. Sales turnover to Asia decreased by 4.3% to HK\$297.5 million representing 24.1% of the Group's sales turnover. Sales turnover to America continued to gain momentum under the slowly recovering economy. Sales turnover to America increased by 58.8% to HK\$294.1 million representing 23.8% of the Group's sales turnover. Sales turnover to other markets decreased by 35.0% to HK\$38.2 million representing 3.1% of the Group's sales turnover.

Gross profit for the six months ended 30 September 2012 decreased by 2.5% to HK\$150.5 million (2011: HK\$154.4 million). Gross profit margin decreased from 12.7% to 12.2%. Although raw material and commodity prices have generally stabilised, the increase in operating expenses, labour costs and depreciation charges has resulted in a slight erosion in our gross margin.

We continued to apply stringent cost control measures to all aspects of our operations. Selling and distribution costs decreased by 4.1% to HK\$18.9 million (2011: HK\$19.7 million). As a percentage to sales turnover, selling and distribution costs decreased slightly from 1.6% to 1.5% as compared to corresponding period last year. Administrative expenses increased by 3.4% to HK\$71.8 million (2011: HK\$69.5 million). As a percentage to sales turnover, administrative expenses increased slightly from 5.7% to 5.8% as compared to corresponding period last year.

The valuation of the investment property was estimated to be HK\$220.5 million based on recent market transaction of similar properties in the same location and condition giving rise to an increase in fair value of HK\$9.5 million.

Net profit increased by 15.5% to HK\$59.6 million (2011: HK\$51.6 million). Net profit margin increased from 4.2% to 4.8%. However, if the increase in fair value of investment property of HK\$9.5 million was excluded, the net profit would have decreased by 3.0% from HK\$51.6 million to HK\$50.1 million and net profit margin would have decreased from 4.2% to 4.1%.

PROSPECTS

Business environment has become increasingly difficult and competitive. Political and economic situations in major markets remain uncertain. We expect weak and sluggish consumer sentiments and demands in the European markets to continue. Although we have seen good recovery signs in the US market, the uncertainty and outcome of fiscal cliff may have negative impact on our sales in this market.

At the operations level, we still have to face difficulties and challenges such as possible fluctuations in raw material prices, rising operating costs and labour costs in the PRC. On top of this, the shortage in labour supply has intensified which would result in disruptions to our manufacturing operations. To alleviate the pressure on our margins and our operations, we would stay focused to exercise tight cost control in all aspects of our operations and raise productivity and efficiency through semi-automation and lean manufacturing concepts and projects.

We are fully aware that we are still 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 uncertain and 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 to create value to our shareholders, employees and business partners.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2012, the Group had total assets of HK\$1,918.4 million (31 March 2012: HK\$1,780.2 million) which was financed by current liabilities of HK\$814.0 million (31 March 2012: HK\$676.7 million), long-term liabilities and deferred taxation of HK\$145.2 million (31 March 2012: HK\$161.8 million) and shareholders' equity of HK\$959.2 million (31 March 2012: HK\$941.7 million).

The group continued to maintain a strong and healthy balance sheet and liquidity position. As at 30 September 2012, the Group held HK\$369.2 million (31 March 2012: HK\$358.4 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\$162.5 million (31 March 2012: HK\$179.4 million) and the gearing ratio (ratio of borrowings to shareholders' equity) was 17% (31 March 2012: 19%).

We continue to apply stringent control over the working capital cycle. The inventory balance as at 30 September 2012 was HK\$114.6 million (31 March 2012: HK\$93.8 million). The trade receivables balance as at 30 September 2012 increased to HK\$590.5 million (31 March 2012: HK\$509.4 million). The trade payables balance as at 30 September 2012 increased to HK\$504.7 million (31 March 2012: HK\$384.4 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 2012, the Group invested approximately HK\$42.5 million (2011: HK\$103 million) in property, plant and machinery, mould and tools, equipment, computer systems and other tangible assets for expansion and upgrade to our manufacturing facilities. These investments were funded by internal resources and bank loans. 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, Renminbis 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 2012, the Group did not have any significant contingent liability.

EMPLOYEE AND REMUNERATION POLICIES

Currently, the Group employs approximately 5,700 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 2012, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”), were as follows:

Ordinary shares of HK\$0.10 each of the Company

Name	Capacity	Number of ordinary shares held		Total	Approximate % of the issued share capital of the Company
		Personal Interest	Other interest		
Mr. Cheung Lun	Founder of discretionary trust		149,049,960 <i>(Note)</i>	149,049,960	44.44%
Mr. Cheung Shu Wan	Beneficial Owner	49,675,335		198,725,295	59.24%
	Beneficiary of trust		149,049,960 <i>(Note)</i>		
Ms. Cheung Lai Chun, Maggie	Beneficial Owner	600,000		149,649,960	44.61%
	Beneficiary of trust		149,049,960 <i>(Note)</i>		
Ms. Cheung Lai See, Sophie	Beneficial Owner	1,258,000		150,307,960	44.81%
	Beneficiary of trust		149,049,960 <i>(Note)</i>		
Mr. Cheung Pui	Beneficial Owner	1,000,000		1,000,000	0.30%

Note:

The references to 149,049,960 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 6,570,000 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 2012, 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 2012, 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	149,049,960	44.44%
Unison Associates Limited	Held by controlled corporation	142,479,960	42.47%
	Beneficial Owner	6,570,000	1.96%

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 <i>(Note)</i>	7.99%
Preferable Situation Assets Limited	Beneficial Owner	26,886,000 <i>(Note)</i>	8.02%

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 2012, 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 8 August 2012 (“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 2012, no option has been granted by the Company pursuant to the Scheme.

CLOSURE OF REGISTER

The Register of Shareholders will be closed from 19 December 2012 to 21 December 2012, 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 18 December 2012 in order to qualify for the interim dividend above mentioned.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2012, there was no purchase, sale or redemption of the shares by the Company or any of its subsidiaries.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with all the applicable code provisions of the Corporate Governance Code (formerly known as Code on Corporate Governance Practices) ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the six month ended 30 September 2012, except for the deviations herein below mentioned:

The CG 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 ("INEDs") 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 CG Code.

The CG 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 the CG 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.

The CG Code Provision A.5.1

Under this code provision, a nomination committee comprising a majority of INEDs should be established and chaired by the chairman of the board or an INED.

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the directors. As the above selection and nomination policies and procedures have already been in place and the other duties of the nomination committee as set out in the CG Code are performed by the full Board, the Board does not consider it necessary to establish a nomination committee at the current stage.

The CG 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 8 August 2012. 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 2012. 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
Allan International Holdings Limited
Cheung Shu Wan
Managing Director

Hong Kong, 28 November 2012

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