

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### *Executive Directors*

Ms. Cheung Lai Chun, Maggie (*Chairman*)

Mr. Cheung Shu Wan (*Managing Director*)

Ms. Cheung Lai See, Sophie

Mr. Cheung Pui

Dr. Cheung Shu Sang, William

### *Non-Executive Director*

Mr. Cheung Lun (*Honorary Chairman*)

### *Independent Non-Executive Directors*

Dr. Chan How Chun, Rita

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, Rita\*

Mr. Lai Ah Ming, Leon

Professor Lo Chung Mau

## Remuneration Committee

Mr. Lai Ah Ming, Leon\*

Dr. Chan How Chun, Rita

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 BANKER

The Hongkong and Shanghai

Banking Corporation Limited

## SHARE REGISTRARS AND TRANSFER OFFICE

Estera 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

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Wanchai

Hong Kong

## REGISTERED OFFICE

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Bermuda

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## STOCK CODE

684

\* Chairman of the relevant Board Committee

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**TO THE BOARD OF DIRECTORS OF ALLAN INTERNATIONAL HOLDINGS LIMITED**

*(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 comprises the condensed consolidated statement of financial position as of 30 September 2017 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 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 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 Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

## **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

28 November 2017

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

		Six months ended 30 September	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
	NOTES		
Revenue	3	<b>695,883</b>	696,649
Cost of sales		<b>(626,262)</b>	(595,731)
Gross profit		<b>69,621</b>	100,918
Other income	4	<b>13,969</b>	14,100
Other gains and losses		<b>1,249</b>	(508)
Selling and distribution expenses		<b>(12,593)</b>	(12,902)
Administrative expenses		<b>(55,252)</b>	(61,870)
Gain from changes in fair value of investment properties		<b>3,000</b>	600
Finance costs on bank loans		<b>(273)</b>	(368)
Profit before tax		<b>19,721</b>	39,970
Income tax expense	5	<b>(2,310)</b>	(5,412)
Profit for the period	6	<b>17,411</b>	34,558
<b>Other comprehensive income (expense):</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences arising on translating foreign operations		<b>5,563</b>	(7,140)
Net fair value gain on available-for-sale investments		<b>640</b>	469
Reclassified to profit or loss upon redemption of available-for-sale investments		<b>237</b>	5
Other comprehensive income (expense) for the period		<b>6,440</b>	(6,666)
Total comprehensive income for the period		<b>23,851</b>	27,892
Earnings per share	7		
Basic		<b>HK5.19 cents</b>	HK10.30 cents

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017

		30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
	<i>NOTES</i>		
<b>Non-current assets</b>			
Investment properties	<i>9</i>	<b>253,800</b>	250,800
Property, plant and equipment	<i>10</i>	<b>176,838</b>	179,602
Prepaid lease payments		<b>23,332</b>	22,994
Club debentures		<b>13,176</b>	13,176
Available-for-sale investments	<i>11</i>	<b>59,825</b>	17,010
Financial assets designated at fair value through profit or loss ("FVTPL")	<i>12</i>	<b>1,939</b>	1,920
Deposits paid for acquisition of property, plant and equipment		<b>2,957</b>	1,879
		<b>531,867</b>	487,381
<b>Current assets</b>			
Inventories		<b>103,524</b>	88,210
Trade receivables and bills receivable	<i>13</i>	<b>332,718</b>	254,189
Other receivables		<b>28,712</b>	22,157
Mould deposits paid		<b>9,767</b>	14,295
Prepaid lease payments		<b>668</b>	677
Available-for-sale investments	<i>11</i>	<b>4,442</b>	8,548
Tax recoverable		<b>1,376</b>	1,441
Short-term deposits		<b>111,602</b>	213,362
Bank balances and cash		<b>550,688</b>	517,924
		<b>1,143,497</b>	1,120,803

		<b>30 September 2017 (Unaudited) HK\$'000</b>	31 March 2017 (Audited) HK\$'000
	<i>NOTES</i>		
Current liabilities			
Trade payables	14	<b>270,810</b>	188,658
Other payables and accruals		<b>136,885</b>	122,885
Deferred income		<b>19,252</b>	19,252
Mould deposits received		<b>43,242</b>	41,213
Tax liabilities		<b>41,190</b>	40,734
Secured bank loans			
– due within one year		<b>5,124</b>	5,124
		<b>516,503</b>	417,866
Net current assets		<b>626,994</b>	702,937
Total assets less current liabilities		<b>1,158,861</b>	1,190,318
Non-current liabilities			
Deferred tax liabilities		<b>5,170</b>	13,069
Deferred income		<b>8,022</b>	17,649
Secured bank loans			
– due after one year		<b>38,847</b>	41,409
		<b>52,039</b>	72,127
Net assets		<b>1,106,822</b>	1,118,191
Capital and reserves			
Share capital	15	<b>33,543</b>	33,543
Reserves		<b>1,073,279</b>	1,084,648
		<b>1,106,822</b>	1,118,191

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2016 (audited)	33,543	109,884	793	(487)	27,065	112,370	890,666	1,173,834
Profit for the period	-	-	-	-	-	-	34,558	34,558
Exchange differences arising on translation	-	-	-	-	(7,140)	-	-	(7,140)
Net gain on revaluation of available-for-sale investments	-	-	-	469	-	-	-	469
Cumulative loss reclassified to profit or loss on redemption of available-for-sale investments	-	-	-	5	-	-	-	5
Other comprehensive income (expense) for the period	-	-	-	474	(7,140)	-	-	(6,666)
Total comprehensive income (expense) for the period	-	-	-	474	(7,140)	-	34,558	27,892
Dividends recognised as distribution (note 8)	-	-	-	-	-	(112,370)	-	(112,370)
At 30 September 2016 (unaudited)	33,543	109,884	793	(13)	19,925	-	925,224	1,089,356
Profit for the period	-	-	-	-	-	-	38,389	38,389
Exchange differences arising on translation	-	-	-	-	(2,915)	-	-	(2,915)
Net gain on revaluation of available-for-sale investments	-	-	-	45	-	-	-	45
Cumulative loss reclassified to profit or loss on redemption of available-for-sale investments	-	-	-	25	-	-	-	25
Other comprehensive income (expense) for the period	-	-	-	70	(2,915)	-	-	(2,845)
Total comprehensive income (expense) for the period	-	-	-	70	(2,915)	-	38,389	35,544
Dividend proposed for 2017	-	-	-	-	-	35,220	(35,220)	-
Dividend recognised as distribution (note 8)	-	-	-	-	-	-	(6,709)	(6,709)
At 31 March 2017 (audited)	33,543	109,884	793	57	17,010	35,220	921,684	1,118,191
Profit for the period	-	-	-	-	-	-	17,411	17,411
Exchange difference arising on translation	-	-	-	-	5,563	-	-	5,563
Net gain on revaluation of available-for-sale investments	-	-	-	640	-	-	-	640
Cumulative loss reclassified to profit or loss on redemption of available-for-sale investments	-	-	-	237	-	-	-	237
Other comprehensive income for the period	-	-	-	877	5,563	-	-	6,440
Total comprehensive income for the period	-	-	-	877	5,563	-	17,411	23,851
Dividend recognised as distribution (note 8)	-	-	-	-	-	(35,220)	-	(35,220)
At 30 September 2017 (unaudited)	33,543	109,884	793	934	22,573	-	939,095	1,106,822

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Net cash from operating activities	<b>24,095</b>	94,402
Net cash from investing activities		
Withdrawal of short-term deposits	<b>228,268</b>	234,008
Proceeds on redemption of available-for-sale investments	<b>11,323</b>	2,550
Interest received	<b>1,331</b>	1,277
Proceeds on disposal of property, plant and equipment	<b>248</b>	92
Placement in short-term deposits	<b>(126,508)</b>	(107,611)
Purchase of property, plant and equipment	<b>(15,016)</b>	(6,548)
Purchase of available-for-sale investments	<b>(49,392)</b>	(9,009)
Deposits paid for acquisition of property, plant and equipment	<b>(2,957)</b>	(8,227)
	<b>47,297</b>	106,532
Net cash used in financing activities		
Dividends paid	<b>(35,220)</b>	(112,370)
New bank loan raised	–	17,050
Repayment of bank loans	<b>(2,562)</b>	(23,312)
Interest paid	<b>(273)</b>	(368)
	<b>(38,055)</b>	(119,000)
Net increase in cash and cash equivalents	<b>33,337</b>	81,934
Cash and cash equivalents at beginning of the period	<b>517,924</b>	424,879
Effect of foreign exchange rate changes	<b>(573)</b>	(1,849)
Cash and cash equivalents at end of the period, represented by bank balances and cash	<b>550,688</b>	504,964



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

## 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 certain investment properties and financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2017.

## **Application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)**

In the current interim period, the Group has applied, for the first time, certain amendments to HKFRSs issued by the HKICPA that are mandatorily effective for the current interim period.

The application of those 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. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 March 2018.

The Group has not early applied any new or amendments to standards that have been issued at the date of these condensed consolidated financial statements are authorised for issuance but are not yet effective.

### **3. REVENUE AND SEGMENT INFORMATION**

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

Information reported to the Company’s executive directors, the chief operating decision maker (“CODM”), 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, America sales, Asia sales and other regions 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. During the six months ended 30 September 2017, the Group had no material change in segment assets and segment liabilities.

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 2017*

	Europe (Unaudited) HK\$'000	America (Unaudited) HK\$'000	Asia (Unaudited) HK\$'000	Other regions (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue ( <i>Note a</i> )	359,240	158,078	157,460	21,105	695,883
Segment profit	17,906	7,879	7,849	1,052	34,686
Other gains and losses (except net foreign exchange gain)					(260)
Depreciation (except moulds)					(23,217)
Gain from changes in fair value of investment properties					3,000
Finance costs on bank loans					(273)
Unallocated income and expenses, net ( <i>Note b</i> )					5,785
Profit before tax					19,721

Six months ended 30 September 2016

	Europe (Unaudited) HK\$'000	America (Unaudited) HK\$'000	Asia (Unaudited) HK\$'000	Other regions (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue ( <i>Note a</i> )	347,982	168,297	165,722	14,648	696,649
Segment profit	32,316	15,629	15,390	1,361	64,696
Other gains and losses (except net foreign exchange loss)					(108)
Depreciation (except moulds)					(29,394)
Gain from changes in fair value of investment properties					600
Finance costs on bank loans					(368)
Unallocated income and expenses, net ( <i>Note b</i> )					4,544
Profit before tax					39,970

*Notes:*

- (a) The allocation of segment revenue is determined based on destinations of shipment of products.
- (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 net foreign exchange gain(loss)), depreciation (except for moulds), gain from changes in fair value of investment properties and finance costs on bank loans. 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. OTHER INCOME

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Rental income	2,342	2,355
Interest on bank deposits	815	1,146
Amortisation of deferred income	9,627	9,626
Building management fee income	383	334
Interest on available-for-sale investments	516	131
Others	286	508
	<b>13,969</b>	14,100

#### 5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	867	3,223
PRC Enterprise Income Tax	1,525	2,105
PRC withholding tax on dividends distributed by subsidiaries	7,817	–
	<b>10,209</b>	5,328
Deferred taxation	(7,899)	84
	<b>2,310</b>	5,412

## 6. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period has been arrived at after (crediting) charging:		
Net gain from changes in fair value of financial assets designated at FVTPL	(19)	(300)
Cumulative loss reclassified from other comprehensive income to profit or loss on redemption of available-for-sale investments	237	5
Release of prepaid lease payments	344	344
Depreciation on property, plant and equipment	24,832	31,579
Net foreign exchange (gain) loss	(1,509)	400
Loss (gain) on disposal of property, plant and equipment	38	(13)
Write-off of property, plant and equipment	4	416
Cost of inventories	626,262	595,731
Minimum lease payments paid during the period under operating leases in respect of rental premises	1,052	1,051

## 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:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2017</b>	2016
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	<b>17,411</b>	34,558

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2017</b>	2016
	<b>(Unaudited)</b>	(Unaudited)
	<b>Number</b>	Number
	<b>of shares</b>	of shares
	<b>'000</b>	'000
Number of ordinary shares for the purpose of basic earnings per share	<b>335,433</b>	335,433

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

## 8. DIVIDENDS

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividends recognised as distribution during the period		
2017 final dividend of HK10.5 cents (2016: HK5.5 cents for 2016 final dividend) per ordinary share	35,220	18,449
2016 special dividend of HK28 cents per ordinary share	–	93,921
	<b>35,220</b>	<b>112,370</b>

Subsequent to 30 September 2017, the board of directors has declared that an interim dividend of HK2.0 cents per share (2016: HK2.0 cents per share) amounting to HK\$6,709,000 in aggregate (2016: HK\$6,709,000) will be paid on 18 January 2018 to the shareholders of the Company whose names appear on the Register of Members on 22 December 2017.

## 9. INVESTMENT PROPERTIES

The Group's investment properties as at the end of the current interim period were fair valued by RHL Appraisal Ltd., a firm of independent qualified professional surveyor not connected with the Group. The fair value was determined based on the direct comparison method by reference to market evidence of transaction prices for similar properties in the same locations and conditions. The resulting increase in fair value of investment properties of HK\$3,000,000 (six months ended 30 September 2016: HK\$600,000) had been recognised directly in profit or loss for the six months ended 30 September 2017.



## **10. PROPERTY, PLANT AND EQUIPMENT**

During the current interim period, the Group's additions on property, plant and equipment were approximately HK\$16,895,000 (six months ended 30 September 2016: HK\$6,656,000). The additions mainly comprised HK\$1,786,000 spent on plant and machinery (six months ended 30 September 2016: HK\$1,510,000), HK\$460,000 spent on motor vehicles (six months ended 30 September 2016: HK\$1,060,000), HK\$1,184,000 spent on furniture, fixtures and equipment (six months ended 30 September 2016: HK\$1,679,000), HK\$1,596,000 spent on moulds and tools (six months ended 30 September 2016: HK\$791,000) and HK\$11,869,000 spent on construction in progress (six months ended 30 September 2016: HK\$1,616,000). No material disposal of property, plant and equipment was made during both periods.

## **11. AVAILABLE-FOR-SALE INVESTMENTS**

Available-for-sale investments represent investment in investment funds and listed debt securities. These investments are stated at fair values at the end of each reporting period.

As at 30 September 2017, the Group had HK\$4,442,000 available-for-sale investments classified as current assets (31 March 2017: HK\$8,548,000) which will be matured and redeemed within twelve months from the end of the reporting period.

## **12. FINANCIAL ASSETS DESIGNATED AT FVTPL**

Investment in investment funds represent pool investments, comprising equity and debts securities in various markets and redeemable at the directors' discretion. As at 30 September 2017, the directors of the Company 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 stated at fair value at the end of each reporting period.

### 13. TRADE RECEIVABLES AND BILLS RECEIVABLE

The Group maintains defined credit period up to 90 days to its trade customers. The following is an analysis of trade receivables and bills receivable by age, presented based on the invoice date, which approximates the respective revenue recognition date:

	<b>30 September 2017 (Unaudited) HK\$'000</b>	31 March 2017 (Audited) HK\$'000
0 – 90 days	<b>315,540</b>	242,740
91 – 120 days	<b>15,801</b>	8,861
> 120 days	<b>1,377</b>	2,588
	<b>332,718</b>	254,189

### 14. TRADE PAYABLES

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

	<b>30 September 2017 (Unaudited) HK\$'000</b>	31 March 2017 (Audited) HK\$'000
0 – 90 days	<b>240,638</b>	183,779
91 – 120 days	<b>24,137</b>	4,009
> 120 days	<b>6,035</b>	870
	<b>270,810</b>	188,658

## 15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 April 2016, 30 September 2016, 1 April 2017 and 30 September 2017	600,000,000	60,000
Issued and fully paid:		
At 1 April 2016, 30 September 2016, 1 April 2017 and at 30 September 2017	335,432,520	33,543

## 16. CAPITAL COMMITMENTS

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (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	920	765
– construction of a factory plant	11,401	20,321
	12,321	21,086

## 17. RELATED PARTY TRANSACTIONS

- a) **Rental expenses paid or payable by the Group to the related parties are as follows:**

	<b>Six months ended 30 September</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
<b>Immediate holding company</b>		
Allan Investment Company Limited	<b>450</b>	450
<b>Fellow subsidiaries</b>		
Income Village Limited	<b>102</b>	102
Fair Pacific Limited	<b>492</b>	492

- b) During the current interim period, the emoluments paid to the directors amounted to HK\$7,414,000 (six months ended 30 September 2016: HK\$8,542,000). There is no key management personnel other than the directors of the Company.

## 18. 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 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 2017	31 March 2017		
Investment funds classified as available-for-sales investments	<b>HK\$20,561,000</b>	HK\$12,331,000	Level 2	Redemption value quoted by the relevant investment funds with reference to the underlying assets of the funds
Listed debt securities classified as available-for-sales investments	<b>HK\$43,706,000</b>	HK\$13,227,000	Level 1	Quoted bid prices in an active market
Investment funds classified as financial assets designated at FVTPL	<b>HK\$1,939,000</b>	HK\$1,920,000	Level 2	Redemption value quoted by the relevant investment funds with reference to the underlying assets (mainly listed securities and debt securities issued by listed entities) of the funds

There were no transfers between Level 1 and 2 during the 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 September 2017, the Group's sales turnover decreased by 0.1% to HK\$695,883,000 (2016: HK\$696,649,000) and the consolidated net profit decreased by 50% to HK\$17,411,000 (2016: HK\$34,558,000). Basic earnings per share of the Group for the six months ended 30 September 2017 was HK5.19 cents (2016: HK10.30 cents). The Board of Directors has resolved that an interim dividend of HK2.0 cents (2016: HK\$2.0 cents) per share would be paid on 18 January 2018 to shareholders registered on 22 December 2017.

### 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 2017, sales turnover decreased very slightly to HK\$695,883,000. Sales turnover to Europe increased by 3% to HK\$359,240,000 representing 51% of the Group's sales turnover. Sales turnover to America decreased by 6% to HK\$158,078,000 representing 23% of the Group's sales turnover. Sales turnover to Asia decreased by 5% to HK\$157,460,000 representing 23% of the Group's sales turnover. Sales turnover to other markets increased by 44% to HK\$21,105,000 representing 3% of the Group's sales turnover.

Gross profit for the six months ended 30 September 2017 decreased by 31% to HK\$69,621,000 (2016: HK\$100,918,000). Gross profit margin decreased from 14.5% to 10.0%. The decrease in gross profit margin was mainly due to the negative pricing pressure from customers, rising material costs, shortage in labour and thus higher labour costs, and the appreciation in Renminbi exchange rate.

Other income for the six months ended 30 September 2017 was HK\$13,969,000 (2016: HK\$14,100,000). An amortization of deferred income of HK\$9,627,000 (2016: HK\$9,626,000) arising from the sale and leaseback arrangement of the Group's main office at 12/F, Zung Fu Industrial Building, 1067 King's Road, Hong Kong was recorded. Since the sales price of the property was above its fair value, the excess over fair value is deferred and amortized over the lease term of three years.

We continued to apply stringent cost control measures to all aspects of our operations. Selling and distribution costs decreased by 2% to HK\$12,593,000 (2016: HK\$12,902,000). As a percentage to sales turnover, selling and distribution costs decreased slightly from 1.9% to 1.8% as compared to corresponding period last year. Administrative expenses decreased by 11% to HK\$55,252,000 (2016: HK\$61,870,000). As a percentage to sales turnover, administrative expenses decreased from 8.9% to 7.9% as compared to corresponding period last year.

Investment properties located in Wanchai, Hong Kong were revaluated at HK\$253.8 million at 30 September 2017 (31 March 2017: HK\$250.8 million), resulting in an increase in fair value of HK\$3 million for the period under review. During the same period for the previous year, there had been an increase in fair value of HK\$600,000 from the same investment properties.

Net profit decreased by 50% to HK\$17,411,000 (2016: HK\$34,558,000). Net profit margin decreased from 5.0% to 2.5% as compared to corresponding period last year.

## **PROSPECTS**

Looking ahead, the business outlook remains difficult and turbulent. Competition within the industry is extremely intense. We are facing continuous pressure for selling price reduction from our customers amidst unfavorable operating environment of rising material costs and shortage in labour.

At the operations level, we will continue to stay focused in stringent cost and expense control, productivity efficiency and product quality. We would continue to implement semi-automation, lean production and manufacturing process improvements to increase productivity and efficiency to alleviate the reliance on labour and to counteract the increase in labour related costs in the PRC. We will continue to invest in our engineering and R&D capabilities to offer total project management with unique and innovative product platforms to our customers. We will continue to seek to growth through expansion in our customer base and product base and look for new business opportunities to create greater value to our shareholders.

We are fully aware of the turbulent and challenging set of business environment. However, 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 difficult conditions to create value to our shareholders, employees and business partners.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2017, the Group had total assets of HK\$1,675,364,000 (31 March 2017: HK\$1,608,184,000) which was financed by current liabilities of HK\$516,503,000 (31 March 2017: HK\$417,866,000), long-term liabilities and deferred taxation of HK\$52,039,000 (31 March 2017: HK\$72,127,000) and shareholders' equity of HK\$1,106,822,000 (31 March 2017: HK\$1,118,191,000).

The Group continued to maintain a strong and healthy balance sheet and liquidity position. As at 30 September 2017, the Group held HK\$662,290,000 (31 March 2017: HK\$731,286,000) in cash and bank deposits. They were mainly placed in Renminbi, Hong Kong Dollar 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\$43,971,000 (31 March 2017: HK\$46,533,000) and the gearing ratio (ratio of borrowings to shareholders' equity) was 4.0% (31 March 2017: 4.2%).

We continue to apply stringent control over the working capital cycle. The inventory balance as at 30 September 2017 was HK\$103,524,000 (31 March 2017: HK\$88,210,000). Inventory turnover increased from 26 days to 28 days. The increase in inventory was mainly due to the seasonality of the sales cycle and the statutory national holidays in the PRC in the first week of October. The trade receivables and bills receivable balance as at 30 September 2017 was HK\$332,718,000 (31 March 2017: HK\$254,189,000). Trade receivables turnover increased from 70 days to 87 days. The trade payables balance as at 30 September 2017 was HK\$270,810,000 (31 March 2017: HK\$188,658,000). Trade payables turnover increased from 61 days to 79 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 six months ended 30 September 2017, the Group invested HK\$16,895,000 (2016: HK\$6,656,000) 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. 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 and Renminbi. 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 2017, the Group did not have any significant contingent liabilities.

## EMPLOYEE AND REMUNERATION POLICIES

As at 30 September 2017, the Group employed approximately 3,600 employees (2016: 3,800). 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 2017, 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:

### Long Positions in the Shares 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%

Name	Capacity	Number of ordinary shares held		Total	Approximate % of the issued share capital of the Company
		Personal Interest	Other interest		
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%
Dr. Cheung Shu Sang, William	Beneficial Owner	900,000			
	Beneficiary of trust		149,049,960 <i>(Note)</i>	149,949,960	44.70%
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, Ms. Cheung Lai See, Sophie and Dr. Cheung Shu Sang, William.

Save as disclosed above, none of the directors or chief executives, nor their associates, of the Company had, as at 30 September 2017, 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 2017, 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%
Allan Investment Company Limited	Beneficial Owner	134,821,960	40.19%
Webb, David Michael	Beneficial Owner	10,777,000	3.21%
	Held by controlled corporation	26,007,000 (Note)	7.75%
Preferable Situation Assets Limited	Beneficial Owner	26,007,000	7.75%

*Note:*

The reference to 26,007,000 shares above are held by Preferable Situation Assets Limited, a company 100% controlled by Mr. Webb, David Michael.

Save as disclosed above, as at 30 September 2017, 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 2017, no option has been granted by the Company pursuant to the Scheme.

### **CLOSURE OF REGISTER**

The Register of Shareholders will be closed from 20 December 2017 to 22 December 2017, 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 19 December 2017 in order to qualify for the interim dividend above mentioned.

### **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the six months ended 30 September 2017, 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 2017, 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 non-executive directors is appointed for a specific term. However, all non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Bye-laws of the Company, and the terms of their appointment will be reviewed when they are due for re-election. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the CG Code.

#### **The CG Code Provision A.4.2**

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

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

#### **The CG Code Provision A.5.1**

Under this code provision, 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.

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.

### **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.

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 her 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 2017. 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, 28 November 2017

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