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ALLAN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 684)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

RESULTS

The board of directors (the “Board”) of Allan International Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2020 together with the comparative figures for the year ended 31 March 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Revenue	2	982,835	1,209,200
Cost of sales		(839,033)	(1,114,118)
Gross profit		143,802	95,082
Other income		26,177	30,513
Other gains and losses	3	(7,471)	8,160
Selling and distribution expenses		(18,384)	(23,850)
Administrative expenses		(103,975)	(102,571)
Provision for factory relocation expenses		—	(18,594)
(Loss) gain from changes in fair value of investment properties		(52,284)	46,400
Reversal of impairment loss (impairment loss) on financial assets, net		373	(294)
Finance costs on bank loan		(1,025)	(994)
(Loss) profit before tax		(12,787)	33,852
Income tax expense	4	(5,377)	(5,733)

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
(Loss) profit for the year attributable to owners of the Company	5	<u>(18,164)</u>	<u>28,119</u>
Other comprehensive income (expense):			
<i>Items that will not be reclassified to profit or loss:</i>			
Gain on revaluation of manufactory plants and right-of-use assets transferred to investment properties		114,410	—
Deferred taxation on gain on revaluation of manufactory plants and right-of-use assets transferred to investment properties		<u>(28,603)</u>	—
		<u>85,807</u>	—
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(18,427)	(8,113)
Net fair value gain on debt instruments at fair value through other comprehensive income		40	365
Reclassified to profit or loss upon disposal of debt instruments at fair value through other comprehensive income		<u>5</u>	<u>(16)</u>
		<u>(18,382)</u>	<u>(7,764)</u>
Other comprehensive income (expense) for the year		<u>67,425</u>	<u>(7,764)</u>
Total comprehensive income for the year attributable to owners of the Company		<u>49,261</u>	<u>20,355</u>
(Loss) earnings per share			
Basic	7	<u>HK(5.4 cents)</u>	<u>HK8.4 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	<i>Notes</i>	2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Investment properties		493,545	327,400
Property, plant and equipment		44,037	154,654
Right-of-use assets		4,314	—
Prepaid lease payments		—	19,221
Club debentures		11,018	13,176
Deposits paid for acquisition of property, plant and equipment		1,878	1,174
		<u>554,792</u>	<u>515,625</u>
Current assets			
Inventories		56,307	76,180
Trade receivables	<i>8</i>	133,718	250,535
Other receivables	<i>8</i>	16,788	16,967
Mould deposits paid		7,317	11,179
Prepaid lease payments		—	608
Financial assets at fair value through profit or loss (“FVTPL”)		23,278	35,156
Debt instruments at fair value through other comprehensive income (“FVTOCI”)		25,664	31,108
Tax recoverable		93	810
Short-term deposits		237,423	160,641
Bank balances and cash		419,392	397,949
		<u>919,980</u>	<u>981,133</u>
Current liabilities			
Trade payables	<i>9</i>	91,994	140,835
Other payables and accruals		92,086	110,627
Mould deposits received		20,443	31,148
Tax liabilities		35,947	36,740
Secured bank loan		5,124	5,124
		<u>245,594</u>	<u>324,474</u>
Net current assets		<u>674,386</u>	<u>656,659</u>
Total assets less current liabilities		<u>1,229,178</u>	<u>1,172,284</u>

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current liabilities		
Deferred tax liabilities	36,782	7,253
Secured bank loan	26,037	31,161
	<u>62,819</u>	<u>38,414</u>
Net assets	<u>1,166,359</u>	<u>1,133,870</u>
Capital and reserves		
Share capital	33,543	33,543
Reserves	1,132,816	1,100,327
	<u>1,166,359</u>	<u>1,133,870</u>

Notes:

1. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* (“HKAS 17”), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) — Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Group recognised additional right-of-use assets at amounts adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

All the operating lease commitments as at 1 April 2019 of HK\$2,906,000 were exempted from recognition of right-of-use assets as related to the leases with remaining lease term ends within 12 months of the date of initial application or leases of low-value assets.

The carrying amount of right-of-use assets for own use as at 1 April 2019 comprises the following:

	<i>Notes</i>	Right-of-use assets <i>HK\$'000</i>
Reclassified from property, plant and equipment	<i>(a)</i>	120
Reclassified from prepaid lease payments	<i>(b)</i>	<u>19,829</u>
		<u><u>19,949</u></u>

The following adjustments were made to the amounts recognised in the consolidated statement of financial position as at 1 April 2019. Line items that were not affected by the changes have not been included.

	<i>Notes</i>	Carrying amounts previously reported at 31 March 2019 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1 April 2019 <i>HK\$'000</i>
Non-current assets				
Right-of-use assets		—	19,949	19,949
Property, plant and equipment	<i>(a)</i>	154,654	(120)	154,534
Prepaid lease payments	<i>(b)</i>	19,221	(19,221)	—
Current asset				
Prepaid lease payments	<i>(b)</i>	608	(608)	—

Notes:

- (a) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 April 2019 amounting to HK\$120,000 as right-of-use assets.

- (b) Upfront payments for leasehold lands in the People's Republic of China (the "PRC") for own used properties were classified as prepaid lease payments as at 31 March 2019. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK\$608,000 and HK\$19,221,000 respectively, were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

- (a) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. No adjustments were made to refundable rental deposits received and advance lease payments as the directors of the Company determined the impact was immaterial to the consolidated financial statements of the Group for the current period.
- (b) Effective on 1 April 2019, the Group has applied HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

2. REVENUE AND SEGMENT INFORMATION

The principal activities of the Group are manufacturing and trading of household electrical appliance. Revenue of the Group is sales of household electrical appliance.

As at 31 March 2020, all received purchase orders are expected to be completed within 1 year.

Information reported to the Company's executive directors (the chief operating decision maker) for the purposes of resource allocation and assessment of segment performance focuses on geographical regions.

The Group is currently organised into four operating divisions — Europe sales, Asia sales, America sales and other regions sales. The information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance is based on these operating divisions.

Segment Revenues and Results

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

Year ended 31 March 2020

	Europe <i>HK\$'000</i>	Asia <i>HK\$'000</i>	America <i>HK\$'000</i>	Other regions <i>HK\$'000</i> <i>(Note a)</i>	Consolidated <i>HK\$'000</i>
Segment revenue <i>(Note a)</i>	<u>461,584</u>	<u>169,828</u>	<u>309,867</u>	<u>41,556</u>	<u>982,835</u>
Segment profit	<u>26,919</u>	<u>9,904</u>	<u>18,072</u>	<u>2,424</u>	57,319
Other gains and losses (except net foreign exchange loss)					(2,674)
Depreciation (except moulds and right-of-use assets)					(14,353)
Loss from changes in fair value of investment properties					(52,284)
Finance costs on bank loan					(1,025)
Reversal of impairment loss on financial assets, net					373
Unallocated income and expenses, net <i>(Note b)</i>					<u>(143)</u>
Loss before tax					<u>(12,787)</u>

Year ended 31 March 2019

	Europe <i>HK\$'000</i>	Asia <i>HK\$'000</i>	America <i>HK\$'000</i>	Other regions <i>HK\$'000</i> <i>(Note a)</i>	Consolidated <i>HK\$'000</i>
Segment revenue <i>(Note a)</i>	<u>557,386</u>	<u>277,752</u>	<u>328,282</u>	<u>45,780</u>	<u>1,209,200</u>
Segment profit	<u>5,905</u>	<u>2,942</u>	<u>3,478</u>	<u>485</u>	12,810
Other gains and losses (except net foreign exchange gain)					4,415
Depreciation (except moulds)					(24,367)
Gain from changes in fair value of investment properties					46,400
Finance costs on bank loan					(994)
Provision for factory relocation expenses					(18,594)
Impairment loss on financial assets, net					(294)
Unallocated income and expenses, net <i>(Note b)</i>					<u>14,476</u>
Profit before tax					<u>33,852</u>

Note a: The allocation of segment revenue is determined based on destinations of shipment of products.

Note b: Unallocated income and expenses mainly represented certain 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 net foreign exchange loss/gain), depreciation (except moulds and right-of-use assets), (loss) gain from changes in fair value of investment properties, finance costs on bank loan, provision for factory relocation expenses and reversal of impairment loss (impairment loss) of financial assets, net. This is the measure reported to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment. Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

Segment Assets and Liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

Segment Assets

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Europe	97,480	160,053
Asia	36,732	80,757
America	56,327	85,814
Other regions	9,309	13,470
	<hr/>	<hr/>
Segment assets	199,848	340,094
Unallocated assets		
Financial assets as FVTPL	23,278	35,156
Debt instruments at FVTOCI	25,664	31,108
Short-term deposits	237,423	160,641
Bank balances and cash	419,392	397,949
Investment properties	493,545	327,400
Plant, equipment and machinery (except moulds)	41,531	152,454
Club debentures	11,018	13,176
Other receivables	16,788	16,967
Tax recoverable	93	810
Other unallocated assets (<i>Note</i>)	6,192	21,003
	<hr/>	<hr/>
Consolidated assets	<u>1,474,772</u>	<u>1,496,758</u>

Note: Other unallocated assets comprised right-of-use assets (2019: prepaid lease payments) and deposits paid for acquisition of property, plant and equipment.

Segment Liabilities

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Europe	8,107	12,517
Asia	2,626	5,348
America	9,200	12,450
Other regions	510	833
	<hr/>	<hr/>
Segment liabilities (<i>Note</i>)	20,443	31,148
Unallocated liabilities		
Trade payables	91,994	140,835
Other payables and accruals	92,086	110,627
Secured bank loan	31,161	36,285
Tax liabilities	35,947	36,740
Deferred tax liabilities	36,782	7,253
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Consolidated liabilities	308,413	362,888
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Note: Segment liabilities represented mould deposits received by each segment.

Information about Major Customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A (Europe, Asia, America and Other regions)	313,993	398,621
Customer B (Europe, Asia, America and Other regions)	208,800	228,438
Customer C (Europe, Asia, America and Other regions)	141,171	304,801
	<hr/>	<hr/>

Geographical Information

The Group's operations are located in Hong Kong and the PRC.

Information about the Group's non-current assets is presented based on the geographical location of the assets.

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	293,199	350,390
The PRC	261,593	165,235
	<hr/>	<hr/>
	554,792	515,625
	<hr/> <hr/>	<hr/> <hr/>

Other Segment Information

Year ended 31 March 2020

	Europe HK\$'000	Asia HK\$'000	America HK\$'000	Other regions HK\$'000	Total segment HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to							
non-current assets	683	208	910	35	1,836	11,315	13,151
Depreciation of property, plant and equipment and right-of-use assets	705	236	724	49	1,714	14,353	16,067

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:

Interest income on bank deposits	—	—	—	—	—	5,744	5,744
Interest income on debt instruments	—	—	—	—	—	847	847
Rental income	—	—	—	—	—	8,811	8,811

Year ended 31 March 2019

	Europe HK\$'000	Asia HK\$'000	America HK\$'000	Other regions HK\$'000	Total segment HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to							
non-current assets	486	179	658	26	1,349	22,694	24,043
Depreciation of property, plant and equipment	940	390	1,005	60	2,395	24,367	26,762

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:

Interest income on bank deposits	—	—	—	—	—	2,968	2,968
Interest income on debt instruments	—	—	—	—	—	895	895
Rental income	—	—	—	—	—	6,642	6,642

3. OTHER GAINS AND LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Net foreign exchange (loss) gain	(4,797)	3,745
Gain on disposal of property, plant and equipment and land use rights located in the PRC	379	5,242
Loss on disposal of a club debenture	(978)	—
Write-off of property, plant and equipment	(929)	(1,553)
Cumulative (loss) gain reclassified from other comprehensive income to profit or loss on disposal of debt instruments at FVTOCI	(5)	16
Net (loss) gain on fair value changes of financial assets at FVTPL	(1,124)	725
Others	(17)	(15)
	<u>(7,471)</u>	<u>8,160</u>

4. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax:		
Hong Kong	1,270	797
PRC Enterprise Income Tax	4,421	4,991
	<u>5,691</u>	<u>5,788</u>
(Over)underprovision in prior years:		
Hong Kong	(1,354)	(210)
PRC Enterprise Income Tax	114	107
	<u>(1,240)</u>	<u>(103)</u>
Deferred taxation	<u>926</u>	<u>48</u>
	<u>5,377</u>	<u>5,733</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the People’s Republic of China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% for both years.

The tax charge for the year can be reconciled to the (loss) profit before tax per the consolidated statement of profit or loss and other comprehensive (expense) income as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss) profit before tax	<u>(12,787)</u>	<u>33,852</u>
Tax at the Hong Kong Profits Tax rate of 16.5%	(2,110)	5,586
Tax effect of expenses not deductible for tax purpose	3,404	5,354
Tax effect of income not taxable for tax purpose	(1,343)	(10,879)
Effect of different tax rates in the PRC	5,017	1,151
Overprovision in respect of prior years	(1,240)	(103)
Tax effect of tax losses not recognised	1,405	4,115
Utilisation of tax losses previously not recognised	(284)	(133)
Withholding tax on distributable profit of subsidiaries in the PRC	632	740
Others	<u>(104)</u>	<u>(98)</u>
Tax charge for the year	<u>5,377</u>	<u>5,733</u>

5. (LOSS) PROFIT FOR THE YEAR

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss) profit for the year has been arrived at after charging:		
Staff salaries and allowances	223,863	267,811
Contributions to retirement benefits schemes	<u>16,096</u>	<u>21,735</u>
Total staff costs, including directors' emoluments	239,959	289,546
Depreciation of property, plant and equipment	15,884	26,762
Depreciation of right-of-use assets	183	—
Direct outgoings in relation to rental income	907	849
Release of prepaid lease payments	—	608
Auditor's remuneration	2,286	2,274
Cost of inventories recognised as expenses	<u>839,033</u>	<u>1,114,118</u>

6. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year		
2020 interim dividend of HK2 cents (2019: 2019 interim dividend of HK1 cent) per share	6,709	3,354
2019 final dividend of HK3 cents (2019: 2018 final dividend of HK6 cents) per share	<u>10,063</u>	<u>20,126</u>
	<u>16,772</u>	<u>23,480</u>

Subsequent to the end of the reporting period, a final dividend of HK7 cents per share in respect of the year ended 31 March 2020 (2019: final dividend of HK3 cents per share), in aggregate amount of HK\$23,480,000 (2019: HK\$10,063,000) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting. The final dividend is expected to be paid on 28 September 2020 to shareholders whose names appear on the Register of Members of the Company on 4 September 2020.

7. (LOSS) EARNINGS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss) earnings for the purpose of basic (loss) earnings per share		
((Loss) profit for the year attributable to owners of the Company)	<u>(18,164)</u>	<u>28,119</u>

	Number of shares	
	2020 <i>'000</i>	2019 <i>'000</i>
Number of ordinary shares for the purpose of basic (loss) earnings per share	<u>335,433</u>	<u>335,433</u>

No diluted (loss) earnings per share has been presented for both years as there were no potential dilutive ordinary shares in issue.

8. TRADE RECEIVABLES/OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables — sales of goods	134,658	251,848
Less: Allowance for credit loss	<u>(940)</u>	<u>(1,313)</u>
	133,718	250,535
Other receivables (<i>Note</i>)	<u>16,788</u>	<u>16,967</u>
Total trade and other receivables	<u><u>150,506</u></u>	<u><u>267,502</u></u>

Note: As at 31 March 2020, the Group's other receivables mainly include value added tax recoverable of HK\$7,802,000 (2019: HK\$10,355,000), which will be recovered within one year.

Under the application of HKFRS 15, the amount of trade receivables as at 1 April 2018 is HK\$287,948,000.

The following is an aged analysis of trade receivables, presented based on the invoice date which approximated the respective revenue recognition dates:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–90 days	114,599	198,339
91–120 days	18,585	51,909
121–180 days	<u>1,474</u>	<u>1,600</u>
	<u><u>134,658</u></u>	<u><u>251,848</u></u>

As at 31 March 2020, included in the Group's trade receivables balance are debtors with aggregated carrying amount of approximately HK\$27,229,000 (2019: HK\$56,321,000) which are past due at the reporting date. Out of the past due balances, HK\$9,000 (2019: HK\$66,000) has been past due 90 days or more and is not considered as in default because there had not been significant change in credit quality of the relevant debtors and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

9. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–90 days	72,915	130,535
91–120 days	16,719	8,505
> 120 days	<u>2,360</u>	<u>1,795</u>
	<u><u>91,994</u></u>	<u><u>140,835</u></u>

The credit period on purchase of goods is 30 to 90 days.

CLOSURE OF REGISTER OF MEMBERS

(i) To attend and vote at the AGM

The Register of Members of the Company will be closed from 21 August 2020 to 26 August 2020 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for attending the annual general meeting of the Company to be held on 26 August 2020, all transfers accompanied with the relevant share certificates must be deposited with the Company's share registrar, Tricor Standard Limited, whose address is at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 20 August 2020.

(ii) To qualify for the proposed final dividend

Subject to shareholders' approval at the forthcoming Annual General Meeting, the proposed final dividend will be distributed to the shareholders on 28 September 2020 whose names appear on the Register of Members of the Company on 4 September 2020. The Register of Members of the Company will be closed from 2 September 2020 to 4 September 2020. In order to qualify for payment of the recommended final dividend, all transfers accompanied with the relevant share certificates must be deposited with the Company's share registrar, Tricor Standard Limited, whose address is at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 1 September 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 March 2020, the Group's sales turnover decreased by 19% to HK\$982.8 million (2019: HK\$1,209.2 million) and the consolidated net loss was HK\$18.2 million (2019: profit HK\$28.1 million). Basic loss per share of the Group for the year ended 31 March 2020 was HK5.4 cents (2019: earnings HK8.4 cents). The Board of Directors has resolved to recommend at the forthcoming Annual General Meeting the payment of a final dividend of HK7 cents (2019: HK3 cents) per share for the year ended 31 March 2020. Together with the interim dividend of HK2 cents per share paid in January this year, the total dividend for the year ended 31 March 2020 will be HK9 cents per share (2019: HK4 cents).

BUSINESS REVIEW

The Group is engaged in design, manufacturing and trading of a wide range of household electrical appliances.

For the year ended 31 March 2020, global business environment continued to be difficult and competitive. Political and economic uncertainties due to continuing Sino-US trade war and the recent COVID-19 pandemic has resulted in weakened customer demands and deteriorated business environment.

Our manufacturing facilities are all located in mainland China. After the Chinese New Year holidays in late January 2020, all factories were ordered shutdown by the China government to combat the COVID-19 outbreak. Strict safety measures and travel tracking for all employees and visitors were implemented as our factories resumed operations in phases starting late February 2020. A lot of our suppliers in mainland China were also affected by the shutdown orders. Furthermore the shutdown and traffic restriction of some cities in mainland China has caused disruption to our material supply. On the demand side, following the resumption of our manufacturing facilities came the impact of the shutdown of European and US markets due to the COVID-19 pandemic. This has resulted in order cancellations and delays in shipment of products in the first quarter of year 2020.

During the year under review, sales turnover decreased by 19% to HK\$982.8 million. Sales turnover decreased across all markets. Sales turnover to Europe decreased by 17% to HK\$461.6 million representing 47% of the Group's sales turnover. Sales turnover to Asia decreased by 39% to HK\$169.8 million representing 17% of the Group's sales turnover. Sales turnover to America decreased by 6% to HK\$309.9 million representing 32% of the Group's sales turnover. Sales turnover to other markets decreased by 9% to HK\$41.5 million representing 4% of the Group's sales turnover.

Gross profit for the year ended 31 March 2020 increased by 51% to HK\$143.8 million. Gross profit margin increased from 8% to 15%. The improvement in gross profit margin was mainly due to change in customer mix and product mix, relatively stable raw material costs, tight cost control measures and depreciation in RMB currency.

The Group continued to apply stringent control on all costs and expenses. Selling and distribution expenses decreased by 23% to HK\$18.4 million. As a percentage to sales turnover, selling and distribution expenses decreased from 2.0% to 1.9% compared to last year. Administration expenses increased by 1% to HK\$104.0 million. As a percentage to sales turnover, administration expenses increased from 8.5% to 10.6% compared to last year.

During the year ended 31 March 2019, the Group decided to optimise and consolidate the existing manufacturing facilities. At the time, our factories were located in two separate locations in Huizhou, at Lilin and Hui Nan Hi-Tech Industrial Park. It was decided that the operation of 2 factories located in Hui Nan Hi-Tech Industrial Park would be relocated to Lilin. The reason for the move was to better utilize resources and cut down cost. The relocation procedures commenced in early April 2019. As such a one-time provision of HK\$18.6 million was made as at 31 March 2019. The relocation process is now completed.

The site at Hui Nam Hi-Tech Industrial Park including the three factory blocks with carrying value of RMB101,313,000 (equivalent to HK\$118,537,000) was reclassified as investment properties. This was revaluated at 1 April 2019 at RMB199,100,000 (equivalent to HK\$232,947,000), resulting in a revaluation gain of HK\$114,410,000 and a deferred tax of HKD28,603,000 in other comprehensive income and accumulated in property revaluation reserve. At 31 March 2020, this investment properties was revaluated at RMB200,500,000

(equivalent to HK\$218,545,000) resulting in an increase in fair value of HK\$116,000 and a translation loss of HK\$15,943,000. Currently, one factory block has been leased out since April 2019 to an independent third party.

The sale and leaseback arrangement of the Group's previous main office at 12/F, Zung Fu Industrial Building, 1067 King's Road, Hong Kong resulted in an amortization of deferred income HK\$17.6 million for the year ended 31 March 2019. The lease was early terminated at end of September 2018, and no such deferred income was recorded for the year ended 31 March 2020.

The investment property located in Wanchai, Hong Kong was revaluated at HK\$275.0 million at 31 March 2020 (2019: HK\$327.4 million) resulting in a decrease in fair value of HK\$52.4 million in the income statement.

Net loss for the year was HK\$18.2 million (2019: profit HK\$28.1 million). Net profit/(loss) margin decreased from 2.3% to -1.8% compared to last year. If the change in fair value of investment properties and the amortization of deferred income for both years were segregated, the net profit for operations for the year ended 31 March 2020 would be HK\$34.1 million as compared to a net loss of HK\$35.9 million in the previous year. The turn around in the net profit for operations was mainly due to the improvement in gross margin and tight cost control measures and depreciation in RMB currency.

PROSPECTS

The COVID-19 pandemic is unprecedented and the entire impact has yet to be determined. The entire world has been affected with different countries still in various stages of lockdown currently. The outlook for the year remains highly uncertain. Customers are being extremely cautious in their order placement. We expect a decrease in the sales turnover for the current financial year.

During this difficult and challenging period, we will stay vigilant and versatile in our manufacturing capacity and resources planning in response to fluctuations in market demands. We would strive to stay slim with stringent cost and expense control, and productivity efficiency improvements. Meanwhile, persistence in quality products and engineering and R&D capabilities would continue to be our focus. We will seek growth opportunities through new customers and new product categories as well as the mainland China market and online sales channels. We will also look for business opportunities to create higher value to our shareholders.

With our prudent and pragmatic business approach, financial strength and commitment to excel, we will strive on and tread cautiously to ride through the current and coming difficulties and challenges.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, the Group had total assets of HK\$1,474.8 million (2019: HK\$1,496.8 million) which was financed by current liabilities of HK\$245.6 million (2019: HK\$324.5 million), long-term liabilities and taxation of HK\$62.8 million (2019: HK\$38.4 million) and shareholders' equity of HK\$1,166.4 million (2019: HK\$1,133.9 million).

The Group continued to maintain a strong balance sheet and a healthy liquidity position. As at 31 March 2020, the Group held HK\$656.8 million (2019: HK\$558.6 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. For the year ended 31 March 2020, the Group generated net cash inflow from operating activities of HK\$118.5 million (2019: outflow HK\$602,000). As at the same date, total borrowings were HK\$31.2 million (2019: HK\$36.3 million) and the gearing ratio (ratio of total borrowings to shareholders' equity) was 2.7% (2019: 3.2%).

We continue to apply stringent control over the working capital cycle. The inventory balance as at 31 March 2020 decreased from HK\$76.2 million to HK\$56.3 million. Inventory turnover maintained at 29 days for both year. The trade receivables balance as at 31 March 2020 decreased from HK\$250.5 million to HK\$133.7 million. Trade receivables turnover decreased from 76 days to 50 days compared to last year. The trade payables balance as at 31 March 2020 decreased from HK\$140.8 million to HK\$92.0 million. Trade payables turnover decreased from 46 days to 40 days compared to last year.

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 year ended 31 March 2020, the group invested HK\$11.7 million (2019: HK\$24.0 million) in plant and machinery, moulds and tools, equipment, computer systems and other tangible assets for expansion and upgrade to our manufacturing facilities. The Group's capital expenditures were funded by internal resources and bank loans. With a 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. 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.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 March 2020, the Group employed approximately 2,500 employees (2019: 3,200). 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company had complied with the code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the financial year ended 31 March 2020 except for the following deviation:

Code Provision A.4.1

Under this code provision, the non-executive directors should be appointed for a specific term, subject to re-election.

Currently, none of the three independent non-executive directors is appointed for a specific term. However, all of them 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.

Code Provision A.4.2

Under this code provision, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Bye-laws of the Company, one third of the directors are subject to rotation at each annual general meeting and the Chairman and/or the Managing Director of the Company is not subject to retirement by rotation, which constitutes a deviation from code provision A.4.2. The reason for the deviation is that the directors of the Company do not consider that arbitrary term limits on director’s service are appropriate and the retirement by rotation has given the Company’s shareholders the right to approve continuation of the service of the directors.

Code Provision A.5.1

Under this code provision, the Company should establish a nomination committee.

At 31 March 2020, the Company had not set up a Nomination Committee. Pursuant to the Company’s Bye-laws, any director appointed by the Board either to fill a casual vacancy or as an addition to the Board shall retire and be eligible for re-election at the next following general

meeting after appointment. Executive directors identify potential new directors and recommend to the Board for decision. In considering the nomination of a new director, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. In determining the independence of independent non-executive directors, the Board follows the requirements set out in the Listing Rules.

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.

An independent non-executive director and a non-executive director did not attend the annual general meeting of the Company held on 28 August 2019 due to other business engagements and personal matters.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the directors (the “Model Code”). Having made specific enquiry to all directors, the Company confirmed that all directors have complied with the required standard as set out in the Model Code during the year ended 31 March 2020.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 March 2020, there was no purchase, sale or redemption of the shares by the Company or any of its subsidiaries.

REVIEW OF ACCOUNTS BY AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) has reviewed with the management and the Company’s auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the audited consolidated financial statements of the Group for the year ended 31 March 2020. The Audit Committee currently comprises three independent non-executive directors, namely Ms. Choy Wai Sheun, Susan, Mr. Lai Ah Ming, Leon and Professor Lo Chung Mau.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in this preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte

Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF FINAL RESULTS

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited at <http://www.hkexnews.hk> (the “HKEx website”) and the Company’s website at <http://www.allan.com.hk>.

The Company’s annual report containing all information required by the Listing Rules will also be available for viewing on the HKEx website and the Company’s website, and dispatched to shareholders in due course.

TRIBUTE

Mr. Cheung Lun passed away during the year under review. Mr. Cheung was the founder of the Group. He had been the Chairman and Executive Director of the Company since listed in 1992, and was re-designated as Non-executive Director and appointed as Honorary Chairman in 2017. It was due to his exceptional entrepreneurship, forward thinking, diligence and long-term commitment to employees, customers and suppliers that the Group is where it is today. The Board deeply regrets his passing and sincerely appreciates and treasures his invaluable contributions to the Group.

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.

On behalf of the Board
Allan International Holdings Limited
Cheung Lai Chun, Maggie
Chairman

Hong Kong, 29 June 2020

As at the date of this announcement, the Executive Directors are Ms. Cheung Lai Chun, Maggie (Chairman), Mr. Cheung Shu Wan (Managing Director), Ms. Cheung Lai See, Sophie and Dr. Cheung Shu Sang, William. The Independent Non-Executive Directors are Ms. Choy Wai Sheun, Susan, Mr. Lai Ah Ming, Leon and Professor Lo Chung Mau.