



Allan International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code:684)

Interim Report
2014/2015

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
Chong Hing Bank Limited

SHARE REGISTRARS AND TRANSFER OFFICE

Appleby Management (Bermuda) Limited
Canon's Court, 22 Victoria Street
Hamilton HM 22
Bermuda

HONG KONG BRANCH REGISTRARS AND TRANSFER OFFICE

Tricor Standard Limited
Level 22
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

12th Floor
Zung Fu Industrial Building
1067 King's Road
Quarry Bay
Hong Kong
Tel: (852) 2103 7288
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STOCK CODE

684

* Chairman of the relevant Board Committee

Deloitte.

德勤

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF ALLAN INTERNATIONAL HOLDINGS LIMITED

(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 21, which comprise the condensed consolidated statement of financial position as of 30 September 2014 and the related condensed consolidated statement of profit or loss and other 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

27 November 2014

RESULTS

The board of directors of Allan International Holdings Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2014 together with the comparative figures for the six months ended 30 September 2013, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2014

| | | Six months ended 30 September | |
|--|-------|----------------------------------|-------------------------|
| | | 2014 | 2013 |
| | NOTES | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 |
| Revenue | 3 | 1,082,144 | 1,121,339 |
| Cost of sales | | (951,625) | (984,647) |
| Gross profit | | 130,519 | 136,692 |
| Other income | | 5,702 | 4,934 |
| Other gains and losses | | 1,831 | (2,892) |
| Selling and distribution expenses | | (18,906) | (17,518) |
| Administrative expenses | | (73,041) | (74,031) |
| Increase in fair value of investment properties | | 20,200 | 31,166 |
| Interest on bank borrowings | | (791) | (1,103) |
| Profit before tax | | 65,514 | 77,248 |
| Income tax expense | 4 | (10,005) | (9,411) |
| Profit for the period | 5 | 55,509 | 67,837 |
| Other comprehensive income (expense): | | | |
| Item that may be subsequently reclassified to profit or loss: | | | |
| Exchange difference arising on translation | | 577 | 4,504 |
| Net adjustments on available-for- sale investments | | (446) | (26) |
| Other comprehensive income for the period | | 131 | 4,478 |
| Total comprehensive income for the period | | 55,640 | 72,315 |
| Earnings per share | 6 | | |
| Basic | | HK16.55 cents | HK20.22 cents |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2014

| | <i>NOTES</i> | 30 September 2014 (Unaudited) HK\$'000 | 31 March 2014 (Audited) HK\$'000 |
|--|--------------|---|---|
| Non-current assets | | | |
| Investment properties | <i>8</i> | 238,200 | 218,000 |
| Property, plant and equipment | <i>9</i> | 323,388 | 337,705 |
| Prepaid lease payments | | 26,931 | 27,104 |
| Club debentures | | 13,866 | 13,866 |
| Available-for-sale investments | <i>10</i> | 13,509 | 9,217 |
| Financial assets designated at fair value through profit or loss ("FVTPL") | <i>11</i> | 5,510 | 5,480 |
| Deposits paid for acquisition of property, plant and equipment | | 5,247 | 6,177 |
| | | 626,651 | 617,549 |
| Current assets | | | |
| Inventories | | 114,902 | 100,250 |
| Trade receivables and bills receivable | <i>12</i> | 550,932 | 380,221 |
| Other receivables | | 87,360 | 60,878 |
| Mould deposits paid | | 20,836 | 20,375 |
| Prepaid lease payments | | 715 | 721 |
| Available-for-sale investments | <i>10</i> | 2,333 | 2,342 |
| Tax recoverable | | – | 6,708 |
| Time deposits and deposits placed with banks and financial institutions | | 269,878 | 280,761 |
| Bank balances and cash | | 199,651 | 256,982 |
| | | 1,246,607 | 1,109,238 |
| Current liabilities | | | |
| Trade payables and bills payable | <i>13</i> | 449,818 | 301,786 |
| Other payables and accruals | | 171,376 | 168,747 |
| Mould deposits received | | 27,712 | 39,007 |
| Tax payable | | 40,505 | 45,780 |
| Secured bank loans | | | |
| – due within one year | | 39,309 | 46,728 |
| | | 728,720 | 602,048 |

| | 30 September 2014 (Unaudited) HK\$'000 | 31 March 2014 (Audited) HK\$'000 |
|--|---|---|
| <i>NOTES</i> | | |
| Net current assets | 517,887 | 507,190 |
| Total assets less current liabilities | 1,144,538 | 1,124,739 |
| Non-current liabilities | | |
| Deferred tax liabilities | 12,888 | 12,423 |
| Secured bank loans – due after one year | 55,679 | 65,150 |
| | 68,567 | 77,573 |
| Net assets | 1,075,971 | 1,047,166 |
| Capital and reserves | | |
| Share capital | 33,543 | 33,543 |
| Reserves | 1,042,428 | 1,013,623 |
| | 1,075,971 | 1,047,166 |

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

| | 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 2013 (audited) | 33,543 | 109,884 | 793 | 735 | 12,292 | 39,860 | 34,550 | 774,871 | 1,006,528 |
| Profit for the period | - | - | - | - | - | - | - | 67,837 | 67,837 |
| Exchange difference arising on translation | - | - | - | - | - | 4,504 | - | - | 4,504 |
| Fair value gain on available-for-sale investments | - | - | - | 115 | - | - | - | - | 115 |
| Investment revaluation reserve released on disposal of available-for-sale investments | - | - | - | (141) | - | - | - | - | (141) |
| Other comprehensive (expense) income for the period | - | - | - | (26) | - | 4,504 | - | - | 4,478 |
| Total comprehensive (expense) income for the period | - | - | - | (26) | - | 4,504 | - | 67,837 | 72,315 |
| Release of property revaluation reserve on disposal of an investment property held by a subsidiary | - | - | - | - | (12,292) | - | - | 12,292 | - |
| Dividends recognised as distribution (note 7) | - | - | - | - | - | - | (34,550) | - | (34,550) |
| At 30 September 2013 (unaudited) | 33,543 | 109,884 | 793 | 709 | - | 44,364 | - | 855,000 | 1,044,293 |
| Profit for the period | - | - | - | - | - | - | - | 15,620 | 15,620 |
| Exchange difference arising on translation | - | - | - | - | - | (4,285) | - | - | (4,285) |
| Fair value gain on available-for-sale investments | - | - | - | 237 | - | - | - | - | 237 |
| Investment revaluation reserve released on disposal of available-for-sale investments | - | - | - | (389) | - | - | - | - | (389) |
| Other comprehensive expense for the period | - | - | - | (152) | - | (4,285) | - | - | (4,437) |
| Total comprehensive (expense) income for the period | - | - | - | (152) | - | (4,285) | - | 15,620 | 11,183 |
| Dividend proposed for 2014 | - | - | - | - | - | - | 26,835 | (26,835) | - |
| Dividends recognised as distribution (note 7) | - | - | - | - | - | - | - | (8,386) | (8,386) |
| Unclaimed dividend forfeited | - | - | - | - | - | - | - | 76 | 76 |
| At 31 March 2014 (audited) | 33,543 | 109,884 | 793 | 557 | - | 40,079 | 26,835 | 835,475 | 1,047,166 |
| Profit for the period | - | - | - | - | - | - | - | 55,509 | 55,509 |
| Exchange difference arising on translation | - | - | - | - | - | 577 | - | - | 577 |
| Fair value loss on available-for-sale investments | - | - | - | (98) | - | - | - | - | (98) |
| Investment revaluation reserve released on disposal of available-for-sale investments | - | - | - | (348) | - | - | - | - | (348) |
| Other comprehensive (expense) income for the period | - | - | - | (446) | - | 577 | - | - | 131 |
| Total comprehensive (expense) income for the period | - | - | - | (446) | - | 577 | - | 55,509 | 55,640 |
| Dividends recognised as distribution (note 7) | - | - | - | - | - | - | (26,835) | - | (26,835) |
| At 30 September 2014 (unaudited) | 33,543 | 109,884 | 793 | 111 | - | 40,656 | - | 890,984 | 1,075,971 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2014

| | Six months ended 30 September 2014 (Unaudited) HK\$'000 | 2013 (Unaudited) HK\$'000 |
|---|--|---------------------------------|
| Net cash (used in) from operating activities | (2,274) | 161,979 |
| Net cash used in investing activities | | |
| Placement in time deposits and deposits placed with banks and financial institutions | (252,916) | (231,419) |
| Purchase of property, plant and equipment | (14,003) | (6,866) |
| Purchase of available-for-sale investments | (7,901) | (4,760) |
| Deposits for acquisition of property, plant and equipment | (5,247) | (918) |
| Withdrawal of time deposits and deposits placed with banks and financial institutions | 263,799 | 141,606 |
| Proceeds on disposal/redemption of available-for-sale investments | 3,521 | 7,161 |
| Proceeds on disposal of property, plant and equipment | 962 | 1,377 |
| Proceeds from disposal of a subsidiary | – | 55,147 |
| Other investing cash flows | 1,244 | 1,113 |
| | (10,541) | (37,559) |
| Cash used in financing activities | | |
| Dividends paid | (26,835) | (34,550) |
| Repayment of borrowings | (16,890) | (16,890) |
| Other financing cash flows | (791) | (1,103) |
| | (44,516) | (52,543) |
| Net (decrease) increase in cash and cash equivalents | (57,331) | 71,877 |
| Cash and cash equivalents at beginning of the period | 256,982 | 159,261 |
| Effect of foreign exchange rate changes | – | 2,033 |
| Cash and cash equivalents at end of the period, represented by bank balances and cash | 199,651 | 233,171 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

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 (the “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 (the “Listing Rules”).

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 these condensed consolidated financial statements for the six months ended 30 September 2014 are the same as with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2014.

In the current interim period, the Group has applied, for the first time, a new interpretation and certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatory effective for the current interim period.

The application of the new interpretation and 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, CODM, for the purposes of resource allocation and assessment of segment performance focuses on geographical regions.

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 CODM for the purposes of resource allocation and assessment of performance is based on these operating divisions.

The following is an analysis of the Group's revenues and results for each of the reportable and operating segments:

Six months ended 30 September 2014

| | 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 | 535,483 | 237,449 | 257,927 | 51,285 | 1,082,144 |
| Segment profit | 42,888 | 19,018 | 20,658 | 4,108 | 86,672 |
| Other gains and losses (except gain on disposal of property, plant and equipment and net exchange gain) | | | | | 377 |
| Depreciation (except moulds) | | | | | (33,964) |
| Increase in fair value of investment properties | | | | | 20,200 |
| Finance costs | | | | | (791) |
| Unallocated income and expenses, net <i>(note b)</i> | | | | | (6,980) |
| Profit before tax | | | | | 65,514 |

Six months ended 30 September 2013

| | 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 | 548,962 | 254,491 | 271,956 | 45,930 | 1,121,339 |
| Segment profit | 40,388 | 18,723 | 20,008 | 3,379 | 82,498 |
| Other gains and losses (except gain on disposal of property, plant and equipment and net exchange loss) | | | | | 68 |
| Depreciation (except moulds) | | | | | (37,301) |
| Increase in fair value of investment properties | | | | | 31,166 |
| Finance costs | | | | | (1,103) |
| Unallocated income and expenses, net (<i>note b</i>) | | | | | 1,920 |
| Profit before tax | | | | | 77,248 |

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, net, 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 gain (loss)), depreciation (except for moulds), increase in fair value of investment properties and finance costs. This is the measure reported to the Group's CODM for the purposes of resource allocation and performance assessment. Revenue reported above represents revenue generated from external customers. There is no inter-segment sales in both periods.

4. INCOME TAX EXPENSE

| | Six months ended 30 September | |
|------------------------------|----------------------------------|-------------|
| | 2014 | 2013 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Current tax | | |
| – Hong Kong | 6,770 | 7,847 |
| – PRC Enterprise Income Tax | 2,770 | 1,837 |
| | 9,540 | 9,684 |
| Deferred tax charge (credit) | 465 | (273) |
| | 10,005 | 9,411 |

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. PRC Enterprise Income Tax is calculated at 25% for both periods.

5. PROFIT FOR THE PERIOD

| | Six months ended 30 September | |
|--|----------------------------------|-------------|
| | 2014 | 2013 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Profit for the period has been arrived at after (crediting) charging: | | |
| Interest on bank deposits | (1,132) | (948) |
| Interest on debt securities | (113) | (165) |
| | (1,245) | (1,113) |

| | Six months ended | |
|--|-------------------------|-------------|
| | 30 September | |
| | 2014 | 2013 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Net loss (gain) on financial assets designated at FVTPL | 30 | (72) |
| Release of prepaid lease payments | 358 | 360 |
| Depreciation on property, plant and equipment | 36,097 | 39,418 |
| Total depreciation and amortisation | 36,455 | 39,778 |
| Net exchange (gain) loss | (1,034) | 4,011 |
| Gain on disposal of property, plant and equipment | (419) | (1,059) |

6. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

| | Six months ended | |
|--|-------------------------|-------------|
| | 30 September | |
| | 2014 | 2013 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company) | 55,509 | 67,837 |

| | Six months ended | |
|--|-------------------------|-------------|
| | 30 September | |
| | 2014 | 2013 |
| | (Unaudited) | (Unaudited) |
| | Number of | Number of |
| | shares | 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 | |
| | 2014 | 2013 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Dividends paid | | |
| 2014 final dividend of HK8 cents (2013: HK10.3 cents for 2013 final dividend) per ordinary share | 26,835 | 34,550 |

Subsequent to 30 September 2014, the board of directors has determined that a dividend of HK2.5 cents per share (2013: HK2.5 cents per share) shall be paid on 20 January 2015 to the shareholders of the Company whose names appear on the Register of Members on 23 December 2014 as interim dividend for the current financial year. The aggregate amount of the interim dividend amounted to approximately HK\$8,386,000 (2013: HK\$8,386,000).

8. INVESTMENT PROPERTIES

| | HK\$'000 |
|---|----------------|
| Fair Value | |
| At 1 April 2014 (audited) | 218,000 |
| Increase in fair value recognised in profit or loss | 20,200 |
| At 30 September 2014 (unaudited) | <u>238,200</u> |

The carrying amounts of investments properties shown above are situated on:

| | 30 September 2014 (Unaudited) HK\$'000 | 31 March 2014 (Audited) HK\$'000 |
|--|---|---|
| Property in Hong Kong under long lease | <u>238,200</u> | <u>218,000</u> |

The fair value of the Group's investment property at 30 September 2014, representing property in Hong Kong under long lease, has been arrived at on the basis of a valuation carried out on that date by RHL Appraisal Ltd., independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions. The resulting increase in fair value of HK\$20,200,000 (2013: increase of HK\$7,400,000) has been recognised directly in the condensed consolidated statement of profit or loss for the six months ended 30 September 2014.

9. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 September 2014, the Group's additions on property, plant and equipment were approximately HK\$20,181,000 (six months ended 30 September 2013: HK\$9,744,000). The acquisitions mainly comprised HK\$6,585,000 spent on plant and machinery to upgrade the Group's manufacturing capabilities (six months ended 30 September 2013: HK\$3,329,000) and HK\$9,543,000 on furniture, fixtures and equipment (six months ended 30 September 2013: HK\$4,688,000). No material disposal of property, plant and equipment was made during both periods.

10. AVAILABLE-FOR-SALE INVESTMENTS

The unlisted investment funds and unlisted debt securities are stated at fair values, which have been determined by reference to prices provided by the counterparty financial institution. As of 30 September 2014, the unlisted debt securities carry interest either at fixed rates or variable rates, which is by reference to the London Interbank Offered Rate plus a fixed rate. The original maturities of these debt securities range from five years to eight years with maturity dates from December 2014 to April 2016. For the six months ended 30 September 2014, the Group acquired additional unlisted debt securities approximately HK\$7,901,000 (Six months ended 30 September 2013: HK\$4,760,000).

As at 30 September 2014, the Group had HK\$2,333,000 available-for-sale investments classified as current assets (31 March 2014: HK\$2,342,000) which will be matured and redeemed within twelve months from the end of the reporting period.

11. FINANCIAL ASSETS DESIGNATED AT FVTPL

Financial assets designated at FVTPL represent unlisted investment funds and unlisted debt securities redeemable or being disposable at the director's discretion with the total principal amounts of HK\$5,510,000 (31 March 2014: HK\$5,480,000). As at 30 September 2014, the directors intended to hold these investments 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.

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 of trade receivables and bills receivable presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition date:

| | 30 September 2014 (Unaudited) HK\$'000 | 31 March 2014 (Audited) HK\$'000 |
|---------------|---|---|
| 0 – 90 days | 515,137 | 361,090 |
| 91 – 120 days | 35,094 | 19,128 |
| Over 120 days | 701 | 3 |
| | 550,932 | 380,221 |

13. TRADE PAYABLES AND BILLS PAYABLE

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

| | 30 September 2014 (Unaudited) HK\$'000 | 31 March 2014 (Audited) HK\$'000 |
|---------------|---|---|
| 0 – 90 days | 411,267 | 281,628 |
| 91 – 120 days | 37,464 | 14,718 |
| Over 120 days | 1,087 | 5,440 |
| | 449,818 | 301,786 |

14. SHARE CAPITAL

| | Number of shares | Amount HK\$'000 |
|--|---------------------|--------------------|
| Ordinary shares of HK\$0.10 each | | |
| Authorised: | | |
| At 1 April 2013, 30 September 2013, 1 April 2014 and 30 September 2014 | 600,000,000 | 60,000 |
| Issued and fully paid: | | |
| At 1 April 2013, 30 September 2013, 1 April 2014 and at 30 September 2014 | 335,432,520 | 33,543 |

15. CAPITAL COMMITMENTS

| | 30 September 2014 (Unaudited) HK\$'000 | 31 March 2014 (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 | 6,098 | 6,401 |
| Capital expenditure authorised but not contracted for in respect of: | | |
| – acquisition of property, plant and equipment | 57,160 | 74,971 |
| | 63,258 | 81,372 |

16. RELATED PARTY TRANSACTIONS

During the period, rental expenses paid and payable to Allan Investment Company Limited amounted to HK\$450,000 (2013: HK\$450,000) and to Income Village Limited amounted to HK\$102,000 (2013: HK\$102,000) and to Fair Pacific Limited amounted to HK\$492,000 (2013: 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\$75,000 (2013: HK\$339,000) to Mr. Cheung Pui, the director of the Company.

During the period, the emoluments paid to the directors amounted to HK\$8,948,000 (2013: HK\$9,070,000). There is no key management personnel other than the directors of the Company.

17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| Financial assets | Fair value as at | | Fair value hierarchy | Valuation techniques and key inputs |
|--------------------------------------|---|--|----------------------|-------------------------------------|
| | 30 September 2014 | 31 March 2014 | | |
| Available-for-sales investments | Investment in unlisted investment funds and unlisted debt securities HK\$15,842,000 | Investment in unlisted investment funds and unlisted debt securities HK\$11,559,000 | Level 3 | Net asset value (Note) |
| Financial assets designated at FVTPL | Investment in unlisted investment funds and unlisted debt securities HK\$5,510,000 | Investment in unlisted investment funds and unlisted debt securities HK\$5,480,000 | Level 3 | Net asset value (Note) |

Note: The Group has determined that the reported net asset value represents the fair value of the unlisted investment funds and unlisted debt securities.

There were no transfers between the different levels of the fair value hierarchy for the current interim period.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

Reconciliation of Level 3 fair value measurements of financial assets

| | Available-for-sale investments HK\$'000 | Financial assets designated at FVTPL HK\$'000 |
|----------------------------------|--|--|
| At 1 April 2014 (audited) | 11,559 | 5,480 |
| Total gains (losses): | | |
| – in profit or loss | 349 | 30 |
| – in other comprehensive income | (446) | – |
| Purchases | 7,901 | – |
| Settlements | (3,521) | – |
| At 31 September 2014 (unaudited) | 15,842 | 5,510 |

Of the total gains for the period included in “other gains and losses” in profit or loss, gains of HK\$30,000 relates to unlisted investment funds held at the end of the reporting period (for the six months ended 30 September 2013: gains of HK\$15,000). Included in other comprehensive income is an amount of HK\$221,000 losses related to unlisted investment funds and unlisted debt securities held at the end of the reporting period and is reported as changes of “investment revaluation reserve” (for the six months ended 30 September 2013: gains of HK\$53,000).

Fair value measurements and valuation processes

The board of directors of the Company has determined the fair value of the unlisted investment funds and unlisted debt securities by reference to prices provided by the counterparty financial institution.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group looks for other data provided by counterparty financial institution. The Group works closely with the counterparty financial institution to obtain the latest data. The finance director reports the findings to the board of directors of the Company every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 September 2014, the Group's sales turnover decreased by 3.5% to HK\$1,082.1 million (2013: HK\$1,121.3 million) and the consolidated net profit decreased by 18.2 % to HK\$55.5 million (2013: HK\$67.8 million). Basic earnings per share of the Group for the six months ended 30 September 2014 was HK16.55 cents (2013: HK20.22 cents). The Board of Directors has resolved that an interim dividend of HK2.5 cents (2013: HK2.5 cents) per share would be paid on 20 January 2015 to shareholders registered on 23 December 2014.

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 2014, sales turnover decreased by 3.5% to HK\$1,082.1 million. Sales turnover decreased in all three major markets due to slow and uncertain business and economic environment. Sales turnover to Europe decreased by 2.5% to HK\$535.5 million representing 49.5% of the Group's sales turnover. Sales turnover to Asia decreased by 5.2% to HK\$257.9 million representing 23.8% of the Group's sales turnover. Sales turnover to America decreased by 6.7% to HK\$237.4 million representing 21.9% of the Group's sales turnover. Sales turnover to other markets increased by 11.7% to HK\$51.3 million representing 4.7% of the Group's sales turnover.

Gross profit for the six months ended 30 September 2014 decreased by 4.5% to HK\$130.5 million (2013: HK\$136.7 million). Gross profit margin decreased slightly from 12.2% to 12.1%. Operating expenses, especially labour costs in the PRC, continue to increase. The issue of labour supply shortage in the PRC continues causing OT wages to increase.

We continued to apply stringent cost control measures to all aspects of our operations. Selling and distribution costs increased by 7.9 % to HK\$18.9 million (2013: HK\$17.5 million). As a percentage to sales turnover, selling and distribution costs increased slightly from 1.6% to 1.7% as compared to corresponding period last year. Administrative expenses decreased by 1.3% to HK\$73.0 million (2013: HK\$74.0 million). As a percentage to sales turnover, administrative expenses increased slightly from 6.6% to 6.7% as compared to corresponding period last year.

The investment property located in Wanchai, Hong Kong was revaluated at HK\$238.2 million at 30 September 2014 (2013: HK\$218.0 million) giving rise to an increase in fair value of HK\$20.2 million in the condensed consolidated statement of profit or loss and other comprehensive income.

Net profit decreased by 18.2% to HK\$55.5 million (2013: HK\$67.8 million). Net profit margin decreased from 6.0% to 5.1% as compared to corresponding period last year.

PROSPECTS

It has become increasingly difficult to project into the future under the current set of economic and political conditions. Business environment will remain difficult and competitive as consumer sentiments and demands are still soft and sluggish.

At the operations level, we will continue to stay focused in stringent cost and expense control, productivity efficiency, product quality and providing excellent service to our customers. We expect the labour costs in the PRC would continue to increase and the shortage in labour supply in the PRC more severe. Hence, we would implement a higher degree of semi-automation and lean production in order to alleviate our reliance on labour.

We are fully aware of the turbulent and challenging set of business environment. 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 2014, the Group had total assets of HK\$1,873.3 million (31 March 2014: HK\$1,726.8 million) which was financed by current liabilities of HK\$728.7 million (31 March 2014: HK\$602.0 million), long-term liabilities and deferred taxation of HK\$68.6 million (31 March 2014: HK\$77.6 million) and shareholders' equity of HK\$1,076.0 million (31 March 2014: HK\$1,047.2 million).

The group continued to maintain a strong and healthy balance sheet and liquidity position. As at 30 September 2014, the Group held HK\$469.5 million (31 March 2014: HK\$537.7 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\$95.0 million (31 March 2014: HK\$111.9 million) and the gearing ratio (ratio of borrowings to shareholders' equity) was 8.8% (31 March 2014: 10.7%).

We continue to apply stringent control over the working capital cycle. The inventory balance as at 30 September 2014 was HK\$114.9 million (31 March 2014: HK\$100.3 million). The trade receivables and bills receivable balance as at 30 September 2014 increased to HK\$ 550.9 million (31 March 2014: HK\$380.2 million). The trade payables and bills payable balance as at 30 September 2014 increased to HK\$449.8 million (31 March 2014: HK\$301.8 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 2014, the Group invested approximately HK\$20.2 million (2013: HK\$9.7 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, Renminbi 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 2014, the Group did not have any significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

Currently, the Group employs approximately 5,000 employees. The majority of our employees work in the PRC. The Group remunerated our employees based on their performances, experiences and prevailing market rates while 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 2014, the interests 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 | | | |
| | Beneficiary of trust | | 149,049,960 <i>(Note)</i> | 198,725,295 | 59.24% |
| Ms. Cheung Lai Chun, Maggie | Beneficial Owner | 600,000 | | | |
| | Beneficiary of trust | | 149,049,960 <i>(Note)</i> | 149,649,960 | 44.61% |
| Ms. Cheung Lai See, Sophie | Beneficial Owner | 1,258,000 | | | |
| | Beneficiary of trust | | 149,049,960 <i>(Note)</i> | 150,307,960 | 44.81% |
| 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% respectively by UAL. 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 2014, 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 2014, 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 | 42.48% |
| | 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 | 9,121,000 | 2.72% |
| | Held by controlled corporation | 27,905,000 <i>(Note)</i> | 8.32% |
| Preferable Situation Assets Limited | Beneficial Owner | 26,886,000 <i>(Note)</i> | 8.02% |

Note:

The reference to 27,905,000 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 26,886,000 shares to 27,905,000 Shares.

Save as disclosed above, as at 30 September 2014, 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 2014, 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 2014 to 23 December 2014, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 18 December 2014 in order to qualify for the interim dividend above mentioned.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2014, 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 (the "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 months ended 30 September 2014, 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 INEDs, 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, the Company should establish a nomination committee.

Currently, the Company does not have a nomination committee. The Board will identify individuals suitably qualified to become board members when necessary. The Board will give due consideration to the suitability of a candidate for directorship after taking into account of his/her experience, qualification and other relevant factors. All candidates must also meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an independent non-executive director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

The CG Code Provision A.6.7

Under this code provision, independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders.

Two independent non-executive directors, Dr. Chan How Chun and Professor Lo Chung Mau, did not attend the annual general meeting of the Company held on 22 August 2014 due to other business engagements.

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 22 August 2014. 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee and the external auditors have reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2014. 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 continual contribution and support throughout the year.

By Order of the Board
Allan International Holdings Limited
Cheung Shu Wan
Managing Director

Hong Kong, 27 November 2014

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