



# Allan International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code:684)

INTERIM REPORT  
**2016/2017**

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Cheung Lun (*Chairman*)  
Mr. Cheung Shu Wan (*Managing Director*)  
Ms. Cheung Lai Chun, Maggie  
Ms. Cheung Lai See, Sophie  
Mr. Cheung Pui  
Dr. Cheung Shu Sang, William

### 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 BANKERS

The Hongkong and Shanghai  
Banking Corporation Limited

## SHARE REGISTRARS AND TRANSFER OFFICE

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

## HONG KONG BRANCH REGISTRARS AND TRANSFER OFFICE

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

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

12th Floor  
Zung Fu Industrial Building  
1067 King's Road  
Quarry Bay  
Hong Kong  
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Website: [www.allan.com.hk](http://www.allan.com.hk)

## STOCK CODE

684

\* Chairman of the relevant Board Committee

**REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****TO THE BOARD OF DIRECTORS OF ALLAN INTERNATIONAL HOLDINGS LIMITED**  
*(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 20, which comprise the condensed consolidated statement of financial position as of 30 September 2016 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 “HKICPA”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## **SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **CONCLUSION**

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

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

28 November 2016

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

For the six months ended 30 September 2016

		Six months ended 30 September	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
	NOTES		
Revenue	3	696,649	847,216
Cost of sales		(595,731)	(756,321)
Gross profit		100,918	90,895
Other income		14,100	5,545
Other gains and losses		(508)	(749)
Selling and distribution expenses		(12,902)	(16,631)
Administrative expenses		(61,870)	(66,778)
Gain from changes in fair value of investment properties		600	–
Finance costs on bank loans		(368)	(492)
Profit before tax		39,970	11,790
Income tax expense	4	(5,412)	(2,960)
Profit for the period	5	34,558	8,830
<b>Other comprehensive expense:</b>			
<b>Items that may be subsequently reclassified to profit or loss:</b>			
Exchange differences arising on translating foreign operations		(7,140)	(3,659)
Net fair value gain (loss) on available-for-sale investments		469	(779)
Reclassified to profit or loss upon redemption of available-for-sale investments		5	–
Other comprehensive expense for the period		(6,666)	(4,438)
Total comprehensive income for the period		27,892	4,392
Earnings per share	6		
Basic		<b>HK10.30 cents</b>	HK2.63 cents

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016

		30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
	<i>NOTES</i>		
<b>Non-current assets</b>			
Investment properties	8	242,600	242,000
Property, plant and equipment	9	197,066	229,057
Prepaid lease payments		23,825	24,833
Club debentures		13,681	13,866
Available-for-sale investments	10	21,075	16,031
Financial assets designated at fair value through profit or loss ("FVTPL")	11	3,795	3,495
Deposits paid for acquisition of property, plant and equipment		8,227	108
		<b>510,269</b>	529,390
<b>Current assets</b>			
Inventories		90,928	74,589
Trade receivables	12	317,412	300,729
Other receivables		26,813	29,918
Mould deposits paid		15,626	13,012
Prepaid lease payments		687	704
Available-for-sale investments	10	5,422	3,538
Tax recoverable		11,160	11,695
Short-term deposits		179,335	305,732
Bank balances and cash		504,964	424,879
		<b>1,152,347</b>	1,164,796
<b>Current liabilities</b>			
Trade payables	13	244,183	200,717
Other payables and accruals		142,770	133,242
Deferred income		19,252	19,252
Mould deposits received		40,768	26,919
Tax payable		35,130	33,261
Secured bank loans			
– due within one year		6,972	10,672
		<b>489,075</b>	424,063

	<b>30 September 2016 (Unaudited) HK\$'000</b>	31 March 2016 (Audited) HK\$'000
	<i>NOTES</i>	
Net current assets	<b>663,272</b>	740,733
Total assets less current liabilities	<b>1,173,541</b>	1,270,123
Non-current liabilities		
Deferred tax liabilities	<b>12,939</b>	12,855
Deferred income	<b>27,275</b>	36,901
Secured bank loans – due after one year	<b>43,971</b>	46,533
	<b>84,185</b>	96,289
Net assets	<b>1,089,356</b>	1,173,834
Capital and reserves		
Share capital	<b>33,543</b>	33,543
Reserves	<b>1,055,813</b>	1,140,291
	<b>1,089,356</b>	1,173,834

14

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	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 2015 (audited)	33,543	109,884	793	193	33,473	25,157	872,412	1,075,455
Profit for the period	-	-	-	-	-	-	8,830	8,830
Exchange differences arising on translating foreign operations	-	-	-	-	(3,659)	-	-	(3,659)
Net loss on revaluation of available-for-sale investments	-	-	-	(779)	-	-	-	(779)
Other comprehensive expense for the period	-	-	-	(779)	(3,659)	-	-	(4,438)
Total comprehensive (expense) income for the period	-	-	-	(779)	(3,659)	-	8,830	4,392
Dividends recognised as distribution (note 7)	-	-	-	-	-	(25,157)	-	(25,157)
At 30 September 2015 (unaudited)	33,543	109,884	793	(586)	29,814	-	881,242	1,054,690
Profit for the period	-	-	-	-	-	-	126,826	126,826
Exchange differences arising on translating foreign operations	-	-	-	-	(2,749)	-	-	(2,749)
Net gain on revaluation of available-for-sale investments	-	-	-	52	-	-	-	52
Cumulative loss reclassified to profit or loss upon disposal of available-for-sale investments	-	-	-	47	-	-	-	47
Other comprehensive income (expense) for the period	-	-	-	99	(2,749)	-	-	(2,650)
Total comprehensive income (expense) for the period	-	-	-	99	(2,749)	-	126,826	124,176
Dividend proposed for 2016	-	-	-	-	-	18,449	(18,449)	-
Special dividend proposed for 2016	-	-	-	-	-	93,921	(93,921)	-
Dividends recognised as distribution (note 7)	-	-	-	-	-	-	(5,032)	(5,032)
At 31 March 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 translating foreign operations	-	-	-	-	(7,140)	-	-	(7,140)
Net gain on revaluation of available-for-sale investments	-	-	-	469	-	-	-	469
Cumulative loss reclassified to profit or loss upon 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 7)	-	-	-	-	-	(112,370)	-	(112,370)
At 30 September 2016 (unaudited)	33,543	109,884	793	(13)	19,925	-	925,224	1,089,356



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Net cash from operating activities	94,402	131,900
Net cash from investing activities		
Placement of short-term deposits	(107,611)	(39,442)
Purchase of property, plant and equipment	(6,548)	(6,149)
Purchase of available-for-sale investments	(9,009)	(4,654)
Deposits paid for acquisition of property, plant and equipment	(8,227)	(851)
Withdrawal of short-term deposits	234,008	113,883
Proceeds on redemption of available-for-sale investments	2,550	–
Proceeds on disposal of property, plant and equipment	92	183
Interest received	1,277	2,296
	<b>106,532</b>	65,266
Net cash used in financing activities		
Dividends paid	(112,370)	(25,157)
Repayment of bank loans	(23,312)	(13,170)
New bank loan raised	17,050	–
Interest paid	(368)	(492)
	<b>(119,000)</b>	(38,819)
Net increase in cash and cash equivalents	<b>81,934</b>	158,347
Cash and cash equivalents at beginning of the period	<b>424,879</b>	208,304
Effect of foreign exchange rate changes	<b>(1,849)</b>	(1,819)
Cash and cash equivalents at end of the period, represented by bank balances and cash	<b>504,964</b>	364,832

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

## 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.

Except for described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2016.

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

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied any new or revised standards 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. SEGMENT INFORMATION

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 principal activities of the Group are manufacturing of household electrical appliance. 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.

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 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)					114
Depreciation (except moulds)					(29,394)
Finance costs on bank loans					(368)
Gain from changes in fair value of investment properties					600
Unallocated income and expenses, net ( <i>Note b</i> )					4,322
Profit before tax					39,970

Six months ended 30 September 2015

	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> )	428,623	200,952	197,304	20,337	847,216
Segment profit	24,854	11,653	11,441	1,179	49,127
Other gains and losses (except net foreign exchange loss)					(126)
Depreciation (except moulds)					(33,143)
Finance costs on bank loans					(492)
Unallocated income and expenses, net ( <i>Note b</i> )					(3,576)
Profit before tax					11,790

*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 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. INCOME TAX EXPENSE

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Current tax:		
Hong Kong	3,223	202
PRC Enterprise Income Tax	2,105	2,545
	<b>5,328</b>	2,747
Deferred tax charge	84	213
	<b>5,412</b>	2,960

#### 5. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Profit for the period has been arrived at after (crediting) charging:		
Interest on bank deposits	(1,146)	(2,141)
Interest on available-for-sale investments	(131)	(155)
	<b>(1,277)</b>	(2,296)
Net (gain) loss from changes in fair value of financial assets designated at FVTPL	(300)	126
Cumulative loss reclassified from other comprehensive income to profit or loss on redemption of available-for-sale investments	5	–
Release of prepaid lease payments	344	358
Depreciation of property, plant and equipment	31,579	35,193
Net foreign exchange loss	400	680
Gain on disposal of property, plant and equipment	(13)	(183)
Write-off of property, plant and equipment	416	126
Amortisation of deferred income	(9,626)	–

## 6. EARNINGS PER SHARE

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<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>34,558</b>	8,830

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<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.

## 7. DIVIDENDS

	Six months ended	
	30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividends recognised as distribution during the period		
2016 final dividend of HK5.5 cents (2015: HK7.5 cents for 2015 final dividend) per ordinary share	18,449	25,157
2016 special dividend of HK28 cents (2015: nil) per ordinary share	93,921	–
	<b>112,370</b>	25,157

Subsequent to 30 September 2016, the board of directors has determined that a dividend of HK2.0 cents per share (2015: HK1.5 cents per share) shall be paid on 16 January 2017 to the shareholders of the Company whose names appear on the Register of Members on 23 December 2016 as interim dividend for the current financial year. The aggregate amount of the interim dividend amounted to approximately HK\$6,709,000 (2015: HK\$5,032,000).

## 8. INVESTMENT PROPERTIES

The Group's investment properties as at the end of the current interim period were fair valued by RHL Appraisal Ltd., an independent qualified professional surveyor not connected with the Group. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties. The resulting increase in fair value of investment properties of HK\$600,000 (six months ended 30 September 2015: nil) has been recognised directly in profit or loss for the six months ended 30 September 2016.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group's additions on property, plant and equipment were approximately HK\$6,656,000 (six months ended 30 September 2015: HK\$9,116,000). The acquisitions mainly comprised HK\$1,510,000 spent on plant and machinery (six months ended 30 September 2015: HK\$3,623,000), HK\$1,060,000 spent on motor vehicles (six months ended 30 September 2015: HK\$535,000) and HK\$1,679,000 spent on furniture, fixtures and equipment (six months ended 30 September 2015: HK\$3,212,000). No material disposal of property, plant and equipment was made during both periods.

## 10. AVAILABLE-FOR-SALE INVESTMENTS

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

As at 30 September 2016, the Group had HK\$5,422,000 available-for-sale investments classified as current assets (31 March 2016: HK\$3,538,000) which will be matured and redeemed within twelve months from the end of the reporting period.

## 11. FINANCIAL ASSETS DESIGNATED AT FVTPL

Financial assets designated at FVTPL represent unlisted investment funds being disposable at the director's discretion. As at 30 September 2016, the directors intended to hold these investments at least in the coming twelve months from the end of the reporting period and therefore they are classified as non-current assets.

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

## 12. TRADE RECEIVABLES

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

	<b>30 September 2016 (Unaudited) HK\$'000</b>	31 March 2016 (Audited) HK\$'000
0 – 90 days	<b>295,576</b>	283,211
91 – 120 days	<b>19,213</b>	17,518
Over 120 days	<b>2,623</b>	–
	<b>317,412</b>	300,729



### 13. TRADE PAYABLES

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

	<b>30 September 2016 (Unaudited) HK\$'000</b>	31 March 2016 (Audited) HK\$'000
0 – 90 days	<b>215,454</b>	169,911
91 – 120 days	<b>21,504</b>	27,397
Over 120 days	<b>7,225</b>	3,409
	<b>244,183</b>	200,717

### 14. SHARE CAPITAL

	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 April 2015, 30 September 2015, 1 April 2016 and 30 September 2016	<u>600,000,000</u>	<u>60,000</u>
Issued and fully paid:		
At 1 April 2015, 30 September 2015, 1 April 2016 and at 30 September 2016	<u>335,432,520</u>	<u>33,543</u>

## 15. CAPITAL COMMITMENTS

	<b>30 September 2016 (Unaudited) HK\$'000</b>	31 March 2016 (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	<b>28,853</b>	838

## 16. 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 2016 HK\$'000</b>	2015 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\$8,542,000 (six months ended 30 September 2015: HK\$6,539,000). There is no key management personnel other than the directors of the Company.

## 17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	30 September 2016	31 March 2016		
Available-for-sale investments	<b>Investment in unlisted investment funds</b> HK\$11,926,000	Investment in unlisted investment funds HK\$11,356,000	Level 3	Net asset value of the investment fund ( <i>Note a</i> )
Available-for-sale Investments	<b>Investment in unlisted debt securities</b> HK\$1,002,000	Investment in unlisted debt securities HK\$3,538,000	Level 3	Discounted cash flow ( <i>Note b</i> )

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	30 September 2016	31 March 2016		
Available-for-sale Investments	<b>Investment in listed debt securities</b> <b>HK\$13,569,000</b>	Investment in listed debt securities HK\$4,675,000	Level 1	Quoted bid prices in an active market
Financial assets designated at FVTPL	<b>Investment in unlisted investment funds</b> <b>HK\$3,795,000</b>	Investment in unlisted investment funds HK\$3,495,000	Level 3	Net asset value of the investment fund ( <i>Note a</i> )

*Note a:* The key unobservable inputs used in the determination of fair value of the investment funds is the net asset value per unit of the investment funds which range from HK\$112 to HK\$76,915 (31 March 2016: HK\$103 to HK\$74,017) per unit, provided by the financial institution.

*Note b:* The key unobservable inputs are expected yields to maturity of the unlisted debt securities which reflects the credit risks of the issuers. The weighted average yield to maturity of the unlisted debt securities as at 30 September 2016 is 9.39% (31 March 2016: 5.51%).

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

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

## Reconciliation of Level 3 fair value measurements of financial assets

	Available- for-sale investments HK\$'000	Financial assets designated at FVTPL HK\$'000
At 1 April 2016 (audited)	14,894	3,495
Total gains (losses):		
– in profit or loss	(5)	300
– in other comprehensive income	589	–
Proceeds from redemptions	(2,550)	–
	<hr/>	<hr/>
At 30 September 2016 (unaudited)	12,928	3,795

Of the total gains or losses for the period included in profit or loss, gains of HK\$300,000 relates to financial assets designated at FVTPL held at the end of the current reporting period. Fair value gains or losses on financial assets designated at FVTPL are included in “other gains and losses”.

Included in other comprehensive income for the current interim period is gains of HK\$589,000 related to unlisted investment fund and debt securities classified as available-for-sale investments held at the end of the current interim period and is reported as changes of “investment revaluation reserve”.

### Fair value measurements and valuation processes

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 September 2016, the Group's sales turnover decreased by 18% to HK\$696,649,000 (2015: HK\$847,216,000) and the consolidated net profit increased by 291% to HK\$34,558,000 (2015: HK\$8,830,000). Basic earnings per share of the Group for the six months ended 30 September 2016 was HK10.30 cents (2015: HK2.63 cents). The Board of Directors has resolved that an interim dividend of HK2.0 cents (2015: HK\$1.5 cents) per share would be paid on 16 January 2017 to shareholders registered on 23 December 2016.

## 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 2016, sales turnover decreased by 18% to HK\$696,649,000. Demands continue to be weak across all markets. Sales turnover to Europe decreased by 19% to HK\$347,982,000 representing 50% of the Group's sales turnover. Sales turnover to America decreased by 16% to HK\$168,297,000 representing 24% of the Group's sales turnover. Sales turnover to Asia decreased by 16% to HK\$165,722,000 representing 24% of the Group's sales turnover. Sales turnover to other markets decreased by 28% to HK\$14,648,000 representing 2% of the Group's sales turnover.

Gross profit for the six months ended 30 September 2016 increased by 11% to HK\$100,918,000 (2015: HK\$90,895,000). Gross profit margin increased from 10.7% to 14.5%. The improvement in gross profit margin was mainly due to the stabilized material costs and depreciation in Renminbi.

Other income for the six months ended 30 September 2016 increased to HK\$14,100,000 (2015: HK\$5,545,000). The increase was mainly due to an amortization of deferred income of 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. 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 22% to HK\$12,902,000 (2015: HK\$16,631,000). As a percentage to sales turnover, selling and distribution costs decreased slightly from 2.0% to 1.9% as compared to corresponding period last year. Administrative expenses decreased by 7.3% to HK\$61,870,000 (2015: HK\$66,778,000). As a percentage to sales turnover, administrative expenses increased from 7.9% to 8.9% as compared to corresponding period last year.

The investment property located in Wanchai, Hong Kong was revaluated at HK\$242.6 million at 30 September 2016 (31 March 2016: HK\$242.0 million), resulting in an increase in fair value of HK\$600,000 for the period under review. During the same period for the previous year, there had been no change in fair value from the same investment property.

Net profit increased by 291% to HK\$34,558,000 (2015: HK\$8,830,000). Net profit margin increased from 1.0% to 5.0% as compared to corresponding period last year.

## **PROSPECTS**

Looking ahead, the global business environment will be highly unpredictable and challenging. The impact and the interplay arising from the recent US president election, the expected rise in interest rates, the devaluation in Renminbi, the Brexit and the possibility of other European Union countries following UK's decision to exit the European Union remains to be seen.

We will continue to focus in stringent cost and expense control, product quality and productivity efficiency. We will stay alert in monitoring the material costs as we have already noticed a rising trend recently within the past month. 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. Besides, we will also vigorously 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 2016, the Group had total assets of HK\$1,662,616,000 (31 March 2016: HK\$1,694,186,000) which was financed by current liabilities of HK\$489,075,000 (31 March 2016: HK\$424,063,000), long-term liabilities and deferred taxation of HK\$84,185,000 (31 March 2016: HK\$96,289,000) and shareholders' equity of HK\$1,089,356,000 (31 March 2016: HK\$1,173,834,000).

The group continued to maintain a strong and healthy balance sheet and liquidity position. As at 30 September 2016, the Group held HK\$684,299,000 (31 March 2016: HK\$730,611,000) in cash and bank deposits. They were mainly placed in Renminbi and HK 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\$50,943,000 (31 March 2016: HK\$57,205,000) and the gearing ratio (ratio of borrowings to shareholders' equity) was 4.7% (31 March 2016: 4.9%).

We continue to apply stringent control over the working capital cycle. The inventory balance as at 30 September 2016 was HK\$90,928,000 (31 March 2016: HK\$74,589,000). Inventory turnover increased from 24 days to 25 days. The trade receivables balance as at 30 September 2016 was HK\$317,412,000 (31 March 2016: HK\$300,729,000). Trade receivables turnover increased from 70 days to 83 days. The trade payables balance as at 30 September 2016 was HK\$244,183,000 (31 March 2016: HK\$200,717,000). Trade payables turnover increased from 53 days to 75 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 2016, the Group invested HK\$6,656,000 (2015: HK\$9,116,000) 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 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.

## **CONTINGENT LIABILITIES**

As at 30 September 2016, the Group did not have any significant contingent liabilities.



## EMPLOYEE AND REMUNERATION POLICIES

As at 30 September 2016, the Group employed approximately 3,800 employees (2015: 4,600). 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 2016, 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%
Ms. Cheung Lai Chun, Maggie	Beneficial Owner	600,000			
	Beneficiary of trust		149,049,960 <i>(Note)</i>	149,649,960	44.61%

Name	Capacity	Number of ordinary shares held		Total	Approximate % of the issued share capital of the Company
		Personal Interest	Other interest		
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 2016, 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 2016, 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 2016, 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 2016, no option has been granted by the Company pursuant to the Scheme.

### **CLOSURE OF REGISTER**

The Register of Shareholders will be closed from 21 December 2016 to 23 December 2016, 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 20 December 2016 in order to qualify for the interim dividend above mentioned.

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

During the six months ended 30 September 2016, there was no purchase, sale or redemption of the shares by the Company or any of its subsidiaries.

### **UPDATE ON DIRECTORS’ INFORMATION**

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the Directors’ information subsequent to the date of the 2015/2016 Annual Report of the Company are set out below:

Dr. Cheung Shu Sang William has been appointed as an Executive Director of the Company on 28 September 2016.

## **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 2016, except for the deviations herein below mentioned:

### **The CG Code Provision A.4.1**

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

Currently, none of the three independent non-executive directors (“INEDs”) is appointed for a specific term. However, all INEDs, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Bye-laws of the Company, and the terms of their appointment will be reviewed when they are due for re-election. As such, the Board considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those set out in the CG Code.

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

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

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

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

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

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

### **The CG Code Provision A.6.7**

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

Two independent non-executive directors, Dr. Chan How Chun, Rita and Professor Lo Chung Mau, did not attend the annual general meeting of the Company held on 18 August 2016 due to other business engagements.

### **THE CG CODE PROVISION E.1.2**

Under this code provision, the Chairman of the Board and the Chairman of the Audit Committee should attend the annual general meeting.

Both the Chairman of the Board and the Chairman of the Audit Committee had not attended the annual general meeting of the Company held on 18 August 2016. The Chairmen will endeavour to attend all future annual general meetings of the Company unless unexpected or special circumstances prevent them from doing so.

### **COMPLIANCE WITH MODEL CODE**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its Code of Conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have confirmed that they have complied with the required standards set out in the Model Code as provided in Appendix 10 of the Listing Rules.

## **REVIEW OF UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The Audit Committee and the external auditors have reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2016. 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 Lai See, Sophie**  
*Director*

Hong Kong, 28 November 2016

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