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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 2018

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 2018 together with the comparative figures for the year ended 31 March 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Revenue	2	1,305,166	1,325,082
Cost of sales		(1,176,304)	(1,133,545)
Gross profit		128,862	191,537
Other income		29,512	28,942
Other gains and losses	3	735	(1,826)
Selling and distribution expenses		(24,574)	(24,703)
Administrative expenses		(108,670)	(117,849)
Gain from changes in fair value of investment properties		30,200	8,800
Finance costs on bank loans		(612)	(676)
Profit before tax		55,453	84,225
Income tax expense	4	(8,673)	(11,278)
Profit for the year attributable to owners of the Company	5	46,780	72,947
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		14,398	(10,055)
Net fair value gain on available-for-sale investments		257	514
Cumulative loss reclassified to profit or loss on redemption of available-for-sale investments		317	30
Other comprehensive income (expense) for the year		14,972	(9,511)
Total comprehensive income for the year attributable to owners of the Company		61,752	63,436
Earnings per share	7		
Basic		HK13.9 cents	HK21.7 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Non-current assets			
Investment properties		281,000	250,800
Property, plant and equipment		179,485	179,602
Prepaid lease payments		24,287	22,994
Club debentures		13,176	13,176
Available-for-sale investments		61,417	17,010
Financial assets designated at fair value through profit or loss ("FVTPL")		–	1,920
Deferred tax assets		552	–
Deposits paid for acquisition of property, plant and equipment		481	1,879
		<u>560,398</u>	<u>487,381</u>
Current assets			
Inventories		98,854	88,210
Trade receivables and bills receivable	8	288,967	254,189
Other receivables	8	35,158	22,157
Mould deposits paid		4,115	14,295
Prepaid lease payments		678	677
Available-for-sale investments		–	8,548
Tax recoverable		2,276	1,441
Short-term deposits		127,403	213,362
Bank balances and cash		469,572	517,924
		<u>1,027,023</u>	<u>1,120,803</u>
Current liabilities			
Trade payables	9	193,194	188,658
Other payables and accruals		127,594	122,885
Deferred income		17,649	19,252
Mould deposits received		25,560	41,213
Tax liabilities		36,244	40,734
Secured bank loan		5,124	5,124
		<u>405,365</u>	<u>417,866</u>
Net current assets		<u>621,658</u>	<u>702,937</u>
Total assets less current liabilities		<u>1,182,056</u>	<u>1,190,318</u>

	<i>Notes</i>	2018 HK\$'000	2017 HK\$'000
Non-current liabilities			
Deferred tax liabilities		7,757	13,069
Deferred income		–	17,649
Secured bank loan		<u>36,285</u>	<u>41,409</u>
		<u>44,042</u>	<u>72,127</u>
Net assets		<u><u>1,138,014</u></u>	<u><u>1,118,191</u></u>
Capital and reserves			
Share capital		33,543	33,543
Reserves		<u>1,104,471</u>	<u>1,084,648</u>
		<u><u>1,138,014</u></u>	<u><u>1,118,191</u></u>

Notes:

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

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

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

New and revised HKFRSs and interpretations in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ⁴
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ²
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle ¹
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2021.

2. REVENUE AND SEGMENT INFORMATION

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

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 2018

	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>646,673</u>	<u>327,049</u>	<u>293,587</u>	<u>37,857</u>	<u>1,305,166</u>
Segment profit	<u>28,135</u>	<u>14,229</u>	<u>12,773</u>	<u>1,648</u>	56,785
Other gains and losses (except net foreign exchange gain)					(323)
Depreciation (except moulds)					(44,197)
Gain from changes in fair value of investment properties					30,200
Finance costs on bank loan					(612)
Unallocated income and expenses, net (<i>Note b</i>)					<u>13,600</u>
Profit before tax					<u>55,453</u>

Year ended 31 March 2017

	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>655,338</u>	<u>332,578</u>	<u>301,632</u>	<u>35,534</u>	<u>1,325,082</u>
Segment profit	<u>60,079</u>	<u>30,490</u>	<u>27,652</u>	<u>3,258</u>	121,479
Other gains and losses (except net foreign exchange loss)					(111)
Depreciation (except moulds)					(55,683)
Gain from changes in fair value of investment properties					8,800
Finance costs on bank loans					(676)
Unallocated income and expenses, net (<i>Note b</i>)					<u>10,416</u>
Profit before tax					<u>84,225</u>

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

Note b: Unallocated income and expenses represented other income, central administration costs and directors' salaries.

Segment profit represents the profit earned by each segment without allocation of other income, central administration cost and directors' salaries, other gains and losses (except net foreign exchange gain/loss), depreciation (except moulds), gain from changes in fair value of investment properties and finance costs on bank loan(s). 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' assets and liabilities by reportable and operating segment:

Segment Assets

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Europe	200,215	180,856
Asia	105,150	95,010
America	78,031	75,359
Other regions	12,284	10,017
	<hr/>	<hr/>
Segment assets	395,680	361,242
Unallocated assets		
Available-for-sale investments	61,417	25,558
Financial assets designated as FVTPL	–	1,920
Short-term deposits	127,403	213,362
Bank balances and cash	469,572	517,924
Investment properties	281,000	250,800
Plant, equipment and machinery (except moulds)	175,742	175,054
Club debentures	13,176	13,176
Other receivables	35,158	22,157
Tax recoverable	2,276	1,441
Other unallocated assets (<i>Note</i>)	25,997	25,550
	<hr/>	<hr/>
Consolidated assets	<u>1,587,421</u>	<u>1,608,184</u>

Note: Other unallocated assets comprised prepaid lease payments, deposits paid for acquisition of property, plant and equipment and deferred tax assets.

Segment Liabilities

	2018 HK\$'000	2017 <i>HK\$'000</i>
Europe	11,415	20,337
Asia	4,694	10,030
America	8,947	9,754
Other regions	504	1,092
Segment liabilities (<i>Note</i>)	25,560	41,213
Unallocated liabilities		
Trade payables	193,194	188,658
Other payables and accruals	127,594	122,885
Deferred income	17,649	36,901
Secured bank loan	41,409	46,533
Tax liabilities	36,244	40,734
Deferred tax liabilities	7,757	13,069
Consolidated liabilities	449,407	489,993

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 is as follows:

	2018 HK\$'000	2017 <i>HK\$'000</i>
Customer A	398,960	396,997
Customer B	373,167	368,595
Customer C	197,815	232,588
Customer D	N/A ¹	134,943
Customer E	N/A ¹	133,422

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Geographical Information

The Group's operations are located in Hong Kong and the People's Republic of China (the "PRC").

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

	2018 HK\$'000	2017 <i>HK\$'000</i>
Hong Kong	297,379	267,767
The PRC	201,050	200,683
	498,429	468,450

Note: Non-current assets excluded financial instruments and deferred tax assets.

Other Segment Information

Year ended 31 March 2018

	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	1,057	460	715	52	2,284	29,258	31,542
Depreciation	1,414	605	1,003	67	3,089	44,197	47,286

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	-	-	-	-	-	1,813	1,813
Interest income on available-for-sale investments	-	-	-	-	-	1,348	1,348
Rental income	-	-	-	-	-	5,730	5,730

Year ended 31 March 2017

	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	755	346	540	36	1,677	20,009	21,686
Depreciation	1,767	805	1,303	83	3,958	55,683	59,641

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	-	-	-	-	-	2,612	2,612
Interest income on available-for-sale investments	-	-	-	-	-	398	398
Rental income	-	-	-	-	-	4,517	4,517

3. OTHER GAINS AND LOSSES

	2018 HK\$'000	2017 HK\$'000
Net foreign exchange gain (loss)	1,058	(1,715)
(Loss) gain on disposal of property, plant and equipment	(37)	37
Write-off of property, plant and equipment	(9)	(428)
Cumulative loss reclassified from other comprehensive income to profit or loss on redemption of available-for-sale investments	(317)	(30)
Net gain from changes in fair value of financial assets designated at FVTPL	58	315
Others	(18)	(5)
	<u>735</u>	<u>(1,826)</u>

4. INCOME TAX EXPENSE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current tax:		
Hong Kong	2,496	6,472
PRC Enterprise Income Tax	5,019	5,798
PRC withholding tax on dividends distributed by subsidiaries	6,535	–
	<u>14,050</u>	<u>12,270</u>
Under(over)provision in prior years:		
Hong Kong	(136)	(717)
PRC Enterprise Income Tax	623	(489)
	<u>487</u>	<u>(1,206)</u>
Deferred taxation	<u>(5,864)</u>	<u>214</u>
	<u>8,673</u>	<u>11,278</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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 the PRC subsidiaries is 25% for both years.

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit before tax	<u>55,453</u>	<u>84,225</u>
Tax at the Hong Kong Profits Tax rate of 16.5%	9,150	13,897
Tax effect of expenses not deductible for tax purpose	5,220	1,868
Tax effect of income not taxable for tax purpose	(9,678)	(5,220)
Effect of different tax rates in the PRC	1,467	2,709
Under(over) provision in respect of prior years	487	(1,206)
Tax effect of tax losses not recognised	1,693	29
Utilisation of tax losses previously not recognised	(54)	(787)
Withholding tax on undistributed earnings	774	756
Others	(386)	(768)
Tax charge for the year	<u>8,673</u>	<u>11,278</u>

5. PROFIT FOR THE YEAR

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Staff salaries and allowances	253,163	254,700
Contributions to retirement benefits schemes	<u>22,170</u>	<u>22,121</u>
Total staff costs, including directors' emoluments	275,333	276,821
Depreciation for property, plant and equipment	47,286	59,641
Direct outgoings in relation to rental income	830	795
Release of prepaid lease payments	678	677
Auditor's remuneration	2,204	2,205
Cost of inventories recognised as expenses	<u><u>1,176,304</u></u>	<u><u>1,133,545</u></u>

6. DIVIDENDS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year		
2018 interim dividend of HK2.0 cents (2017: 2017 interim dividend of HK2.0 cents) per share	6,709	6,709
2017 final dividend of HK10.5 cents (2017: 2016 final dividend of HK5.5 cents) per share	35,220	18,449
2016 special dividend of HK28 cents per share	<u>–</u>	<u>93,921</u>
	<u><u>41,929</u></u>	<u><u>119,079</u></u>

Subsequent to the end of the reporting period, a final dividend of HK6.0 cents per share in respect of the year ended 31 March 2018 (2017: final dividend of HK10.5 cents per share), in aggregate amount of HK\$20,126,000 (2017: HK\$35,220,000) 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 12 September 2018 to shareholders whose names appear on the Register of Members of the Company on 24 August 2018.

7. EARNINGS PER SHARE

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	<u>46,780</u>	<u>72,947</u>
	Number of shares	
	2018 '000	2017 '000
Number of ordinary shares for the purpose of basic earnings per share	<u>335,433</u>	<u>335,433</u>

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

8. TRADE RECEIVABLES AND BILLS RECEIVABLE/OTHER RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	288,967	253,179
Bills receivable	–	1,010
	<u>288,967</u>	<u>254,189</u>
Other receivables (<i>Note</i>)	35,158	22,157
	<u>324,125</u>	<u>276,346</u>

Note: As at 31 March 2018, the Group's other receivables mainly include value added tax recoverable of HK\$19,390,000 (2017: HK\$11,519,000), which will be recovered within one year.

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 – 90 days	254,204	242,740
91 – 120 days	32,611	8,861
> 120 days	2,152	2,588
	<u>288,967</u>	<u>254,189</u>

The Group maintains defined credit period of up to 90 days. Before accepting any new customer, the Group has assessed the potential customer's credit quality and defines credit limits by customer. In addition, the Group reviews the repayment history of receivables by each customer with reference to the payment terms stated in contracts. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. In the opinion of directors of the Company, the trade receivables that are neither past due nor impaired were of good credit quality based on good repayment history at the end of the reporting period and no impairment is necessary for these balances.

As at 31 March 2018, included in the Group's trade receivables and bills receivable balance are debtors with aggregated carrying amount of approximately HK\$37,161,000 (2017: HK\$18,792,000) which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. Age of trade receivables which are past due but not impaired:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Overdue by:		
1– 90 days	37,148	17,342
91 – 120 days	7	1,135
> 120 days	6	315
	<u>37,161</u>	<u>18,792</u>

9. TRADE PAYABLES

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 – 90 days	175,891	183,779
91 – 120 days	14,860	4,009
> 120 days	2,443	870
	<u>193,194</u>	<u>188,658</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 13 August 2018 to 15 August 2018 (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 15 August 2018, 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 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 10 August 2018.

(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 12 September 2018 whose names appear on the Register of Members of the Company on 24 August 2018. The Register of Members of the Company will be closed from 22 August 2018 to 24 August 2018. 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 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 21 August 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 March 2018, the Group's sales turnover decreased by 1.5% to HK\$1,305.2 million (2017: HK\$1,325.1 million) and the consolidated net profit decreased by 35.9% to HK\$46.8 million (2017: HK\$72.9 million). Basic earnings per share of the Group for the year ended 31 March 2018 was HK13.9 cents (2017: HK21.7 cents). The Board of Directors has resolved to recommend at the forthcoming Annual General Meeting the payment of a final dividend of HK6.0 cents (2017: HK10.5 cents) per share for the year ended 31 March 2018. Together with the interim dividend of HK2.0 cents per share paid in January this year, the total dividend for the year ended 31 March 2018 will be HK8.0 cents per share (2017: HK12.5 cents).

BUSINESS REVIEW

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

Business environment for the year ended 31 March 2018 continued to be difficult and challenging. Sales turnover dropped across all 3 major markets with weak demands. Fierce competition and pressure from customers for lower product selling prices have affected the sales turnover adversely.

During the year under review, sales turnover decreased by 1.5% to HK\$1,305.2 million. Sales turnover to Europe decreased by 1.3% to HK\$646.7 million representing 49.5% of the Group's sales turnover. Sales turnover to Asia decreased by 1.7% to HK\$327.0 million representing 25.1% of the Group's sales turnover. Sales turnover to America decreased by 2.7% to HK\$293.6 million representing 22.5% of the Group's sales turnover. Sales turnover to other markets increased by 6.5% to HK\$37.9 million representing 2.9% of the Group's sales turnover.

Gross profit for the year ended 31 March 2018 decreased by 32.7% to HK\$128.9 million. Gross profit margin decreased from 14.5% to 9.9%. The deterioration in gross profit margin was mainly due to increase in raw material costs, appreciation in Renminbi, shortage of skilled labour and increase in manufacturing costs in the PRC. Due to immense competition, we were not able to pass on these cost impacts onto our customers.

The Group continued to apply stringent control on all costs and expenses. Selling and distribution expenses decreased by 0.5% to HK\$24.6 million. As a percentage to sales turnover, selling and distribution expenses maintained at 1.9% for both years. Administration expenses decreased by 7.8% to HK\$108.7 million. As a percentage to sales turnover, administration expenses decreased from 8.9% to 8.3% compared to last year.

On 29 December 2015, the Group entered into a sale and purchase agreement with an independent third party to disposal of a property, namely, all that 12th floor of Zung Fu Industrial Building, 1067 King's Road, Hong Kong at a cash consideration of HK\$179.0 million. In addition, pursuant to the agreement, upon completion of the transaction, the Group continues to occupy the property by entering into a tenancy agreement with the Purchaser in respect of the Property for three years commencing from the date of completion, 3 March 2016. This sale and leaseback arrangement resulted in a gain of HK\$110.8 million recognised in the year ended 31 March 2016. Amortization of deferred income arising thereof for the year ended 31 March 2018 was HK\$19.3 million (2017: HK\$19.3 million).

The investment property located in Wanchai, Hong Kong was revaluated at HK\$281 million at 31 March 2018 (2017: HK\$250.8 million) giving rise to an increase in fair value of HK\$30.2 million in the consolidated statement of profit or loss and other comprehensive income.

Net Profit for the year decreased by 35.9% to HK\$46.8 million (2017: HK\$72.9 million). Net profit margin decreased from 5.5% to 3.6% compared to last year.

PROSPECTS

It is impossible to predict how the on-going trade dispute among China and US and the European Union would affect the global economy. The impact on Allan and our customers are therefore unknown yet. As such, we expect the business environment to be highly volatile and full of many challenges. We expect the adverse conditions of rising raw material costs, shortage in skilled labour, rising manufacturing costs and currency fluctuations would continue. On top of this, we are recently facing the issue of a sudden increase in leadtime and limited supply in certain electronic components. This will inevitably drive up the costs of these electronic components and will cause delay in our delivery schedules to our customers. We are currently working closely with our customers and suppliers to mitigate the negative impact.

All in all, 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 and efficient through automation, manpower streamlining and process improvements. We would invest in our engineering and R&D capabilities to offer total project management with unique and innovative product platforms to our customers. Stringent cost and expense control, productivity efficiency improvements, persistence in quality products and engineering and R&D capabilities would continue to be our focus and top priorities. We continue to seek growth opportunities through new customers and new product categories. 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 2018, the Group had total assets of HK\$1,587.4 million (2017: HK\$1,608.2 million) which was financed by current liabilities of HK\$405.4 million (2017: HK\$417.9 million), long-term liabilities, deferred income and taxation of HK\$44.0 million (2017: HK\$72.1 million) and shareholders' equity of HK\$1,138.0 million (2017: HK\$1,118.2 million).

The Group continued to maintain a strong financial position and a healthy liquidity position. As at 31 March 2018, the Group held HK\$597.0 million (2017: HK\$731.3 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 2018, the Group generated net cash outflow from operating activities of HK\$32.4 million (2017: inflow HK\$152.4 million). As at the same date, total borrowings were HK\$41.4 million (2017: HK\$46.5 million) and the gearing ratio (ratio of total borrowings to shareholders' equity) was 3.6% (2017: 4.2%).

We continue to apply stringent control over the working capital cycle. The inventory balance as at 31 March 2018 increased from HK\$88.2 million to HK\$98.9 million. Inventory turnover increased from 26 days to 29 days compared to last year. The trade receivables balance as at 31 March 2018 increased from HK\$254.2 million to HK\$289.0 million. Trade receivables turnover increased from 70 days to 81 days compared to last year. The trade payables balance as at 31 March 2018 increased from HK\$188.7 million to HK\$193.2 million. Trade payables turnover decreased from 61 days to 60 days.

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, 2018, the group invested HK\$32 million (2017: HK\$22 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 2018, the Group employed approximately 3,440 employees (2017: 3,770). 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 2018 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, neither the non-executive director nor 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 2018, 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.

Certain independent non-executive directors and non-executive director did not attend the annual general meeting of the Company held on 15 August 2017 due to other business engagements.

Code Provision E.1.2

Under this code provision, the chairman of the audit committee should attend the annual general meeting.

The Chairman of the Audit Committee had not attended the annual general meeting of the Company held on 15 August 2017. The Chairman will endeavour to attend all future annual general meetings of the Company unless unexpected or special circumstances prevent them from doing so.

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 2018.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 March 2018, 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 2018. The Audit Committee currently comprises three independent non-executive directors, namely Dr. Chan How Chun, Rita, 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 2018 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.hkex.com.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.

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, 28 June 2018

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, Mr. Cheung Pui and Dr. Cheung Shu Sang, William. The Non-Executive Director is Mr. Cheung Lun (Honorary Chairman). The Independent Non-Executive Directors are Dr. Chan How Chun, Rita, Mr. Lai Ah Ming, Leon and Professor Lo Chung Mau.